



# FISCAL YEAR 2021-2022



## POPULAR ANNUAL FINANCIAL REPORT



LEA COUNTY NEW MEXICO



BOARD OF COUNTY COMMISSIONERS




**Dean Jackson, Chair**  
District 1



**Rebecca Long**  
District 2



**Gary Eidson, Vice Chair**  
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



**John Caldwell**  
County Attorney



**Chip Low**  
Finance Director



**Craig Bova**  
H R Director



**Angela Martinez**  
LCCA Director



**Ruben Quintara**  
LCDC Warden



**Edmundo Lara**  
Facilities Director



**Robert Lathrop**  
Director of IT



**Monica Russell**  
Public Information Officer



**Lea COUNTY**  
new mexico



**Lorenzo Velasquez**  
Emergency Mgmt & Enviro Services Director



**Kelly Livingston**  
DWI & Misdemeanor Compliance Director



**Jim Kemp**  
Fairgrounds and Event Center Director



**Sandra Stout-Brito**  
Community Engagement 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 2022. 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, 2022 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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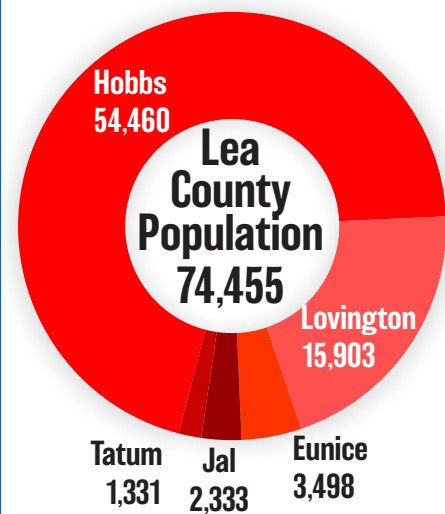


Lea County is a seven time recipient of the GFOA Distinguished Budget Presentation Award





## Demographics



Female Population	36,483
Male Population	37,972

### Ethnicity & Diversity

Hispanic / Latino	59.7%
White / Not Hispanic	32.6%
Multi-race	3.6%
Other	5.1%
Black	3.7%
Native American	1.0%
Asian	0.6%

**LEA COUNTY HAS...  
two of the most  
affordable cities in NM**

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

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

### Educational Attainment

Total Population Age 25+	42,233
High School Graduate	32%
Some College, No Degree	21%
Associate's Degree	7.9%
Bachelor's Degree	8.2%
Graduate Degree	6.4%

### Household Income

Average Household Income	78,407
Median Household Income	61,867
Per Capita Income	26,551
Per Capita Income (BEA)	47,215
Area Median Income (HUD)	86,800

### Housing

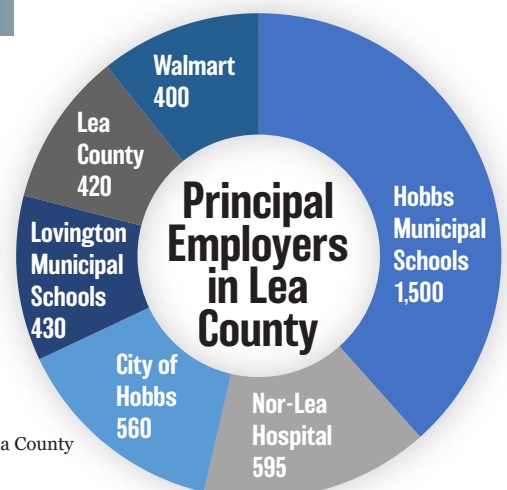
Housing Units	27,950
Owner Occupied	67%
Median Owner Cost	\$1,181
Renter occupied	33%
Median gross rent	\$895

### 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

October 2022	
Labor Force	27,607
Employment	26,294
Unemployment	1,313
Unemployment Rate	4.8%
decrease of -14.6% from a high of 19.4 in July 2020.	



