



2021 Popular Annual Financial Report

FISCAL YEAR ENDING JUNE 30, 2021

BOARD OF COUNTY COMMISSIONERS



Dean Jackson, Vice Chair
District 1



Rebecca Long, Chair
District 2



Gary Eidson
District 3



Jonathan Sena
District 4



Pat Sims
District 5

LEA COUNTY ELECTED OFFICIALS



Sharla Kennedy
Lea County Assessor



Keith Manes
Lea County Clerk



Sandra Goad
Lea County Probate Judge



Corey Helton
Lea County Sheriff



Susan Marinovich
Lea County Treasurer

LEA COUNTY MANAGEMENT



Mike Gallagher, PLC, ICMA-CM
County Manager



Corey Needham, P.E.
Assistant County Manager



Chip Low, CPA CCMA
Finance Director



John Caldwell
County Attorney



Craig Bova
HR Director



Angela Martinez
LCCA Director



Ruben Quintara
LCDC Warden



Edmundo Lara
Facilities Director



Robert Lathrop
Director of IT



Monica Russell
Event Center Gen Manager



Lorenzo Velasquez
Emergency Mgmt & Enviro
Services Director



Kelly Livingston
DWI & Misdemeanor
Compliance Director



Jim Kemp
Fairgrounds General
Manager



COUNTY MANAGER & FINANCE DIRECTOR MESSAGE

To the Board of Commissioners and the Citizens of Lea County New Mexico:


Lea County is pleased to submit to you this Popular Annual Financial Report (PAFR) for the fiscal year 2021. The goal is to provide the citizens of the County with an overview of the county’s financial operations in an easy to read format in order to provide a better understanding of Lea County government operations. The PAFR also provide an overview of the demographic and economic activity in Lea County.

The Finance Department has prepared this summary of the financial activities of Lea County as reported in the Annual Comprehensive Financial Report (ACFR). This PAFR includes condensed and limited information from the ACFR and therefore, is a non-GAAP (Generally Accepted Accounting Principles) presentation. The ACFR for this fiscal year was audited by Pattillo, Brown & Hill, LLP and received an unmodified (clean) opinion.


The ACFR provides a detailed look at the County’s financial position at June 30, 2021 and the results of operations for the fiscal year. The ACFR includes full financial statements and disclosures for all County funds in accordance with Generally Accepted Accounting Principles (GAAP). Anyone who desires to gain a more thorough understanding of the County’s financial position is encouraged to review the ACFR. The ACFR is available to all citizens and can be found on the County’s website at <https://www.leacounty.net/p/departments/administration/finance> or in the County Finance Office at 100 N. Main Ave., 4th Floor, Lovington, NM 88260.

The Elected Officials and staff of Lea County are committed to excellence in all areas of County operations and this PAFR reflections those accomplishments and financial results.

Sincerely,



Mike Gallagher, PLC, ICMA-CM
County Manager



Chip Low
Finance Director

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Lea County is a six time recipient of the GFOA Distinguished Budget Presentation Award



Dean Jackson
Vice Chair

District
1

District One covers northern Lea County from Crossroads and going south to northern parts of Lovington.

Commissioner Jackson came to government service by way of the Lea County Fair & Rodeo Board, filling an unexpired term by appointment, and then was reappointed to two more terms. After terming out of the fair board, he was asked to run for Lea County Board of Commissioners and took the opportunity. In the past, he has also served as vice-president of Future Farmers of America.

He notes one of his greatest accomplishments as a commissioner was helping remove the management company Spectra from the Fairgrounds and Event Center and returning county staff to those facilities. He's also proud to have worked to get more sheriff's deputies on the street.

One of Commissioner Jackson's goals is to help the State of New Mexico to understand what a gem Lea County is and to highlight how the county is a major benefactor to the state. His priorities are to run the county conservatively with taxpayers' money and to keep personal opinion and leadership opinion separate when making decisions on the county's behalf.



He feels that not taking on new burdens at the taxpayers' expense is important to that conservation.

After graduating from Lovington High School, Dean attended Texas Tech University and returned home to Lovington. Although his boot shop has been open full time since 1980, he also considers ranching to be his second job. Dean describes himself as "Lovington, born and bred," and as a fourth generation Lea Countian, he plans to always make Lovington his home. He and his beautiful wife, Kirestie (pronounced Kristy), have two sons as well as Fancy the dog. He also wants his constituents to know that they can call him at any time.



Rebecca Long
Chair

District
2

District Two begins at Avenue D in Lovington and continues south to Joe Harvey Boulevard in Hobbs.

