

Capital Outlay

Local Highlights, June 2024 LFC Meeting



NEW MEXICO
LEGISLATIVE
FINANCE
COMMITTEE

Featured Communities: City of Carlsbad and Village of Loving

Eddy County

- From 2019 to 2023, local entities in Eddy County received 70 capital outlay appropriations totaling \$42 million. Balances on local projects in Eddy County totaled an estimated \$19 million (45 percent) as of April 2024.
 - Additionally, 11 higher education or statewide projects in Eddy County received appropriations totaling \$10.4 million from 2018 to 2023. Balances on those projects totaled \$5.4 million (52 percent) as of April 2024.
- The city of Carlsbad and Eddy County were the largest recipients of capital outlay appropriations in the county from 2019 to 2023. The smallest recipients were mutual domestic water associations.

LOCAL CAPITAL OUTLAY HIGHLIGHTS are a new staff work product for 2024. They are intended to give the committee insight into local capital priorities and the progress of funded projects in each interim meeting location, as well as to provide additional reporting on outcomes of local capital outlay, including barriers to completion and factors that support project success.

Table 1. Eddy County Local Capital Outlay by Fiscal Agent, 2019 – 2023 (in thousands)

Fiscal Agent	Total Appropriations	% Unexpended as of March 2024
Artesia	\$4,572.0	66%
Artesia Public Schools	\$3,026.0	47%
Artesia Special Hospital District	\$2,054.0	37%
Carlsbad	\$14,904.0	64%
Carlsbad Municipal Schools	\$581.9	0%
Del Rio Mutual Domestic	\$150.0	0%
Dept. of Transportation	\$200.0	0%
Eddy County	\$10,615.2	3%
Hope	\$1,400.0	50%
Jefferson Montessori Academy	\$178.8	69%
Loving	\$3,294.1	63%
Malaga Mutual Domestic	\$430.0	100%
Otis Mutual Domestic	\$650.0	100%
TOTAL	\$42,055.9	45%

- In the 2024 session, local entities in Eddy County received \$9.2 million in capital appropriations, with the largest appropriations going to Carlsbad for water line replacements (\$1 million) and sewer system expansions south of town (\$1.4 million).

- Additionally, Eddy County was one of the beneficiaries of the severance tax bond package for roads in the capital bill, with up to \$70 million authorized for improvements to U.S. Highway 180.

- Local entities in Eddy County have seen revenue increases related to oil production. As reported on LFC’s *Local Government Dashboard*, Eddy County’s revenues more than doubled from FY21 to FY23, to roughly \$200 million, while expenditures increased only gradually to about \$50 million. Carlsbad’s revenues have increased at a more modest rate, from just over \$50 million in FY21 to nearly \$70 million in FY23.

- Eddy County’s ICIP includes 12 projects with costs totaling \$251.5 million.

- In the 2024 session, Eddy County received 3 new capital outlay appropriations totaling \$1.3 million. One of these projects appears on the county’s ICIP. The county received \$500 thousand for improvements to a healthcare facility, the full request; \$200 thousand of a \$1 million request for a shooting range training facility for the county Sheriff’s Office; and \$600 thousand for a splash pad, the full request.

Table 2. Eddy County Top ICIP Priorities
(in thousands)

Priority Rank	Project Title	Total Cost	Amount Unfunded
1	Southeast Loop Road	\$37,600.5	\$16,073.0
1	Fire Services Training Ground Enhancements	\$7,000.0	\$7,000.0
1	Radio Blvd/Boyd Drive Bridge	\$10,000.0	\$10,000.0
2	Eddy County Complex - Site Preparation	\$6,000.0	\$6,000.0
2	Carrasco Road Extension (US62-US285)	\$19,000.0	\$18,516.0
TOTAL		\$79,600.5	\$57,589.0

Source: DFA

City of Carlsbad

- Carlsbad received 21 capital appropriations totaling \$14.9 million from 2019 to 2023. The largest were for sewer and water system improvements, which are needed to support growth and secure the water supply.