## 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.

The County has a land area of approximately 4,400 square miles and a population of 74,455 based upon the outcome of the 2020 Census. The population increased by 15% from the 2010 Census count of 64,727. The land ownership is distributed as follows: Private ownership 52%, State Government 31%, and Federal Government 17%. The County is home to five municipalities: Lovington (the County seat), Eunice, Hobbs, Jal, and Tatum.

New Mexico state law, Section 7-37-7 B (1), NMSA 1978, sets the maximum property tax rate a County may charge for general operating purposes at eleven dollars eighty-five cents (\$11.85) for each one thousand dollars (\$1,000) of net taxable value of both residential and non-residential property allocated to the County. Net taxable value is determined to be one third (1/3) of the assessed value of the property. The County rate for FY 22 was seven dollars one and one hundred cents (\$7.011) for residential and ten dollars sixty cents (\$10.60) for non-residential property. The County may also implement certain county local option gross receipts taxes (GRT), some requiring voter approval.

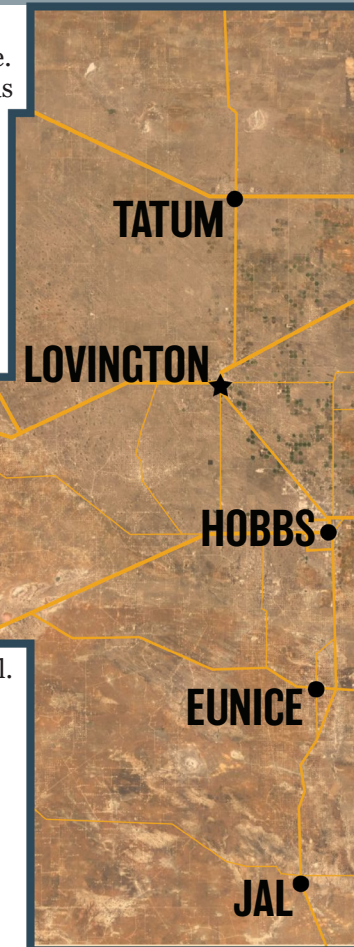
**LEA COUNTY IS...  
#1 oil producing county  
in the US since Dec 2019**

are allocated to the General Fund. Lea County is currently tied with one other New Mexico county for the lowest GRT rate. The tax is imposed on sales of both services and intangibles.

Lea County operates under the Commission - County 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 staggered 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-one volunteers. The County is currently in the construction phase of an additional fire station and has plans to add another one by the end of FY 24. 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.

