

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 1, 2024



RATINGS: S&P Global Ratings “___”
Fitch Ratings “___”
See “RATINGS” herein.

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see “TAX MATTERS” herein).

\$45,635,000*

CITY OF LUBBOCK, TEXAS
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024

Dated: December 1, 2024

Due: February 15, as shown on page ii

(Interest accrues from the Delivery Date (defined below))

Principal of and interest on the \$45,635,000* City of Lubbock, Texas General Obligation Refunding Bonds, Series 2024 (the “Bonds”) are payable to Cede & Co, which will make distribution of the amount so paid to the participating members of DTC (defined herein) for subsequent payment to the beneficial owners of the Bonds by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). The definitive Bonds are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), New York, New York, pursuant to the Book-Entry-Only System described herein (see “THE BONDS – Book-Entry-Only System”). Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds are subject to redemption prior to their scheduled maturities at the option of the City of Lubbock, Texas (the “City”) (see “THE BONDS – Redemption Provisions”).

Interest on the Bonds will accrue from the date of initial delivery and will be due and payable on February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and is payable to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the last Business Day (defined herein) of the month next preceding each interest payment date (the “Record Date”) (see “THE BONDS – Description of the Bonds”) as further described herein.

The Bonds constitute direct obligations of the City payable from the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against all taxable property within the City.

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207 and 1371, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on October 8, 2024, authorizing the issuance of the Bonds (the “Bond Ordinance”). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager and the Chief Financial Officer of the City (each, an “Authorized Officer”) the authority to effect the sale of the Bonds by the execution of a pricing certificate for Bonds evidencing the final terms of the Bonds (the “Pricing Certificate”). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the “Ordinance”.

Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City (the “Refunded Obligations”) for the purpose of achieving debt service savings (see “SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS”) and (ii) paying the costs associated with the issuance of the Bonds and refunding the Refunded Obligations (see “PLAN OF FINANCE”).

The Bonds maturing on February 15, 2035, are subject to redemption at the option of the City, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption Provisions”).*

The Bonds are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the underwriters named below (the “Underwriters”) by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas and San Antonio, Texas (see “LEGAL MATTERS”). Initial delivery of the Bonds through the facilities of DTC is expected to occur on or about December 12, 2024 (the “Delivery Date”).

BAIRD

BOK FINANCIAL
SECURITIES, INC.

CABRERA CAPITAL
MARKETS LLC

RAYMOND JAMES

*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE

PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL OFFERING PRICES/YIELDS

\$45,635,000* General Obligation Refunding Bonds, Series 2024

| <u>Maturity</u> | <u>Principal Amount*</u> | <u>Interest Rate</u> | <u>Initial Offering Yield^(a)</u> | <u>CUSIP Suffix^(b)</u> | <u>Maturity</u> | <u>Principal Amount*</u> | <u>Interest Rate</u> | <u>Initial Offering Yield^(a)</u> | <u>CUSIP Suffix^(b)</u> |
|-----------------|--------------------------|----------------------|---|-----------------------------------|-----------------|--------------------------|----------------------|---|-----------------------------------|
| 2/15/2025 | \$525,000 | | | | 2/15/2031 | \$3,775,000 | | | |
| 2/15/2026 | 12,120,000 | | | | 2/15/2032 | 1,740,000 | | | |
| 2/15/2027 | 8,550,000 | | | | 2/15/2033 | 1,825,000 | | | |
| 2/15/2028 | 6,155,000 | | | | 2/15/2034 | 1,925,000 | | | |
| 2/15/2029 | 3,410,000 | | | | 2/15/2035 | 2,020,000 | | | |
| 2/15/2030 | 3,590,000 | | | | | | | | |

(Interest to accrue from Delivery Date)

Optional Redemption*...The Bonds maturing on February 15, 2035, are subject to redemption at the option of the City on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption Provisions”).

Concurrent Offerings...The Bonds are being offered by the City concurrently with the City’s offering of Water and Wastewater System Revenue Refunding Bonds, Series 2024 (the “Revenue Bonds”) but pursuant to a separate offering document. The Bonds and the Revenue Bonds are separate and distinct securities offerings being issued and sold independently, and while the Bonds and the Revenue Bonds share certain common attributes, each series is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders. Initial delivery of the Bonds and the Revenue Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

* Preliminary, subject to change.

^(a) The initial offering yields will be established by and are the sole responsibility of the Underwriters and may subsequently be changed.

^(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is included solely for the convenience of the registered owners of the Bonds, is not intended to create a database and does not serve in any way as a substitute for the services provided by CGS. The City, the Municipal Advisor, and the Underwriters are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (“Rule 15c2-12”), this document may be treated as an Official Statement of the City with respect to the Bonds described herein that has been “deemed final” by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the condition of the City or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

The information set forth or included in this Official Statement has been provided by the City and by other sources believed by the City to be reliable. None of the City, its Municipal Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system herein, as such information has been provided by DTC.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THESE OFFERINGS. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ATTACHED APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE “FORWARD-LOOKING STATEMENTS.”

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY The City of Lubbock, Texas (the “City”) is a political subdivision and municipal corporation of the State of Texas, located in Lubbock County, Texas. The City covers approximately 144.45 square miles and has a current estimated population of 272,782 (see “DESCRIPTION OF THE CITY”).

THE BONDS..... The City’s \$45,635,000* General Obligation Refunding Bonds, Series 2024 (the “Bonds”) are dated December 1, 2024 and mature on February 15 in each of the years 2025 through 2035*, inclusive, as shown on page ii. Interest on the Bonds accrues from the date of initial delivery (the “Delivery Date”) and will be initially payable on February 15, 2025 and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE BONDS – Description of the Bonds”). The Bonds constitute direct obligations of the City payable from the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against all taxable property within the City.

AUTHORITY

FOR ISSUANCE The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207 and 1371, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on October 8, 2024 authorizing the issuance of the Bonds (the “Bond Ordinance”). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager and the Chief Financial Officer of the City (each, an “Authorized Officer”) the authority to effect the sale of the Bonds by the execution of a pricing certificate for the Bonds evidencing the final terms of the Bonds (together, the “Pricing Certificate”). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the “Ordinance”.

USE OF PROCEEDS..... Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City (the “Refunded Obligations”) for the purpose of achieving debt service savings (see “SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS”) and (ii) paying the costs associated with the issuance of the Bonds and refunding the Refunded Obligations.

REDEMPTION

PROVISIONS* The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In the event the Underwriters elect to combine two or more consecutive serial maturities of a series of Bonds into one or more term Bonds, the Bonds will be subject to mandatory sinking fund redemption (see “THE BONDS – Redemption Provisions”).

RATINGS The Bonds are rated “___” by S&P Global Ratings, a division of S&P Global Inc., and “___” by Fitch Ratings, Inc. (see “RATINGS”).

TAX MATTERS..... In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see “TAX MATTERS” herein).

BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof within a stated maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

* Preliminary, subject to change.

CONTINUING DISCLOSURE

OF INFORMATION..... Pursuant to the Bond Ordinance, the City is obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events to the Municipal Securities Rulemaking Board (the “MSRB”). Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org (see “CONTINUING DISCLOSURE OF INFORMATION”).

PAYMENT RECORD The City has never defaulted in the payment of its ad valorem tax-supported debt.

LEGAL OPINION Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel.

DELIVERY..... Initial delivery of the Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

CONCURRENT

OFFERINGS The Bonds are being offered by the City concurrently with the City’s offering of Water and Wastewater System Revenue Refunding Bonds, Series 2024 (the “Revenue Bonds”) but pursuant to a separate offering document. The Bonds and the Revenue Bonds are separate and distinct securities offerings being issued and sold independently, and while the Bonds and the Revenue Bonds share certain common attributes, each series is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders. Initial delivery of the Bonds and the Revenue Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

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SELECTED FINANCIAL DATA

| Fiscal Year Ended | City Population ^(a) | Taxable Assessed Valuation ^(b) | Per Capita Taxable Assessed Valuation | General Purpose Funded Tax Debt ^(c) | Per Capita | Ratio Tax Debt to Assessed Valuation | % of Total Tax Collections | Tax Year |
|-------------------|--------------------------------|---|---------------------------------------|--|---------------------------------|--------------------------------------|----------------------------|---------------------|
| | | | | | General Purpose Funded Tax Debt | | | |
| 2020 | 257,615 | \$18,655,937,242 | \$72,418 | \$235,106,303 | \$912.63 | 1.26% | 98.8% | 2019 |
| 2021 | 261,675 | 19,463,272,990 | 74,380 | 218,451,287 | 834.82 | 1.12% | 99.0% | 2020 |
| 2022 | 265,050 | 21,121,765,169 | 79,690 | 229,616,234 | 866.31 | 1.09% | 98.9% | 2021 |
| 2023 | 267,825 | 23,959,039,118 | 89,458 | 256,092,639 | 956.19 | 1.07% | 98.7% | 2022 |
| 2024 | 269,814 | 26,892,725,625 | 99,671 | 301,061,169 | 1,115.81 | 1.12% | 97.6% | ^(d) 2023 |
| 2025 | 272,782 | 28,705,491,622 | 105,232 | 289,628,601 ^(e) | 1,061.76 ^(e) | 1.01% ^(e) | N/A ^(f) | 2024 |

- ^(a) Source: Population estimates as provided by the City based on U.S. Census Bureau data.
- ^(b) Taxable Assessed Valuation reflects certified value and does not include subsequent revisions by Lubbock Central Appraisal District.
- ^(c) Does not include general obligation debt that is self-supporting and paid from revenues from an enterprise fund of the City nor revenue debt of the City’s electric utility system or water and wastewater system. See “Appendix A – Financial Information Regarding the City – Table 1 – Valuation, Exemptions and General Obligation Debt”, “– Table 3B – Derivation of General Purpose Funded Tax Debt” and “– Table 11 – Computation of Self-Supporting Debt”.
- ^(d) Collections for FY2024 are near final, unaudited figures as of August 31, 2024.
- ^(e) Projected. Includes the Bonds and excludes the Refunded Obligations. Also excludes the obligations to be refunded by the Revenue Bonds. Preliminary, subject to change.
- ^(f) Collections for FY2025 are in process.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

| | Fiscal Year Ending September 30, | | | | |
|-------------------------------------|----------------------------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Beginning Balance | \$ 89,527,046 | \$ 88,217,114 | \$ 74,948,958 | \$ 55,626,348 | \$ 53,093,013 |
| Total Revenues | 265,262,218 | 255,703,439 | 237,579,386 | 218,800,039 | 185,756,552 |
| Total Expenditures | 231,642,845 | 220,888,568 | 197,652,791 | 184,735,236 | 191,041,315 |
| Capital Leases & Transfers In/(Out) | (30,295,659) | (33,504,939) | (26,658,439) | (14,742,193) | 7,818,098 |
| Ending Balance | 92,850,760 | 89,527,046 | 88,217,114 | 74,948,958 | 55,626,348 |
| Less: Assigned/Nonspendable | (130,895) | (137,510) | (141,304) | (158,566) | (154,233) |
| Unassigned Fund Balance | \$ 92,719,865 | \$ 89,389,536 | \$ 88,075,810 | \$ 74,790,392 | \$ 55,472,115 |

For additional information regarding the City, please contact:

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 Director of Financial Planning & Analysis
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 Dallas, Texas 75201
 Phone (214) 989-1660
 Fax (214) 989-1650

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

| <u>Name</u> | <u>Position</u> | <u>Date of Installation of Office</u> | <u>Term Expires</u> | <u>Occupation</u> |
|-------------------------|----------------------------|---------------------------------------|---------------------|-------------------|
| Mark McBrayer | Mayor | June 2024 | May 2026 | Attorney at Law |
| Christy Martinez-Garcia | Council Member, District 1 | May 2022 | May 2026 | Publisher |
| Gordon Harris | Council Member, District 2 | June 2024 | May 2028 | Retired |
| David Glasheen | Council Member, District 3 | May 2024 | May 2026 | Attorney |
| Brayden Rose | Council Member, District 4 | May 2024 | May 2028 | Business Owner |
| Dr. Jennifer Wilson | Council Member, District 5 | May 2022 | May 2026 | Physician |
| Tim Collins | Council Member, District 6 | May 2024 | May 2028 | Business Owner |

SELECTED ADMINISTRATIVE STAFF*

| <u>Name</u> | <u>Position</u> | <u>Date of Employment in Current Position</u> | <u>Date of Initial Employment with City of Lubbock</u> | <u>Total Years of Government Service</u> |
|---------------------|---|---|--|--|
| W. Jarrett Atkinson | City Manager | December 2016 | December 2016 | 30 |
| Bill Howerton | Deputy City Manager | June 2014 | August 1998 | 26 |
| Brooke Witcher | Assistant City Manager | January 2019 | January 2003 | 21 |
| Erik Rejino | Assistant City Manager | October 2021 | October 2021 | 15 |
| Cheryl Brock* | Interim Chief Financial Officer/Director of Financial Planning & Analysis | March 2012 | April 1992 | 32 |
| Linda Cuellar | Director of Accounting | October 2016 | June 1998 | 26 |
| Matt Wade | City Attorney | June 2024 | June 2024 | 16 |
| Courtney Paz | City Secretary | April 2023 | July 2017 | 11 |

*The City is currently working with an executive recruiting firm to search for a Chief Financial Officer.

CONSULTANTS AND ADVISORS

| | |
|-------------------------|---|
| Auditors..... | Weaver and Tidwell, L.L.P. Dallas, Texas |
| Bond Counsel..... | Orrick, Herrington & Sutcliffe LLP Austin, Texas |
| Municipal Advisor | RBC Capital Markets, LLC Dallas, Texas |

**PRELIMINARY OFFICIAL STATEMENT
RELATING TO**

CITY OF LUBBOCK, TEXAS

**\$45,635,000*
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024**

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance by the City of Lubbock, Texas (the “City”) of its \$45,635,000* City of Lubbock, Texas General Obligation Refunding Bonds, Series 2024 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Ordinance (as defined herein) authorizing the issuance of the Bonds, except as otherwise indicated herein.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see “FORWARD-LOOKING STATEMENTS”).

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Municipal Advisor, RBC Capital Markets, LLC, Dallas, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and municipal corporation of the State of Texas (the “State”), duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City was incorporated in 1909, and first adopted its Home Rule Charter in 1917. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six council members. The Mayor is elected at-large for a two-year term ending in an even-numbered year. Each of the six members of the City Council is elected from a single-member district for a four-year term of office. The terms of three members of the City Council expire in each even-numbered year. The City Manager is the chief administrative officer for the City. The City provides a full range of municipal services, including public safety (police and fire protection), street paving and maintenance, traffic engineering, electric, water and sanitary sewer utilities, airport, sanitation and solid waste disposal, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 257,615 and the current estimated population is 272,782. The City covers approximately 144.45 square miles.

PLAN OF FINANCE

Purpose

Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the City (the “Refunded Obligations”) for the purpose of achieving debt service savings (see “SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS”) and (ii) paying the costs associated with the issuance of the Bonds and refunding the Refunded Obligations.

Refunded Obligations

A description and identification of the Refunded Obligations appears in Schedule I attached hereto. The Refunded Obligations and the interest due thereon are to be paid on their respective interest payment dates and redemption dates from funds to be deposited with BOKF, NA, Dallas, Texas (the “Escrow Agent”) pursuant to the Escrow Agreement (the “Escrow Agreement”) between the City and the Escrow Agent.

The Bond Ordinance provides that from the proceeds of the sale of the Bonds to the Underwriters and any additional moneys contributed by the City, if any, the City will deposit with the Escrow Agent an amount, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in one or more escrow accounts (the “Escrow Fund”) and used to purchase certain governmental obligations

* Preliminary, subject to change.

permitted by the ordinances authorizing the issuance of the Refunded Obligations which are to be acquired and held in the Escrow Fund under the Escrow Agreements (the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

Robert Thomas CPA, LLC (the “Verification Agent”) will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, in the Escrow Fund, will be sufficient to pay, the principal of and interest on the Refunded Obligations on their redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see “VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS”).

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the ordinances authorizing the issuance of the Refunded Obligations. It is the opinion of Bond Counsel that as a result of such defeasance, and in reliance upon the report of Robert Thomas CPA, LLC, firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations will have been made and therefore the Refunded Obligations will be deemed fully paid and no longer outstanding except for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent (see “VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS”).

Sources and Uses of Proceeds

The proceeds from the sale of the Bonds are expected to be applied as follows:

Sources of Proceeds:

| | |
|---|----|
| Principal Amount | \$ |
| Net Original Issue Premium (Discount) | |
| Total Sources of Proceeds | \$ |

Uses of Proceeds:

| | |
|------------------------------|----|
| Deposit to Escrow Fund | \$ |
| Underwriters’ Discount | |
| Cost of Issuance | |
| Total Uses of Proceeds | \$ |

THE BONDS

Description of the Bonds

The Bonds are dated December 1, 2024 and mature on February 15 in each of the years 2025 through 2035*, inclusive, as shown on page ii. Interest on the Bonds accrues from the date of initial delivery (the “Delivery Date”) and will be initially payable on February 15, 2025 and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) New York, New York pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207 and 1371, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on October 8, 2024, authorizing the issuance of the Bonds (the “Bond Ordinance”). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager and the Chief Financial Officer of the City (each, an “Authorized Officer”) the authority to effect the sale of the Bonds by the execution of a pricing certificate for the Bonds evidencing the final terms of the Bonds (the “Pricing Certificate”). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the “Ordinance”.

Security and Source of Payment

The Bonds constitute direct obligations of the City payable from the proceeds of a continuing, direct annual ad valorem tax, levied within the limits prescribed by law, against all taxable property within the City.

* Preliminary, subject to change.

Redemption Provisions*

The City reserves the right, at its option, to redeem the Bonds having stated maturities on February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds of a series are to be redeemed pursuant to an optional redemption, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot, or by any other customary method that results in a random selection, the Bonds of such series, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

In the event the Underwriters elect to combine two or more consecutive serial maturities of a Bond into one or more term Bonds, the Bonds will be subject to mandatory sinking fund redemption.

Subject to the right of the City to give a conditional notice of redemption with respect to an optional redemption, notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

Notices

Not less than 30 days prior to a redemption date for any Bond, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Business Day (hereinafter defined) next preceding the date of mailing such notice.

EXCEPT AS DESCRIBED IN THE FOLLOWING PARAGRAPH, ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND NOT HAVING BEEN RESCINDED, BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of an optional redemption of the Bonds, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners in the manner described above for causing a notice of redemption to be provided. Any Bonds subject to conditional redemption and such redemption having been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default under the terms of the Bond Ordinance. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available, in part or in whole, on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption relating to the Bonds, notice of proposed amendment to the Bond Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds within a maturity to be redeemed will not be governed by the Bond Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry-Only System").

Amendments

The City may, without consent of or notice to any owners, from time to time and at any time, amend the Bond Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the owners of the Bonds holding a majority in aggregate principal amount of such series of Bonds then outstanding, amend, add to, or rescind any of the provisions of the Bond Ordinance; provided that, without the consent of all owners of the Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the

* Preliminary, subject to change.

principal of, premium, if any, and interest on such Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on such Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners for consent to any such amendment, addition, or rescission.

Defeasance

Except as otherwise provided in the Pricing Certificate, the Bond Ordinance provides for the defeasance, discharge or refunding of the Bonds in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to principal, premium, if any, and all interest to accrue on the Bonds to maturity or redemption and/or (ii) by depositing with a paying agent or other authorized escrow agent amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Under current Texas law, upon the making of a deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or to take any other action amending the terms of the Bonds are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. In addition, there is no assurance that the rating(s) of securities used to fund a defeasance escrow will be maintained at any particular rating category.

The City will give notice if the Authorized Officer agrees in the Pricing Certificate to limit the securities eligible to invest funds to defease the Bonds.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas. In the Bond Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds then outstanding and affected by such change by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). If the date for the payment of the principal of, or interest on, the Bonds shall be a day other than a Business Day then the date for such payment shall be the next succeeding Business Day and payment on such date shall have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payment of principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System".

Registration, Transfer and Exchange

So long as Bonds remain outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the Bond Ordinance. In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the Register of the Paying Agent/Registrar. The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or Bonds of

the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar shall authenticate and deliver Bonds exchanged for other Bonds in accordance with the Bond Ordinance. Each exchange Bond delivered by the Paying Agent/Registrar in accordance with the Bond Ordinance shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Bond Ordinance to the same extent as the Bonds in lieu of which such exchange Bond is delivered. No service charge shall be made to the registered owner for the initial registration, subsequent transfer, or exchange for any different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the registered owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond. So long as the Bonds are held in the book-entry-only system of DTC, the sole registered owner of the Bonds will be Cede & Co. (DTC's partnership nominee), or such other nominee of DTC.

Record Date for Interest Payment

The record date for the interest payable on the Bonds on any interest payment date means the close of business on the last Business Day of the next preceding month ("Record Date"). The term "Business Day" means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are required or authorized by law or executive order to close.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each holder of an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last Business Day next preceding the date of mailing of such notice.

Concurrent Offerings

The Bonds are being offered by the City concurrently with the City's offering of Water and Wastewater System Revenue Refunding Bonds, Series 2024 (the "Revenue Bonds") but pursuant to a separate offering document. The Bonds and the Revenue Bonds are separate and distinct securities offerings being issued and sold independently, and while the Bonds and the Revenue Bonds share certain common attributes, each series is separate from the other and should be reviewed and analyzed independently, including without limitation the type of obligation being offered, its terms for payment, the security for its payment, and the rights of the holders. Initial delivery of the Bonds and the Revenue Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Municipal Advisor, and the Underwriters each believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The City, the Municipal Advisor and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security will be issued for each maturity of Bonds, as set forth on page ii hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of

sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants." DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates for each maturity of the Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates for each maturity of the Bonds will be printed and delivered and the Bonds will be subject the transfer, exchange and registration provisions as set forth in the Bond Ordinance and summarized under "THE BONDS – Registration, Transfer and Exchange".

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Municipal Advisor, and the Underwriters believe to be reliable, but none of the City, the Municipal Advisor, nor the Underwriters take responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Bond Ordinance will be given only to DTC.