Table 3. City of Carlsbad Top ICIP Priorities
(in thousands)

Priority Rank	Project Title	Total Cost	Amount Unfunded
1	National Parks Hwy Sewer	\$5,010.0	\$3,600.0
2	Double Eagle Waterline Replacement	\$9,700.0	\$6,100.0
5	Primary Sewer Lift Station Wet Well	\$2,000.0	\$2,000.0
TOTAL		\$16,710.0	\$11,700.0

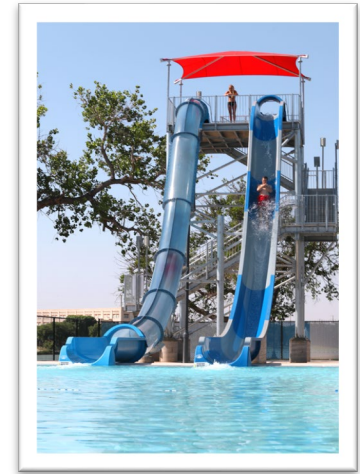
Source: DFA

- The city has used increased lodgers’ tax to support quality of life improvements, including rehabilitation of the historic Cavern Theater. Additionally, the city built a water park and splash pad on the Pecos River, is improving playgrounds, and is upgrading its community recreation center. Some of these projects have been self-financed, while others have used local funds and state grant programs. (See Attachments A and B.)

- The city has a diversified groundwater supply through water rights it owns in three distinct aquifers. Turning its strong paper water rights into a wet water supply, however,

will require additional infrastructure. In particular, the city owns a well field near Tatum that appears to be very productive but will require 20-plus miles of waterline to connect to the city system. The city is in the process of more thoroughly testing the wells' productivity before investing public dollars into additional infrastructure.

- Sewer system expansion on Old Cavern Highway is under construction and rights of way are being finalized for another sewer expansion on National Parks Highway. The projects are necessary to support new housing. The largest capital appropriation Carlsbad received in 2024 was for the National Parks Highway sewer project (\$1.4 million), which also received appropriations in 2020 and 2023.



Village of Loving

- Loving received eight capital appropriations totaling \$3.3 million from 2019 to 2023. The village received no new appropriations in 2024.
- The village has experienced substantial revenue increases, from \$2.4 million in FY21 to \$11.4 million in FY23.
- The village reports improving public services and increasing salaries and benefits for employees—now covering 100 percent of health insurance premiums for employees and 80 percent for dependents, for example. Additionally, it is replacing vehicles and equipment and investing in quality of life, including a pickleball court, parks improvements, and the reopening and equipping of a shuttered senior center. The village partnered with the county to improve fire and ambulance service and pays \$300 thousand per year for county emergency services. It donated the village fire station to the county, purchased a new fire engine, built sleeping quarters and closed the village's volunteer fire department.

Table 4. Village of Loving Top ICIP Priorities
(in thousands)

Priority Rank	Project Title	Total Cost	Amount Unfunded
1	South Sixth Street Improvements	\$420.7	\$420.7
1	Water System Improvements	\$2,639.2	\$2,639.2
1	Police Station/Municipal Court Building	\$1,292.1	\$1,292.1
1	Cemetery Improvements	\$100.0	\$100.0
2	North Fourth Street Improvements	\$1,985.3	\$1,985.3
TOTAL		\$6,437.3	\$6,437.3

Source: DFA

- The village is also seeking to improve public services through expanding water and sewer service and upgrading aging infrastructure. (See Attachment C.) It is now able to keep supplies on hand for water line repairs, for instance, and is exploring valve installation throughout the water system to minimize service disruptions. Currently, village public works staff report having to shut off water to all users to repair line breaks. Valves would allow only segments of the system to be shut off. Public works staff reports three system disruptions due to line breaks over the past few months. Though some valves may exist within the system already, their locations are unknown.