Although this is her first publicly elected position, Commissioner Long is no stranger to public service. Past posts include her appointment to the New Mexico State Personnel Board by then-Governor Suzanna Martinez; president of Lea County Women's Network; president of Lea County Republican Women, and vice-president, president-elect, president and past president of New Mexico Counties. She currently serves on the New Mexico Counties executive board, as a representative for District 6 to the National Association of Counties and on the Environment, Energy and Land Use steering committee.



Being fiscally responsive with and responsible for taxpayers' money is one of her main priorities as a commissioner. She is especially proud of being able to help the Sheriff's Department add eighteen positions to the department and a noise ordinance established in District Two. She also believes that it is important to solve existing problems in a timely manner so as not to leave them for the next team of commissioners.

One of her most important goals entails working with other commissioners across the state to forestall upcoming bills in the state legislature that will be financially devastating to all thirty-three counties.

After graduating from Lovington High School, Rebecca attended West Texas State University, but returned home to Lovington to open her insurance agency at the age of nineteen. She relocated her agency to Hobbs a year later and has been a resident there since. She is also a patent-holding inventor. She and her husband, Steve Matlock, are proud grandparents and she enjoys spending time boating, camping and reading the occasional murder mystery. Commissioner Long is appreciative of her constituents for their support and faith in allowing her to be their representative.



Gary Eidson

District
3

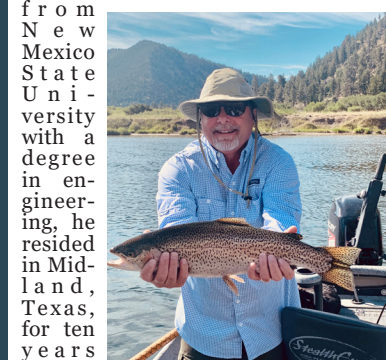
District Three covers a majority of north Hobbs, with some sections south of Bender and south of Sanger.

Commissioner Eidson history of service includes the Lea County Planning & Zoning Board, the University of the Southwest Board of Trustees, and as president of the Hobbs Municipal Schools Board of Education.

Commissioner Eidson has been especially pleased to serve as a liaison for the board of commissioners to the judicial complex building to help move the project forward. He's also proud to be involved in helping fund the Career and Technical Education (CTE) program facility.

As a commissioner, his priorities are to make sure law enforcement is well-funded and staffed, to get the judicial complex completed and occupied, and to see through the courthouse remodel. In the future, he would also like to see updates to the Lea County Event Center, help form a beneficial partnership between Lea County and CTE program and maintenance of roads.

Gary was born and raised in Hobbs and graduated from Hobbs High School. Following graduation



from New Mexico State University with a degree in engineering, he resided in Midland, Texas, for ten years before moving back to Hobbs to become part of John West Engineering. He also owns and sporting goods store that deals in guns, ammunition and custom orders. His is married and has one daughter and one son. Gary is an avid hunter, former avid golfer and enjoys action movies.

Gary wants his constituents to know that he cares about Lea County and would like to be able to make it an enjoyable place for citizens, whether that means offering more recreational opportunities or helping draw businesses to county that would help with that.



Jonathan Sena

District
4

District Four includes sections of northwest Hobbs, central Hobbs and eastern Hobbs down to McCasland Road.

Commissioner Sena interest in public service was sparked when his elementary school art teacher encouraged him to send his art project to the White House. The response he received from then-President Reagan laid the foundation for his future. He has served as an intern for Senator Pete Domenici, a travel assistant for Congressman Steve Pearce and worked with New Mexico State Representative Shirley Tyler. In 2008 he was elected to the City of Hobbs District 2 seat where he served three terms. He is currently serving his second term as a Lea County Commissioner.

The Commissioner counts upgrades to the Lea County Regional Airport, advancement of the Career and Technical Education project, funding for a veteran's memorial, funding for new fencing at Everglade Cemetery, partnering with Carlsbad on a massive road project between Lea and Eddy counties and new playground equipment at Taylor Elementary in Hobbs as some of his notable accomplishments as a county commissioner.

Commissioner Sena especially enjoys working with young people. He notes that while community projects can be challenging to initiative and complete, he is grateful to serve in the multicultural and diverse district 4.

He finds that it's important to find philosophical common ground with other commissioners to positively move forward as this facilitates leveraging resources further than any one group or entity going it alone.