REMEDIES

The Bond Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of principal of, or interest on, the Bonds when due, or if the City defaults in the observance or performance of any of the covenants, conditions or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to their prospect or ability to be repaid in accordance with the Bond Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Bond Ordinance provides that any owner is entitled to seek a writ of mandamus from a court of competent jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Ordinance does not provide for the appointment of a trustee to represent the interests of the owners upon any failure of the City to perform in accordance with the terms of the Bond Ordinance, or upon any other condition. Accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued," in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. Because it is not clear that the Texas Legislature has effectively waived the City's immunity from suit for money damages, holders of Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Bond Ordinance. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*"), and together with *Wasson I* ("*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Bond Ordinance provides that holders of Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Bond Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). The City, in part, is relying on authority granted to the City by Chapter 1371 in effecting the sale of the Bonds. Chapter 1371 permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity in the manner provided by Chapter 1371.

Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of, and interest on, the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before the Bankruptcy Court. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and that all opinions relative to the enforceability of the Bond Ordinance and the Bonds are subject to bankruptcy and other laws affecting creditors' rights or remedies generally.

TAX INFORMATION

Ad Valorem Tax Law

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Valuation of Taxable Property . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of Lubbock Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – City's Rights in the Event of Tax Delinquencies."

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026, the Maximum Property Value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value.

Issuer and Taxpayer Remedies . . . Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$59,562,331 for the 2024 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. (See “TAX INFORMATION – Public Hearing and Maintenance and Operation Tax Rate Limitations”.) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

State Mandated Homestead Exemptions . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

Personal Property . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-in-Transit Exemptions . . . Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990, and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Increment Financing Zones . . . A city or county, either by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, as amended, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The following terms as used in this section have the meanings provided below:

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“no-new-revenue tax rate” means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year’s total tax levy (adjusted) from the current year’s total taxable values (adjusted).

“special taxing unit” means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2023, which may be applied to a city’s tax rate in tax years 2022 through 2024 without impacting the voter-approval tax rate.

“voter-approval tax rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the “unused increment rate”.

The City’s tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the “maintenance and operations tax rate”), and (2) a rate for funding debt service in the current year (the “debt service tax rate”). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its “de minimis rate”, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city’s adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city’s voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its “voter-approval tax rate” using a 1.08 multiplier, instead of a 1.035 multiplier, until the earlier of (i) the second tax year in which such city’s total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

General Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

City’s Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

Penalties and Interest

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

| <u>Month</u> | <u>Cumulative Penalty %</u> | <u>Cumulative Interest %</u> | <u>Total %</u> |
|--------------|---------------------------------|----------------------------------|----------------|
| February | 6 | 1 | 7 |
| March | 7 | 2 | 9 |
| April | 8 | 3 | 11 |
| May | 9 | 4 | 13 |
| June | 10 | 5 | 15 |
| July | 12 | 6 | 18 |

After July, the penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax, penalty and interest charge. Under certain circumstances,

delinquent taxes on the homestead of a taxpayer 65 years of age or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants a \$16,700 exemption to the market value of the residence homestead of persons 65 years of age or older; the disabled are also granted an exemption of \$10,000.

The City has not granted any part of the optional exemption of up to 20% of the market value of residence homesteads.

The City has established the optional tax ceiling on residence homesteads of disabled persons and persons 65 years of age or older. The tax ceiling transfers to the surviving spouse in accordance with State law.

See "Table 1" in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY" for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax non-business personal property.

The City does not permit split payments of taxes and does not allow discounts for early payment of taxes, although discounts are permitted on a local-option basis by the Property Tax Code.

Since the 1999 tax year, the City has exempted Freeport Property from taxation.

The City does not tax Goods-In-Transit.

The City collects an additional three-eighth cent sales tax to help reduce ad valorem taxes.

The Appraisal District collects taxes for the City.

Tax Abatement Policies

The City has established a tax abatement program to encourage economic development. To be considered for tax abatement, a project must be located in a reinvestment zone or enterprise zone (a commercial project must be in an enterprise zone) and must meet several criteria pertaining to job creation and property value enhancement. In 2003, the Legislature made changes to the statute governing enterprise zones, including designating zones by block group based on poverty rate. The block groups meeting the criteria become enterprise zone eligible, but can only be used for tax abatement if the new zones are activated. In November, 2013, the City revised the eligible block groups based on the 2010 census and now have thirty-three eligible block groups. At present, there are eight active tax abatement agreements, principally for companies located in the northeast and southeast sections of Lubbock. In accordance with State law, the City has adopted policies for granting tax abatements, which provide guidelines for tax abatements for both industrial and commercial projects. The guidelines for industrial and commercial projects are similar, except that qualifying industrial projects may receive a ten-year abatement, while qualifying commercial projects are limited to five-year tax abatements. Since 1997, the City has negotiated abatements on a declining percentage basis, with a portion of the tax value added to the City's tax roll each year during the life of the abatement. The City's policies provide a variety of criteria that affect the terms of the abatement, including the projected life of the project, the type of business seeking abatement, with certain businesses targeted for abatement, the amount of real or personal property to be added to the tax roll, the number of jobs to be created or retained, and other factors. The policies disallow abatements for certain categories of property including real property, inventories, tools, vehicles, aircraft, and housing. Each abatement policy provides for a recapture of the abated taxes if the business is discontinued during the term of the agreement, except for discontinuances caused by natural disaster or other factors beyond the reasonable control of the applicant. For a description of the amount of property abated for City taxation purposes, see "Table 1" in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY."

Tax Increment Financing Zones

Together with other taxing units, the City participates in three TIRZs: the Central Business District Reinvestment Zone (the "Downtown TIF"), the North Overton Tax Increment Financing Reinvestment Zone (the "North Overton TIF") and the Lubbock Business Park Tax Increment Reinvestment Zone (the "LBP TIF"). The City may enter into additional TIRZs in the future.

The Downtown TIF covers a 0.71 square-mile area, which includes part of the Central Business District and abuts the North Overton TIF. The base taxable values of the TIF are frozen at the level of taxable values for 2001, the year of creation, at \$105,858,251. For

tax year 2024, the Downtown TIF had a taxable value of \$293,224,146, before taking into account tax abatements and exemptions. After tax abatements and exemptions, the taxable value in the Downtown TIF was \$187,365,895. In addition to the City, Lubbock County, Lubbock County Hospital District, and the High Plains Underground Water Conservation District (collectively, the “Taxing Units”) participate in the Downtown TIF. Given the relative tax rates of the participants, it is anticipated that the City will be the largest contributor to the tax increment fund if there is growth from the frozen base. On September 24, 2009, the City approved an extension of the termination date of the Downtown TIF to December 31, 2040 in order to provide additional funding to implement the Downtown TIF project and finance plan.

The City enacted an ordinance in 2002 establishing the North Overton TIF. Each of the other Taxing Units in the Downtown TIF also participated in the North Overton TIF. The City ordinance establishing the North Overton TIF provides that the North Overton TIF will terminate on December 31, 2031, or at an earlier time designated by a subsequent City ordinance. The North Overton TIF consists of 325 acres near the Central Business District of Lubbock. The taxable base value for the North Overton TIF was established as of January 1, 2002, at \$26,940,604. For tax year 2024, the North Overton TIF had a taxable value of \$590,839,590 before taking into account tax abatements and exemptions. After tax abatements and exemptions, the taxable value in the North Overton TIF was \$563,898,986.

The City enacted an ordinance in 2009 establishing the LBP TIF. Each of the other Taxing Units in the Downtown TIF and the North Overton TIF also participate in the LBP TIF. The City ordinance establishing the LBP TIF provides that the LBP TIF will terminate on December 31, 2039, or at an earlier time designated by a subsequent City ordinance. The LBP TIF consists of 586.1 acres near the Airport. The base taxable value of the LBP TIF was established in 2009, the year of creation, at \$410,486. For tax year 2024, the LBP TIF had a taxable value of \$98,673,674, before taking into account tax abatements and exemptions. After tax abatements and exemptions, the taxable value in the LBP TIF was \$98,263,188.

See “APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY – TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT”.

ADDITIONAL TAX COLLECTIONS

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds or other debt of the City.

In addition, in January 1995, voters of the City approved the imposition of an additional sales and use tax of one-eighth of a cent as authorized by Chapter 323 Texas Tax Code, as amended. Collection for the additional tax commenced in October 1995 with the proceeds from the one-eighth cent sales tax designated for the use and benefit of the City to replace property tax revenues lost as a result of the adoption of the tax.

At an election held in the City on November 4, 2003, voters approved an additional one-quarter cent sales and use tax, with the proceeds to be dedicated to the reduction of ad valorem taxation, and an additional one-eighth cent sales and use tax under Chapter 504 of the Texas Local Government Code to be used for economic development in the City. The City began to receive proceeds of these taxes in October 2004.

Collection and enforcement of the City's sales tax are effected through the offices of the Comptroller of Public Accounts, State of Texas. The Comptroller remits the proceeds of the tax to the City on a monthly basis after the deduction of a 2% service fee.

2025 LEGISLATIVE SESSION

In close proximity to the closing of the Bonds, the 89th Texas legislative session will commence on January 14, 2025 and continue to June 2, 2025. During this time, the Texas Legislature may enact laws that materially affect the City and its finances. The City can make no prediction as to the outcome of this legislative session but intends to monitor applicable legislation related thereto.

FINANCIAL POLICIES

Policies

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board (“GASB”) and program standards adopted by the Government Finance Officers Association of the United States and Canada (“GFOA”). The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for each of the fiscal years ended September 30, 1984 through September 30, 2002 and September 30, 2004 through September 30, 2023.

Annual Comprehensive Financial Report (ACFR) . . . Beginning with the year ended September 30, 2002, the City’s ACFR has been presented under the GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Note Disclosures*. For additional information regarding accounting policies that are applicable to the City, see Note I. “Summary of Significant Accounting Policies”

in the financial statements of the City attached as “APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2023”.

General Fund Balance . . . The City’s objective is to maintain an unreserved/undesignated fund balance of 20% of operating revenues to meet unanticipated contingencies and fluctuations in revenue. As of fiscal year-end 2023, the City’s General Fund had an unreserved/undesignated fund balance that was at approximately 174.77% of the target established by the City’s financial policies.

Water and Wastewater, Storm Water and Airport Enterprise Fund Balances . . . It is the policy of the City to maintain appropriate net position in the Water and Wastewater fund in an amount equal to 25% of operating revenues for unforeseen contingencies. The City’s goal of appropriate net position in the Airport and Storm Water funds is an amount equal to 15% of regular operating revenues. The City currently exceeds its policy on appropriate net position and unrestricted net position for its various enterprise funds. As of fiscal year-end 2023, the target net position by policy and current appropriate net position for the Water and Wastewater, Storm Water, and Airport enterprise funds are as follows based on:

| <u>Enterprise Fund</u> | <u>Target Net Position by Policy</u> | <u>Appropriate Net Position</u> |
|-----------------------------|--------------------------------------|---------------------------------|
| Water and Wastewater | \$35.4 million | \$43.0 million |
| Storm Water | \$4.7 million | \$9.4 million |
| Airport | \$3.2 million | \$20.1 million |

To provide efficiency and cost savings in operations, the City combined its historic Waterworks System and Wastewater System into a combined Water and Wastewater utility system in FY 2018. Reporting of the Water and Wastewater System is now done on a combined basis.

Electric Enterprise Fund Balance . . . It is the policy of Lubbock Power & Light, the City’s municipally-owned electric utility system (“LP&L”) to maintain a general reserve fund. In response to a City Charter amendment approved by the voters in November 2004, the City Council adopted an ordinance relating to the governance, management and operations of LP&L (the “LP&L Governance Ordinance”) to include, among other things, enhancements to the requirements regarding the reserve funds LP&L maintains. The LP&L Governance Ordinance established a governing body for LP&L (the “Electric Utility Board”) and required the Electric Utility Board to (i) maintain sufficient operating cash to satisfy all current accounts payable and (ii) maintain a general reserve fund that is equal to the greater of three months gross retail electric revenue (GRR) as determined by taking the average monthly GRR from the previous fiscal year. On November 7, 2023, effective the same day, the City Council changed the reserve policy calculation to reflect days cash based on operating expenses with a minimum target of 90 days and an upper bound of 200 days. This change was made to reflect the City’s transition to a retail market. LP&L opened its service territory to retail market competition as of January 5, 2024 and became a “wires only” electric transmission and distribution provider. The LP&L general reserve fund shall be used for operational purposes, rate stabilization and for meeting the electric utility demand of any rapid or unforeseen increase in residential and/or commercial development. Based on the new policy, for fiscal year-end 2024, the Target General Reserve by Policy and the actual General Reserve for LP&L were as follows based on near final unaudited information:

| <u>Enterprise Fund</u> | <u>Target General Reserve by Policy</u> | <u>General Reserve</u> |
|------------------------|---|------------------------|
| LP & L | \$76.5 million | \$115.5 million |

Enterprise Fund Revenues . . . It is the policy of the City that each of the Electric, Water and Wastewater, and Storm Water funds be operated in a manner that results in self-sufficiency, without the need for additional monetary transfers from other funds. Such self-sufficiency is to be obtained through the rates, fees and charges of each of these enterprise funds. For purposes of determining self-sufficiency, cost recovery for each enterprise fund includes direct operating and maintenance expense, as well as indirect cost recovery, in-lieu of transfers to the General Fund for property and franchise tax payments, capital expenditures and debt service payments, where appropriate. Rate increases may be considered in future budgets as costs may warrant, including specifically the costs related to fuel charges that may affect LP&L and the cost of providing service.

Debt Service Fund Balance . . . A reasonable debt service fund balance is maintained to compensate for unexpected contingencies.

Budgetary Procedures . . . The City follows these procedures in establishing operating budgets:

- 1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to October 1 the budget is legally enacted through passage of an ordinance.
- 4) City Council action is required for the approval of any supplemental appropriations.
- 5) The General Fund budgets major classes of revenue and expenditures to the fund level. The City Manager is authorized to transfer budgeted amounts between accounts below the fund level. Any transfer of funds between funds is presented to the City Council for approval by ordinance before the funds are transferred or expended. Appropriations for the General Fund lapse at fiscal year-end.

- 6) Certain special revenue funds and the Debt Service Fund are budgeted at the fund level on an annual basis. The Debt Service Fund achieves additional oversight through general obligation bond indenture and other contract provisions.
- 7) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles with the exception of capital leases and capital outlay.
- 8) Capital projects and certain grants are also budgeted annually, but their budgets do not lapse at fiscal year-end. These funds have project length budgets which remain in effect until the project is completed and closed.
- 9) Budgetary comparison is presented for the General Fund, Special Revenue Funds and the Debt Service Fund in the Required Supplementary Information of the Annual Comprehensive Financial Report. The City has received the Distinguished Budget Presentation Award from the GFOA for the following budget years beginning October 1, 1983-1988 and 1990-2024. The City has submitted the 2025 Budget for award consideration.

On September 10, 2024, the City Council approved the budget and set the tax rate for the fiscal year ending September 30, 2025.

Insurance and Risk Management . . . The City is self-insured for public entity liability and health benefits coverage. Risk management purchases a \$14 million excess insurance policy for liability claims in excess of \$500,000 per occurrence. Airport liability insurance and workers' compensation is insured under guaranteed cost policies. The City maintains insurance policies with large deductibles for fire and extended property coverage and boiler and machinery coverage. The Health Benefits are covered by a self-insured program with a \$700,000 individual cap for calendar year 2024.

An Insurance Fund has been established in the Internal Service Fund to account for insurance programs and budgeted transfers are made to this fund based upon estimated payments for claim losses.

At September 30, 2023, the Net Position of these insurance funds was as follows:

Self-insurance – health: \$6,476,993

Self-insurance – risk management: \$11,361,698

The City obtains an actuarial study of its risk management fund (the "Risk Fund") every year. In FY 2023, an actuarial study was conducted in order to allocate costs to departments. Considered were the types of insurance protection obtained by the City, the loss exposure and loss history, and claims being paid or reserved which are not covered by insurance. For FY 2023, the actuarial review recommended that the liabilities of the Risk Fund be decreased to \$2,655,524 from \$3,543,357 in FY 2022 to the minimum expected confidence level of the GASB Statement Number 10 ("GASB 10"), which requires maintenance of risk management assets at a level representing at least a 50% confidence level that all liabilities, if presented for payment immediately, could be paid. The Risk Fund has unrestricted net position for insurance claims of \$11,350,285. Given the net position balance, the City exceeds the minimum GASB 10 requirement. For FY 2023, the actuarial review also recommended that the reserve of the Health Fund be decreased to \$2,002,759 from \$2,083,214 in FY 2022.

Administration

Establishment of Audit and Investment Committee . . . In 2003, the City Council established an independent Audit and Investment Committee composed of five members. The Audit and Investment Committee is charged with maintaining an open avenue of communication between the City Council, City Manager, internal auditor and independent external auditor to assist the City in fulfilling its fiduciary responsibility to its citizens. The committee has the power to conduct or authorize investigations into the City's financial performances, internal fiscal controls, exposure and risk assessment. The committee is appointed by the City Council and informally reports to the City Manager. The establishment of the committee is designed to serve as an additional check on the preparation of the City's financial statements and to avoid weaknesses in the City's internal controls, including the status and adequacy of information systems and security.

The chair of the Audit and Investment Committee is appointed by the Mayor and the other positions are filled by a vote of the City Council. At least two members of the committee are required to have a background in financial reporting, accounting or auditing, at least one member is required to be a certified public accountant, and at least one member is required to have an extensive background in investments. The current membership of the committee consists of: Chair, Terisa Clark, CPA, Clark CFO & Consulting, LLC; Vice Chair, Brad Odell, Attorney, Mullin Hoard & Brown, LLP; Brandon Kidd, Commercial Lender, City Bank; and Keith Mann, President, Diversified Lenders; Eddie Schulz, President, Lubbock National Bank.

Monthly Assessments of Revenues and Expenditures . . . Since FY 2006, City management assesses monthly the budgeted expenditures and revenues of the City and incorporates budget adjustments as necessary to better match expenditures with revenues. Transfers within the various Funds of the City are implemented on an as-needed basis to take into account changes in revenues projected to be received throughout a fiscal year as well as efficiencies realized in the provision of services to the citizens of the City.

Truth-in-Taxation . . . For FY 2025 (Tax Year 2024), the City's total tax rate was set at \$0.470120 per \$100 taxable assessed valuation. The City's taxable assessed valuation increased approximately \$2.0 billion or 7.6% from FY 2024 to FY 2025. The City Council, on June 12, 2003, passed a resolution affirming their support for truth-in-taxation. The goal of this resolution is to allow the citizens to be better informed about the real needs of City government and if the increased revenue from increased appraisal values is truly

necessary. The resolution goes on to provide that each year the tax rate should be adopted based on the actual needs of government. The goal was affirmed in April 2004 in a resolution that stated the City Council has supported, as well as taken action, to provide tax relief to property owners within the City. In addition, the City Council recognized the need for the City to be autonomous in its ability to provide the public safety, health, and quality of life for its citizens.

Retirement Plans

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Texas Municipal Retirement System (“TMRS”) and the Lubbock Fire Pension Fund (“LFPF”). The City does not maintain the accounting records, hold the investments, or administer either retirement plan.

The total (aggregate for the TMRS and LFPF plans) of the City’s net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2023 and the pension expense for the year ended is as follows:

| <u>FYE 9-30-23</u> | <u>TMRS</u> | <u>LFPS</u> | <u>Total</u> |
|--------------------------------|---------------|---------------|---------------|
| Net pension liability | \$151,624,079 | \$108,159,774 | \$259,783,853 |
| Deferred outflows of resources | 85,088,555 | 33,715,096 | 118,803,651 |
| Deferred inflows of resources | 4,901,489 | 1,606,605 | 6,508,094 |
| Pension expense | 31,505,819 | 11,324,491 | 42,830,310 |

Texas Municipal Retirement System . . . The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report (“TMRS Annual Report”) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member’s total compensation, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (“EAN”) actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the 2023 fiscal year. The contribution rates for the City were 17.01% and 16.99% in calendar years 2023 and 2022, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$21,799,011, and were equal to the required contributions.

The City’s net pension liability (“NPL”) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

For additional information concerning the City’s retirement plans, see “APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2023 – Note III, Subsection F – Retirement Plans”.

Lubbock Fire Pension Fund . . . The City contributes to the retirement plan for firefighters and eligible civilian employees in the Lubbock Fire Department known as the Lubbock Fire Pension Fund. The LFPF is a single employer, contributory defined benefit plan. The benefit provisions of the LFPF are authorized by the Texas Local Fire Fighters’ Retirement Act (“TLFFRA”). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Lubbock Fire Pension Fund. The City does not have access to, nor can it utilize assets within the retirement plan trust. The LFPF issues a stand-alone report pursuant to GASB Statement No. 67.

Firefighters and eligible civilian employees in the Lubbock Fire Department are covered by the Lubbock Fire Pension Fund, which provides service retirement, death, disability, and withdrawal benefits. The retirement benefits fully vest after 20 years of credited service. Plan members become eligible for normal service retirement at age 50 with 20 years of service. A partially vested benefit is provided for members who terminate employment with at least 10 but less than 20 years of service. If a terminated member has a fully vested benefit (with at least 20 years) but is not eligible for normal retirement, the member may elect an actuarially equivalent early retirement benefit or wait to retire starting on the date he or she would have first satisfied both age and service requirements for normal retirement if he or she had remained an eligible plan member. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus \$335.05 for each year of service in excess of 20. Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude overtime compensation designated as “Call-Back Overtime Pay” that is overtime in excess of “regular normal scheduled hours.”

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City. The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the members, the rate elected by the members according to TLFFRA effective September 29, 2018. Before that their contribution rate was 12.43% for many years. The City currently contributes according to a long-standing formula. For many years, the City's contribution rate to the Fund has been related to the percentage of payroll that the City contributes to the Texas Municipal Retirement System (TMRS) for other employees each calendar year. The actual City contribution rate was 22.18% in 2021 and averaged 21.78% in 2022.

Beginning October 1, 2022, the City has decided to discontinue the formula tied to TMRS and agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the expected city contribution rate beginning October 1, 2022 is 21.75%. The December 31, 2022 actuarial valuation includes the assumption that the new city contribution policy will continue with the City contribution rate of 21.75% at least as long as the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2022, the money-weighted rate of return on pension plan investments was -4.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year. While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the members and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

The City's contributions to LFPF for the year ended September 30, 2023, were \$9,081,090 and were equal to the statutorily required contributions.