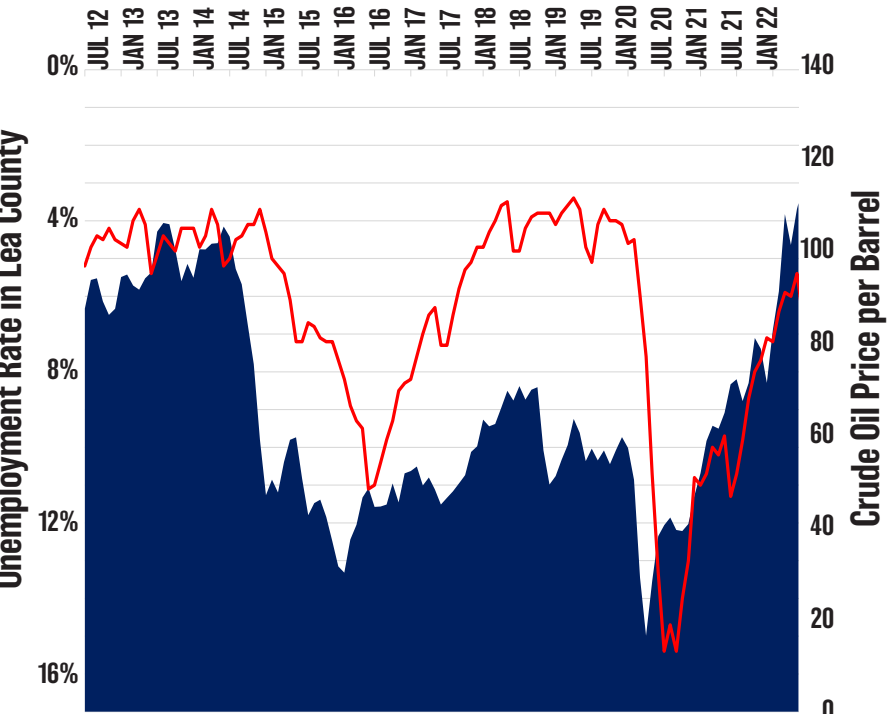


**LEA COUNTY IS...  
tied for lowest  
GRT in the state**

# 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.

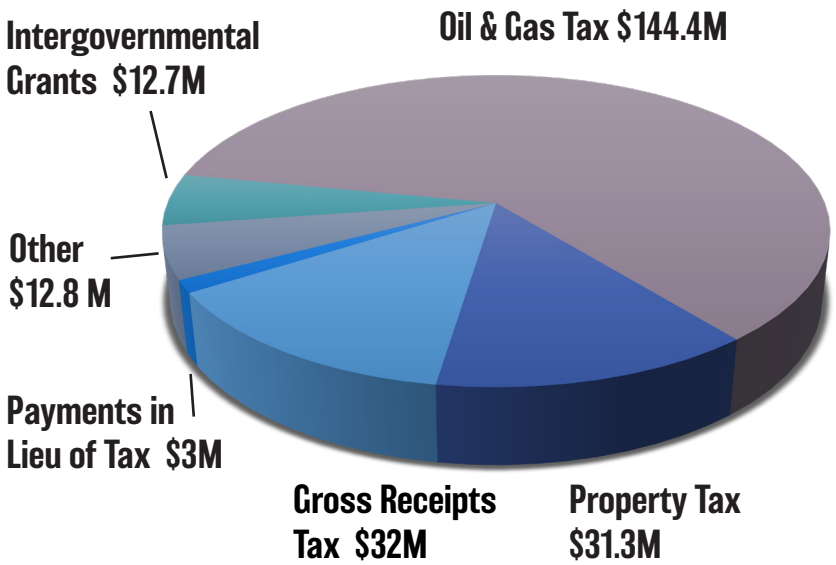
The oil and gas industry is the major contributor to Lea County’s revenue base in most years. The County receives revenue from an Oil & Gas Production Revenue Tax that can vary sharply depending on whether the County is in a boom or bust period. For example, oil & gas production revenue went from \$19,597,346 in FY 16 to a record \$144,442,740 in FY 22, an increase of 637%. Although oil & gas production in the County has continued to increase, the major factor impacting oil & gas revenue in FY 22 was the rapid increase in oil & gas prices during the year. The price increases were mainly due to increased demand coming out of the pandemic and policies from the new administration that has impacted production in the United States. The Russia invasion of Ukraine and the world response to that has also contributed to price increases. 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. Gross Receipt Taxes (GRT) has become another major source of revenue.



GRT revenue is driven by the drilling rig count and the County has seen record drilling activity over the past year. It is also subject to volatility and is susceptible to the boom or bust cycle.

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. It is expected that the license will be issued sometime in early 2023. The current state and federal administrations continue to focus on climate change and eliminating fossil fuels which results in policies that are 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.

