

FY 23 Preliminary Revenue Budget Discussion

February 3, 2022

FY 23 Budget Preparation Timeline

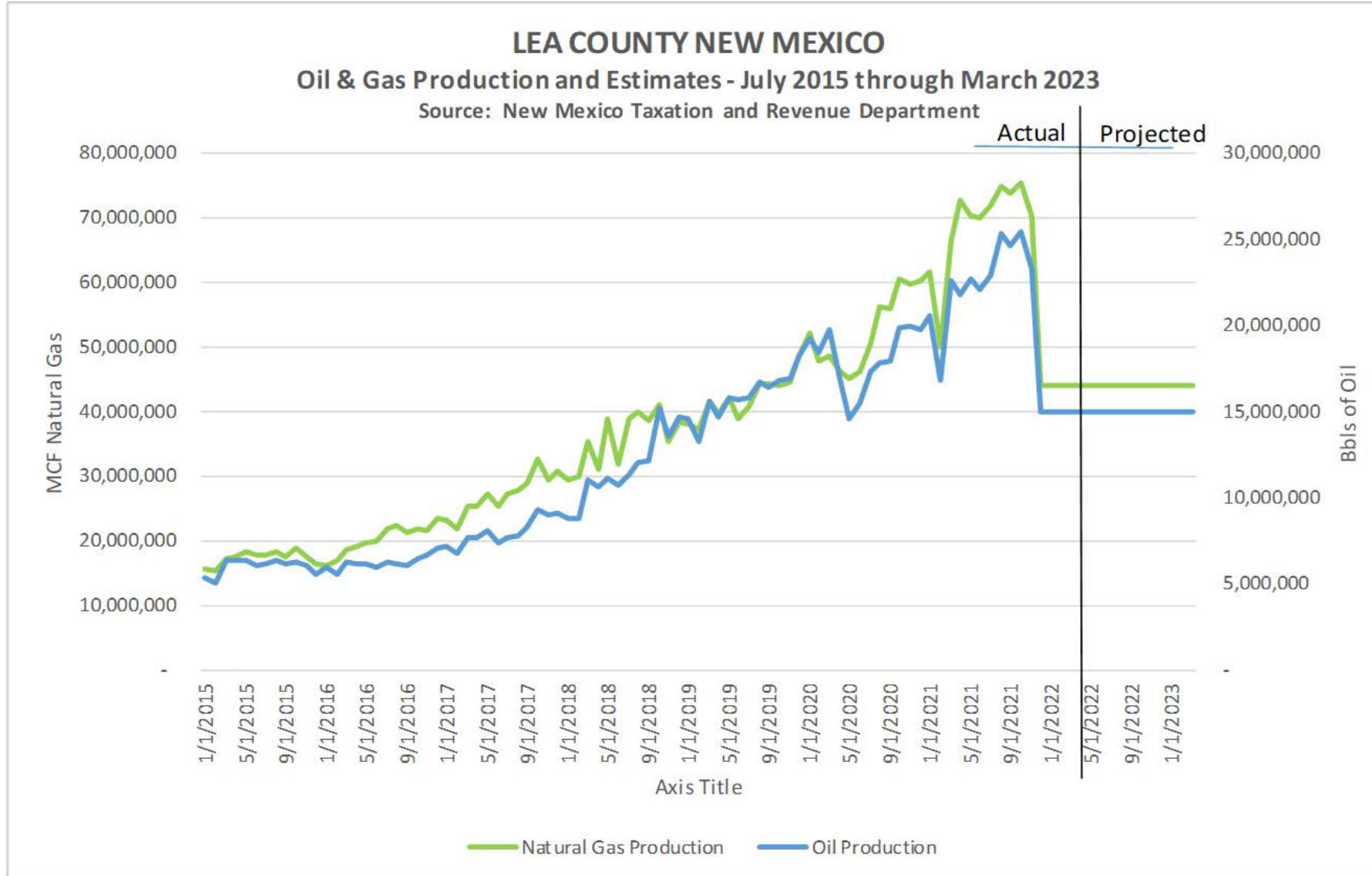
Date	Action Taken
January 13, 2022	Budget Development and Timeline Approval (LCBCC)
February 3, 2022	Outside Entities and Services RFP Discussion (LCBCC) Discussion of FY 23 Projected Revenues (LCBCC)
February 17, 2022	Release of Outside Entities and Services RFP
February 21 – March 2, 2022	Departmental Budget Discussions – County Staff
March 10, 2022	Discussion of FY 23 Projected Expenses (LCBCC)
March 11, 2022	Responses for Outside Entities Proposals Due
March 31, 2022	Departmental Budget Presentations (LCBCC)
April 14, 2022	Departmental Budget Presentations cont'd (LCBCC) Personnel Proposals (LCBCC)
April 28, 2022	Capital & Outside Agency Proposals (LCBCC)
May 12, 2022	Present Preliminary Budget for Discussion (LCBCC)
May 26, 2022	Present Preliminary Budget for Final Action (LCBCC)
May 31, 2022	Preliminary Budget Due to New Mexico DFA for Approval
July 28, 2022	Present Final Budget For Discussion and Approval (LCBCC)
July 31, 2022	Final Budget Due to New Mexico DFA for Approval