For additional information concerning the City's retirement plans, see "APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2023 – Note III, Subsection F – Retirement Plans".

Other Post-Employment Benefits

In addition to pension benefits, the City currently provides certain other post-employment benefits ("OPEB") to its employees. The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person's dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. For further information regarding the City's OPEB obligation, see "APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2023 – Note III, Subsection G".

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law, including specifically the Public Funds Investment Act (Chapter 2256, Texas Government Code, and referred to herein as the "PFIA"), in accordance with investment policies approved by the City Council of the City. Both State law and the City's investment policies are subject to change.

Legal Investments

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i)

above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in described below, and in an amount at least equal to the amount of bond proceeds invested under such contract; (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less; and (17) hedging transactions, including hedging contracts, and related security, credit, and insurance agreements (i) in connection (a) with commodities used by the City in its general operations, (b) with the acquisition or construction of a capital project, or (c) with a project eligible under 1371.001, Texas Government Code, as amended, and (ii) that comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the

City shall submit an investment report detailing: (1) the investment position of the City; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds described by clause (14) under "INVESTMENTS – Legal Investments"; (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (9) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said ordinance or resolution; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

The City's Investment Policy and Investment Strategy

The City invests its funds according to Texas law and the City's own Investment Policy and Investment Strategy. The Investment Policy mandates five principal investment objectives: (a) compliance with all federal, state, and other legal requirements; (b) preservation of capital and protection of investment principal; (c) maintenance of sufficient liquidity to meet anticipated disbursements and cash flows; (d) diversity in market sector and maturity to minimize market risk in a particular sector; and (e) attainment of a market rate of return equal to or higher than the performance measure established by the Chief Financial Officer or the designee thereof.

The City's Investment Policy and Investment Strategy is designed to operate within the restrictions set forth in applicable state and federal laws and statutes, but it does not permit all activity allowed by those laws. The Investment Policy provides that (i) changes to state or federal laws, which restrict a permitted activity under the Investment Policy, are incorporated into the Investment Policy immediately upon becoming law and (ii) changes to state or federal laws, which do not further restrict the Investment Policy, are reviewed by the City's Audit and Investment Committee and recommended to the City Council when appropriate.

The City's Investment Policy and Investment Strategy provides that the legal investments described above under the caption "Legal Investments" are authorized investments for the City, except for investments described by clauses (3), (6), (14), (15) and (16) in the first paragraph of "INVESTMENTS – Legal Investments."

See Table 17 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY" for details on the City's investable funds as of August 31, 2024.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel relating to the Bonds is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel relating to the Bonds assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel relating to the Bonds is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel relating to the Bonds is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the “Service”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Service. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Service. Under current procedures the Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service positions with which the City legitimately disagrees, may not be practicable. Any action of the Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of the Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

RATINGS

The Bonds are rated “___” by S&P Global Ratings, a division of S&P Global Inc. and “___” by Fitch Ratings, Inc. An explanation of the significance of such ratings may be obtained from the company furnishing the rating.

The City has outstanding ad valorem tax-supported debt rated “Aa2” by Moody’s Investors Service, Inc. (“Moody’s”). The City did not request a rating on the Bonds from Moody’s.

The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A credit rating on a security is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

LITIGATION

A number of claims against the City, as well as certain other matters of litigation, are pending with respect to various matters arising in the normal course of the City’s operations. The City Attorney and the City Management are of the opinion that resolution of the claims pending (including the matters, if any, identified in the notes to the City’s financial statements, attached to this Official Statement as APPENDIX B) will not have a material effect on the City’s operations or financial condition and there is no other litigation or procedures pending or, to their knowledge, threatened against the City in any court, agency or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the operations or financial condition of the City.

REGISTRATION AND QUALIFICATION OF THE BONDS FOR SALE

The sales of the Bonds have not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriters’ written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public

agencies of the State of Texas, the PFIA requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “RATINGS” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from sources and in the manner described herein and in the Bond Ordinance and the legal opinion of Bond Counsel. The form of Bond Counsel’s opinion (the “Bond Opinion”) is attached hereto in Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas and San Antonio, Texas, Counsel for the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing in this Official Statement under the captions “PLAN OF FINANCE” (excluding the subcaption “Sources and Uses of Proceeds”), “THE BONDS” (excluding the subcaption “Book-Entry-Only System”), “TAX MATTERS”, “REGISTRATION AND QUALIFICATION OF THE BONDS FOR SALE,” “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” “LEGAL MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings”), excluding any material that may be treated as included under such captions or subcaptions by cross references or reference to other documents or sources, and such firm is of the opinion and conclusion that, insofar as such statements expressly summarize certain provisions of the Bonds and the Bond Ordinance or set out content of our Bond Opinion, such statements are accurate in all material respects.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

INVESTMENT CONSIDERATIONS

Cyber Security

Computer networks and data transmission and collection are vital to the operations of the City. Information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture.

Weather Events

The City is located in West Texas. Land located in this area is susceptible to high winds, tornados, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City’s tax rate. Under certain conditions, Texas law allows the City to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB pursuant to the requirements of Section (b)(5) of Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”).

Annual Reports

The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in APPENDIX A (Tables 1-5 and 7-17) and in APPENDIX B. The City will provide this information within 6 months after the end of each fiscal year ending in or after 2024. If audited financial statements are not available when the information is provided, the City will provide audited financial statements when and if they become available and unaudited financial statements within 12 months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

The City’s current fiscal year end is September 30. Accordingly, the City must provide updated financial information and operating data included in the above referenced tables by March 31 in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB via EMMA prior to the next day which the City would otherwise be required to provide financial and operating data as set forth above.

Notice of Certain Events

The City will also provide timely notices of certain specified events to the MSRB via EMMA. The City will provide notice of any of the following events with respect to the Bonds within ten Business Days after the occurrence of such event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor trustee or change in the name of the trustee, if material; (15) incurrence of a debt obligation of the City or a derivative instrument entered into by the City in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee by the City of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such debt obligation, derivative instrument, or guarantee of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such debt obligation, derivative instrument, or guarantee of the City, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

The City shall also file notice with the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data described in “Annual Reports” above by the time required as described above.

Availability of Information

The City has agreed to provide the foregoing information only as described above. The information will be available free of charge via the EMMA system at www.emma.msrb.org.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Bonds in the primary offering of such Bonds.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the last five years, the City has complied in all material respects with all continuing disclosure agreements entered into by it in accordance with the Rule.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC, a firm of independent certified public accountants, will deliver to the City, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations.

Robert Thomas CPA, LLC, relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Robert Thomas CPA, LLC, has relied on any information provided to it by the City's retained advisors, consultants or legal counsel. Robert Thomas CPA, LLC was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

The verification report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Obligations.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Obligations. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the City at a price equal to the initial offering prices as shown on page ii of this Official Statement, at an underwriting discount of \$_____.

The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities

laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

One of the Underwriters of the Bonds is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Bond Ordinance authorizing the issuance of the Bonds approves the form and content of this Official Statement, and any addenda, supplement, or amendment thereto, and authorizes its execution by an Authorized Officer and its further use in the reoffering of the Bonds by the Underwriters.

Authorized Officer
City of Lubbock, Texas

**SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS***

| Original Dated Date | Original Principal Amount | Principal Amount Outstanding | Maturities Being Refunded | Principal Amount Outstanding | Principal Amount Being Refunded* | Principal Amount Being Refunded by Revenue Bonds* | Redemption Date |
|--|---------------------------------|------------------------------------|---------------------------------|------------------------------------|--|--|--------------------|
| General Obligation Refunding Bonds, Series 2014 | | | | | | | |
| 05/01/2014 | \$ 44,920,000 | \$ 15,005,000 | 02/15/2026 | \$ 5,740,000 | \$ 3,490,000 | \$ 2,250,000 | 02/15/2025 |
| | | | Total | \$ 5,740,000 | \$ 3,490,000 | \$ 2,250,000 | |
| General Obligation Refunding Bonds, Series 2015 | | | | | | | |
| 04/15/2015 | \$129,665,000 | \$ 44,725,000 | 02/15/2026 | \$ 12,295,000 | \$ 5,850,000 | \$ 6,415,000 ^(a) | 02/15/2025 |
| | | | 02/15/2027 | 12,380,000 | 5,605,000 | 6,745,000 ^(a) | 02/15/2025 |
| | | | 02/15/2028 | 8,350,000 | 3,055,000 | 5,295,000 | 02/15/2025 |
| | | | Total | \$ 33,025,000 | \$ 14,510,000 | \$ 18,455,000 | |
| Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series, Series 2015 | | | | | | | |
| 04/15/2015 | \$102,490,000 | \$ 63,345,000 | 02/15/2026 | \$ 4,670,000 | \$ 1,435,000 | 3,235,000 ^(a) | 02/15/2025 |
| | | | 02/15/2027 | 4,885,000 | 1,500,000 | 3,385,000 ^(a) | 02/15/2025 |
| | | | 02/15/2028 | 5,135,000 | 1,580,000 | 3,555,000 | 02/15/2025 |
| | | | 02/15/2029 | 5,400,000 | 1,660,000 | 3,740,000 | 02/15/2025 |
| | | | 02/15/2030 | 5,645,000 | 1,735,000 | 3,910,000 | 02/15/2025 |
| | | | 02/15/2031 | 5,880,000 | 1,805,000 | 4,075,000 | 02/15/2025 |
| | | | 02/15/2032 | 6,120,000 | 1,880,000 | 4,240,000 | 02/15/2025 |
| | | | 02/15/2033 | 6,365,000 | 1,955,000 | 4,410,000 | 02/15/2025 |
| | | | 02/15/2034 | 6,625,000 | 2,040,000 | 4,585,000 | 02/15/2025 |
| | | | 02/15/2035 | 6,895,000 | 2,120,000 | 4,775,000 | 02/15/2025 |
| | | | Total | \$ 57,620,000 | \$ 17,710,000 | \$ 39,910,000 | |
| General Obligation Refunding Bonds, Taxable Series 2015 | | | | | | | |
| 05/01/2015 | \$ 28,305,000 | \$ 16,380,000 | 02/15/2026 | \$ 2,725,000 | \$ 1,830,000 | - ^(b) | 02/15/2025 |
| | | | 02/15/2027 | 2,810,000 | 1,885,000 | - ^(b) | 02/15/2025 |
| | | | 02/15/2028 | 1,945,000 | 1,945,000 | - | 02/15/2025 |
| | | | 02/15/2029 | 2,010,000 | 2,010,000 | - | 02/15/2025 |
| | | | 02/15/2030 | 2,085,000 | 2,085,000 | - | 02/15/2025 |
| | | | 02/15/2031 | 2,165,000 | 2,165,000 | - | 02/15/2025 |
| | | | Total | \$ 13,740,000 | \$ 11,920,000 | \$ - | |
| TOTAL REFUNDED OBLIGATIONS | | | | \$ 110,125,000 | \$ 47,630,000 | \$ 60,615,000 | |

*Preliminary, subject to change.

^(a) The City intends to cash redeem the remaining \$30,000 of each maturity on February 15, 2025.

^(b) The remaining portion of these maturities (2/15/2026 - \$895,000 and 2/15/2027 - \$925,000) cannot be refunded on a tax-exempt basis.

APPENDIX A
FINANCIAL INFORMATION REGARDING THE CITY

**FINANCIAL INFORMATION REGARDING
THE CITY OF LUBBOCK, TEXAS**

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | | |
|--|----------------|-----------------------------|
| 2024/25 Market Valuation Established by Lubbock Central Appraisal District | | \$ 30,512,184,598 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Homestead Cap Adjustment | \$ 358,751,792 | |
| Productivity Loss | 153,617,008 | |
| Over 65 Residential Homestead Exemptions | 298,966,420 | |
| Circuitbreaker | 175,546,546 | |
| Disabled Persons - Local | 9,068,788 | |
| Disabled Veterans | 283,255,250 | |
| Prorated Exempt Property | 10,568,894 | |
| Tax Abatement Reductions | 115,264,633 | |
| Pollution Control | 23,022,438 | |
| First Responder-SS | 273,084 | |
| Goods in Transit | 2,261,657 | |
| Energy, Mixed Use Vehicle, Solar | 4,446,715 | |
| Freeport Exemptions | 270,341,411 | |
| Childcare Facility | 20,659,269 | |
| Charitable Low Income Housing | 10,970,712 | |
| Lease Vehicles and other | 66,034,018 | |
| House Bill 366 | 3,284,341 | |
| | | 1,806,332,976 |
| 2024/25 Taxable Assessed Valuation | | \$ 28,705,851,622 |
| City Funded Debt Secured by Ad Valorem Taxes | | |
| General Obligation Debt (as of 11/15/2024) ^(a) | | \$ 676,326,764 |
| Less: The obligations refunded by the Revenue Bonds | | (60,615,000) ^(d) |
| Less: The Refunded Obligations | | (47,630,000) ^(e) |
| Plus: The Bonds | | 45,635,000 ^(e) |
| Total GO Debt Secured by Ad Valorem Taxes | | \$ 613,716,764 |
| Less: Self Supporting Debt Principal (as of 11/15/2024) ^{(b)(d)} | | |
| Water and Wastewater System General Obligation Debt | \$ 88,388,106 | |
| Airport General Obligation Debt | 34,360,000 | |
| Storm Water System General Obligation Debt | 86,840,000 | |
| Tax Increment Financing General Obligation Debt | 15,465,000 | |
| Electric Light and Power System General Obligation Debt | 9,840,000 | |
| Gateway General Obligation Debt | 45,235,000 | |
| Cemetery General Obligation Debt | 115,000 | |
| Hotel Occupancy Tax Debt | 250,000 | |
| Internal Service Fund/Admin General | 18,647,489 | |
| | | 299,140,595 |
| General Purpose Funded Debt Payable from Ad Valorem Taxes (as of 11/15/2024)^{(a)(b)} | | \$ 314,576,169 |
| General Obligation Interest & Sinking Fund as of 9/30/2024 (unaudited figure) | | \$ 6,736,618 |
| Ratio Total Funded Debt to Taxable Assessed Valuation | | 2.36% |
| Ratio General Purpose Funded Debt to Taxable Assessed Valuation | | 1.10% |
| Current Estimated Population ^(c) | | |
| | | 272,782 |
| Per Capita Taxable Assessed Valuation | | \$ 105,234 |
| Per Capita Total Funded Debt Secured by Ad Valorem Taxes | | \$ 2,479 |
| Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes | | \$ 1,153 |

(a) The statement of indebtedness does not include the City's outstanding Electric Light and Power System Revenue Bonds payable solely from the Net Revenues of the Lubbock Power and Light System or the City's Water and Wastewater System Revenue Bonds payable solely from the Net Revenues of the Water and Wastewater System.

(b) As a matter of policy, the City issues general obligation debt (general obligation bonds, certificates and tax notes) to fund improvements for many of its enterprise funds. The City provides detailed information on the general obligation debt supported by the following enterprise funds: Water and Wastewater System, Storm Water System, Tax Increment Finance Reinvestment Zones, Airport, Electric Light and Power System, Cemetery, Gateway Streets, Hotel Occupancy Tax projects, the Auditorium/Coliseum and the Internal Service Fund (see "TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION," "TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS," "TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS," AND "TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT"). The City historically issued general obligation debt to fund improvements to its Water and Wastewater System and its Electric Light and Power System, but currently issues revenue debt to fund improvements to each of these two systems. The remaining outstanding general obligation debt that is paid from the Water and Wastewater System and the Electric Light and Power System is detailed herein.

The City combined its Waterworks System and Wastewater System into a Water and Wastewater System at the beginning of FY 2018. Prior to the consolidation of the Water and Wastewater System, the City issued certain general obligation debt to finance or refinance improvements to the Waterworks System and Wastewater System, respectively. Going forward, the City expects to pay such general obligation debt from revenues of the combined Water and Wastewater System. In addition to the general obligation debt assigned to the Water and Wastewater System, the City currently has \$202,120,000 outstanding in Water and Wastewater System Revenue Bonds payable from a pledge of system revenues. The water and wastewater system self supporting principal does not include the obligations to be refunded by the Revenue Bonds. Preliminary, subject to change.

The City's Airport General Obligation Debt has been issued to finance or refinance Airport improvements, and is being paid, or is expected to be paid from revenues derived from the Airport. The City has no outstanding Airport Revenue Bonds.

The City's Storm Water System General Obligation Debt has been issued for Storm Water System improvements, and is being paid, or is expected to be paid, from revenues derived from Storm Water System fees. The City has no outstanding Storm Water System Revenue Bonds.

The City's Tax Increment Financing General Obligation Debt has been issued to finance or refinance construction of improvements in the North Overton TIF, and is being paid or is expected to be paid, from revenues derived from the Pledged Tax Increment Revenues. The City has no outstanding Tax Increment Financing Revenue Bonds. In FY 2025, the City anticipates that tax increment revenues will be adequate to cover debt requirements on the Tax Increment Financing General Obligation Debt. In the instance that tax increment revenues are not sufficient to pay debt service on the Tax Increment Financing General Obligation Debt, the City intends to make an interfund loan to cover the debt service and, if the projected development in the North Overton TIF proceeds as expected, repay such loan from revenues received in future years. There could be years in which the TIRZ may not produce revenues in amounts sufficient to cover all debt issued for TIRZ improvements, at least until the TIRZ has reached full build-out status. If revenues are insufficient and no interfund loan is made, the City is obligated to pay such obligations from ad valorem taxes.

The City's Electric Light and Power System General Obligation Debt has been issued to finance or refinance Electric Light and Power System improvements, and is being paid or is expected to be paid, from revenues derived from the Lubbock Power and Light System. In addition to the general obligation debt assigned to the Electric Light and Power System, the City has \$463,500,000 of outstanding Electric Light and Power System Revenue Bonds payable from a pledge of system revenues.

The City's Gateway General Obligation Debt has been issued to finance or refinance Gateway Streets improvements, and is being paid, or is expected to be paid from franchise fees. The City has no outstanding Gateway Fund Revenue Bonds.

The City's Hotel Occupancy Tax General Obligation Debt has been issued to finance tourism projects and is being paid, or is expected to be paid, from hotel occupancy taxes. The City has no Hotel Occupancy Tax Bonds.

The City's Internal Service Fund General Obligation debt has been issued to finance or refinance fleet and equipment purchased by the City that is utilized by specific departments and is being paid by departmental charges. The City has no outstanding Internal Service Fund Revenue Bonds.

The debt service of the Refunded Obligations has enterprise fund allocations as well as general purpose allocations. The City will assign a pro-rata share of the debt service of The Bonds to the enterprise funds of the Refunded Obligations. Such enterprise fund assignments will occur after the delivery of The Bonds. Reported self-supporting enterprise fund principal amounts are subject to change.

(c) Source: the City.

(d) Concurrently with the sale of the Bonds, the City is selling its Revenue Bonds. The obligations being refunded by the Revenue Bonds are ad valorem tax secured obligations of the City that are currently allocated to the water & wastewater system enterprise fund for payment. Such debt will be moved to the water & wastewater system revenue credit through the refunding. Preliminary, subject to change.

(e) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATION BY CATEGORY

| Category | Taxable Assessed Value for Fiscal Years Ended September 30, | | | | |
|--|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Residential, Single-Family | \$18,292,558,967 | \$17,394,946,714 | \$15,170,089,181 | \$12,701,350,762 | \$11,636,369,868 |
| Residential, Multi-Family | 2,832,795,802 | 2,688,300,565 | 2,428,318,825 | 2,086,691,122 | 1,935,898,408 |
| Vacant Lots/Tracts | 345,608,895 | 416,491,829 | 339,814,478 | 267,376,804 | 280,901,434 |
| Acreage (Land Only) | 160,642,178 | 132,815,850 | 127,455,560 | 132,293,478 | 138,727,081 |
| Farm & Ranch Improvements | 110,761,147 | 94,423,783 | 46,993,945 | 41,265,790 | 42,055,611 |
| Commercial and Industrial | 5,248,505,019 | 4,876,370,647 | 4,580,745,099 | 4,333,657,286 | 4,129,892,788 |
| Oil, Gas & Other Minerals | 18,311,340 | 17,744,240 | 18,921,860 | 8,524,230 | 13,784,250 |
| Utilities | 379,075,419 | 350,247,171 | 330,005,851 | 283,542,418 | 266,375,073 |
| Goods-in-Transit | - | - | - | - | - |
| Personal, Commercial/Industrial | 2,709,773,289 | 2,493,059,939 | 2,266,131,308 | 2,102,828,415 | 2,005,885,644 |
| Personal, Other | 21,255,153 | 18,007,817 | 17,107,251 | 15,990,584 | 15,299,068 |
| Totally Exempt | 6,317,933 | - | - | - | - |
| Inventory | 102,556,792 | 81,371,995 | 41,160,559 | 44,554,649 | 37,282,823 |
| Special Inventory/Other | 284,022,664 | 166,095,565 | 149,290,356 | 119,312,205 | 122,600,014 |
| Total Appraised Value Before Exemptions/Reductions | \$30,512,184,598 | \$28,729,876,115 | \$25,516,034,273 | \$22,137,387,743 | \$20,625,072,062 |
| Less: Total Exemptions/Reductions | (1,806,692,976) | (1,837,150,490) | (1,556,995,155) | (1,015,622,574) | (1,161,799,072) |
| Taxable Assessed Value | <u>\$28,705,491,622</u> | <u>\$26,892,725,625</u> | <u>\$23,959,039,118</u> | <u>\$21,121,765,169</u> | <u>\$19,463,272,990</u> |

| Category | % Taxable Assessed Value for Fiscal Years Ended September 30, | | | | |
|--|---|---------|---------|---------|---------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Residential, Single-Family | 59.95% | 60.55% | 59.45% | 57.38% | 56.42% |
| Residential, Multi-Family | 9.28% | 9.36% | 9.52% | 9.43% | 9.39% |
| Vacant Lots/Tracts | 1.13% | 1.45% | 1.33% | 1.21% | 1.36% |
| Acreage (Land Only) | 0.53% | 0.46% | 0.50% | 0.60% | 0.67% |
| Farm & Ranch Improvements | 0.36% | 0.33% | 0.18% | 0.19% | 0.20% |
| Commercial and Industrial | 17.20% | 16.97% | 17.95% | 19.58% | 20.02% |
| Oil, Gas & Other Minerals | 0.06% | 0.06% | 0.07% | 0.04% | 0.07% |
| Utilities | 1.24% | 1.22% | 1.29% | 1.28% | 1.29% |
| Personal, Commercial/Industrial | 8.88% | 8.68% | 8.88% | 9.50% | 9.73% |
| Personal, Other | 0.07% | 0.06% | 0.07% | 0.07% | 0.07% |
| Totally Exempt | 0.02% | 0.00% | 0.00% | 0.00% | 0.00% |
| Inventory | 0.34% | 0.28% | 0.16% | 0.20% | 0.18% |
| Special Inventory/Other | 0.93% | 0.58% | 0.59% | 0.54% | 0.59% |
| Total Appraised Value Before Exemptions/Reductions | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Note: Valuations shown are certified taxable assessed values reported by the Lubbock Central Appraisal District to the City for purposes of establishing and levying the City's annual ad valorem tax rate and to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| FYE 30-Sep | Estimated City Population ^(a) | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | General Purpose Funded Tax Debt ^(b) | Ratio Tax Debt to Assessed Valuation ^(b) | Tax Debt Per Capita | Tax Year |
|------------|--|----------------------------|---------------------------------------|--|---|-------------------------|----------|
| 2020 | 257,615 | \$ 18,655,937,242 | \$ 72,418 | \$ 235,106,303 | 1.26% | \$ 912.63 | 2019 |
| 2021 | 261,675 | 19,463,272,990 | 74,380 | 218,451,287 | 1.12% | 834.82 | 2020 |
| 2022 | 265,050 | 21,121,765,169 | 79,690 | 229,616,234 | 1.09% | 866.31 | 2021 |
| 2023 | 267,825 | 23,959,039,118 | 89,458 | 256,092,639 | 1.07% | 956.19 | 2022 |
| 2024 | 269,814 | 26,892,725,625 | 99,671 | 301,061,169 | 1.12% | 1,115.81 | 2023 |
| 2025 | 272,782 | 28,705,491,622 | 105,232 | 289,628,601 ^(c) | 1.01% ^(c) | 1,061.76 ^(c) | 2024 |

^(a) Source: Population estimates as provided by the City based on year estimate used by the City for planning purposes.