While he is proud of the completion of the judicial complex, he looks forward to the renovation of the historical courthouse, upgrades and renovations to the Event Center, and continuing to move forward the County's partnership with Covenant and its clinic on north Dal Paso. While Jonathan was born in Roswell he has lived in his hometown of Hobbs since 1986 and resides with his wife Valeria and their daughter Camila. He graduated from Victory Center Christian Academy, and holds an accounting degree from University of the Southwest and MBA from Eastern New Mexico University. He has served as a youth pastor for seventeen years. Jonathan would like his constituents to know that he cares deeply for his district and county. Jonathan is here to listen to make sure their voices are heard.



Pat Sims

District
5

District Five starts near Highway 62-180 at the Eddy County line and continues to the east until Dal Paso. From there is continues south until it eventually extends to the Texas stateline and continues to the southern countyline where it borders the Texas stateline. The district is populated by small oil towns, and is predominantly oilfield service, ranching and agriculture.

Commissioner Sims first came to public service with Lea County by way of the Lea County Housing Board. He was later appointed to the Fair Board and then elected county commissioner.

He has also served in many capacities at Eunice Methodist Church, including lay leader, council chair and as a member of the finance board.

Commissioner Sims is especially proud of being able to play a part in improving entertainment at the Lea County fair during his time on the Fair board. Although he states that the acronyms used in county government sometimes present a challenge, he finds the most fulfilling part of being a commissioner is being able to directly assist citizens with any questions and requests for information in a one-on-one manner.

During his time his tenure, Commissioner Sims intends to practice responsible spending without compromising the maintenance and improvement of county roads and supporting law enforcement and fire entities. Ensuring that water systems are made more dependable and doing everything he can to keep New Mexico as the #2 oil producer in the nation are just two of his goals.

Pat was born and raised in Eunice. After spending six years living in Lubbock, he returned to Eunice and has lived there since. He graduated with honors from South Plains College, earning an associates degree in petroleum technology.

His first job was at a hardware store in Eunice. He worked on his family's ranch for several years until eventually taking on leadership of the ranch. He is also a small oil operator and invests in real estate rental.

Pat's family includes two sons, girlfriend Tonya, three corgis and a cat. In his down time, he enjoys hunting, fishing, off-road racing and racing trophy trucks in Baja Mexico.

Commissioner Sims shared that he's spends quite a bit of time being a politician, more than he realized would be involved when he was first elected. Learning the ins and outs and daily workings of government has inspired him to encourage constituents to register to vote and then follow up at the polls. He states that the strength of the county rests upon it's citizens exercising the voices, regardless of who they cast their ballot for.



BOARD OF COUNTY COMMISSIONERS



Demographics

Municipality	Population
Hobbs	51,736
Lovington	15,903
Eunice	3,056
Jal	2,333
Tatum	1,154
Total	74,455

Educational Attainment

Total Population Age 25+	41,300
High School Graduate	32%
Some College, No Degree	22%
Associate's Degree	7%
Bachelor's Degree	8%
Graduate Degree	5%

Household Income

Average Household Income	65,330
Median Household Income	50,871
Per Capita Income	23,318
Per Capita Income (BEA)	44,437
Area Median Income (HUD)	64,300

Housing

Housing Units	27,950
Owner Occupied	67%
Median Owner Cost	\$1,181
Renter Occupied	33%
Median Gross Rent	\$895

Top 5 Industry Wages

Weekly Average	
Utilities	\$1,631
Manufacturing	\$1,615
Mgmt of Companies	\$1,411
Transportation & Storage	\$1,295
Mining	\$1,293

Labor Force

July 2021	
Labor Force	28,946
Employment	25,962
Unemployment	2,984
Unemployment Rate	10.3%
decrease of -9.1% from a high of 19.4 in July 2020.	

Ethnicity & Diversity

Hispanic / Latino	60.7%
White / Not Hispanic	31.9%
Black	3.8%
Native American	1.3%
Asian	1%
Other	1.3%

Female Population

Female Population	36,185
Male Population	38,270

LEA COUNTY HAS... grown by 15% over the last 10 years

	Households	Median Age
Total	23,215	32
Hobbs	15,031	31
Lovington	4,773	31
Eunice	1,075	31
Jal	758	35
Tatum	477	38

Principal Employers in Lea County

Employer	Count
Hobbs Municipal Schools	1,498
Watson Construction	485
City of Hobbs	532
Nor-Lea Hospital	575
Lea County	367
Walmart	386

Source: Economic Development Corporation of Lea County
NM Department of Workforce Solutions
data.census.gov

Profile of Lea County

Lea County was created from Eddy and Chaves Counties in 1917 and named for Captain Joseph Calloway Lea, just five years after New Mexico was admitted to the Union as a state. The County is located in the Southeast corner of New Mexico and borders the state of Texas on the south and east borders. Lea County is part of the Permian Basin, the largest oil and gas producing basin in the United States and one of the largest in the world. Lea County is currently the #1 oil producing County in the United States having reached that position in December 2019.