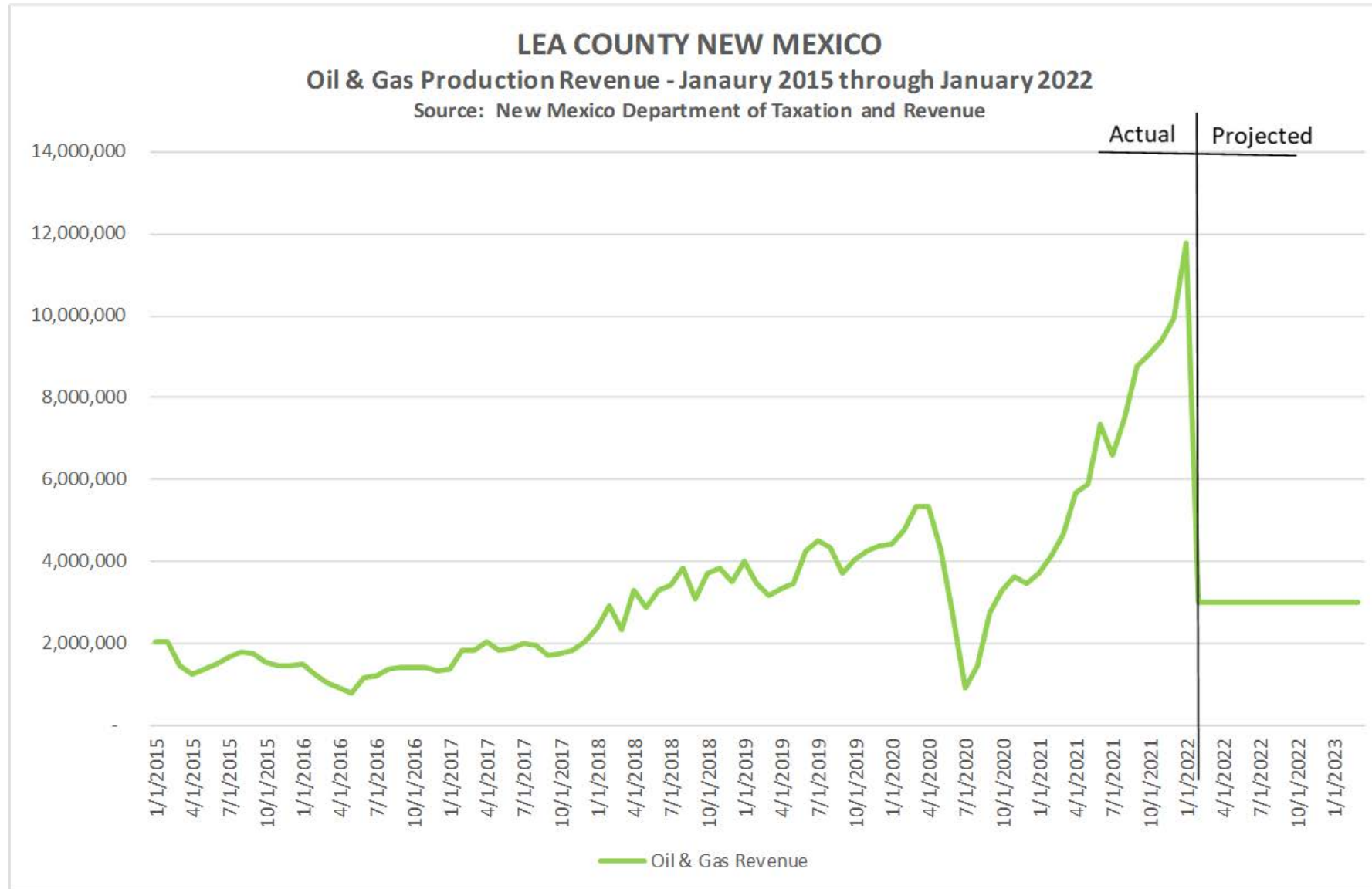
Historical Budget vs Actual Revenue FY 18 – FY 21