^(b) Includes the portion of the City's tax note debt service and the City's general obligation debt service that is expected to be paid from ad valorem tax revenues. Does not include the City's general obligation self-supporting debt that is paid from revenues of an enterprise fund (see "APPENDIX A - FINANCIAL INFORMATION REGARDING THE CITY - TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and "TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT").

^(c) Fiscal year end projection. Includes the Bonds. Excludes the Refunded Obligations and the obligations to be refunded by the City's Revenue Bonds. Preliminary, subject to change.

TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT

The following table sets forth certain information with respect to the City's general purpose and self-supporting general obligation debt, including general obligation bonds, certificates and tax notes. The City expects to issue additional general purpose and self-supporting general obligation debt within the next twelve months (see "ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT").

| Fiscal Year Ended 30-Sep | Par Amount | | |
|--------------------------|----------------------------|--------------------------------|--------------------------------------|
| | Total Tax Debt Outstanding | Less: Self-Supporting Tax Debt | General Purpose Tax Debt Outstanding |
| | 2020 | \$834,740,000 | \$599,633,697 |
| 2021 | 705,669,285 | 487,217,998 | 218,451,287 |
| 2022 | 660,951,234 | 431,335,000 | 229,616,234 |
| 2023 | 651,760,509 | 395,667,870 | 256,092,639 |
| 2024 ^(a) | 676,326,764 | 375,265,595 | 301,061,169 |
| 2025 ^(b) | 537,259,642 | 247,631,041 | 289,628,601 |

^(a) Fiscal year end projection, unaudited.

^(b) Fiscal year end projection. Includes the Bonds. Excludes the Refunded Obligations and the obligations to be refunded by the City's Revenue Bonds. Preliminary, subject to change. Reflects the planned partial cash redemption of \$60,000 of General Obligation Refunding Bonds, Series 2015 which is scheduled to occur on 2/15/2025.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| FYE 30-Sep | Tax Rate Distribution | | | Tax Levy ^(a) | Percent Collected | | Tax Year |
|------------|--------------------------|-------------------------|-------------|-------------------------|----------------------|----------------------|----------|
| | Maintenance & Operations | Interest & Sinking Fund | Tax Rate | | Current | Total | |
| | 2020 | \$ 0.426240 | \$ 0.131780 | | \$ 0.558020 | \$ 100,460,515 | |
| 2021 | 0.421140 | 0.120433 | 0.541573 | 103,120,926 | 99.8% | 99.0% | 2020 |
| 2022 | 0.402964 | 0.120266 | 0.523230 | 105,584,482 | 99.5% | 98.9% | 2021 |
| 2023 | 0.368445 | 0.108317 | 0.476762 | 109,841,056 | 98.6% | 98.7% | 2022 |
| 2024 | 0.370381 | 0.109783 | 0.480164 | 121,678,203 | 97.6% ^(b) | 97.6% ^(b) | 2023 |
| 2025 | 0.357456 | 0.112664 | 0.470120 | 120,287,956 | In Process | ^(c) | 2024 |

Source: The City's Annual Comprehensive Financial Reports or current year budget. As of fiscal year 2025, the City tax rate is based on a total maintenance and operations rate and interest and sinking fund rate. The City no longer calculates a specific tax rate for economic development.

^(a) The tax levy figures represent the adjusted tax levy figures for the City.

^(b) Partial collections as of August 31, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS FISCAL YEAR 2025

| <u>Name</u> | <u>Type</u> | <u>Tax Year 2024 Taxable Assessed Valuation</u> | <u>% of Total Taxable Assessed Valuation</u> |
|------------------------------|-------------------------|---|--|
| ENERGAS/Atmos Corp | Oil & Gas | \$ 141,824,540 | 0.49% |
| Macerich Lubbock Ltd Ptrshp | Shopping Center | 96,116,356 | 0.33% |
| Frontier Dodge | Automotive Dealership | 95,412,074 | 0.33% |
| X FAB Texas Inc. | Semi Conductor Supplier | 67,604,765 | 0.24% |
| ACC OP LLC | Oil & Gas | 61,373,775 | 0.21% |
| CBC Center Suite LLC | Apartments | 61,095,000 | 0.21% |
| United Supermarkets LLC | Grocery Store | 60,407,366 | 0.21% |
| Westwind Realty LP | Apartments | 55,406,830 | 0.19% |
| Leprino Foods Company | Food Manufacturing | 52,948,055 | 0.18% |
| Southwestern, Public Service | Electric Utility | 46,666,730 | 0.16% |
| Total | | \$ 738,855,491 | 2.57% |

Source: The City and Lubbock Central Appraisal District.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| <u>Taxing Jurisdiction</u> | <u>Gross Debt (As of 09/30/2024)^(a)</u> | <u>Estimated % Overlapping</u> | <u>Overlapping Debt</u> |
|---|--|------------------------------------|-----------------------------------|
| Frenship ISD | \$ 440,645,000 | 77.64% | \$ 342,116,778 |
| Idalou ISD | 9,285,000 | 7.40% | 687,090 |
| Lubbock County | 120,040,000 | 81.38% | 97,688,552 |
| Lubbock ISD | 273,015,000 | 98.24% | 268,209,936 |
| Lubbock-Cooper ISD | 566,517,706 | 74.57% | 422,452,253 |
| New Deal ISD | 43,130,000 | 48.08% | 20,736,904 |
| Roosevelt ISD | 5,945,000 | 3.91% | 232,450 |
| Estimated Overlapping Debt | | | \$ 1,152,123,963 |
| City of Lubbock | \$ 314,576,169 ^(b) | 100.00% | 314,576,169 ^(b) |
| Total Direct & Estimated Overlapping Debt | | | \$ 1,466,700,132 |
| As a percentage of 2024/25 Taxable Assessed Valuation | | | 5.11% |
| Per Capita Total Direct & Estimated Overlapping Debt | | | \$ 5,377 |

^(a) Source of overlapping issuer debt and overlapping percentages - Texas Municipal Report of the Municipal Advisory Council of Texas.

^(b) Principal shown here includes the portion of the City's general obligation debt service and the City's tax note debt service that is expected to be paid from ad valorem tax revenues. Excludes the City's general obligation and tax note self-supporting debt that expected to be paid from revenues of an enterprise fund (see "Table 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and "Table 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS"). Excludes lease/purchase obligations and revenue bonds of the City. Includes the Bonds. Excludes the Refunded Obligations and the obligations to be refunded by the City's Revenue Bonds. Preliminary, subject to change.

TABLE 7 - TAX ADEQUACY ^(a)

| | |
|---|--------------------|
| Average Annual Debt Service Requirements (FY2025-FY2044): | \$ 37,087,513 |
| \$ 0.13045 per \$100 AV against the 2023 Taxable AV at 99% collection, produces | \$ 37,072,316 |
| Maximum Annual Debt Service Requirements (FY2025): | \$ 100,212,142 |
| \$ 0.35265 per \$100 AV against the 2023 Taxable AV at 99% collection, produces | \$ 100,218,874 |

^(a) Debt service shown here includes the City's tax notes outstanding and its SIB Loan. Includes all outstanding general obligation debt of the City whether tax supported or enterprise fund supported (see "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and "TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS"). Excludes lease/purchase obligations and revenue debt of the City. Includes the Bonds. Excludes the Refunded Obligations and the obligations to be refunded by the City's Revenue Bonds. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | | |
|---|---------------|------------------|
| General Obligation Debt Service Requirement, Tax Supported FY 2025 ^(a) | \$ 38,254,161 | |
| Fiscal Agent Fees/Bond Sale Charges | | 200,000 |
| Interest and Sinking Fund Balance as of Sept. 30, 2024 (preliminary unaudited) | \$ 6,736,618 | |
| 2025 Projected Interest and Sinking Fund Tax Levy @ 99.5% | 29,602,282 | |
| Estimated Other Local Revenue (transfers in) ^(b) | 8,937,413 | |
| Estimated Interest Earnings | 100,000 | 45,376,313 |
| Projected Interest & Sinking Fund Balance, Sept. 30, 2025 | | \$ 6,922,152 |

^(a) Debt service shown here includes the portion of the City's general obligation debt service that is expected to be paid from ad valorem tax revenues in FY2025. Excludes the City's general obligation self-supporting debt that is expected to be paid from revenues of an enterprise fund (see "TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and "TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS"). Excludes lease/purchase obligations and revenue debt of the City. Includes the Bonds. Excludes the Refunded Obligations. Preliminary, subject to change.

^(b) Estimated Other Local Revenue includes transfers to the debt service fund from LP&L and Water and Wastewater for their portion of the debt service for the Citizen's Tower project as well as from various internal departments for their portion of the City's general purpose tax note debt service.

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TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| FYE | General Obligation Debt ^(a) | | Less: Obligations Refunded by The Revenue Bonds ^(b) | Less: Obligations Refunded by Bonds ^(c) | Plus: The Bonds ^(d) | | Total Debt Service Requirements ^(e) |
|------|--|-----------------------|--|---|--------------------------------|---------------------|--|
| | 30-Sep | Principal | Interest | Total | Total | Principal | |
| 2025 | \$75,932,122 | \$27,031,146 | (\$2,738,450) | (\$2,064,733) | \$525,000 | \$1,527,056 | \$100,212,142 |
| 2026 | 71,455,864 | 23,072,844 | (14,357,125) | (14,379,625) | 12,120,000 | 1,952,500 | 79,864,458 |
| 2027 | 65,244,983 | 20,163,394 | (12,052,550) | (10,266,733) | 8,550,000 | 1,435,750 | 73,074,844 |
| 2028 | 61,804,489 | 17,469,421 | (10,298,050) | (7,500,494) | 6,155,000 | 1,068,125 | 68,698,491 |
| 2029 | 54,139,391 | 15,050,166 | (4,873,300) | (4,365,365) | 3,410,000 | 829,000 | 64,189,892 |
| 2030 | 51,634,701 | 12,919,967 | (4,871,600) | (4,365,939) | 3,590,000 | 654,000 | 59,561,129 |
| 2031 | 41,690,431 | 11,120,623 | (4,876,900) | (4,366,494) | 3,775,000 | 469,875 | 47,812,535 |
| 2032 | 34,321,590 | 9,703,521 | (4,875,600) | (2,162,200) | 1,740,000 | 332,000 | 39,059,311 |
| 2033 | 32,328,193 | 8,423,202 | (4,872,600) | (2,160,500) | 1,825,000 | 242,875 | 35,786,170 |
| 2034 | 32,005,000 | 7,145,330 | (4,867,700) | (2,165,600) | 1,925,000 | 149,125 | 34,191,155 |
| 2035 | 30,930,000 | 5,907,890 | (4,870,500) | (2,162,400) | 2,020,000 | 50,500 | 31,875,490 |
| 2036 | 24,970,000 | 4,836,949 | 0 | 0 | 0 | 0 | 29,806,949 |
| 2037 | 19,775,000 | 3,962,817 | 0 | 0 | 0 | 0 | 23,737,817 |
| 2038 | 17,335,000 | 3,193,509 | 0 | 0 | 0 | 0 | 20,528,509 |
| 2039 | 15,135,000 | 2,500,525 | 0 | 0 | 0 | 0 | 17,635,525 |
| 2040 | 10,760,000 | 1,944,500 | 0 | 0 | 0 | 0 | 12,704,500 |
| 2041 | 10,705,000 | 1,474,825 | 0 | 0 | 0 | 0 | 12,179,825 |
| 2042 | 9,465,000 | 1,020,000 | 0 | 0 | 0 | 0 | 10,485,000 |
| 2043 | 9,915,000 | 569,525 | 0 | 0 | 0 | 0 | 10,484,525 |
| 2044 | 6,780,000 | 169,500 | 0 | 0 | 0 | 0 | 6,949,500 |
| | \$ 676,326,764 | \$ 177,679,655 | (\$73,554,375) | (\$55,960,081) | \$ 45,635,000 | \$ 8,710,806 | \$ 778,837,769 |

Average Annual Debt Service Requirements (FY2025-FY2044): \$ 37,087,513

Maximum Annual Debt Service Requirements (FY2025): \$ 100,212,142

^(a) Includes debt service on the City's outstanding general obligation bonds, certificates of obligation, tax notes and SIB Loan. Includes the City's general obligation self-supporting debt that is paid from enterprise funds (see "Table 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT" and "TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS"). Excludes revenue bonds and contract revenue bonds of the City. Reflects the planned partial cash redemption of \$60,000 of General Obligation Refunding Bonds, Series 2015 which is scheduled to occur on 2/15/2025.

^(b) Concurrently with the sale of the Bonds, the City is selling its Revenue Bonds. The obligations being refunded by the Revenue Bonds are ad valorem tax secured obligations of the City that are currently allocated to the water & wastewater system enterprise fund for payment. Such debt will be moved to the water & wastewater system revenue credit through the refunding. Preliminary, subject to change.

^(c) Preliminary, subject to change.

^(d) The Bonds are shown with an estimated interest rate of 3.187% for illustrative purposes only; preliminary, subject to change.

TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS^{(a)(b)}

| FYE 09/30 | Water and Wastewater System Debt Service ^(c) | Storm Water System Debt Service ^(c) | Tax Increment Financing Debt Service | Electric Light & Power System Debt Service ^(d) | Cemetery Debt Service | Gateway Debt Service | HOT Debt Service | Airport Debt Service | Internal Service Fund & Admin Debt Service | General Purpose Tax Supported Debt Service | Less: The Refunded Obligations ^(e) | Plus: The Bonds ^(e) | Total G.O. Debt Service |
|--------------|---|---|---|---|-----------------------------|----------------------------|------------------------|----------------------------|---|---|---|-----------------------------------|-------------------------------|
| 2025 | \$26,916,680 | \$11,146,375 | \$3,860,511 | \$3,024,856 | \$54,500 | \$8,778,479 | \$90,500 | \$3,363,484 | \$4,735,272 | \$38,254,161 | (\$2,064,733) | \$2,052,056 | \$100,212,142 |
| 2026 | 12,107,540 | 11,123,355 | 3,165,519 | 2,815,700 | 52,000 | 7,683,175 | 91,375 | 3,279,515 | 4,227,025 | 35,626,381 | (14,379,625) | 14,072,500 | 79,864,458 |
| 2027 | 11,280,606 | 10,558,307 | 2,532,431 | 2,353,263 | 15,375 | 7,472,707 | 87,125 | 3,278,258 | 3,349,062 | 32,428,693 | (10,266,733) | 9,985,750 | 73,074,844 |
| 2028 | 11,268,775 | 10,116,644 | 1,278,519 | 1,363,875 | 0 | 7,415,965 | 0 | 3,285,720 | 3,348,386 | 30,897,975 | (7,500,494) | 7,223,125 | 68,698,491 |
| 2029 | 11,277,950 | 9,705,376 | 1,138,733 | 904,025 | 0 | 5,992,460 | 0 | 3,302,985 | 2,544,497 | 29,450,231 | (4,365,365) | 4,239,000 | 64,189,892 |
| 2030 | 10,984,825 | 9,343,896 | 1,077,805 | 394,625 | 0 | 3,789,051 | 0 | 3,286,905 | 1,651,566 | 29,154,395 | (4,365,939) | 4,244,000 | 59,561,129 |
| 2031 | 3,031,650 | 9,240,591 | 932,190 | 0 | 0 | 3,135,517 | 0 | 3,292,595 | 869,446 | 27,432,165 | (4,366,494) | 4,244,875 | 47,812,535 |
| 2032 | 3,027,350 | 6,813,806 | 826,429 | 0 | 0 | 1,178,464 | 0 | 3,283,319 | 15,194 | 24,004,949 | (2,162,200) | 2,072,000 | 39,059,311 |
| 2033 | 3,029,050 | 4,607,845 | 811,050 | 0 | 0 | 1,173,250 | 0 | 3,190,051 | 0 | 23,067,549 | (2,160,500) | 2,067,875 | 35,786,170 |
| 2034 | 3,021,650 | 4,297,172 | 779,960 | 0 | 0 | 1,176,447 | 0 | 3,167,554 | 0 | 21,839,848 | (2,165,600) | 2,074,125 | 34,191,155 |
| 2035 | 3,029,675 | 2,472,500 | 660,050 | 0 | 0 | 1,079,100 | 0 | 3,037,665 | 0 | 21,688,400 | (2,162,400) | 2,070,500 | 31,875,490 |
| 2036 | 3,023,600 | 2,469,500 | 460,275 | 0 | 0 | 880,400 | 0 | 2,594,674 | 0 | 20,378,500 | 0 | 0 | 29,806,949 |
| 2037 | 1,014,900 | 2,470,375 | 311,100 | 0 | 0 | 884,300 | 0 | 2,576,517 | 0 | 16,480,625 | 0 | 0 | 23,737,817 |
| 2038 | 0 | 720,000 | 0 | 0 | 0 | 881,900 | 0 | 2,574,409 | 0 | 16,352,200 | 0 | 0 | 20,528,509 |
| 2039 | 0 | 723,250 | 0 | 0 | 0 | 525,500 | 0 | 1,524,900 | 0 | 14,861,875 | 0 | 0 | 17,635,525 |
| 2040 | 0 | 720,125 | 0 | 0 | 0 | 525,300 | 0 | 0 | 0 | 11,459,075 | 0 | 0 | 12,704,500 |
| 2041 | 0 | 720,625 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,459,200 | 0 | 0 | 12,179,825 |
| 2042 | 0 | 719,625 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,765,375 | 0 | 0 | 10,485,000 |
| 2043 | 0 | 722,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,762,525 | 0 | 0 | 10,484,525 |
| 2044 | 0 | 722,625 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,226,875 | 0 | 0 | 6,949,500 |
| 2045 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | <u>\$103,014,252</u> | <u>\$99,413,992</u> | <u>\$17,834,572</u> | <u>\$10,856,344</u> | <u>\$121,875</u> | <u>\$52,572,015</u> | <u>\$269,000</u> | <u>\$45,038,551</u> | <u>\$20,740,447</u> | <u>\$430,590,996</u> | <u>(\$55,960,081)</u> | <u>\$54,345,806</u> | <u>\$778,837,769</u> |

^(a) The City's general obligation debt matures on February 15 of each year; interest is paid on February 15 and August 15.

^(b) As a matter of policy, the City has historically issued general obligation debt (general obligation bonds, certificates of obligation and tax notes) to fund improvements for many of its enterprise funds. The table provides details on the allocation of general obligation debt service to the identified enterprise funds.

^(c) As of 2019, the City has issued water and wastewater system revenue bonds that are secured by a pledge of the revenues of the water and wastewater system for capital projects of the system. The City does not intend to issue any future general obligation bonds or combination tax and revenue certificates of obligation for the purpose of making improvements in the water and wastewater system. The self-supporting general obligation debt listed here does not include the outstanding water and wastewater system revenue bond debt service. It also excludes the obligations to be refunded by the Revenue Bonds.

^(d) As of 2010, the City has issued electric light & power system revenue bonds that are secured by a pledge of the revenues of the electric light & power system for capital projects of the system. The City does not intend to issue any future general obligation bonds or combination tax and revenue certificates of obligation for the purpose of making improvements in the electric light & power system. The self-supporting general obligation debt listed here does not include the outstanding electric light & power system revenue bond debt service.

^(e) Preliminary, subject to change. The debt service of the Refunded Obligations has enterprise fund allocations as well as general purpose allocations. The City will assign a pro-rata share of the debt service of the Bonds to the enterprise funds of the Refunded Obligations. Such enterprise fund assignments will occur after the delivery of the Bonds.

TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT

THE WATER AND WASTEWATER FUND^{(a)(b)}

| | |
|---|-------------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 86,017,328 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 ^(c) | <u>26,379,517</u> |
| Balance Available for Other Purposes | 59,637,811 |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 26,916,680 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) The City combined its Waterworks System and Wastewater System into a Water and Wastewater System at the beginning of FY 2018.

^(b) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the Water and Wastewater Fund to a segregated account in the Water and Wastewater Fund.

^(c) Includes the debt service on the Revenue Bonds; preliminary subject to change.