## 2022 REVENUE - \$236,402,669



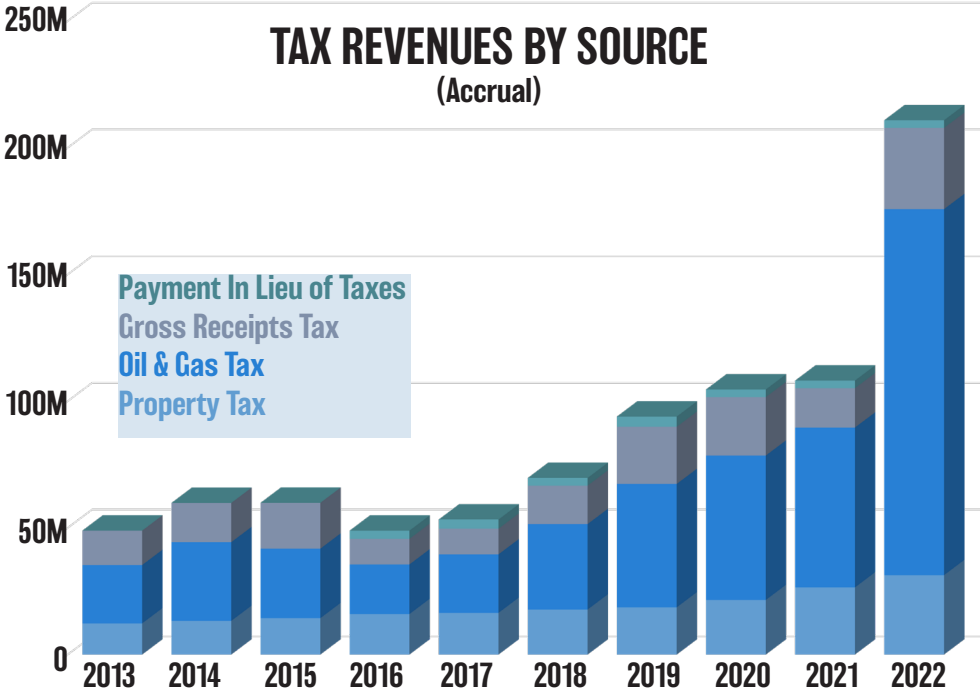
\*As report in Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances

# Revenue



- **Property Tax** increased by 18.27% to \$31,329,152. This is due to increased property tax values and more investment by oil and gas producers in production and transportation facilities.
- **Oil & Gas Production and Equipment Tax** revenue increased by 129% to \$144,442,740. Oil and gas production has continued to increase over the past year which contributed to the increase. However, the major impact on revenue was the increase in oil and natural gas sale prices. In FY 21, the average sale price of oil and gas was \$39.23/bbl. and \$3.02/mcf. For FY 22, the average for oil was \$76.04/bbl. and \$6.34/mcf. That is an increase in average price of 93.8% for oil and 109% for natural gas. Lea County continues to be the #1 oil producing County in the United States.
- **Gross Receipts Tax** Revenue (GRT) increased by \$16,535,229 to \$32,039,356, an increase of nearly 107%. GRT revenue in Lea County is driven by the average daily oil rig count which increased from an average of 27.5 rigs daily in FY 21 to almost 51 rigs during FY 22. This is an increase of 84%.
- **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 2022 are in line with those received in 2021.
- **Grant funding** increased due to the receipt of American Rescue Plan funding in the amount of \$6.9 million.
- **Other** revenue increased by \$7,428,959, an increase of 145%. This was due mainly to an increase in investment income of \$5,906,643 which resulted from higher returns and an increase in funds available for investment.

FY 22 was a record year for revenues in Lea County. The County is highly dependent on the oil and gas industry for economic vitality and the past fiscal year has been nothing short of amazing.