Land Ownership Distribution:

Private Ownership	52%
State Government	31%
Federal Government	17%.

Home to five municipalities:

- Lovington (the County seat)
- Eunice
- Hobbs
- Jal
- Tatum

Lea County operates under the Commission – Manager form of government. Policy making and legislative authority are vested in the County Commission consisting of the Commission Chairperson and four other Commission members serving five districts. The County Commission is responsible for, among other things, passing ordinances, adopting the annual budget, appointing committees, serving as the Board of Finance and the Indigent 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 of the County, coordinating with the Commission and Department Directors as well as the other County Elected Officials (Assessor, Clerk, Probate Judge, Sheriff and Treasurer). All County elected officials are elected on a staggering basis to serve four-year terms.

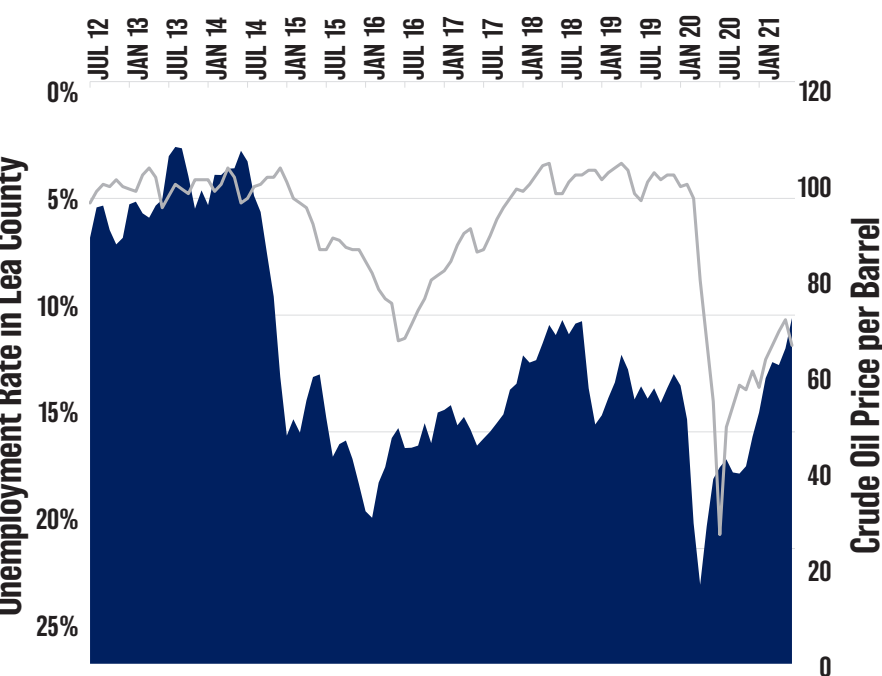
Lea County offers a full range of services, including fire protection, through three volunteer fire stations and one Airport Fire Facility at Lea Regional Airport. Staffing includes a County Fire Marshal along with two paid firefighters and forty-three volunteers. The County also provides for the enjoyment and protection of its citizens through the Sheriff's Office, Road Department, Environmental Services, DWI/Misdemeanor Compliance, and Detention Center. Lea County provides commercial jet service to Houston and Denver in partnership with the City of Hobbs and the Economic Development Corporation of Lea County. The Lea County Event Center and the Lea County Fairgrounds provide many entertainment options for citizens. The annual Lea County Fair & Rodeo is recognized as one of the top fairs in New Mexico. In addition, the County Assessor, Clerk, Probate Judge and Treasurer provide document recording, property tax assessments, tax collections and probate services.

Lea County is the fiscal agent for three separate legal entities, the Lea County Solid Waste Authority, Lea County Communications Authority and the Lea County Water Users Association. Each of these entities has a board who is responsible for the oversight of the entity.