		2018	2019	2020	2021	Total
Oil & Gas Production	Budget	\$ 20,968,483	\$ 27,779,095	\$ 34,781,534	\$ 13,000,000	\$ 96,529,112
	Actual	\$ 28,386,145	\$ 43,161,023	\$ 52,179,468	\$ 47,015,287	\$ 170,741,923
	Difference	\$ 7,417,662	\$ 15,381,928	\$ 17,397,934	\$ 34,015,287	\$ 74,212,811
Oil & Gas Equipment	Budget	\$ 3,299,826	\$ 5,942,811	\$ 5,942,811	\$ 5,000,000	\$ 20,185,448
	Actual	\$ 3,331,728	\$ 5,029,162	\$ 8,403,936	\$ 10,409,607	\$ 27,174,433
	Difference	\$ 31,902	\$ (913,649)	\$ 2,461,125	\$ 5,409,607	\$ 6,988,985
Property Tax - Current	Budget	\$ 15,744,576	\$ 17,443,150	\$ 20,126,693	\$ 18,199,889	\$ 71,514,308
	Actual	\$ 16,421,854	\$ 17,934,023	\$ 20,858,598	\$ 25,286,518	\$ 80,500,994
	Difference	\$ 677,278	\$ 490,873	\$ 731,905	\$ 7,086,629	\$ 8,986,686
Property Tax - Delinquent	Budget	\$ 600,000	\$ 500,000	\$ 500,000	\$ 694,319	\$ 2,294,319
	Actual	\$ 467,300	\$ 843,987	\$ 688,028	\$ 1,400,087	\$ 3,399,401
	Difference	\$ (132,700)	\$ 343,987	\$ 188,028	\$ 705,768	\$ 1,105,082
GRT (Indigent, Debt Ser, Env)	Budget	\$ 9,793,323	\$ 16,904,147	\$ 17,262,250	\$ 7,330,179	\$ 51,289,899
	Actual	\$ 14,568,289	\$ 22,269,360	\$ 23,886,734	\$ 15,419,966	\$ 76,144,349
	Difference	\$ 4,774,966	\$ 5,365,213	\$ 6,624,484	\$ 8,089,787	\$ 24,854,450
Grand Totals	Budget	\$ 50,406,208	\$ 68,569,203	\$ 78,613,288	\$ 44,224,387	\$ 241,813,086
	Actual	\$ 63,175,316	\$ 89,237,555	\$ 106,016,764	\$ 99,531,465	\$ 357,961,100
	Difference	\$ 12,769,108	\$ 20,668,352	\$ 27,403,476	\$ 55,307,078	\$ 116,148,014