Table 5. Loving's Active Colonias Grants
(in thousands)

Year	Project	Amount
2021	Road and drainage improvements	\$1,541.5
2022	Street and drainage improvements	\$225.9

Source: NMFA

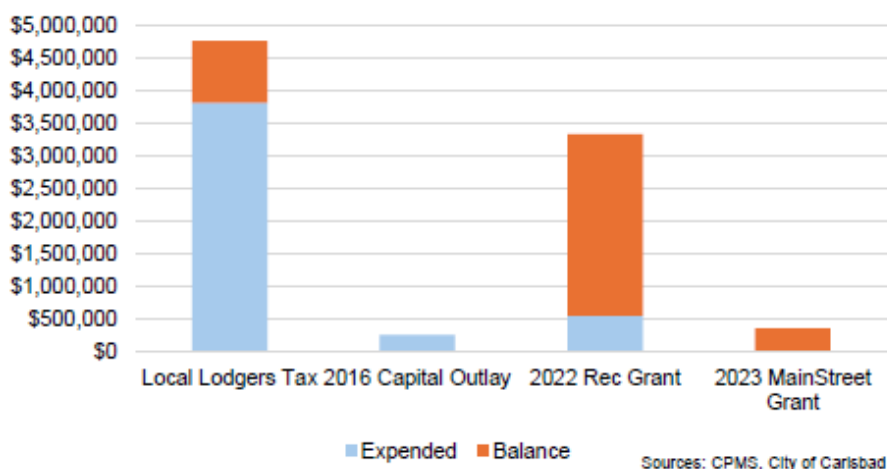
- The village continues to seek state and federal support for basic infrastructure projects through capital outlay, the colonias infrastructure fund, and the community development block grant.



Carlsbad Cavern Theater Renovation

The city of Carlsbad is completing rehabilitation of its historic Cavern Theater, which sits in the heart of downtown and has been largely out of operation since the 1980s. The renovation is part of a broader effort to diversify the city’s economy and improve quality of life to attract people to Carlsbad for reasons other than work. In addition to oil and gas, tourism is already a significant economic driver, accounting for roughly 9 percent of employment. When reopened, the city hopes the Cavern attracts locals and tourists and catalyzes downtown revitalization. It will serve as a live performance venue, movie theater, and community event space, though it has not yet been determined who will operate the theater. The city acquired the Cavern in 2014 and the five-phase renovation will have spanned roughly a decade when complete. It was funded with \$4.8 million in local revenues and \$3.9 million in state grants. The theater, built in 1951, required asbestos abatement, a new roof, electrical wiring, sewer line, and heating and cooling system, rehabilitation of interior historic features, new stage rigging, drapes, carpet, seating, a lift, and a new audio/visual system.

Funding Sources and Balances



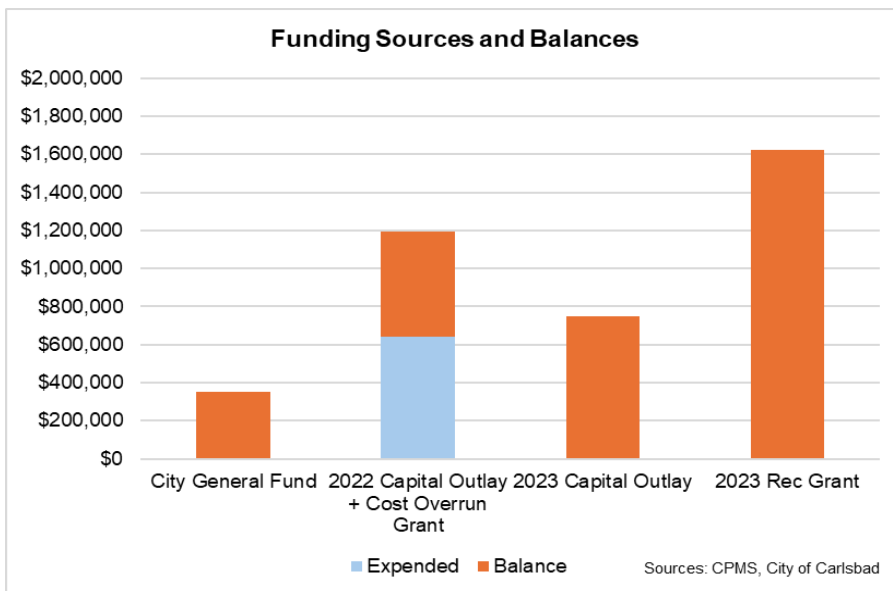
Planning and Design Complete Prior to State Funding	Started Prior to State Funding
Functional Phase Fully Funded	Yes
Project Fully Funded	Yes

Project Status	Percent Local Cost Share	Debt Taken to Complete	Initial Funding Received	Project Completed
Construction	55%	No	2016	Expected: Spring 2025