**LEA COUNTY IS...
#1 oil producing county
in the US since Dec 2019**

Factors Affecting Financial Condition

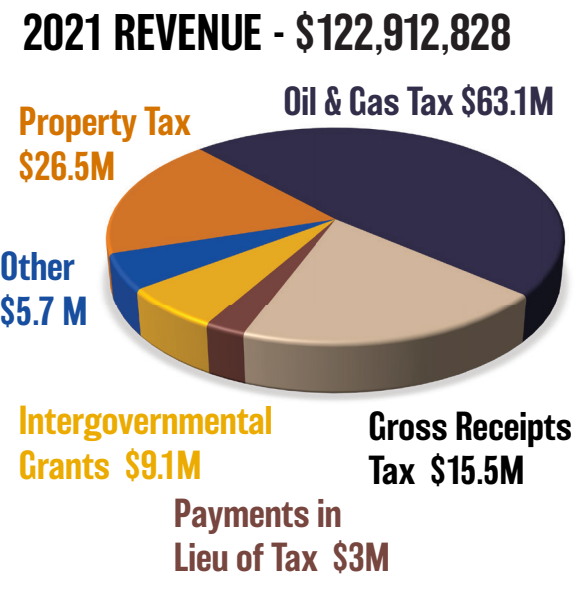
Lea County is located in the Permian Basin, which is one of the most prolific oil & gas producing basins in the world. As a result, Lea County became the number one (#1) oil producing County in the United States in December 2019 and has held the title each month since. Although the oil industry is highly cyclical and subject to wide swings, it is the main driver for economic activity in the region. When oil prices are strong the area is “booming” and when they collapse it is a “bust”. Retail, food service, hospitality, construction, etc. are all dependent upon the activity in the oil industry.



The oil and gas industry is the major contributor to Lea County’s revenue base in most years. The County receives revenue from an Oil & Gas Production Revenue Tax that can vary sharply depending on whether the County is in a boom or bust period. For example, oil & gas production revenue went from \$19,597,346 in FY 16 to a record \$52,179,468 in FY 20, an increase of 166%. And despite the County starting the year in a bust period due to the Covid pandemic and subsequent oil price crash, revenue rebounded in the second half of the FY 21 to end at

\$47,015,287, second only to FY 20 in total. The County also receives Oil & Gas Equipment Taxes that are based upon the value of oilfield equipment used in Lea County. Property taxes make up the other major source of revenue but are more stable in nature due to state tax statutes.

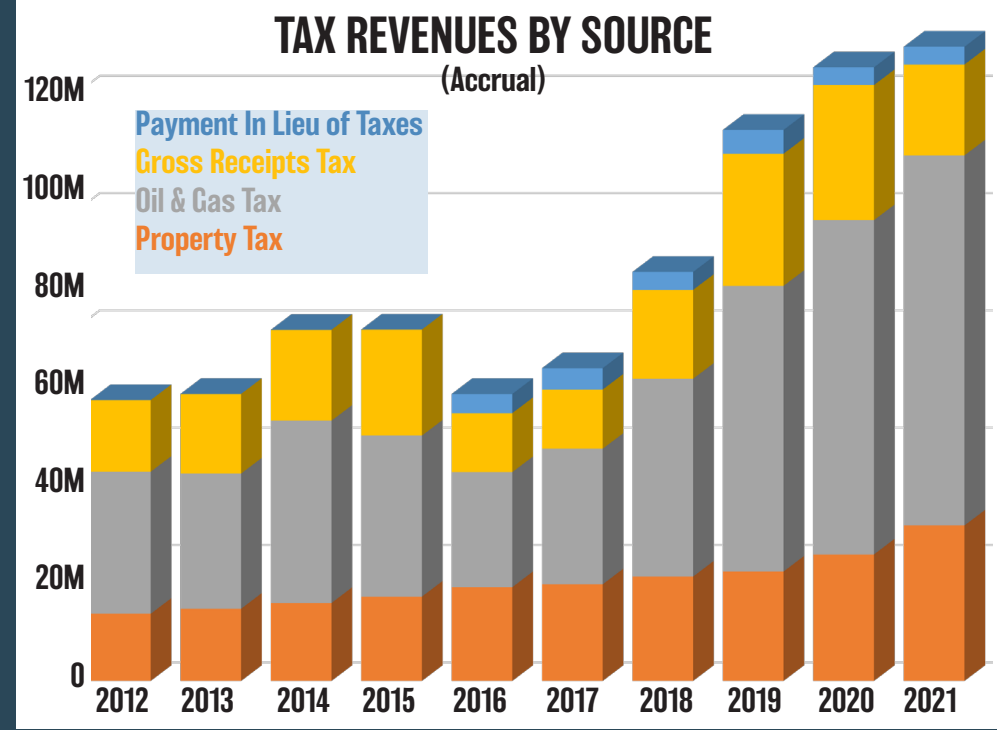
In order to lessen dependency on the oil industry, the County has worked diligently to diversify the economy and has become a factor in the nuclear energy industry. In 2010, Urenco USA, opened a uranium enrichment facility that employs more than 230 near Eunice, New Mexico. Currently, the Eddy-Lea Energy Alliance, an organization composed of Eddy County, Lea County, the City of Hobbs and the City of Carlsbad, has signed an agreement with Holtec International to build an interim nuclear waste storage facility near the Eddy and Lea County lines subject to federal licensing approval. The current state and federal administrations are focusing on climate change and are making policy that is highly detrimental to the future of the oil & gas industry. Lea County will continue to monitor future legislation in order to assess the impact to the budget.