Basic Assumptions

- The Oil and Gas industry remains the main driver of the Lea County economy.
- Health, safety, welfare and quality of life of County residents remains a priority
- Increasing oil & gas production along with higher prices is having a positive impact upon county revenue, county population and employment.
- Continued uncertainty in long term oil price forecasts will present challenges to revenue and expenditure planning.
- Proposed policies regarding the oil & gas industry on the federal and state level is creating long term uncertainty for revenue planning.
- Recruitment and retention of qualified employees remains a priority. Lea County currently maintains 15 months of budgeted General Fund expenditures plus operating transfers in operating reserves along with 15% of budgeted capital.
- Consider increasing operational reserves to provide more protection due to a sudden, unforeseen downturn.







Oil & Gas Production Revenue Estimate - Conservative

FY22/23 Production Tax Estimate			
Month	Estimated Oil Prod.	EIA Oil Price	
Jul-22	3,001,284	36	
Aug-22	3,001,284	36	
Sep-22	3,001,284	36	
Oct-22	3,001,284	36	
Nov-22	3,001,284	36	
Dec-22	3,001,284	36	
Jan-23	3,001,284	36	
Feb-23	3,001,284	36	
Mar-23	3,001,284	36	
Apr-23	3,001,284	36	
May-23	3,001,284	36	
Jun-23	3,001,284	36	
Total	36,015,408	36	
FY21/22 Budget	23,711,916		
Increase	12,303,492		
Assumptions:			
Average oil Price - \$36.00			
Average Production - 15,000,000 monthly (63% of current 6 month average)			
Natural Gas Production - 44,000,000 mcf (61% of current 6 month average)			
Natural Gas Price - \$3.00 (60% of current 6 month average)			

Oil & Gas Equipment Tax Revenue

- Oil and Gas Equipment taxation is governed by NMSA Sections 7-34-1 to 7-34-20.
- Each year Taxation and Revenue will compute the value of products of each production unit for the previous calendar year. The taxable value is an amount equal to 27% of the value of products of each production unit. The assessed value shall be determined by applying the uniform assessment ration to the taxable value. The tax shall be at the rate certified to the division by the department of finance and administration.
- Prior 5 year average received (including FY 22) - \$7,090,376
- Will use 90% of the average for the FY 23 budget - \$6,381,338

Revenue Assumptions

Property Tax Revenue

- Property tax revenues are based upon values certified by the County Assessor in June of each year and calculated using approved tax rates for each type of property.
- As of January 2022, the Lea County Tax Assessor currently estimates taxable property in Lea County to be \$3,140,337,872. At the current tax rate of \$10.60 per \$1,000 in valuation the projected property tax for FY 23 is \$33,287,581. Lea County will 95% of that amount for budgeting purposes or \$31,623,202.
- Lea County will the use projected property tax revenue for preliminary budgeting purposes and will adjust when the new values are certified in June 2022.