Carlsbad Riverwalk Recreation Center

During the current boom, the City of Carlsbad has used an increase in local lodgers’ tax to fund quality of life improvements, including multiple projects on the Pecos Riverwalk. With its own funds, the city built a water park and splash pad, improved its beach area, and is upgrading playgrounds. It is also using state grants and city general fund to improve its Riverwalk Recreation Center and make it more hospitable during hot summer months. Construction is underway to replace the aging HVAC and electrical systems and exterior doors. Originally a power station and later the Boys and Girls Club, the building was converted to a community recreation center in the early 1990s and is free to use. The old HVAC system, installed in the early 1990s was outdated and ineffective, with the 45,283 square-foot facility relying primarily on portable swamp coolers. The new HVAC system will support year-round use of the recreation center and enhance the facility’s ability to host events and programs.



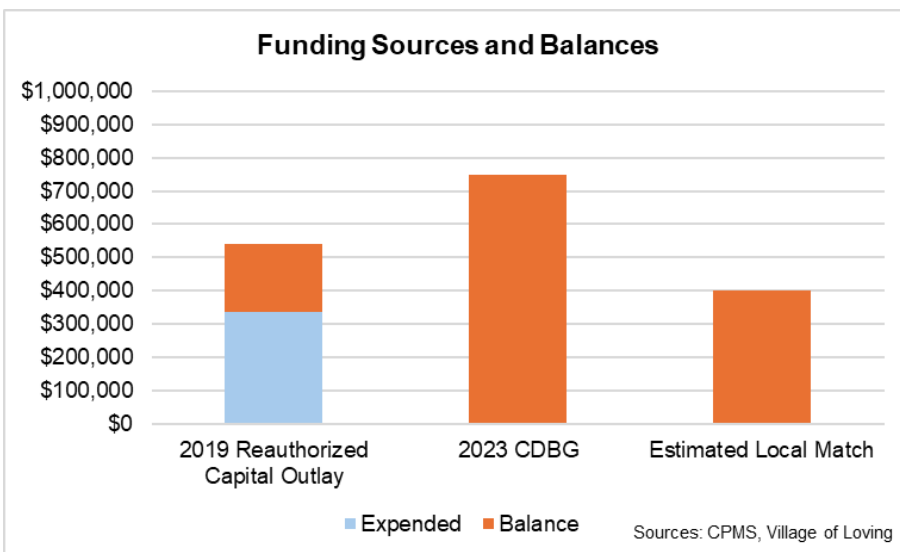
Planning and Design Complete Prior to State Funding	Started Prior to State Funding
Functional Phase Fully Funded	Yes
Project Fully Funded	Yes

Project Status	Percent Local Cost Share	Debt Taken to Complete	Initial Funding Received	Project Completed
Construction	9%	No	2022	Expected: 2024



Sewer System Improvements

Loving has been making incremental upgrades to its water and sewer infrastructure to improve services and accommodate growth. Though the village continues to tap grant programs for essential infrastructure, it has used an increase in GRT for local match and to fill funding gaps. Currently, it wants to use \$200 thousand that remained on a 2019 capital outlay appropriation for wastewater improvements for a 750-foot sewer line extension that could piggyback on a road project under construction with a colonias infrastructure fund grant. The 2019 capital appropriation of \$542 thousand was reauthorized in 2023 and originally supported construction of a sewage lagoon. The sewer extension could support construction of 20 new homes on a defunct cotton gin property, serve development on existing town lots, and convert septic tanks to public sewer. The village is seeking a quote from the road contractor to include the sewer line through a change order; the approach will require New Mexico Environment Department approval. Additionally, the village is procuring engineering services for further sewer expansion to connect residents on septic tanks. The project is supported by a \$750 thousand Community Development Block Grant and an estimated \$400 thousand in local match, though exact project costs are unknown.



Planning and Design Complete Prior to State Funding	No
Functional Phase Fully Funded	Yes
Project Fully Funded	Unknown

Project Status	Percent Local Cost Share	Debt Taken to Complete	Initial Funding Received	Project Completed
Procurement	Estimated: 30%	No	2019	Expected Completion Date Unknown