Revenue

- **Property Tax** - increased by 22.93% to \$26,487,711. This is due to increased property values and more investment by oil and gas producers in facilities.
- **Oil & Gas Production and Equipment Tax** revenue increased by 10.71% to \$63,106,009. This is due to the increase in oil & gas production that resulted in Lea County becoming the #1 oil producing county in the nation.
- **Gross Receipts Tax** revenue (GRT) fell by \$7,544,390 to \$15,504,127, a decrease of 32.7%. This was due to the impact of the COVID-19 pandemic and the subsequent crash in oil prices. GRT in Lea County is highly dependent upon the oil rig count which fell from an average of 50 operating per month down to the teens.
- **Payments in Lieu of Taxes (PILT)** - PILTS are composed of two types, federal and local. The federal government owns approximately 31% of the land in Lea County and has agreed to pay an annual PILT. The other type of PILT comprises payments due from companies that have agreed to a payment in lieu of taxes in order to invest in Lea County. PILTs received in 2021 were in line with those received in 2020.
- **Other** revenues decreased by \$590,691. This is mainly due to a lower investment income due to lower interest rates.

Although the year began in the depths of the COVID-19 pandemic and subsequent oil price crash, revenues rebounded at a much quicker pace than forecasted and resulted in a slight increase in overall revenue for the year when compared with 2020.