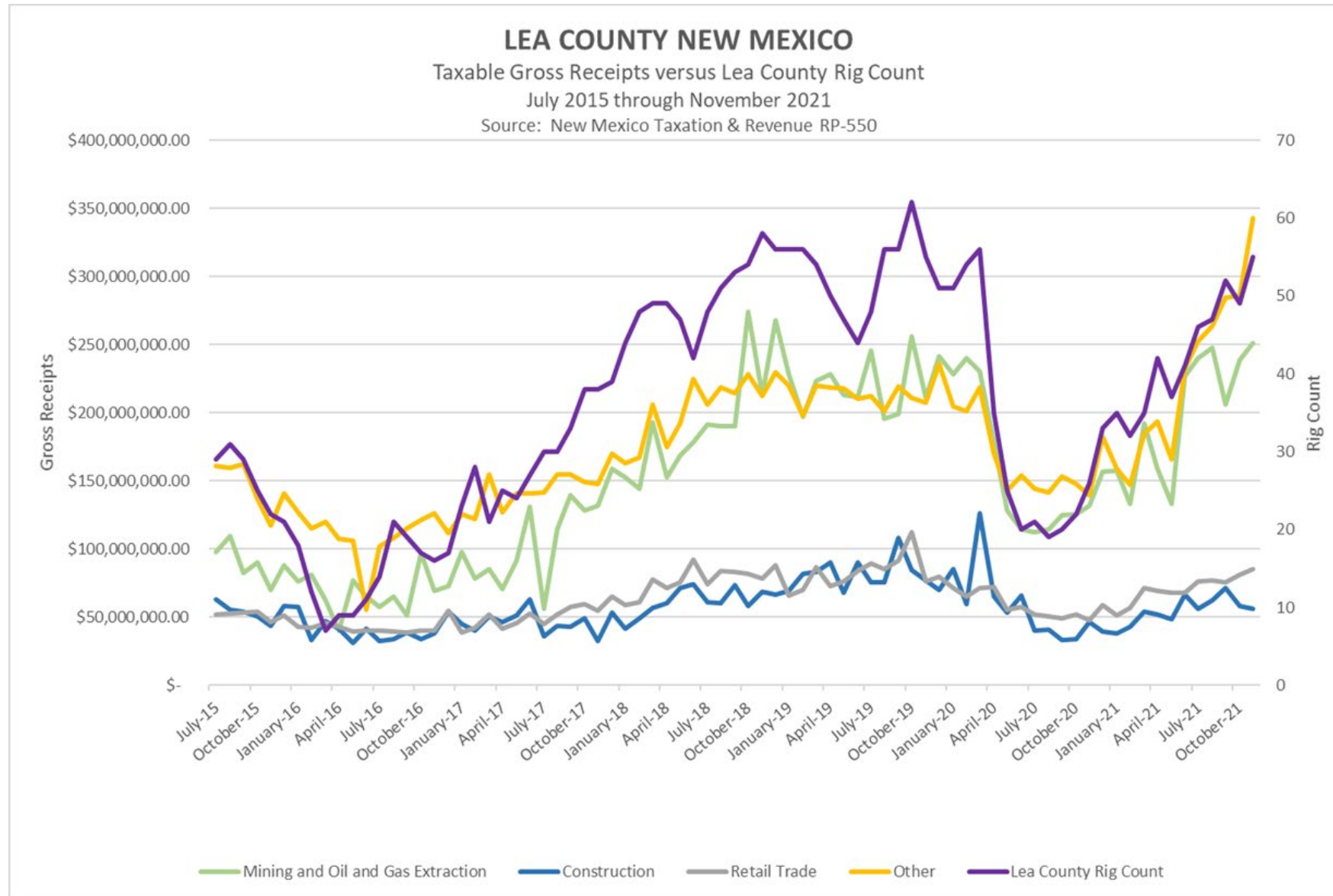
Revenue Assumptions

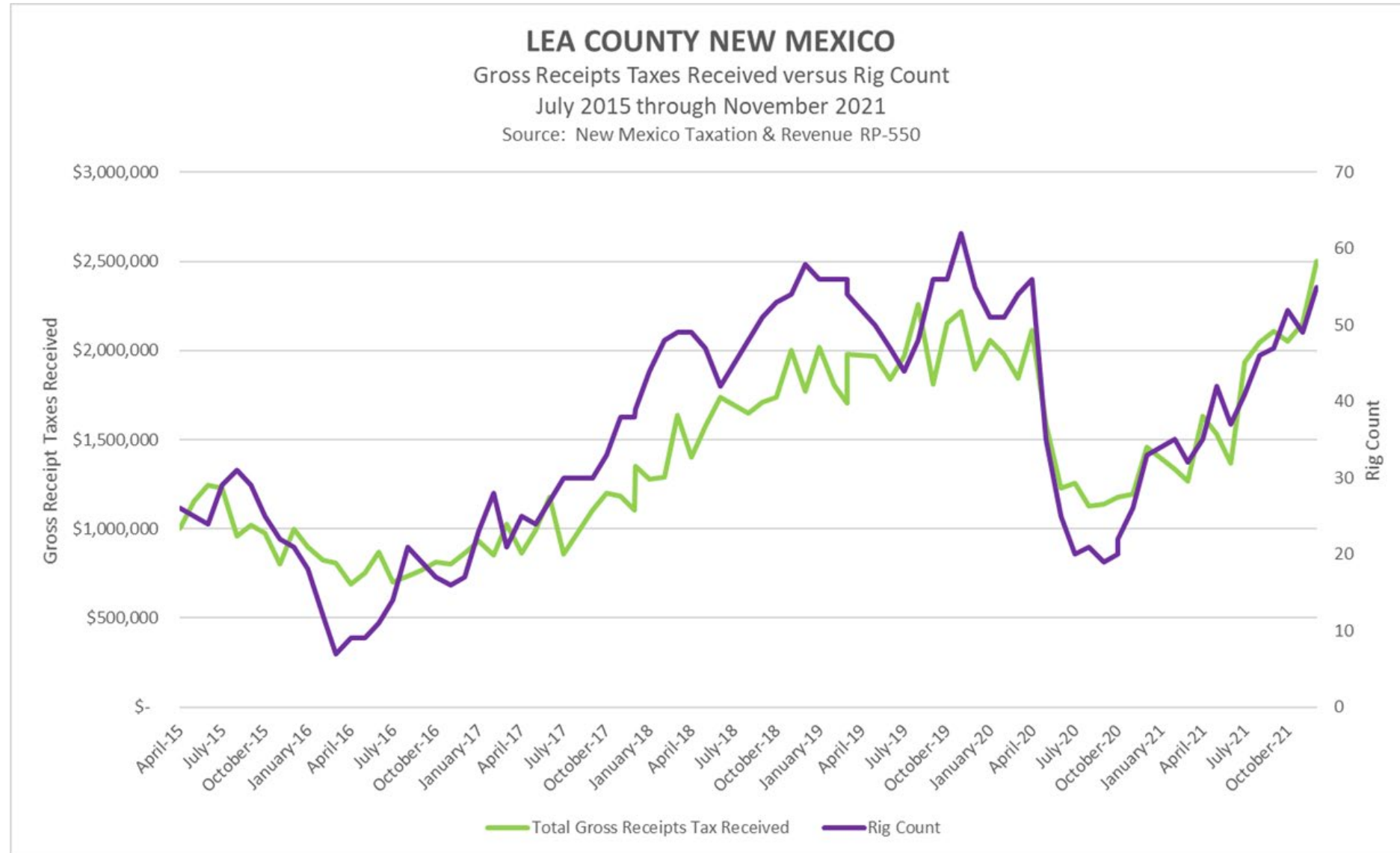
Payments in Lieu of Taxes (PILTS)

Name of Entity	Amount of PILT
Corporate IRB's	\$ 1,800,000
Federal Government	\$ 1,100,000
Totals	\$ 2,900,000

Revenue Assumptions Indigent & Local Option GRT

- Lea County has enacted a .375% tax to cover Indigent Care and other County Services. The Indigent is a .125% County wide increment and other portion is a .125% County wide and a .125% that is only assessed on taxable amounts outside of the municipal boundaries. Historically, the amount received each month is allocated on a 62% - 38% basis. NM Taxation and Revenue provides Lea County with a breakout each month detailing the allocation.
- Based upon the following graphs it can be shown that there is a close relationship between GRT collected and the price of oil.