THE STORM WATER FUND^(a)

| | |
|---|---------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 17,220,774 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | <u>-</u> |
| Balance Available for Other Purposes | 17,220,774 |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 11,146,375 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the Storm Water Fund to a segregated account in the Storm Water Fund.

THE ELECTRIC LIGHT AND POWER FUND^(a)

| | |
|---|-------------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 76,239,560 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | <u>38,305,881</u> |
| Balance Available for Other Purposes | 37,933,679 |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 3,024,856 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the Electric Light & Power Fund to a segregated account in the Electric Light & Power Fund.

THE GATEWAY FUND^(a)

| | |
|---|--------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 8,580,280 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | <u>-</u> |
| Balance Available for Other Purposes | 8,580,280 |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 8,778,479 |
| Percentage of Fund General Obligation Debt Self-Supporting | 97.74% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the Gateway Fund to a segregated account in the Gateway Fund. Any shortfall in revenues was covered by the Gateway Streets Fund Balance.

TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT (continued)

THE AIRPORT FUND^(a)

| | |
|---|-------------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 10,193,360 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | - |
| Balance Available for Other Purposes | <u>10,193,360</u> |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 3,363,484 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the Airport Fund to a segregated account in the Airport Fund.

NORTH OVERTON TAX INCREMENT FINANCING FUND^(a)

| | |
|---|------------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 6,242,919 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | - |
| Balance Available for Other Purposes | <u>6,242,919</u> |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 2,919,557 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the North Overton TIF Fund to a segregated account in the North Overton TIF Fund.

THE CENTRAL BUSINESS DISTRICT TAX INCREMENT FINANCING FUND^(a)

| | |
|---|------------------|
| System Net Revenue Available, Fiscal Year Ended 9-30-23 | \$ 1,287,835 |
| Less: DS Requirements for Revenue Bonds, Fiscal Year Ended 9-30-25 | - |
| Balance Available for Other Purposes | <u>1,287,835</u> |
| Requirements for General Obligation Debt Service Paid from Fund, Fiscal Year Ending 9-30-25 | 940,954 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year, the City transfers an amount equal to the debt service requirements of the general obligation debt service expected to be paid from the CBD TIF Fund to a segregated account in the CBD TIF Fund.

[Remainder of page left blank intentionally.]

TABLE 12 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS^(a)

| <u>Purpose</u> | <u>Date Authorized</u> | <u>Amount Authorized</u> | <u>Issued To Date</u> | <u>Remaining Unissued</u> |
|---------------------|------------------------|--------------------------|-----------------------|---------------------------|
| Street Improvements | 11/8/2022 | \$ 200,000,000 | \$ 112,400,000 | \$ 87,600,000 |

^(a) In addition to the authorized but unissued general obligation bonds described in Table 12, approximately \$7,478,000 of general obligation bonds approved by voters at elections held on May 21, 1977, October 17, 1987, May 1, 1993 and May 15, 2004, remain unissued. The City has called a bond election for \$103,400,000 in authorization for November 5, 2024 for street improvements.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT. . . The City typically issues voted bonds for general purpose City projects, such as streets, parks, libraries, civic centers, public safety improvements. However, the City has incurred substantial non-voted tax supported debt to fund portions of the capital budget of the Electric Fund, Water and Wastewater Fund, Storm Water Fund, Tax Increment Fund, Gateway Fund, and Airport Fund. Such enterprise fund indebtedness is generally anticipated to be self-supporting from enterprise fund revenues.

The City Council adopted a resolution during the FY 1985 budget process establishing capital maintenance funds for capital projects. A capital improvement plan is made annually for planning purposes and may identify projects that will be deferred or omitted entirely in future years. In addition, as conditions change, new projects may be added that are not currently identified. Under current City policy, for a project to be funded as a capital project it must have a cost of \$25,000 or more and a life of seven or more years. The improvements included in the City's capital improvement plan are generally funded from a blend of debt proceeds, reserves or current year revenue sources.

For FY 2025, the City Council approved total capital projects expenditures, excluding vehicles, of \$247.4 million for all general purpose projects, as well as projects for the electric fund, water and wastewater fund, solid waste fund, stormwater funds and airport fund. The Capital Projects Fund budget for FY 2025 also includes an additional \$728.6 million in planned future improvements for all City departments over the five succeeding fiscal years.

Beyond the Bonds, the City anticipates the issuance of \$43,300,000 new money general obligation bonds in fiscal year 2025 from the November 2022 Election. The City also plans to issue tax notes in the approximate amount of \$16,158,447 during fiscal 2025. Additionally, the City has called for a bond election for \$103,400,000 in authorization for November 5, 2024. If the November 5, 2024 Bond Election is successful, the City anticipates the issuance of approximately \$20,000,000 from the 2024 Authorization in fiscal year 2025. The City anticipates issuing general obligation bonds authorized by the 2022 Bond Election annually in various amounts in fiscal years 2026 and 2027. The amount and timing of any additional issuance of general obligation debt will be determined at a future date.

TABLE 13 - OTHER OBLIGATIONS*

Capital Leases

The City has paid off all of its capital leases outstanding and does not anticipate undertaking any new capital leases at this time.

Contract Revenue Bonds

The City also has obligations to pay various contract revenue bonds issued by the Canadian Municipal River Authority. All Contract Revenue Bonds are payable from revenues from the Water and Wastewater System prior to the payment of the City's Water and Wastewater System Revenue Bonds. The debt service requirements of the contract revenue bonds are detailed below.

| FYE | Contract Revenue Bonds | | |
|---------------|-------------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 30-Sep | | | |
| 2024 | \$ 4,276,849 | \$ 966,692 | \$ 5,243,541 |
| 2025 | 3,706,457 | 775,306 | 4,481,763 |
| 2026 | 3,332,415 | 607,181 | 3,939,595 |
| 2027 | 2,747,094 | 443,833 | 3,190,928 |
| 2028 | 2,203,226 | 314,909 | 2,518,135 |
| 2029-2031 | 4,693,691 | 352,961 | 5,046,651 |
| | \$ 20,959,731 | \$ 3,460,883 | \$ 24,420,614 |

*Debt service on the City's outstanding tax notes is consolidated with the general obligation debt service shown in Table 9 and Table 10 herein.

[Remainder of page left blank intentionally.]

TABLE 14 - GOVERNMENT WIDE STATEMENT OF ACTIVITIES

| | Fiscal Years Ended September 30, | | | | |
|---|----------------------------------|----------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| REVENUES | | | | | |
| Program Revenues | | | | | |
| Charges for Services | \$ 47,077,772 | \$ 43,133,769 | \$ 39,608,207 | \$ 35,354,375 | \$ 36,548,079 |
| Operating Grants and Contributions | 40,730,524 | 59,886,772 | 35,850,162 | 39,941,961 | 28,079,515 |
| General Revenues | | | | | |
| Property Taxes | 113,376,196 | 109,140,028 | 105,517,120 | 103,521,290 | 97,439,994 |
| Sales Taxes | 105,747,752 | 100,990,723 | 89,999,993 | 80,703,622 | 78,160,193 |
| Occupancy Taxes | 9,763,985 | 9,191,083 | 7,483,912 | 5,931,465 | 7,855,116 |
| Other Taxes | 2,213,535 | 2,017,783 | 1,771,582 | 1,471,037 | 1,743,275 |
| Franchise Taxes | 32,022,103 | 33,393,106 | 29,733,044 | 26,325,804 | 9,617,200 |
| Investments/Misc. | 31,552,269 | 22,686,632 | 20,862,295 | 21,692,348 | 14,677,505 |
| Total Revenues | \$ 382,484,136 | \$ 380,439,896 | \$ 330,826,315 | \$ 314,941,902 | \$ 274,120,877 |
| EXPENDITURES | | | | | |
| Administrative Services | \$ 22,865,383 | \$ 20,346,789 | \$ 21,532,871 | \$ 18,499,321 | \$ 16,151,468 |
| Community Services | 5,963,785 | 13,916,400 | 9,315,841 | 7,099,445 | 6,257,498 |
| Cultural and Recreation | 22,142,916 | 19,372,136 | 17,903,647 | 18,630,068 | 19,543,417 |
| Economic/Bus. Development | 26,104,347 | 24,176,858 | 20,025,126 | 18,534,771 | 20,174,850 |
| Fire | 69,839,062 | 56,783,166 | 60,500,949 | 47,665,316 | 67,973,842 |
| Health | 14,118,024 | 10,918,444 | 10,625,328 | 7,120,460 | 6,717,959 |
| Police | 90,456,263 | 77,531,673 | 69,069,600 | 76,433,464 | 73,600,529 |
| Other Public Safety | 10,555,801 | 15,244,449 | 16,238,744 | 21,922,781 | 8,136,634 |
| Streets and Traffic | 35,636,558 | 32,104,649 | 31,273,463 | 32,943,125 | 35,768,130 |
| Solid Waste | 25,199,298 | 22,147,098 | 18,801,094 | 19,575,283 | 19,604,313 |
| Interest on Long-Term Debt | 11,130,899 | 12,712,394 | 8,475,848 | 10,569,582 | 11,326,682 |
| Total Expenditures | \$ 334,012,336 | \$ 305,254,056 | \$ 283,762,511 | \$ 278,993,616 | \$ 285,255,322 |
| Changes in net assets before special items & transfers | \$ 48,471,800 | \$ 75,185,840 | \$ 47,063,804 | \$ 35,948,286 | \$ (11,134,445) |
| Special items | - | - | - | - | - |
| Transfers | 6,705,744 | 6,725,541 | 7,085,290 | 6,334,943 | 42,311,185 |
| Changes in net position | \$ 55,177,544 | \$ 81,911,381 | \$ 54,149,094 | \$ 42,283,229 | \$ 31,176,740 |
| Net Position - Beginning of Year | \$ 216,227,425 | \$ 143,177,484 | \$ 89,028,390 | \$ 46,745,161 | \$ 15,568,421 |
| Restatement | (104,630) ^(a) | (8,861,440) ^(b) | - | - | - |
| Net Position - End of Year | \$ 271,300,339 | \$ 216,227,425 | \$ 143,177,484 | \$ 89,028,390 | \$ 46,745,161 |

Note: Data shown in Table 14 reflects general governmental activities reported in accordance with GASB Statement No. 34. The financial statements include a management discussion and analysis of the operating results of such fiscal year, including restatements to beginning fund balances and net assets.

^(a) Restatement due to the implementation of GASB Statement No. 96, Subscription Based Information Technology Arrangements.

^(b) The City restated the beginning net position for FY 2022, as a result of a reclassification of the Risk Management Fund from a Governmental Fund to a Business-Type Fund, the implementation of GASB Statement No. 87, and a prior period adjustment for developer contributions to correct an error.

TABLE 15 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

| | Fiscal Years Ended September 30, | | | | |
|---|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
| REVENUES | | | | | |
| Taxes | \$ 176,086,535 | \$ 168,606,781 | \$ 157,516,522 | \$ 145,388,175 | \$ 137,818,250 |
| Franchise taxes | 31,705,993 | 32,931,587 | 29,115,534 | 25,857,142 | 9,091,216 |
| Fees and fines | 3,142,215 | 2,690,310 | 2,285,580 | 2,134,434 | 2,877,675 |
| Licenses and permits | 5,389,965 | 5,694,576 | 4,740,527 | 4,549,345 | 4,176,891 |
| Intergovernmental | 650,751 | 728,711 | 749,047 | 607,112 | 849,957 |
| Charges for services | 30,039,326 | 29,964,926 | 30,064,774 | 26,639,772 | 27,477,895 |
| Interest | 3,940,570 | - | 461,841 | 1,819,877 | 1,991,408 |
| Miscellaneous | 14,306,863 | 15,086,548 | 12,645,561 | 11,804,182 | 1,473,260 |
| Total revenues | \$ 265,262,218 | \$ 255,703,439 | \$ 237,579,386 | \$ 218,800,039 | \$ 185,756,552 |
| EXPENDITURES | | | | | |
| Admin/general government | \$ 19,002,416 | \$ 18,432,608 | \$ 19,429,653 | \$ 15,291,794 | \$ 14,597,985 |
| Cultural and recreation | 16,712,876 | 15,665,999 | 14,080,804 | 13,771,260 | 14,458,745 |
| Econ/bus. development | 997,510 | 1,008,367 | 911,234 | 758,605 | 711,910 |
| Health | 6,556,186 | 5,716,333 | 5,119,628 | 4,689,748 | 4,550,080 |
| Fire | 64,326,904 | 57,780,266 | 54,317,718 | 43,053,910 | 51,749,080 |
| Police | 82,601,000 | 77,368,516 | 66,910,652 | 69,744,464 | 66,057,169 |
| Other public safety | 8,584,194 | 7,765,234 | 7,386,943 | 7,026,711 | 7,113,059 |
| Streets and traffic | 7,429,526 | 6,749,340 | 6,792,251 | 6,343,518 | 6,443,164 |
| Solid waste | 19,799,302 | 19,031,949 | 15,183,786 | 14,555,558 | 14,111,737 |
| General obligation debt | 4,905,208 | 7,990,360 | 6,998,384 | 9,219,940 | 10,719,236 |
| Capital outlay | 727,723 | 3,379,596 | 521,738 | 279,728 | 529,150 |
| Total expenditures | \$ 231,642,845 | \$ 220,888,568 | \$ 197,652,791 | \$ 184,735,236 | \$ 191,041,315 |
| Revenues over / (under) expenditures | \$ 33,619,373 | \$ 34,814,871 | \$ 39,926,595 | \$ 34,064,803 | \$ (5,284,763) |
| OTHER FINANCING SOURCES(USES) | | | | | |
| Issuance of debt - bonds | \$ - | \$ - | \$ 1,370,538 | \$ 7,936,000 | \$ 3,103,627 |
| Right-to-use lease proceeds | - | 2,785,552 | - | - | - |
| Issuance of debt - leases | 23,623 | - | - | - | - |
| Issuance of debt - SBITA | 189,405 | - | - | - | - |
| Transfers in | 8,148,383 | 7,354,424 | 7,027,332 | 6,604,553 | 34,278,932 |
| Transfers out | (38,657,070) | (43,644,915) | (35,056,309) | (29,282,746) | (29,564,461) |
| Net other financing sources | (30,295,659) | (33,504,939) | (26,658,439) | (14,742,193) | 7,818,098 |
| Net change in fund balance | 3,323,714 | 1,309,932 | 13,268,156 | 19,322,610 | 2,533,335 |
| Fund balances - | | | | | |
| beginning of year | \$ 89,527,046 | \$ 88,217,114 | \$ 74,948,958 | \$ 55,626,348 | \$ 53,093,013 |
| end of year | \$ 92,850,760 | \$ 89,527,046 | \$ 88,217,114 | \$ 74,948,958 | \$ 55,626,348 |
| Less: assigned | - | - | - | - | - |
| Less: nonspendable | (130,895) | (137,510) | (141,304) | (158,566) | (154,233) |
| Unassigned fund balance ^{(a)(b)} | \$ 92,719,865 | \$ 89,389,536 | \$ 88,075,810 | \$ 74,790,392 | \$ 55,472,115 |

^(a) The City changed its method of accounting for fund balances per GASB Statement No. 54 as of FYE 2011. Historical fund balance figures have not been restated.

^(b) The City's financial policies target a General Fund unassigned balance of at least 20% of operating revenues. The FYE 2023 unassigned fund balance was at 174.8% of the target established by the City's financial policies. The City's estimated, unaudited General Fund Balance as of September 30, 2024 is approximately \$85.4 million.

TABLE 16 - MUNICIPAL SALES TAX HISTORY

Historical collections of the City's local Sales and Use Tax are shown below:

| FYE 30-Sep | Total Sales Tax Collected^(a) | Per Capita Sales Tax Collected^(b) | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate |
|-----------------------|--|---|---|--|
| 2019 | \$ 78,160,193 | \$ 306.43 | 82.87% | \$ 0.4431 |
| 2020 | 73,002,528 | 283.38 | 72.67% | 0.3913 |
| 2021 | 89,999,993 | 343.94 | 87.28% | 0.4624 |
| 2022 | 92,574,829 | 349.27 | 87.68% | 0.4383 |
| 2023 | 96,935,726 | 361.94 | 88.25% | 0.4046 |
| 2024 ^(c) | 88,348,375 | 327.44 | 72.61% | 0.3285 |

^(a) Excludes bingo tax receipts.

^(b) Based on population estimates of the City.

^(c) Partial collections for the fiscal year as of August 31, 2024.

Effective as of October 1, 2006, the sales tax breakdown for the City is as follows:

| | Sales Tax Allocation |
|---|---------------------------------|
| City Sales & Use Tax | \$ 1.0000 |
| City Sales & Use Tax for Property Tax Relief | 0.3750 |
| City Sales & Use Tax for Economic Development | 0.1250 |
| County Sales & Use Tax | 0.5000 |
| State Sales & Use Tax | 6.2500 |
| Total | \$ 8.2500 |

[Remainder of page left blank intentionally.]

TABLE 17 - CURRENT INVESTMENTS

As of August 31, 2024, the City's investable funds (unaudited) were invested in the following categories:

| Type | Par Value | Book Value | | Estimated Market Value^(a) | |
|--|-----------------------|-----------------------|------------------------------|---|--------------------------------|
| | | Value | % of Total Book Value | Value | % of Total Market Value |
| Cash | \$ 6,029,495 | \$ 6,029,495 | 0.88% | \$ 6,029,495 | 0.88% |
| Investments | 361,750,000 | 354,668,638 | 51.56% | 349,424,811 | 51.19% |
| Local Government Investment Pools ^(b) | 308,498,527 | 308,498,527 | 44.85% | 308,498,527 | 45.19% |
| Money Market Mutual Funds ^(c) | 18,692,495 | 18,692,495 | 2.72% | 18,692,495 | 2.74% |
| Total | \$ 694,970,516 | \$ 687,889,154 | 100.00% | \$ 682,645,328 | 100.00% |

^(a) Market prices are obtained from Wells Fargo Brokerage. No funds are invested in mortgage backed securities. The City holds all investments to maturity which minimizes the risk of market price volatility.

^(b) Local government investment pools consist of entities whose investment objectives are preservation and safety of principal, liquidity, and yield. The pools seek to maintain a \$1.00 net asset value per share consistent with the applicable provisions of the PFIA.

^(c) Money Market Funds are held at The Bank of New York Mellon Trust Company, N.A.

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APPENDIX B
EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED SEPTEMBER 30, 2023



**P.O. Box 2000 | 1314 Avenue K | Lubbock, Texas 79401
(806) 775-2000 | Fax (806) 775-0001**

February 19, 2024

Honorable Mayor, City Council, and Citizens of Lubbock, Texas:

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Lubbock, Texas (City) for the fiscal year ended September 30, 2023. The purpose of the ACFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

The ACFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs are included. To provide a reasonable basis for making these representations, City management has an established comprehensive internal control framework that is designed: 1) to protect the City's assets from loss, theft, or misuse; and 2) to compile sufficient, reliable information for the preparation of the City's financial statements, in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

The City's financial statements were audited by Weaver and Tidwell, LLP, a licensed certified public accountants' firm. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves:

- examining evidence on a test basis that supports the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

The independent accountants concluded that the City's financial statements are in conformity with GAAP, are fairly presented, and there is a reasonable basis for providing an unmodified opinion. The independent

auditor's report is presented as the first component of the financial section of this report.

The independent accountants' audit of the City's financial statements is part of a broader, federally mandated "Single Audit," which is designed to meet the special needs of federal granting agencies. These reports are available in the City's ACFR. The standards governing Single Audit engagements require the independent auditor to report on several facets of the City's financial processes and controls:

- fair presentation of the financial statements,
- internal controls over financial reporting and the administration of federal awards, and
- compliance with legal and grant requirements.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A. The City's MD&A is found immediately following the report of the independent auditors.

CITY OVERVIEW

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1909 and first adopted its Home Rule Charter in 1917. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The Mayor is elected at-large for a two-year term ending in an even-numbered year. Each of the six members of the City Council is elected from a single-member district for a four-year term of office. City Council elections are held every two years, with elections for Council members in Districts 1, 3, and 5 being staggered with elections for Council members in Districts 2, 4, and 6. The City Manager is the chief administrative officer of the City.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by voluntary annexation, which occurs periodically as the City Council deems appropriate. The 2020 Census population for the City was 257,141; the estimated 2023 population is 267,825. The City covers approximately 144.45 square miles.¹ The organizational chart of the City is shown following the transmittal letter.

In accordance with generally accepted accounting principles and Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*," these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationship with the City. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. The Lubbock Metropolitan Planning Organization is a blended component units. Discretely presented component units include Urban Renewal Agency (URA), Civic Lubbock, Inc., Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., Lubbock Economic Development Alliance, and the Vintage Township Public Facilities Corporation. Additional information on the component units is found in the footnotes.

¹ City of Lubbock GIS Department.

City Services

The City provides a full range of services including public safety (police and fire services), electric, water, wastewater, storm water, solid waste, public transportation (airport and transit), public health and social services, cultural and recreation, highways and streets, planning and zoning, and general administrative services.

Public Safety: The Police Department serves and protects the public by responding to calls for service, conducting criminal investigations, and enforcing laws governing public safety and order. The Public Safety Improvement Project kicked off in FY 2019 and continued into FY 2023. Construction continued on a Police Headquarters facility that is scheduled to complete in early 2023, with a move in to commence in January 2024 and completion by early spring of 2024. In addition, the construction for a Property and Evidence Warehouse began in 2023, with a tentative completion set for late 2024. As part of an effort to fill its officer vacancies, increase patrol effectiveness, satisfy training needs and requirements, and reduce call response times, the Police Department Training Academy plans to hold robust in-service trainings as well as two recruit classes in 2024. As of October 1, 2023, the Police Department was budgeted for 451 sworn officers and 128 civilians, with 439 officer positions filled including 19 police trainees in the training pipeline. In FY 2023, the Police Department provided 328,215 responses to primary and backup dispatched calls for service, with an average response time to Priority 1 calls of 6 minutes, 32 seconds.

Lubbock Fire Rescue is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2023, the Fire Department operated 19 fire stations, the Emergency Operations Center, and the Lubbock Fire Marshal Office. These facilities were staffed with 410 sworn firefighters and 36 civilians. 19 additional sworn positions are authorized for FY 2023-24, with a reduction of 2 civilian positions, bringing our total employee count to 463. Fire Station 20 is currently under construction, with a completion date in FY 2024-25. In FY 2023, the Fire Department responded to 28,921 calls, an average of 79 calls per day.