\*As report in Tax Revenue by Source - accrual basis of accounting - Schedule 4

REVENUE  
WHERE DOES THE MONEY COME FROM

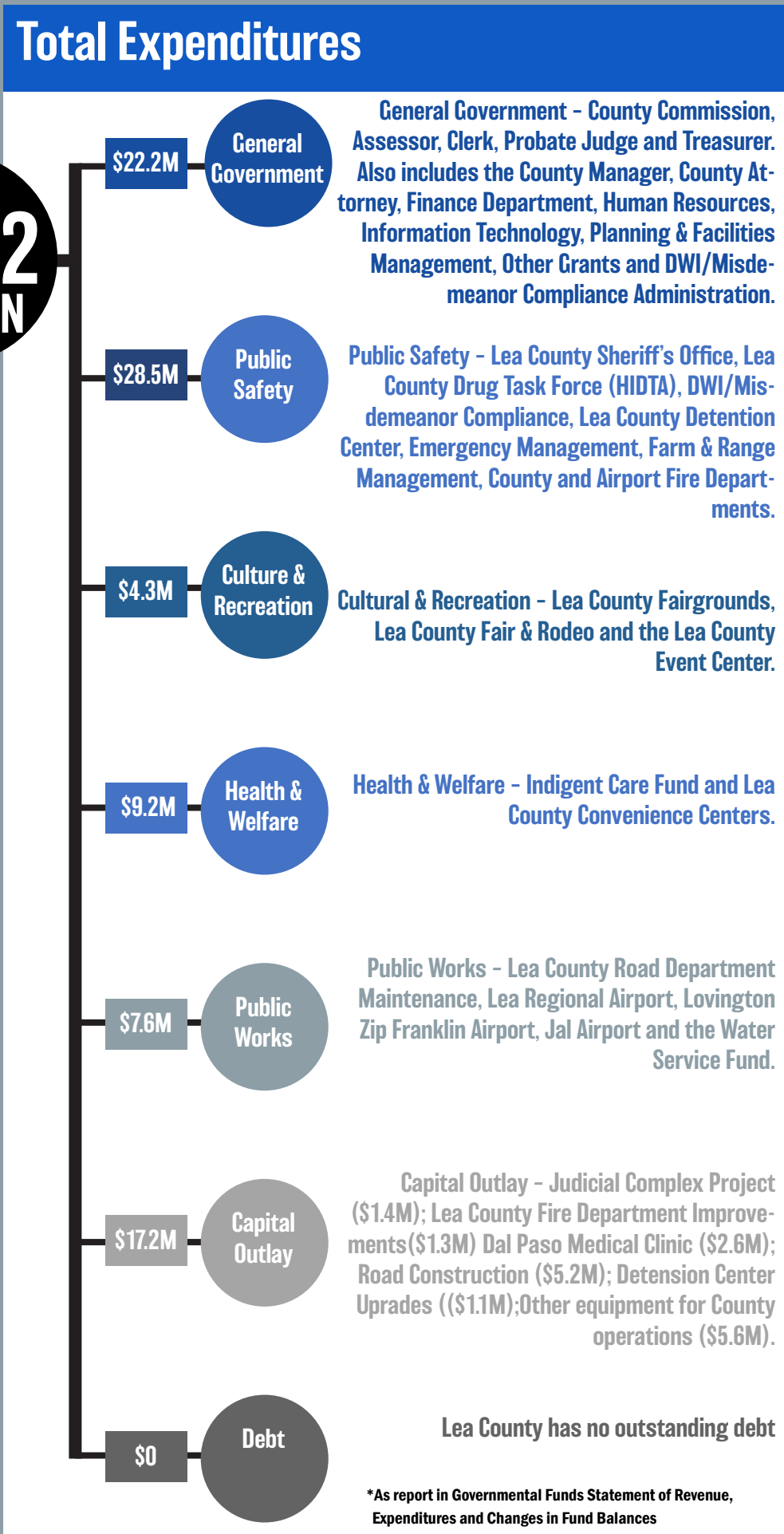




# EXPENDITURES

## WHERE DOES THE MONEY GO

\$89.2  
MILLION

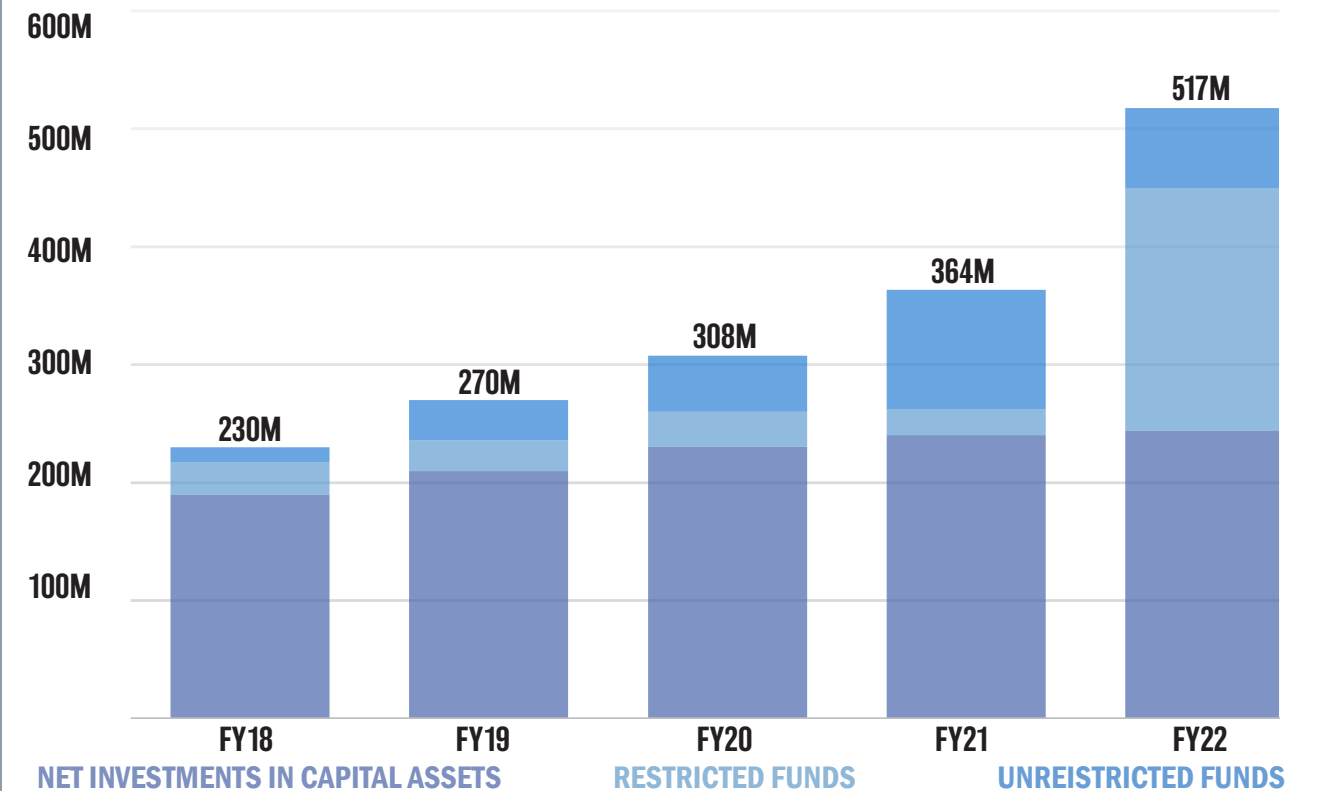


## Financial Highlights

The assets and deferred outflows of Lea County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$517,515,152 (net position). Of this amount, \$68,003,305 was reported as unrestricted net position.

Total net position increased by \$153,974,503 to \$517,515,152 due to the increase in revenue generated from increased activity in the oil and gas industry. Of this total \$244 million is capital assets and investments and \$205 million are assets restricted for use, which leaves \$68 million in unrestricted funds. 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 NET POSITION



Total expenditures increased by \$15,689,145 from the prior year due to the rebounding economy after the COVID pandemic. The County also increased employee pay across the board and increased the amount of services provided during the year. The County did not issue any new debt during the fiscal years and continues to be debt free.

As of the close of the current fiscal year, Lea County's governmental funds reported combined ending fund balances of \$318,109,020, increasing \$146,727,534 from the prior year. The fund balance consists \$205,314,908 million in funds restricted for use and \$85,975,390 in local operation reserves. This reserve is set aside in case of an economic downturn as previously mentioned. This leaves \$26,818,722 available for spending at the government's discretion (unrestricted fund balance).

**LEA COUNTY HAS...  
nearly \$26.8 million  
in unrestricted funds**

At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$112,795,315, or more than 3x total general fund expenditures.