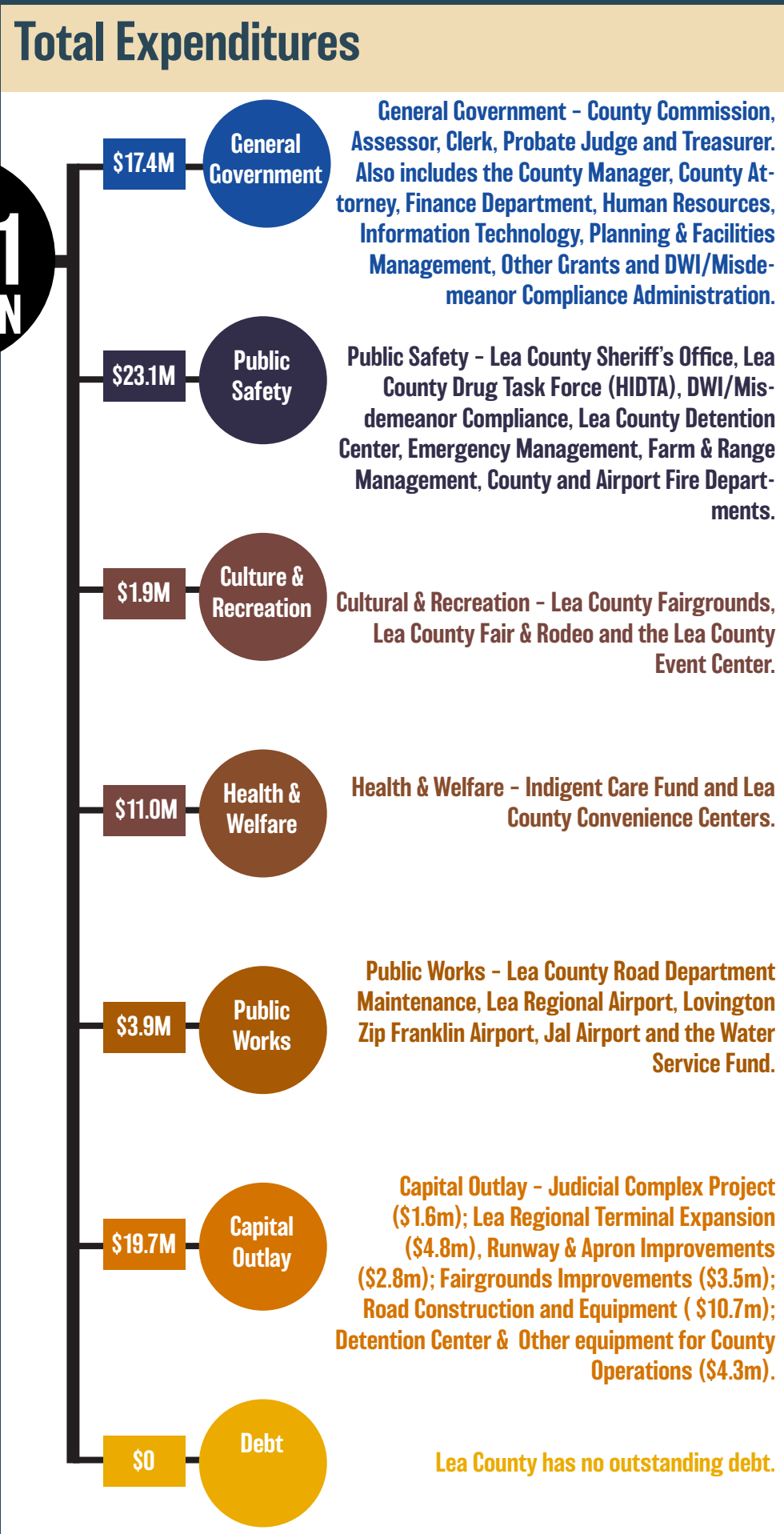
REVENUE
WHERE DOES THE MONEY COME FROM



EXPENDITURES

WHERE DOES THE MONEY GO

\$77.1
MILLION



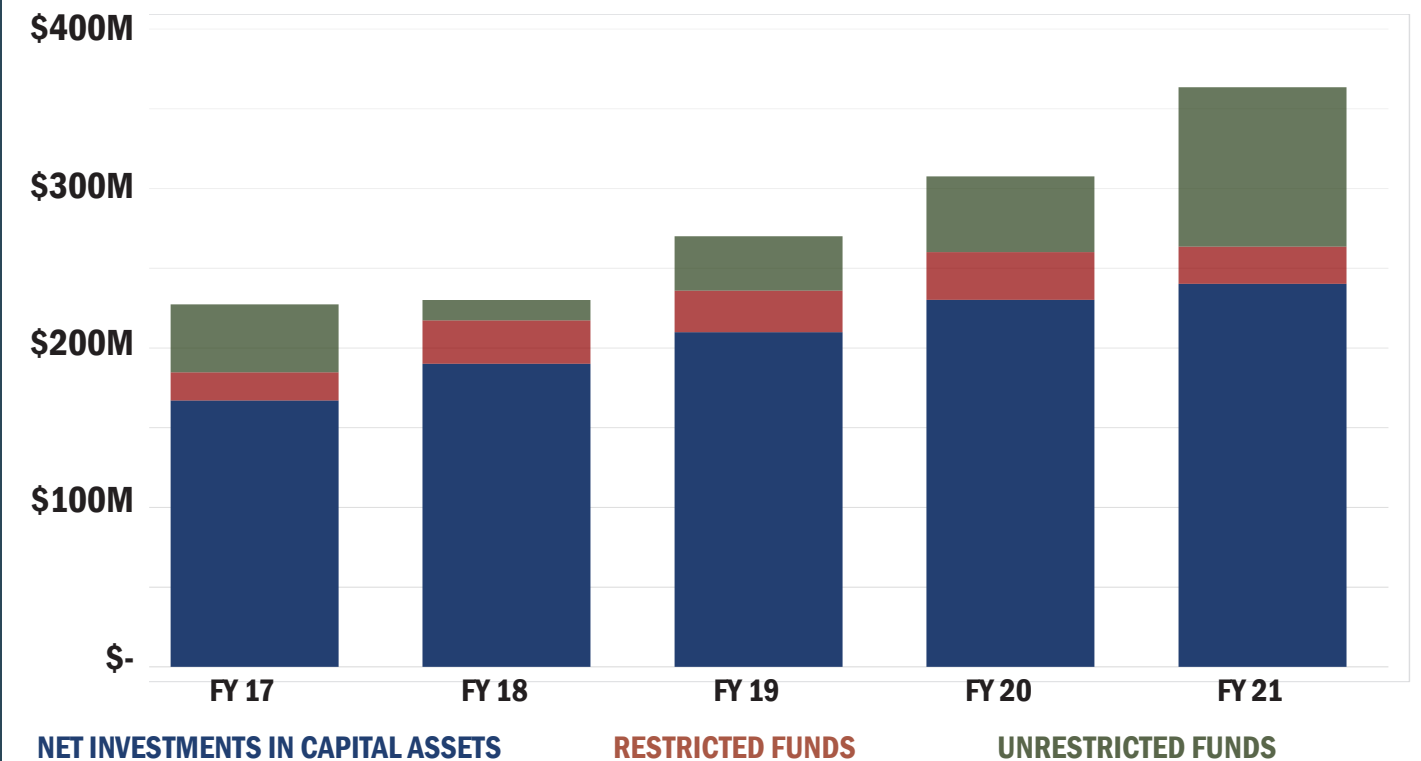
Financial Highlights

The assets and deferred outflows of Lea County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$363,540,649 (net position). Of this amount, \$101,428,296 was reported as unrestricted net position.