Electric Utility: The City's municipally owned electric utility system, known as Lubbock Power & Light (LP&L), was established in 1916, and is at present the largest municipal electric system in the West Texas region and the third largest municipal system in the State of Texas. LP&L, South Plains Electric Cooperative, and Southwestern Public Service Company (SPS) provide electric service in the City of Lubbock. As of September 30, 2023, LP&L owns and maintains 111,230 meters, 41 substations, 4,475 total miles of primary and secondary distribution lines, and approximately 174 miles of transmission lines. The average daily electric consumption is roughly 7,050 MWh.

On November 2, 2004, Lubbock voters elected to amend the City Charter to provide for an Electric Utility Board (EUB), which governs, manages, and operates LP&L today. The City Council retains authority for appointment of board members, approval of the operating and capital budget, approval of rates for electric service, eminent domain, and approval of debt financing.

LP&L's current capacity and energy supply requirements are met through a series of power supply resources. These resources include: Blocks of Firm Liquidated Damages (LD) power to cover a majority of our load along with day-ahead or real-time energy purchases for any unhedged position; a 170MW partial requirements contract with SPS; and 106 MW of dependable natural gas fired generation. In addition, there is also a 90.1MW power purchase agreement between LP&L and Elk City II Wind, LLC which does not serve our load but is sold in the market at a daily given node price.

On September 24, 2015, LP&L announced its intent to join the Electric Reliability Council of Texas (ERCOT). Shortly after that announcement, on October 20, 2015, the EUB and the City Council both took formal action to authorize LP&L to seek interconnection of 470 MW of LP&L's load (Affected Load) with

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ERCOT. At that time, LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT (Unaffected Load). The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUC project to identify issues pertaining to LP&L's proposal to become part of ERCOT, cost-benefit studies, and a public interest determination. ERCOT's integration study determined that a configuration of transmission projects with three connection points between the ERCOT grid and the LP&L system—designated as Option 4ow—would present the lowest overall costs once capital costs and production cost effects were considered.

In September 2017, LP&L filed its application in PUC Docket No. 47576, Application of the City of Lubbock through Lubbock Power and Light for Authority to Connect a Portion of its System with the Electric Reliability Council of Texas (Application). Through the Application, LP&L sought Commission authority to disconnect the Affected Load from the Southwest Power Pool (SPP) and to connect to ERCOT, along with related findings that would facilitate LP&L's integration into the ERCOT system, consistent with the public interest.

In March 2018, the PUC approved the integration of the Affected Load to the ERCOT system through an Order in PUC Docket No. 47576. LP&L then moved into the next phase of the ERCOT integration project, which was comprised of four CCN cases necessary to identify transmission line routes and substation locations necessary for the ERCOT integration. The last of the four CCN cases were approved by the PUC on March 12, 2020 which allowed for the completion of construction to integrate the Affected Load.

On May 30, 2021, LP&L completed the initial integration of approximately 70% of its load with ERCOT. Prior to that date, LP&L became owner and operator of three 345 kilovolt (kV) transmission lines, totaling 69 miles in length. Additionally, the assets associated with the integration include 81 miles of 115kV transmission lines; 20 miles of 69kV transmission lines; two 345/115kV switching stations (Dunbar and Posey); one 345/115kV substation (Yellow House Canyon); one 115/69kV switching station (Holly); three 115/69kV substations (McKenzie, Vicksburg, and Co-op); nine 115kV substations (Thompson, Chalker, Oliver, Southeast, Slaton,

Wadsworth, Northeast, Northwest, and McDonald); and four 69kV substations (Erskine, Brandon, Red Raider, and McCullough).

LP&L's cost to fund the needed additional infrastructure were initially funded through short-term financing during the construction phase and were converted to Electric Light and Power System (EL&PS) Revenue Bonds, Series 2021, on August 10, 2021, as construction was complete. Additionally, capital projects currently included in LP&L's existing long-term capital improvement plan are related to reliability and improvements of the system.

Debt service requirements for the transmission capital projects are being paid from a new transmission cost of service (TCOS) revenue stream that began upon entry into ERCOT. LP&L filed Docket No. 51100 on August 18, 2020 at the PUC to earn a rate of return on its transmission assets. These revenues (to be collected from all load serving entities in ERCOT) are set to recover transmission-related operating and maintenance expenses, depreciation and amortization expenses, and other expenses related to utility operations and the transmission functions.

On May 27, 2021, in anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement to terminate the Partial Requirements (PR) Agreement, which provides capacity for the remaining customers in SPP. The impact of the early termination is the elimination of capacity charges in SPP beginning in December 2023. On an annualized basis, this represents an over \$17 million yearly savings to the utility, largely because ERCOT is an energy-only market and there is no capacity requirement, and therefore no capacity costs after full integration into ERCOT, after all lagging transmission charges are paid in SPP.

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On June 1, 2021, LP&L made a one-time payment totaling \$24.0 million to SPS to indemnify SPS and its customers for LP&L's integration into ERCOT, which was required by PUC Docket No. 47576 upon integration to ERCOT. LP&L utilized the energy and capacity savings afforded by very low natural gas prices and the SPS Capacity Agreement and reserved \$24.0 million from this savings prior to the end of FY 2018-19. In addition to the SPS Hold Harmless Payment, the PUC ordered LP&L to pay \$22 million per year for five years as a Wholesale Transmission Credit Rider. The credit rider mitigates the expected net impacts of LP&L's transition to ERCOT for customers in the ERCOT region. This amount will be netted against the TCOS revenues received from ERCOT.

On February 22, 2022, Lubbock's City Council, with the Electric Utility Board's recommendation, approved an irrevocable resolution opting into competition for retail electric service in Lubbock Power & Light's certificated area, as provided by the Texas Utilities Code Chapter 40, subject to the occurrence of certain conditions precedent outlined therein.

On June 28, 2022, the City Council approved an ordinance providing for the issuance of Electric Light and Power System Revenue Bonds in the amount of \$160 million. The total amount to be issued was divided into two parts: \$70,000,000 for the remaining integration capital work and the second part of \$90,000,000 to fund the Partial Requirements Settlement Payment. The issuance of Revenue Bonds allowed LP&L to terminate the Electric Light and Power System Revenue Revolving Note Program which was executed on August 30, 2022.

On September 28, 2023, Regulatory approval was granted to move the remaining load in SPP over to ERCOT. The full ERCOT integration was completed on December 11, 2023, resulting in the termination of the PR Agreement. Under the terms of the Settlement Agreement, LP&L paid a lump sum, totaling \$65.7 million on January 15, 2024, to SPS as compensation for power and transmission related shifted costs under the PR Agreement. The negotiated lump sum termination payment of \$65.7 million will be funded with long-term bonds. It is anticipated that LP&L will opt-in to the ERCOT competitive retail electric market (Opt-In) by March 2024, and will not operate as a Retail Electric Provider (REP) or a Provider of Last Resort (POLR).

Water Utility: The City provides water supply, treatment, and distribution services within the city limits to residential, commercial, and industrial customers. The City also provides treated wholesale water to Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, Littlefield, Wolfforth, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus, and Texas Tech's East Campus – Petroleum Engineering Classroom. As of September 30, 2023, the water system consisted of 100,014 meters and 2,183 miles of distribution lines.

The City's most current Strategic Water Supply Plan was adopted by City Council in February 2019. The Plan includes an emphasis on water conservation strategies and includes strategies for supplying Lubbock with water for the next 100-years. The City will update the current strategic water supply plan in 2023. The City also works closely with the Region O Water Planning Group in contributing to the preparation of a portion of the State Water Plan, which includes the City's estimated water supply needs, current supplies, and potential water management strategies over the next 50 years.

The City used a total of 12.73 billion gallons of water in FY 2022-23. The City's 5-year average per capita consumption for FY 2023 was 128 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment was 74 million gallons per day, with an average utilization of 35 million gallons per day. The City's aggressive water conservation initiatives are instrumental in helping push back the need for additional water supplies even with a growing population.

The City currently receives its water from four different sources: Roberts County Well Field, Lake Meredith, Bailey County Well Field, and Lake Alan Henry. The Roberts County Well Field and Lake

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Meredith are owned by the Canadian River Municipal Water Authority (CRMWA). Lubbock is one of CRMWA's eleven member cities. The Bailey County Well Field and Lake Alan Henry are owned by the City.

The City obtained 8.98 billion gallons of its annual water supply from CRMWA in FY 2022-23. Currently, CRMWA is blending groundwater from the Ogallala Aquifer in Roberts County with surface water from Lake Meredith to help meet the needs of member cities. CRMWA owns 407,566 acres of ground water rights with an estimated 22 million acre-feet of water within those rights. CRMWA can deliver up to 65,000 acre-feet of water to its member cities each year from the Roberts County Well Field. They supply additional water from Lake Meredith, which is now greater than 30 percent capacity, throughout the year to increase peak capacity by 25 million gallons per day.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.20 billion gallons of the City's annual water supply in FY 2023. The City will add additional wells to the Bailey County Well Field as needed to restore some of the well field production capacity.

The City finished construction on Lake Alan Henry in 1993. In 2012, Phase I of the Lake Alan Henry infrastructure project was completed. This project consisted of constructing: two new pump stations, a 51-mile raw water pipeline from the Lake to the City, a new South Water Treatment Plant with membrane technology, and 19 miles of treated water transmission lines. Phase I is capable of providing 11 million gallons of water per day to the City. Lake Alan Henry supplied 1.76 billion gallons of the City's annual water supply in FY 2023. The lake is currently at greater than 75 percent capacity. The South Water Treatment Plant currently has a treatment capacity of 20 MGD and includes a 225 million gallon terminal storage reservoir and a high service pump station to transfer the treated water within the City's water distribution system.

Wastewater Utility: The City provides wastewater collection and treatment within the city limits to residential, commercial, and industrial customers. The City also provides wholesale wastewater services to Reese Redevelopment Authority, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus, and Texas Tech's East Campus – Petroleum Engineering Classroom. As of September 30, 2023, the collection system consisted of approximately 1,301 miles of sanitary sewer lines and 37 lift stations.

The Southeast Water Reclamation Plant (SEWRP) has a permitted capacity of 31.5 million gallons per day and an average utilization of approximately 19.8 million gallons per day. The peak utilization of the SEWRP is 25 million gallons per day. The treated wastewater is disposed of or reused in various ways. In FY 2022-2023, approximately 41 percent of the SEWRP wastewater was used to irrigate crops at the Lubbock Land Application Site and at the Hancock Land Application Site. In addition, Xcel Energy used approximately 13 percent of the treated wastewater and 46 percent was discharged into the North Fork of the Double Mountain Fork (North Fork) of the Brazos River. Currently, dewatered solids generated during the wastewater treatment process are disposed of at the City's regional solid waste landfill in Abernathy, Texas. In April 2018, the Northwest Water Reclamation Plant (NWWRP) became operational. This new plant was constructed to handle the growing sewer demand in the northwest part of Lubbock. The NWWRP had an average utilization of 0.3 million gallons per day. The permitted capacity of the NWWRP is 3 million gallons per day. Stream quality effluent from this plant is discharged into the North Fork of the Brazos River. All solids generated at the NWWRP are sent to the SEWRP for processing.

As part of the City's strategic water supply planning, projects are underway to improve the quality of the treated wastewater so it can be reused in more beneficial ways. The City completed Phase I, Phase II, and the Digester Upgrade of Phase III of a four-phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II included upgrades to Plant 3 for filtration and ultraviolet disinfection, and Plant 4 for biological nutrient removal, filtration, and ultraviolet disinfection. Phase III included design and construction improvements to anaerobic digesters

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and the solids handling facility. The upgrades included new covers, new mixing system, new heating system, and gas piping to Digester 8 and 9. Upgrades to the solids handling facility included new sludge thickening and dewatering equipment, sludge holding tank upgrades, odor control for the solids handling facility, and new sludge loading facilities. Phase IV will include upgrades to Plant 3 for biological nutrient removal. Rehabilitation of Plant 3 clarifiers and improved aeration capabilities has been completed. Preliminary design has begun in upgrading the aerobic basins for biological nutrient removal. These efforts will improve the quality of the City's effluent discharge and prepare it for future reuse opportunities.

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I, II, III, and IV are complete. A new Wastewater Master Plan was finalized in early 2020. This plan evaluates the existing collection system and provide a new master plan for meeting the City's expected development and growth. From the recommendation in the 2020 Wastewater Master Plan, the Northwest Interceptor was identified as being undersized for anticipated growth and wastewater flow. Preliminary engineering for increased pipe size and alignment has begun for this interceptor. In addition, the Downtown Sanitary Improvements Phase I and II construction has begun and is expected to be completed the first part of 2025. This will add capacity and improvement to the sewer system in the downtown area.

Storm Water Utility: The City's storm water run-off is primarily conveyed through the City's street system that discharges into 162 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets and intake structures, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork of the Double Mountain Fork of the Brazos River.

The City's Municipal Separate Storm Sewer System (MS4) is made up of approximately 1,312 miles of paved and unpaved streets, 651 linear miles of paved and unpaved alleys, 1,353 storm sewer inlets, 126 miles of subsurface storm sewer pipe, four detention basins, 162 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning, is funded through storm water fees.

During FY 22-23, the focus was maintenance on the overall stormwater network including pipes and drainage channels. In addition, efforts were begun to evaluate the canyon lakes system and the associated FEMA floodway mapping in an attempt to more accurately depict the water course. A large portion of this project is through the Texas Flood Infrastructure Fund (FIF). Efforts were also begun on the Mackenzie Park Dam structure evaluation to determine what improvements need to be made to ensure the safety and reliability of the structure. Ongoing efforts to remap FEMA systems based on previous improvements continue to be a priority as well.

Solid Waste Utility: The City provides garbage collection and disposal services to 82,402 residential customers and 2,839 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizen transfer station. The second site is the West Texas Regional Disposal Facility located in Abernathy, Texas, which opened in 1999, one of the largest permitted areas for a landfill in the State of Texas. With 1,260 acres, the expected useful life of this landfill exceeds 150 years.

Public Transportation: A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000 acres of land adjacent to Interstate 27. The Airport is operated as a department of the City, with the guidance of an advisory board, and includes a 200,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by three major passenger airlines and two major cargo airlines. It facilitates approximately 40

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commercial flights per day.

Citibus provides public transportation for the City of Lubbock and is managed by RATP Dev USA. Transit services provided by Citibus include Fixed-Route, Access (complementary paratransit), On-demand (micro transit), Charters and other additional special services. There are nine fixed-routes that traverse the City. Access is an Americans with Disabilities Act (ADA) curb-to-curb service for passengers in the community who are unable to utilize the regular fixed route service due to a disability. The On-demand service is designed to supplement the fixed-routes to meet the needs of the citizens of Lubbock who need access to places outside of the fixed-route service area and hours. In addition to the above transportation services, Citibus provides fixed-route service to Texas Tech University and surrounding apartment complexes with 2 on-campus and 7 off-campus routes. Citibus is also the contracted agent for passenger sales and freight shipping/receiving for Greyhound Lines, Inc., which operates from the Citibus Downtown Transfer Plaza.

Public Health and Social Services: In FY 2023-24, the focus of the City of Lubbock Health Department continues to focus on monitoring the COVID-19 pandemic and be prepared to stand up response activities such as vaccination and testing sites as needed. Throughout the year, the department dedicates resources to incorporate COVID-19 vaccinations into the routine public health immunization clinics and vaccinate individuals in hard to reach groups through community pop up clinics. Funding from the public health workforce grant will be utilized to expand clinical services offered by the health department, provide educational and clinical opportunities and complete a comprehensive public health needs assessment and strategic plan to set the direction and priorities of the department over the next decade.

The City of Lubbock Community Development provides programs implemented and administered through funding provided from the U.S. Department of Housing and Urban Development (HUD). The City received the following HUD grants: Community Development Block Grant (CDBG); HOME Investment Partnership Program (HOME); and the Emergency Solutions Grant (ESG). The City also received funding from the Texas Department of Housing and Community Affairs (TDHCA) for the Comprehensive Energy Assistance Program (CEAP). These funds help the City address the housing and community development objectives outlined by HUD, which are primarily targeted towards low- to moderate-income (LMI) and special needs populations.

Program Accomplishments for PY2022-23 include:

- **Public Facilities and Infrastructure Improvements:** Public infrastructure improvements included unpaved road improvements and installation of sidewalks benefitted 7,285 persons in low/mod areas, where at least 51% of the population are LMI.
- **Public Services:** The City assisted 713 LMI persons with vital public services to help improve their quality of life. Of this total assisted, 39 households were assisted with smoke/ carbon monoxide detectors to improve the health and safety of LMI residents. Public services also included a Community-Based Job Training goal, which the City highlights on top of services for LMI. For this goal there were 42 LMI persons assisted with employment training and job placement.
- **Affordable Housing:** Through the HOME program, 25 LMI households were assisted with rental housing rehabilitation activities. In the CDBG minor rehab program, there were 12 owner-occupied LMI households assisted with minor rehabs and emergency repairs. Rehab activities included minor structural repair, sewer system repairs, HVAC, and other repairs related to urgent health and safety concerns.
- **Homeless Housing and Shelter Services:** During the program year, 2,778 individuals were assisted with homeless services with ESG funds. Of this total, 1,848 persons were assisted with emergency shelter. There were also 478 households consisting of 930 individuals assisted with rapid rehousing services.
- **Utility Assistance and Household Crisis:** CEAP provided utility assistance to 6,056 households

Honorable Mayor, City Council,
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for and emergency heating/cooling repairs to 18 households, all of which are at or below 150% of the poverty level.

In-House Coronavirus Relief Services: The City continued its focus on emergency response activities for LMI persons impacted by the pandemic. Additional CDBG funds were allocated for an emergency Childcare Program, and 674 LMI households were assisted. This program provided childcare to parents who had lost or experienced a decrease in income due to COVID-19. The City expended the remaining funding received for Emergency Rent Assistance from the U.S. Department of Treasury, serving 67 households with rent and rental arrears assistance, and 20 households with utility and utility arrears assistance. The program terminated on December 31, 2022.

Cultural and Recreation Activities: The City provides cultural and recreation services through 4 libraries and 83 parks with 56 playgrounds. Other recreational facilities include one swimming pool, 49 tennis courts, 50 baseball and softball fields, 53 soccer fields, 44 basketball courts, 15 multi-sport courts, 3 disc golf courses, a cultural arts center and 6 community/adult activity centers. To further enhance quality of life and to provide support to tourism, the City operates the Memorial Civic Center, the Buddy Holly Center, the Moonlight Musicals Amphitheatre, the Municipal Garden and Arts Center, and the Silent Wings Museum.

The City is financially accountable for a legally separate civic services corporation (Civic Lubbock, Inc.), which is reported separately within the City's financial statements as a discretely presented component unit. Additional information on this legally separate entity is found in the notes to the financial statements.

Highways and Streets: The City is responsible for the construction and maintenance of 1,260 miles of paved streets, 56.7 miles of unpaved streets, and 668.1 miles of paved and unpaved alleys.

In 2004, the City Council established the Gateway Streets Program. The program, funded with 40 percent of franchise fees collected by the City, opens areas of the City for development through thoroughfare construction. Additionally, the program seeks to increase capacity to reduce congestion and accommodate anticipated growth, rebuild existing roadways to current design standards, and construct new roadways through Arterial and Collector Roadway projects. The Gateway Streets Program consists of the Northwest Passage, City thoroughfare streets, and Texas Department of Transportation (TxDOT) improvements in Lubbock.

Gateway Street improvement projects under design or construction include the following:

- The Upland Ave thoroughfare project has completed the roadway schematic for 66th to 114th St. along with the Environmental Assessment of the project. Currently the project is in the final design phase from 98th St. to 114th St., with land acquisitions for additional Right of Way for the project underway. Construction from 66th Street to 82nd Street is anticipated to begin in Q2 2024.
- 114th St. from Quaker Avenue to Indiana Avenue construction began in November 2022.

Annual Budget Process

The annual operating budget serves as the foundation of the City's financial planning and control. All City departments submit requests for appropriation to the City Manager each year. The City Manager uses these requests as the starting point for developing the proposed Operating Budget and Capital Program. The City Manager then presents the proposed Operating Budget and Capital Program to the City Council for review, as required by City Charter. The City Council is required to hold a public hearing on the proposed Operating Budget and Capital Program and to adopt it no later than September 30, the close of the City's fiscal year. For FY 2023, the adopted Operating Budget and Capital Program appropriates funding at the fund level for all funds and at the project level in the Capital Program.

The General Fund Operating Budget is adopted on a basis other than GAAP, with the main difference being that related capital outlays are not budgeted. Budgetary control is maintained at the fund level. The City Manager may make administrative transfers and increases or decreases between accounts below the fund level without City Council approval. However, any transfer of funds between Funds, the legal level of control, or higher level shall be presented to City Council for approval by ordinance before such funds can be transferred between Funds or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital Project and grant appropriations do not lapse at fiscal year-end, but remain in effect until the project or grant is completed and closed.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is best understood when it is considered within the context of the City's economy. The following information is provided to highlight a broad range of economic forces that support the City's operations.

Local Economy

The City of Lubbock has a stable economy with historically consistent and steady growth. Over the past forty years, Lubbock's agriculturally-based economy has diversified. This diversification minimizes the effects of business cycles experienced by individual sectors. The City has strong manufacturing, wholesale and retail trade, healthcare, education, and government sectors. Manufacturing includes a diverse group of employers who support approximately 5,300 workers. Our central location and access to transportation contributes to Lubbock's development as a regional warehousing and distribution center. Also due to its location, Lubbock serves as the major retail trade center for a 26-county retail trade area of more than half a million people.