The County saw record revenues in the fiscal year due to increased oil and gas production and the increases in oil and gas prices due to the current political and economic climate and the war in the Ukraine.



# Major Projects planned for 2022 and beyond

The service industry in Lea County was severely impacted by the COVID-19 pandemic and oil price crash back in 2021 but has rebounded back to record retail sales. New businesses have opened and many other are planned. Some of the recent additions include a Hotworx, T-Mobile Store and Dunkin Donuts in Hobbs, a new Lea County State Bank Drive-in facility and Estacado Credit Union in Eunice. There are also four new boutiques, a Cricket Wireless, nail salon, real estate agency and insurance agency that have opened up in Lovington. Jal has seen the renovation and expansion of the local Allsup's Convenience Store. Effective June 29, 2021, the State of New Mexico approved the use of cannabis for legal consumption. Entrepreneurs were allowed to start selling cannabis products through retail stores beginning April 1, 2022. Several cannabis stores have opened up in Hobbs, Jal, Lovington and Tatum. Sales have been strong early on and with the County bordering Texas sales are only expected to increase over time.



There are numerous projects under construction in 2022 and beyond. Covenant Hospital is currently completing construction on a new 109,794 square-foot, 60 bed hospital in Hobbs. The opening is planned for September 2022. The total cost of the project is expected to be \$62 million. Once open, the facility will employ between 200-250 and include a full range of healthcare services. Hobbs Municipal Schools has opened a new \$46 million Career Technical Education Center located at Hobbs High School. The Center provides a variety of technical training programs for area students. In conjunction with Lea County, Nor-Lea Hospital has completed construction on a project to expand their medical clinic located in Hobbs. Hilton is nearing completion of a new Home2 Suites in Hobbs.

There are also numerous projects in the planning stages for 2022 and beyond. 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. New businesses with plans to open stores in Hobbs during FY 23 include Marshalls, Ross Dress for Less, PetSmart, Boot Barn, Famous Footwear, Pop-eye's, and a new indoor trampoline park.

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.

Lea County has completed the expansion of the terminal building, and parking lot and rebuilt the aprons at Lea Regional Airport that will enable the County to provide increased air service to Houston and Denver. In FY 23, the County will begin a project to lengthen the main runway at Lea Regional Airport in order to serve the larger commuter jets that are being placed into service.

As FY 22 comes to an end, the future looks bright for Lea County. Oil and gas production continues to be strong in spite of the constant attacks by the state and federal administrations. This has created many opportunities for Lea County residents and those looking to relocate here. However, the County remains cautious due to the extreme volatility of the oil and gas industry. History shows that it is not if, but when, a downturn will occur and the County has put itself in a strong position to withstand those pressures.



Lea County's investment in capital assets for its governmental activities as June 30, 2022 amounts to \$246,866,221 (net of depreciation) as compared to \$240,266,185 in the prior fiscal year. This investment in capital assets included land, buildings and improvements, machinery and equipment, roads, bridges and construction in progress. The County also has \$2,850,540 (net of depreciation) in a water system that is accounted for in businesstype activities.



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

- Expand the Dal Paso Medical Clinic in conjunction with NorLea Hospital District in the amount of \$2,600,000.
- Finishing work on the new Lea County Judicial Complex at a cost of \$1,252,834.



- Expansion of the Lea Regional Airport Terminal (TSA improvements) at a cost of \$443,859.
- The County also started several projects that were still under construction at June 30, 2022. Those projects include:

- Marathon Road reconstruction at a cost of \$4,727,728.
- Kansas Road reconstruction at a cost of \$2,661,012.
- Widen and overlay Stanolind Road at a cost of \$1,262,662.
- Battle Axe Road widening project at a cost of \$1,631,061.
- Construction of Knowles Fire Station #2 at a cost of \$969,551.
- Event Center renovations at a cost of \$1,148,183.
- Lea Regional Airport Runway extension project at a cost of \$1,926,220.



# HIGHLIGHTS PROJECTS & CAPITAL IMPROVEMENTS





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>