Revenue Assumptions Indigent & Local Option GRT

- Using a the projection of \$36.00 average oil price with an average rig count of 30 results in projected GRT of \$14,156,888. Based upon the 62% - 38% allocation the budgeted amounts are as follows:
- General Fund GRT - \$8,777,271
- Indigent Fund GRT - \$5,379,617

Revenue Assumptions

Other Revenues

- Interest revenue includes interest on investments, unpaid taxes and other fees.
- County Clerk fees include the \$18 recording fees charged for each document recorded, a \$10 fee for each marriage licenses issued, fees charged for document copies and other fees as allowed by statute.
- Each year Lea County collects an administrative fee totaling 3% of tipping fees from the Lea County Solid Waste Authority for operational oversight and accounting services. This fee is posted to the Environmental GRT fund.
- Lea County is eligible to receive Lodger's Tax grants to assist with county quality of life productions.
- Lea County receives a share of motor vehicle fees collected by the state.
- Lea County has also began receiving compensating tax payments as a result of HB 6.

Revenue Assumptions

FY 22/23 Preliminary General Fund Revenue Estimate

	FY 22 Adjusted		FY 23 Estimate		\$ Change		% Change
Property Taxes	23,450,823		31,623,202		8,172,379		34.85%
Oil & Gas Production Taxes	23,711,916		36,015,408		12,303,492		51.89%
Oil & Gas Equipment Taxes	4,026,858		6,381,338		2,354,480		58.47%
Payment in Lieu of Taxes (PILTS)	2,900,000		2,900,000		-		0.00%
Gross Receipts Taxes	3,918,773		8,777,271		4,858,498		123.98%
Fees, Permits, Misc.	1,769,755		2,188,172		418,417		23.64%
	59,778,125		87,885,391		28,107,266		47.02%



**LEA COUNTY BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY FORM**

LCBCC Meeting Date: Thursday, February 3, 2022

Submit this summary form & all attachments to the Finance Director clow@leacounty.net & cc the Executive Coordinator sstout@leacounty.net by: **Monday, January 24, 2022**

County Manager Approval mgallagher@leacounty.net required for all time sensitive issues that do not meet the above deadline.

DATE SUBMITTED mm-dd-yyyy: 01/31/2022	SUBMITTED BY Name, Title, Dept: Chip Low, Finance Director	
SUBJECT: Discussion of Lea County's Revenue Fiscal Year 2022 - 2023	ATTACHMENT(S): PowerPoint Presentation	
NO. OF ORIGINALS FOR SIGNATURE: None	ACTION REQUESTED: Discussion Item	
BUDGET LINE ITEM NUMBER: N/A	FISCAL BUDGET YEAR: 2022 - 2023	
STRATEGIC PLAN Implementation of 5 Year Strategic Plan: Section 3.1 Accountability - "Lea County is responsible for the public's tax dollars in a fiscally conservative and transparent manner"		
SUMMARY: Lea County is required to submit a Preliminary Budget for the Fiscal Year 2022 - 2023 to the New Mexico DFA LGD by May 31, 2022. This discussion reviews General Fund revenue projections for the FY 23 budget year.		
Requested Items Needed for Presentation Easels/Laptop/Projector/Etc.: Easel ☐ If checked, how many: Laptop ☒ Projector ☒ Other: ☐		See Additional Summary Attached ☐
SUBMITTER'S RECOMMENDATION(S): Discussion		Submitter's Signature Department Director, Etc.
FINANCE REVIEW Fiscal Impact/Cost:		Reviewed by Finance Director
LEGAL REVIEW: (Note: Travel does not need legal review)		Reviewed by County Attorney
COUNTY MANAGER REVIEW:		Approved by County Manager to be Placed on Agenda
Item No. <u>0504</u> RECORDING SECRETARY'S USE ONLY ~ COMMISSION ACTION TAKEN		
Approved: _____ Denied: _____ Other: <u>Discussion</u> Resolution No. _____ Policy No. _____ Ordinance No. _____ Continued To: _____ Referred To: _____ Comments: _____		