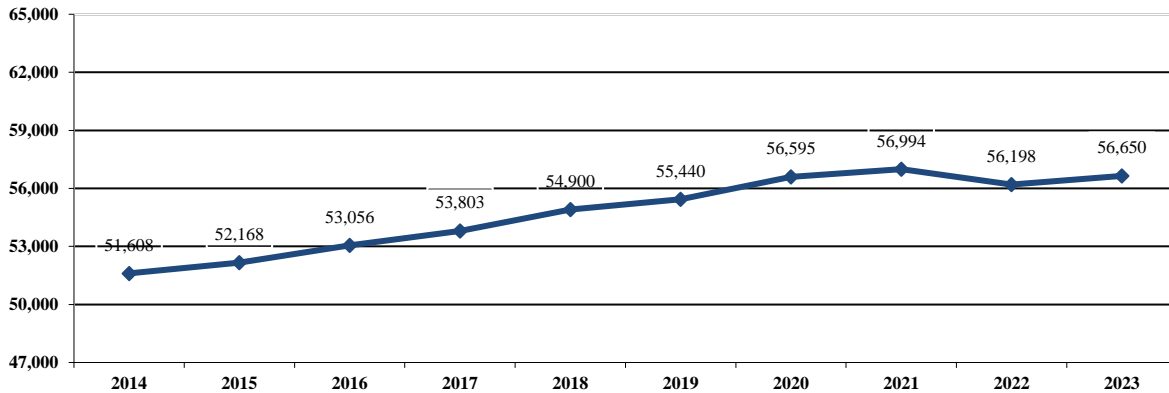
The Lubbock Economic Pulse indicates growth in retail sales year over year but building activity continues to be affected by the interest rate environment. Retail sales are up 3.87 percent year-to-date as of September 2023. New vehicle sales are holding steady with an increase of 1.81 percent compared to September 2022, while used vehicle sales are down 13.45 percent. Tourism statistics indicate a slowdown compared to the prior year due to a decrease in travel that caused a 12.88 percent decrease in Hotel Occupancy tax compared to September 2022. The Lubbock Economic Pulse also indicates that crop yields are low due to the persistent drought in the area. Interest rate changes in the future could affect the overall economy.²

² Lubbock Economic Pulse, September 2023, Lubbock National Bank , Lubbock, Texas

Honorable Mayor, City Council,
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 February 19, 2024

Lubbock is home to three universities and one community college: Texas Tech University; Lubbock Christian University; Wayland Baptist University – Lubbock Center; and South Plains College. Fall 2023 enrollment for all higher education institutions in Lubbock was 56,650, an increase of 0.8 percent from fall 2022 enrollment of 56,198. The increase was due to enrollment increases at Texas Tech University and South Plains College. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor.

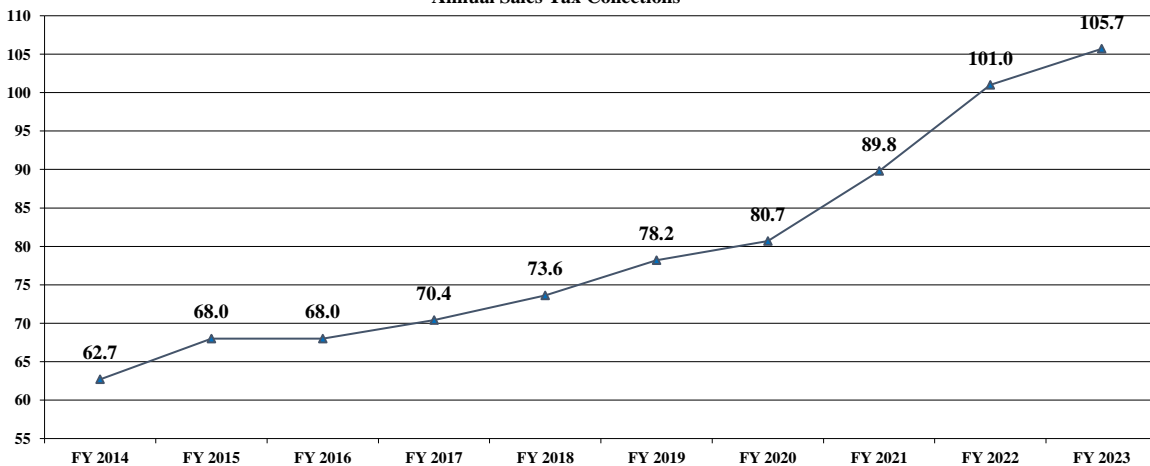
Higher Education Fall Enrollments 2014 - 2023



The health care and social assistance sector is also a vital component of the Lubbock economy, with an average of 27,388 employees and payroll exceeding \$1.63 billion.³ Lubbock is home to several medical facilities including University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, and Grace Medical Center. The Texas Tech University Health Sciences Center also provides health care, as well as training and research opportunities for health care professionals.

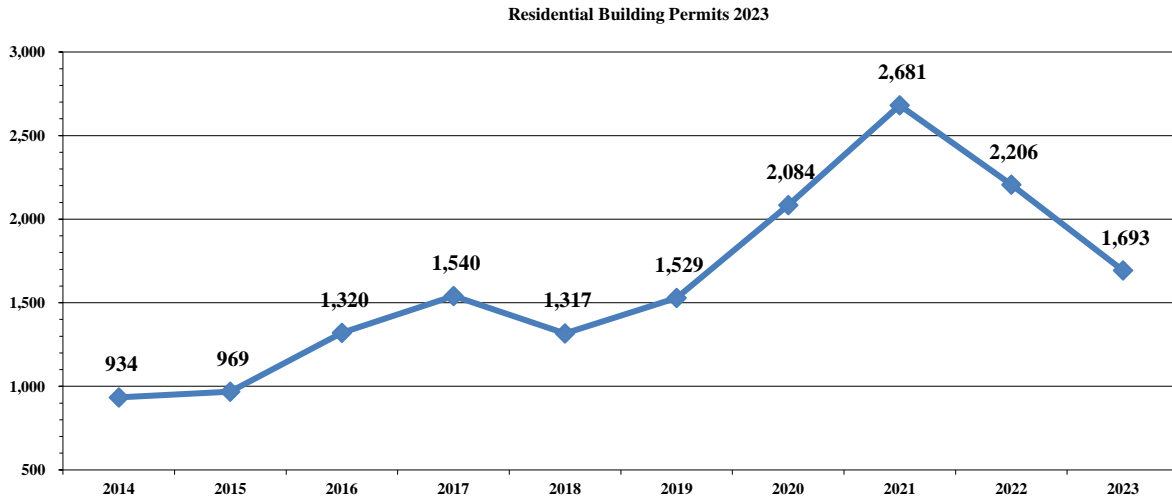
Sales Tax Collections: Sales tax collections in FY 2023 totaled \$105.7 million, 4.7 percent higher than collections through the same period in FY 2022.

Annual Sales Tax Collections

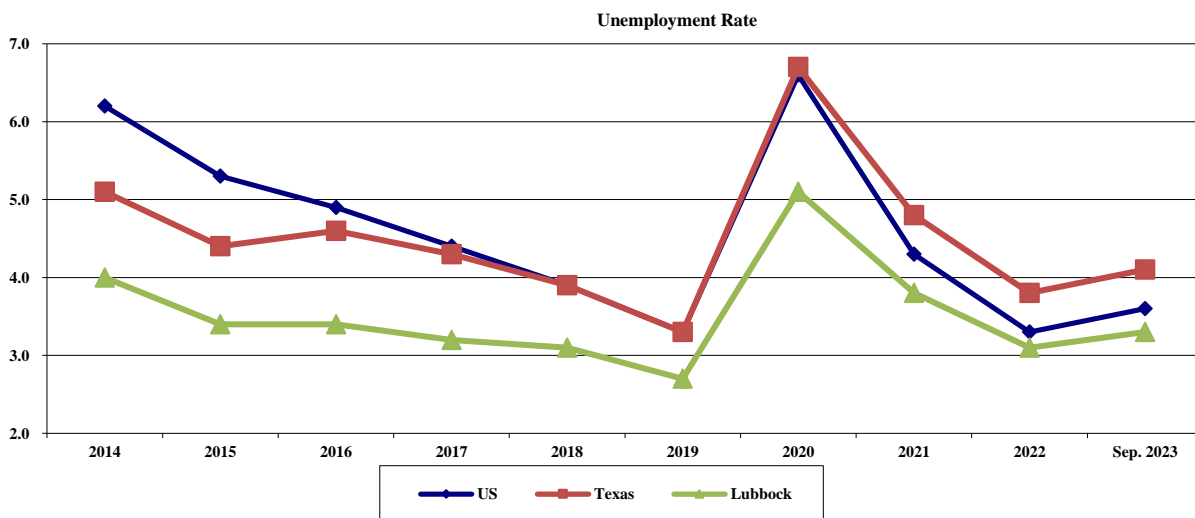


³ Texas Labor Market Information, *Quarterly Census of Employment and Wages (QCEW) Report*, retrieved from texaslmi.com/LMIbyCategory/QCEW.

Building Permits: Construction activity has expanded significantly in recent years, setting records for new residential permits in 2020, 2021, and 2022. However, new construction permits issued decreased 17.6 percent through 2023. Similarly, new residential permits decreased 23.2 percent in 2023 compared to the prior year.⁴ The preliminary average home sales price in September 2023 was \$294,286, an increase of 4.9 percent over September 2022.⁵



Employment: The total non-agricultural employment estimate for September 2023 was 159,600, an increase of 1.7 percent over the revised September 2022 estimate. The unemployment rate for the Lubbock Metropolitan Statistical Area (MSA) in September 2023 was 3.3 percent, an increase of 0.4 percent. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.⁶



⁴ City of Lubbock Building Inspection Department, December 2022 to December 2023 *Building Inspection Statistical Report*.

⁵ Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report (September 2023)*, retrieved from <http://recenter.tamu.edu/data/datahs.html> (Figures are preliminary and will be updated as information becomes available.)

⁶ Texas Workforce Commission, *MSA Employment and Unemployment Data*, September 2023. (Current year numbers are the average through October 2023 and are updated as data becomes available.)

ECONOMIC DEVELOPMENT

In 1995, the City Council created Market Lubbock, Inc. (MLI), a non-profit corporation to oversee economic development for the City. MLI is funded with 1.9629 cents of the property tax allocation less the City of Lubbock economic development expenses. In October 2004, the Lubbock Economic Development Alliance (LEDA), an economic development sales tax corporation, assumed responsibility for economic development. LEDA program strategies include business retention, business recruitment, workforce development, foreign trade zone, and the bioscience initiative. LEDA is funded by a 1/8 cent economic development sales tax. Total allocated tax revenues for MLI and LEDA for FY 2023 were \$12.6 million.

The City's Finance Department is responsible for tracking and maintaining economic and demographic information for the City, assisting with city-related business issues, the enterprise zone and tax abatement programs, three Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts.

Lubbock Business Park: The Lubbock Business Park (Park) is a 586-acre tract of land located off of Interstate 27, approximately one mile south of Lubbock Preston Smith International Airport. The Park is being developed by LEDA as a recruitment tool to assist in the recruitment of new businesses to the area. The Park has shovel-ready lots available for businesses who would like to relocate to Lubbock or expand an existing business.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that will assist in funding the public infrastructure necessary to develop the Park. According to the latest Project and Finance Plan for the Lubbock Business Park Tax Increment Financing Reinvestment Zone (LBP Zone), there are planned expenditures of approximately \$45.2 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$208.2 million over the LBP Zone's 30-year life. The 2023 appraised value of the LBP Zone is \$100.7 million with a net taxable value of \$100.6 million, which is a \$101.2 million increase over the 2009 base year value.

Overton Park: Overton Park, a former blighted area called North Overton, is a 300-acre revitalization project adjacent to the downtown area of Lubbock. Projects that have been constructed in Overton Park since the beginning of the redevelopment include student-oriented apartment complexes, The Centre, an apartment complex built over upscale retail, City Bank, Wal-Mart, The Overton Hotel and Conference Center, Racer Car Wash, condominiums, and many small specialty restaurants and retail establishments.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (Overton Zone), there were planned expenditures of \$62.3 million for Phase 1 and 2, not including interest on debt for the replacement and upgrade of public improvements including roads, water, sewer, relocation underground of the electric infrastructure, lighting, and landscaping in the parkway. Based on current estimates, these improvements will result in an increase of taxable value of approximately \$560 million over the Overton Zone's 30-year life. The 2023 appraised value of the Overton Zone is \$584.7 million, which is a \$557.7 million increase over the 2002 base year value.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 19, 2024

North and East Lubbock Neighborhood and Infrastructure Fund: Lubbock City Council passed a resolution on May 9, 2013, to create the North and East Lubbock Neighborhood and Infrastructure Fund (NELNIF) to provide a source of funding for downtown redevelopment, neighborhood and infrastructure projects, and other community development projects. The revenue for the fund is 90 percent of the oil and gas revenues that historically went to the General Fund.

The Lubbock community, at-large, has experienced growth. However, the North and East Lubbock communities have experienced population destabilization, economic instability, and housing deterioration.

The past several years have brought a slight increase of single-family residential development and affordable rental units in this area by nonprofit organizations and private developers in addition to rehabilitation of existing homes to provide a safe and sanitary living environment. The funding in the North and East Lubbock Neighborhood and Infrastructure Fund in FY 2023 was planned to be used for rehabilitation of owner occupied homes in North and East Lubbock.

Downtown Redevelopment: The City of Lubbock Central Business District (CBD) has developed over the years with traditional office, retail, and governmental agency uses. As with many cities in the last ten to twenty years, retail has moved to shopping areas and other areas outside the CBD, and office development has stagnated. In an effort to reverse the trend, the City of Lubbock, with participation from Lubbock County, Lubbock Hospital District, and High Plains Underground Water District, created a Tax Increment Financing Reinvestment Zone to assist in the redevelopment of downtown in December 2001, with a termination date of December 31, 2020. On September 24, 2009, the City Council approved an extension of the termination date to December 31, 2040 in order to provide additional funding to implement the project and finance plan. According to the latest Project and Finance Plan for the Central Business District Tax Increment Financing Reinvestment Zone (CBD Zone), planned expenditures amount to \$40.8 million for public infrastructure improvements, which will result in an increase in taxable value of approximately \$255.7 million over the CBD Zone's 40-year life. The 2023 appraised value of the CBD Zone is \$286.5 million, a \$180.7 million increase over the 2001 base year value.

FINANCIAL INFORMATION

Long-term financial planning

The City uses ten-year rate models for long-range planning in all major enterprise funds as a basis for budget discussion and policy decision-making. These models are based on current projects and policies and are continually monitored and updated throughout the year. The rates in the models are calculated to provide financially sound net position reserves, as established by City Council Policy.

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to 20 percent of operating revenues to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have excess reserve policies, ranging from 10 to 25 percent of operating revenue. LP&L must maintain three months gross retail electric revenue, as determined by taking the average monthly gross retail electric revenue from the previous fiscal year. Water/Wastewater and Airport funds maintain excess reserves in an amount equal to 25 percent of operating revenues. The Storm Water fund maintains excess reserves of 20 percent of operating revenues. Excess reserves have a slightly different definition than GAAP unrestricted net position. Excesses and deficits are addressed in the subsequent year budget process.

Utility funds make payments in lieu of property taxes and franchise fees to the General Fund. The amount LP&L pays in lieu of property tax is based on one percent of gross revenues. The payment in lieu of property taxes for other utility funds is calculated by applying the property tax rate to the fixed assets of the fund.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 19, 2024

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2022. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report in which contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. The City of Lubbock has received this award for eighteen consecutive years.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not be possible without the efficient and dedicated services of the entire staff of the Finance Department. We would particularly like to thank the Accounting Managers, Senior Accountants, Director of Financial Planning and Analysis, Assistant Director of Financial Planning and Analysis and Senior Financial Analysts for their countless hours of work on this financial report. We express our appreciation to all members of City departments who assisted with and contributed to the preparation of this report. Credit is also given to the City Council and the Audit Committee for their interest and support in planning and conducting the operations of the City in a responsible manner.

Respectfully submitted,



W. Jarrett Atkinson
City Manager



D. Blu Kostelich
Chief Financial Officer



Linda Cuellar, CPA
Director of Accounting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lubbock
Texas**

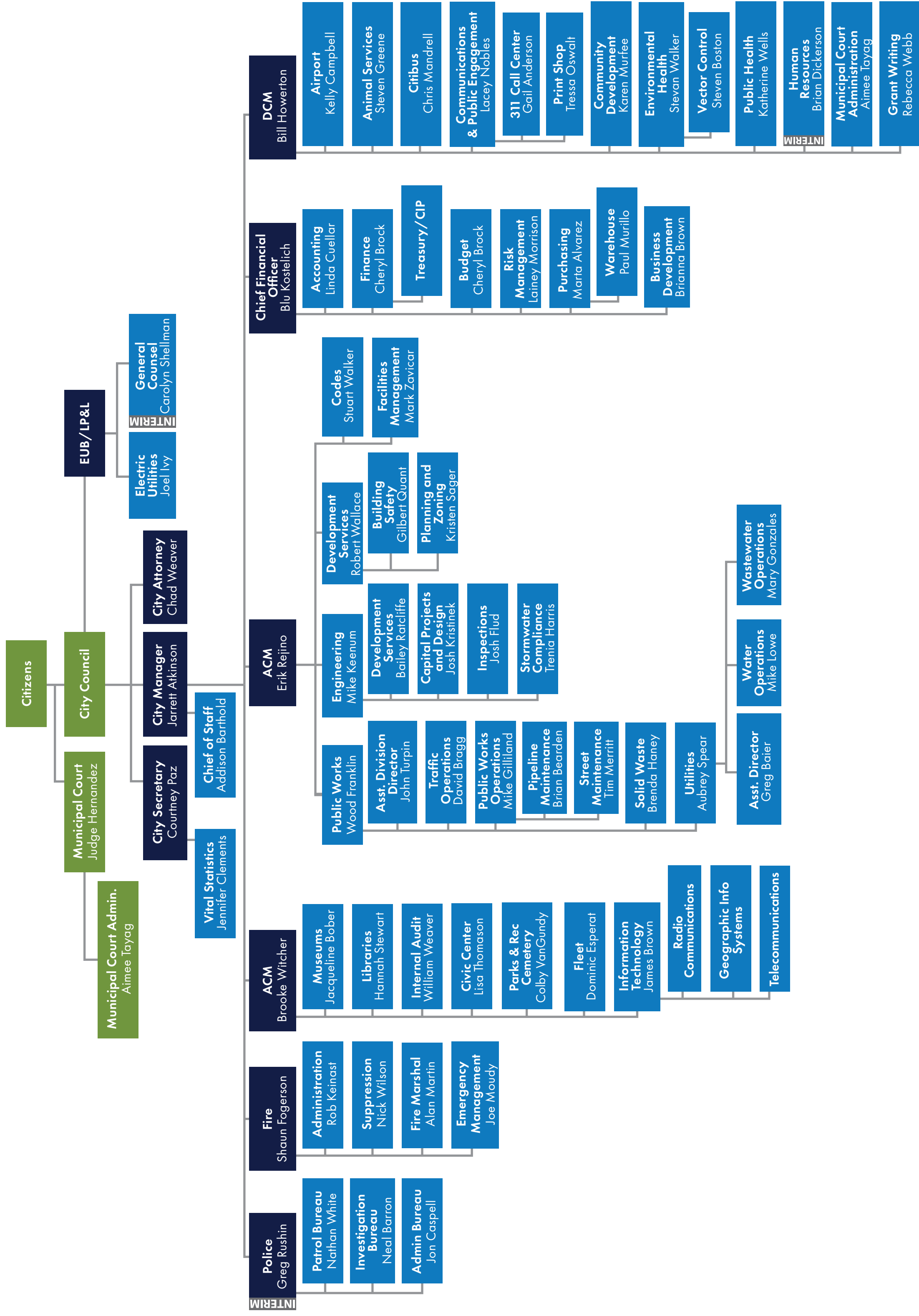
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

Organizational Chart







Independent Auditor's Report

The Honorable Mayor and Members of the City Council
The City of Lubbock, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lubbock, Texas (City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Civic Lubbock, Inc., Market Lubbock Economic Development Corporation d/b/a Market Lubbock, Inc. or Lubbock Economic Development Alliance, which represent 99 percent, 116 percent, and 99 percent, respectively, of the assets, net position (deficit), and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

CPAs AND ADVISORS | WEAVER.COM

The Honorable Mayor and Members of the City Council
The City of Lubbock, Texas

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

The Honorable Mayor and Members of the City Council
The City of Lubbock, Texas

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management’s discussion and analysis, budgetary comparison information, pension and other post-employment benefits information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The accompanying supplementary information, such as the combining and individual fund statements and schedules and schedule of expenditures of federal and state awards, *as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Texas Grant Management Standards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The Honorable Mayor and Members of the City Council
The City of Lubbock, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 19, 2024

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Lubbock for the fiscal year ended September 30, 2023.

Readers of the financial statements are encouraged to consider the information included in the transmittal letter and in the other sections of the Annual Comprehensive Financial Report (ACFR) such as the combining statements and the statistical section in conjunction with the MD&A.

Financial Highlights

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The City's total government-wide assets and deferred outflows exceeded its liabilities and deferred inflows at September 30, 2023 by \$1.4 billion (net position).
- The City's total net position increased by \$61.6 million which includes the prior period adjustment resulting from operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$92.5 million, or 34.9 percent of total General Fund revenues, an increase of \$3.2 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$259.9 million, of which \$92.5 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of \$1.2 billion, of which \$51.0 million is available for spending at the City's discretion.
- During FY 2023, the City issued \$85.4 million in bonded debt.

Overview of the Financial Statements

Basic Financial Statements: The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). The ACFR contains other supplementary information in addition to the BFS.

Government-Wide Financial Statements: The GWFS, shown on pages 41-43 of the ACFR, contain the *Statement of Net Position* and the *Statement of Activities*, described below:

The *Statement of Net Position* presents information on the City's assets, liabilities (including capital assets and short- and long-term liabilities), and deferred inflows/outflows of resources with the difference reported as *net position* using the accrual basis of accounting. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions

City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2023

restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include administrative services as well as general government, community services, cultural and recreation, economic and business development, fire, health, police, other public safety, streets and traffic and solid waste. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include Electric, Water, Wastewater, Storm Water, Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry Recreation. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

Component Units: The GWFS include the City (the “primary government”), and five legally separate entities (the “component units”) for which the City is financially accountable. The discretely presented component units consist of: Urban Renewal Agency (URA); Market Lubbock Economic Development Corporation, d/b/a Market Lubbock, Inc.; Lubbock Economic Development Alliance; Civic Lubbock, Inc.; and the Vintage Township Public Facilities Corporation; are blended component units. The component units provide community services, economic development services, arts and cultural activities, and public improvement financing for the City. Financial information for the discretely presented component units is reported separately in the GWFS to differentiate them from the City’s financial information.