Total net position increased by \$55,932,055 due to the increase in revenue generated from increased activity in the oil and gas industry. The County has a history of conservative budgeting which recognizes the volatility of oil and gas revenue and the need for strong cash reserves.

**LEA COUNTY HAS...
a net position of
\$363,540,649**

LEA COUNTY NET POSITION



Total expenditures decreased by \$14,338,875 from the prior year due to cost cutting measures implemented during the Covid pandemic and subsequent oil price crash. The County did not issue any debt during the fiscal year and continues to be debt free.

**LEA COUNTY HAS...
nearly \$149 million
in unrestricted funds**

As of the close of the current fiscal year, Lea County's governmental funds reported combined ending fund balances of \$170,756,225, increasing \$45,859,491 from the prior year. Approximately 87.2% of this total fund balance amount, \$148,910,057, is available for spending at the government's discretion (unrestricted fund balance).

At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$148,910,057, or more than 5x total general fund expenditures.

Major Projects planned for 2021 and beyond

The service industry in Lea County was severely impacted by the Covid pandemic and oil price crash. Many local businesses either cut services or in some cases went out of business. However, there were numerous new businesses that opened throughout the County and there are numerous projects under construction in 2021 and beyond.

NEW BUSINESSES

Hobbs- Two Dollar General stores, Hobbs Buffet, The Paleta Bar, Habaneros Grill, Texas Road-house and a Flexsteel Manufacturing facility.

Jal - Jal Welding Supply, Heart and Soul Safety, RK Supply, Foutz and Burleson and the Amity Lodge opened along with a new dental clinic and physical therapy office.

NEW CONSTRUCTION

Covenant Hospital is currently constructing a new 109,794 square-foot, 60 bed hospital in Hobbs. The total cost of the project is expected to be \$62 million and will open in the Spring of 2022. Once open, the facility will employ between 200-250 and include a full range of healthcare services.

Hobbs Municipal Schools is constructing a \$46 million Career Technical Education Center located at Hobbs High School. The Center will provide a variety of technical training programs for area students.

Nor-Lea Hospital in conjunction with Lea County has started construction on a project to expand their medical clinic located in Hobbs.

Hilton has started construction on a new Home2 Suites in Hobbs.

Planned Projects

Big Dog Industries has selected Lovington as the site of a new facility that specializes in all areas of the hemp market. The company has plans to bring 125 jobs to Lovington over the next 5 years. The economic impact is projected to be \$261 million in revenue generated locally.

Louth Callan Renewables has signed an agreement with the City of Lovington to construct a 300 megawatt solar installation on land in the city's industrial park. Construction is expected to begin by the 4th quarter of 2023.

Lovington will also see several new businesses in the future with the construction of a hotel, car wash and retail clothing store.

Hobbs will see new businesses in FY22 including Dunkin Donuts/Baskin Robbins, T-Mobile, Marshalls, Ross Dress for Less, PetSmart, Boot Barn and Famous Footwear.

Housing -There are also several housing sub-divisions under development that will add more than 1,000 new homes along with the completion of the Sky View Apartments and an expansion of the Sorrento Apartments.

Tip Top Solar Energy, a 220 megawatt solar farm west of Jal, is developing the \$215 million project and plans to start construction in 2021-2022 and will employ 300-400 people during the construction phase.

Lea County Capital Improvements

Lea County's investment in capital assets for its governmental activities as of June 30, 2021 amounts to \$237,343,176 (net of accumulated depreciation) as compared to \$227,250,929 in the prior fiscal year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, bridges and construction in progress. The County also has \$2,923,009 invested in a water system that is accounted for in business-type activities.

Major capital asset projects completed during the current fiscal year included the following:

Completion of the Lea Regional Airport Terminal expansion project at a cost of \$7,898,238.



Reconstruction project on the apron area at Lea Regional Airport at a cost of \$1,300,028.

Expansion of the parking area at Lea Regional Airport at a cost of \$709,057.



Remodel and expansion of the Sheriff's Office at a cost of \$1,566,586.

Completion of the new Lea County Judicial Complex at a cost of \$41,202,326.

Completion of the General Services Building at the Fairgrounds at a cost of \$3,026,676.

Campbell/Red Road Reconstruction at a cost of \$3,950,037.





Chip Low, CPA CGMA, Finance Director
Finance Office
Lea County New Mexico
100 N. Main Street, 4th Floor
Lovington, New Mexico 88260

<https://www.leacounty.net/p/departments/administration/finance>