Fund Financial Statements: A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in the ACFR following the Required Supplementary Information (RSI) and Other Supplementary Information (OSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

Governmental FFS: Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City’s fiscal year. Such information is useful in evaluating the City’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to

City of Lubbock, Texas
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compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 34 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Governmental Capital Projects Fund, and Debt Service Fund which are considered to be major funds. The governmental FFS can be found on pages 44-47 of the ACFR. Data for the other 31 governmental funds are combined into a single, aggregated presentation.

The City adopts a budget annually for the General Fund and most other funds. In the RSI section, budgetary comparison schedules for the General Fund and Debt Service Fund have been provided to demonstrate compliance with the budget.

Proprietary FFS: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses enterprise funds to account for LP&L, water/wastewater, storm water, transit, airport, civic centers, cemetery, and Lake Alan Henry Recreation activities, of which the first three activities are considered to be major funds by the City and are presented separately. The latter five activities are considered non-major funds and are combined into a single aggregated presentation.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for vehicle service operations and fueling, central warehouse and printing services, information technology services, risk management, health benefits, and investment pool funds. The services provided by the internal service funds benefit both governmental and business-type activities, and accordingly, they have been included within governmental activities and business-type activities, as appropriate, in the GWFS. All internal service funds are combined into a single aggregated presentation in the proprietary FFS. Reconciliations are provided for the proprietary fund statement of net position and the proprietary fund statement of revenues, expenses, and changes in fund net position for comparison between enterprise funds and business-type activities. The proprietary FFS can be found on pages 48-59 of the ACFR.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has funds held on behalf of others as a result of law enforcement activities reported as custodial funds. The fiduciary FFS can be found on pages 60-61 of the ACFR.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 62-116 of the ACFR.

**City of Lubbock, Texas
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Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI including the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions for the City’s pension plans, and the Schedule of Changes in Total OPEB Liability and Related Ratios. The General Fund and Debt Service budgetary comparisons demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 117-124 of the ACFR.

Combining Fund Statements and Schedules are included after the RSI. This includes Nonmajor Funds and Nonmajor Discretely Presented Component Units. Certain special revenue funds are presented in this section, demonstrating compliance at the legal level of budgetary control.

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City’s financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$1.4 billion (*net position*) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$1.4 billion (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$61.6 million during the period.

**City of Lubbock Net Position
September 30
(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|-------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | \$ 372,745 | \$ 324,146 | \$ 428,878 | \$ 449,588 | \$ 801,623 | \$ 773,734 |
| Capital assets | 634,080 | 585,762 | 2,032,636 | 1,992,436 | 2,666,716 | 2,578,198 |
| Total assets | <u>1,006,825</u> | <u>909,908</u> | <u>2,461,514</u> | <u>2,442,024</u> | <u>3,468,339</u> | <u>3,351,932</u> |
| Total deferred outflows of resources | 105,641 | 51,848 | 35,425 | 18,543 | 141,066 | 70,391 |
| Current liabilities | 122,798 | 131,788 | 223,122 | 141,552 | 345,920 | 273,340 |
| Noncurrent liabilities | 672,423 | 528,792 | 1,077,277 | 1,119,599 | 1,749,700 | 1,648,391 |
| Total liabilities | <u>795,221</u> | <u>660,580</u> | <u>1,300,399</u> | <u>1,261,151</u> | <u>2,095,620</u> | <u>1,921,731</u> |
| Total deferred inflows of resources | 45,945 | 84,948 | 19,028 | 28,437 | 64,973 | 113,385 |
| Net position*: | | | | | | |
| Net investment in capital assets | 358,630 | 310,185 | 1,040,403 | 996,595 | 1,399,033 | 1,306,780 |
| Restricted | 36,509 | 30,605 | 80,625 | 81,978 | 117,134 | 112,583 |
| Unrestricted | (123,838) | (124,563) | 56,485 | 92,406 | (67,353) | (32,157) |
| Total net position | <u>\$ 271,300</u> | <u>\$ 216,227</u> | <u>\$ 1,177,513</u> | <u>\$ 1,170,979</u> | <u>\$ 1,448,814</u> | <u>\$ 1,387,206</u> |

*The cumulative effect of applying GASB Statement No. 96, “SBITA” resulted in the beginning net position being restated.

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Approximately 96.6 percent of the City's net position reflects its investment in capital assets, e.g., land, buildings, infrastructure, machinery and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling \$117.1 million, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted for spending on specified capital projects, debt service reserves restricted by bond covenants, passenger facility charges restricted for airport improvements, and special revenue funds restricted for specific purposes.

The unrestricted net position is the amount that may be used to meet the government's ongoing obligation to citizens and creditors. The adoption of GASB Statement No. 68 in FY 2015 and No. 75 in FY 2018 resulted in the City's reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for the pension plan and the recognition of pension expense. Both statements had a significant negative effect on the City's net position and consequently unrestricted net position.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business type activities. The government-wide unrestricted net position decreased by \$35.2 million from FY 2022.

City of Lubbock, Texas
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City of Lubbock Changes in Net Position
For the Years Ended September 30
(in thousands)

| | Governmental Activities | | Business- type Activities | | Totals | |
|---|----------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 47,078 | \$ 43,134 | \$ 518,114 | \$ 524,738 | \$ 565,192 | \$ 567,872 |
| Operating grants and contributions | 21,661 | 29,415 | 18,442 | 14,798 | 40,103 | 44,213 |
| Capital grants and contributions | 19,069 | 30,472 | 25,639 | 21,110 | 44,708 | 51,582 |
| General Revenues: | | | | | | |
| Property taxes | 113,376 | 109,140 | - | - | 113,376 | 109,140 |
| Sales taxes | 105,748 | 100,991 | - | - | 105,748 | 100,991 |
| Other taxes | 11,978 | 11,209 | - | - | 11,978 | 11,209 |
| Franchise fees | 32,022 | 33,393 | - | - | 32,022 | 33,393 |
| Investment earnings | 12,478 | 803 | 22,569 | - | 35,047 | 803 |
| Other | 19,074 | 21,883 | 4,345 | 2,710 | 23,419 | 24,593 |
| Total revenues | <u>382,484</u> | <u>380,440</u> | <u>589,109</u> | <u>563,356</u> | <u>971,593</u> | <u>943,796</u> |
| Expenses: | | | | | | |
| Administrative services/general govt. | 22,865 | 20,347 | - | - | 22,865 | 20,347 |
| Community services | 5,964 | 13,916 | - | - | 5,964 | 13,916 |
| Cultural and recreation | 22,143 | 19,372 | - | - | 22,143 | 19,372 |
| Economic and business development | 26,104 | 24,177 | - | - | 26,104 | 24,177 |
| Fire | 69,839 | 56,783 | - | - | 69,839 | 56,783 |
| Health | 14,118 | 10,918 | - | - | 14,118 | 10,918 |
| Police | 90,456 | 77,532 | - | - | 90,456 | 77,532 |
| Other public safety | 10,556 | 15,245 | - | - | 10,556 | 15,245 |
| Streets and traffic | 35,637 | 32,105 | - | - | 35,637 | 32,105 |
| Solid Waste | 25,199 | 22,147 | - | - | 25,199 | 22,147 |
| Interest on long-term debt | 11,131 | 12,712 | - | - | 11,131 | 12,712 |
| Electric | - | - | 384,894 | 312,502 | 384,894 | 312,502 |
| Water/Wastewater | - | - | 125,709 | 110,360 | 125,709 | 110,360 |
| Storm Water | - | - | 13,859 | 13,537 | 13,859 | 13,537 |
| Transit | - | - | 16,680 | 15,585 | 16,680 | 15,585 |
| Airport | - | - | 27,260 | 21,434 | 27,260 | 21,434 |
| Civic Centers | - | - | 4,556 | 3,409 | 4,556 | 3,409 |
| Cemetery | - | - | 671 | 507 | 671 | 507 |
| Lake Alan Henry | - | - | 633 | 540 | 633 | 540 |
| Total expenses | <u>334,012</u> | <u>305,254</u> | <u>574,262</u> | <u>477,874</u> | <u>908,274</u> | <u>783,128</u> |
| Change in net position before transfers | 48,471 | 75,185 | 14,847 | 85,481 | 63,318 | 160,666 |
| Transfers | 6,706 | 6,726 | (6,706) | (6,726) | - | - |
| Change in net position | 55,177 | 81,911 | 8,141 | 78,755 | 63,318 | 160,666 |
| Net position - beginning of year, restated* | 216,123 | 134,316 | 1,169,372 | 1,092,223 | 1,385,495 | 1,226,539 |
| Net position - end of year | <u>\$ 271,300</u> | <u>\$ 216,227</u> | <u>\$ 1,177,513</u> | <u>\$ 1,170,978</u> | <u>\$ 1,448,814</u> | <u>\$ 1,387,205</u> |

*The cumulative effect of applying GASB Statement No. 96, "SBITA" resulted in the beginning net position being restated. Business-type activities were restated by \$1.7 million and governmental activities were restated by \$0.1 million.

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Changes in Net Position: Details of the above summarized information can be found on pages 42-43 of the ACFR.

Governmental activities: The City's governmental activities experienced an increase in net position of \$55.1 million, compared to an increase of \$73.1 million during the prior fiscal year. Key elements of the operational increase compared to prior year include:

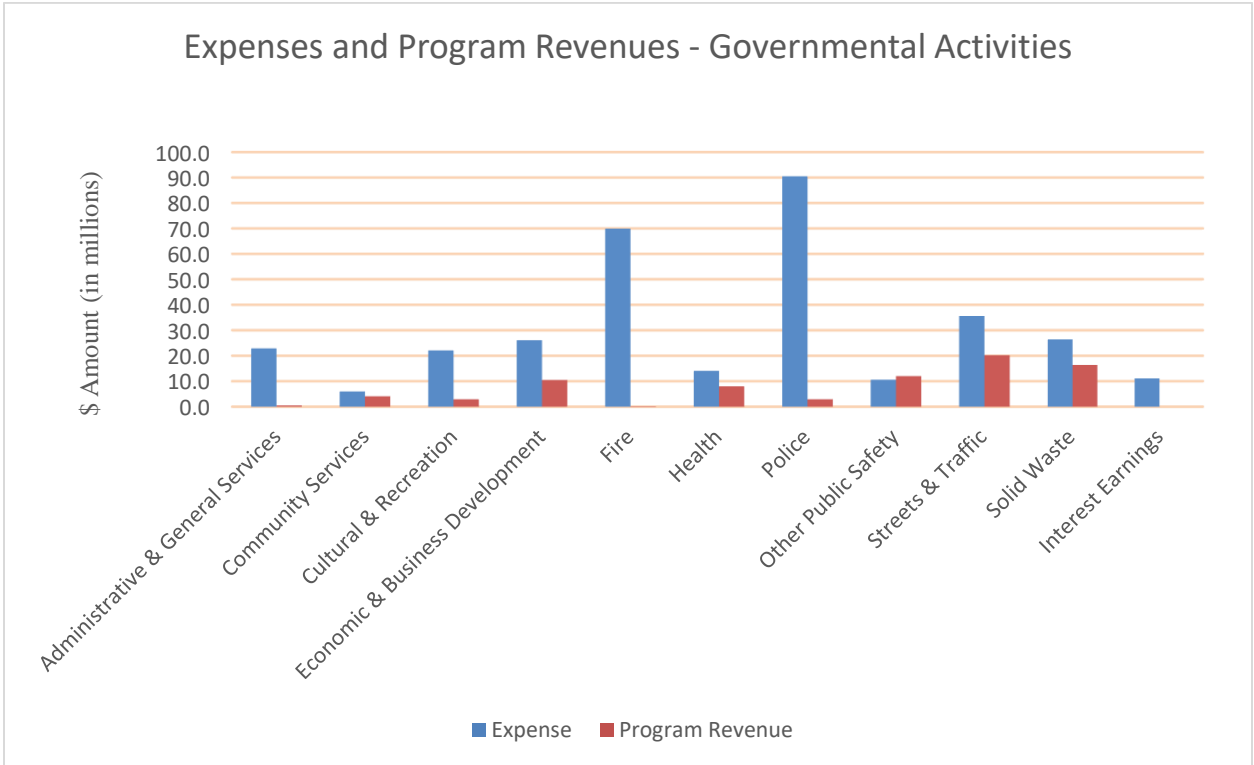
- Revenues increased \$2.1 million, from \$380.4 million in FY 2022 to \$382.5 million in FY 2023.
 - The City experienced a \$15.2 million decrease in total program revenues from FY 2022 to FY 2023. Charges for services increased \$3.9 million from FY 2022 to FY 2023 and operating grants and contributions decreased \$7.8 million. Streets and Traffic impact fees increased by \$2.7 million to \$5.3 million in FY 2023, and Solid Waste charges for services increased \$0.3 million due to an increase in disposal fee revenue. Other Public Safety charges for services increased by \$0.8 million, and Economic and Business Development charges for services increased \$0.1 million to \$2.4 million in FY 2023. Total capital grants and contributions decreased \$11.4 million from FY 2022 to FY 2023. Streets and Traffic capital grants and contributions decreased \$10.7 million in FY 2023 to \$14.6 million due to contributed capital, Cultural and Recreation capital grants also decreased \$2.2 million to \$1.2 million, while Police capital grants increased in FY 2023 \$1.3 million to \$2.7 million and Administrative Services and General Government capital grants increased slightly. Operating grants and contributions decreased in FY 2023 by \$7.8 million to \$21.7 million. Other Public Safety experienced a decrease of \$6.5 million mainly due to emergency rental assistance ending, and Community Services operating grants and contributions decreased from \$13.1 million in FY 2022 to \$4.1 million in FY 2023 for a difference of \$9.0 million. Economic and Business Development operating grants and contributions increased by \$6.2 million, Health operating grants and contributions increased by \$1.2 million in FY 2023 and Cultural and Recreation grants and contributions increased by \$0.3 million to \$0.6 million.
 - Property tax revenue increased from \$109.1 million in FY 2022 to \$113.4 million in FY 2023. The property tax rate decreased slightly from \$0.47676 per \$100 of assessed value in 2022 to \$0.46468 per 100 of assessed value in 2023. Taxable assessed values increased from \$20.9 billion in 2022 to \$23.6 billion in 2023, as real property valuations continued to climb.
 - Sales tax revenue increased from \$101.0 million in FY 2022 to \$105.7 million in FY 2023. Since FY 2014, Lubbock had experienced a steady increase in sales tax revenue averaging an annual increase of 5.7 percent. In FY 2023, Lubbock experienced a 4.7 percent increase in sales tax.
 - Investment earnings increased from \$803 thousand in FY 2022 to \$12.5 million in FY 2023. The increase is due to a higher rate environment in FY 2023.
- Total expenses increased \$28.7 million, from \$305.3 million to \$334.0 million in FY 2023.
 - Fire department expenses increased \$13.0 million from \$56.8 million in FY 2022 to \$69.8 million in FY 2023. Employee compensation and related benefit expenses increased by \$5.6 million due to variable pay increases. In addition, Fire pension expense increased by \$7.6 million while depreciation decreased by \$0.2 million in FY 2023.
 - Police department expenses increased from \$77.5 million in FY 2022 to \$90.5 million in FY 2023 for a total of \$13.0 million. Employee compensation and related benefit expenses increased by \$5.0 million due to variable pay increases. Police pension expense increased by \$8.3 million while depreciation expense was down \$0.3 million.
 - Streets and traffic department expenses were \$32.1 million in FY 2022 and \$35.6 million in FY 2023 for an increase of \$3.5 million. Employee compensation and related benefit expenses

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- increased by \$0.4 million due to variable pay increases. Streets and traffic department pension expenses increased by \$0.8 million while depreciation expense increased by \$2.3 million.
- Cultural and recreation department expenses increased \$2.8 million to \$22.1 million in FY 2023. Employee compensation and benefits expense increased by \$0.2 million while maintenance and other charges increased by \$1.1 million. Cultural and recreation department pension expenses also increased by \$1.7 million whereas supplies decreased by \$0.2 million.
 - Administrative services/general government department expenses increased from \$20.3 million in FY 2022 to \$22.9 million in FY 2023 for an increase of \$2.6 million. Employee compensation and related benefits increased by \$2.0 million in FY 2023. Maintenance and other charges increased by \$0.5 million while supplies increased slightly.
 - Other public safety department expenses decreased \$4.6 million to \$10.6 million in FY 2023. Other public safety pension expenses increased by \$1.0 million in FY 2023, while other public safety supplies had a minimal decrease. There was also a \$5.6 million decrease in ARPA Emergency Rental Assistance expenses for FY 2023 due to resources being expended.
 - Interest on long-term debt expenses decreased from \$12.7 million in FY 2022 to \$11.1 million in FY 2023 for a decrease of \$1.6 million. Due to a favorable rate environment, interest earnings were higher and less expenses were incurred.
- Transfers from business-type activities during FY 2023 increased governmental activities' net position by \$6.7 million. During the prior fiscal year, the transfers increased governmental activities' net position by \$6.7 million as well. Transfers from Electric to the General Fund increased by \$0.6 million in FY 2022 and transfers from Water/Wastewater also increased by \$0.1 million. Transfers from Storm Water to the General Fund decreased slightly in FY 2022.
 - Net transfers from business-type activities included indirect cost payments of operations for centralized services such as payroll and purchasing to governmental activities.

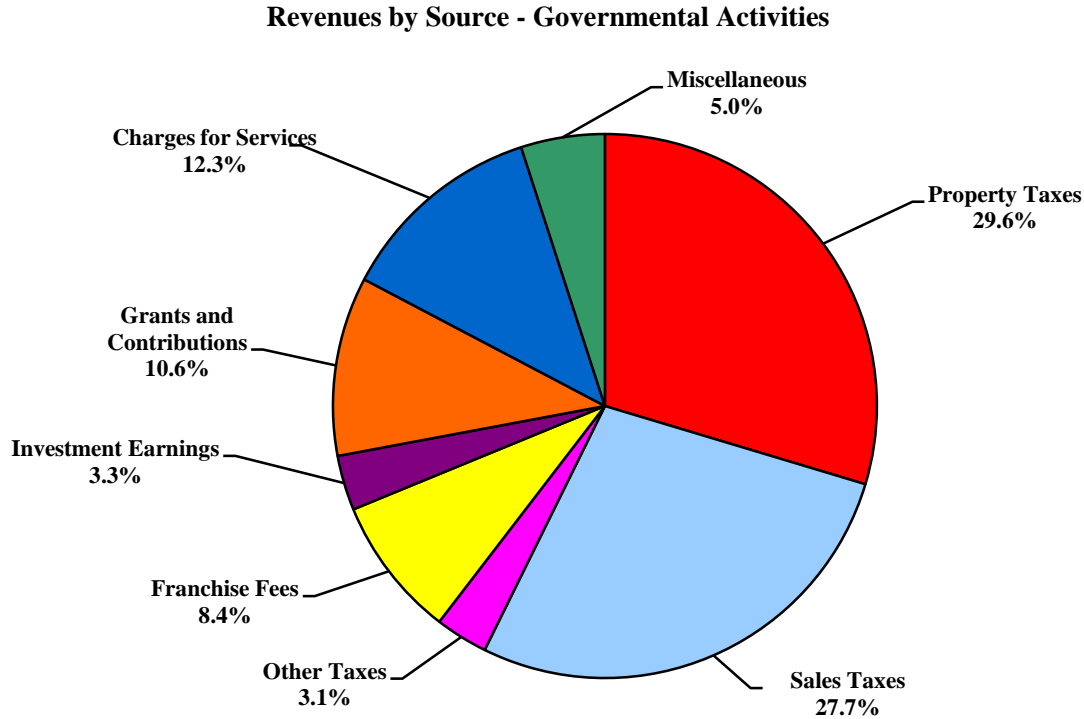
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The following graph depicts the expenses and program revenues generated through the City's various governmental activities.



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The following graph reflects the source of revenues and the percentage each source represents of the total.



Business-type activities: Revenues from the City’s business-type activities totaled \$589.1 million, compared to \$563.4 million in FY 2022, an increase of \$25.7 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled \$518.1 million in FY 2023, a decrease of \$6.6 million from the prior year.
 - Electric operations, which is Lubbock Power & Light (LP&L), totaled \$332.2 million in FY 2023, a decrease of \$6.8 million. The decrease in general consumer metered revenue of \$12.1 million was related to lower energy prices and usage in FY 2023. Additionally, TCOS revenues increased \$9.5 million in FY 2023 due to only 4 months of revenue recognized from the initial filing of \$15.9 million and the remaining 8 months at the approved \$40.9 million. These increases are slightly offset by the ERCOT Hold Harmless payment of \$21.9 million and a lower level of recoveries in the allowance for uncollectable accounts that led to an increase in bad debt expense for FY 2022 of \$1.0 million.
 - Water/Wastewater operations totaled \$141.7 million in FY 2023, a decrease of \$2.2 million. The rainfall totals for Lubbock were 16.2 inches in FY 2023 compared to 12.9 inches in FY 2022. Water charges for services decreased from \$93.4 million in FY 2022 to \$90.9 million in FY 2023 in part due to a wetter year. Wastewater charges for services increased slightly from \$51.0 million in FY 2022 to \$51.7 million in FY 2023.
 - Storm Water operations totaled \$23.7 million in FY 2023 which is the same amount from FY 2022.

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- Operating grants, capital grants and contributions produced \$44.1 million in revenue for business-type activities during FY 2023, an increase of \$8.2 million from the prior year. The increase is related to Airport operating grants and contributions, which increased from \$6.0 million in FY 2022 to \$10.8 million in FY 2023. Airport capital grants and contributions were up \$2.4 million to \$3.8 million in FY 2023. Transit operating grants and contributions decreased \$1.2 million in FY 2023 to \$7.6 million while Water/Wastewater capital grants and contributions decreased \$3.6 million and Storm Water capital grants and contributions increased by \$6.5 million. Electric capital grants and contributions also decreased from \$0.7 million in FY 2022 to \$48 thousand in FY 2023.

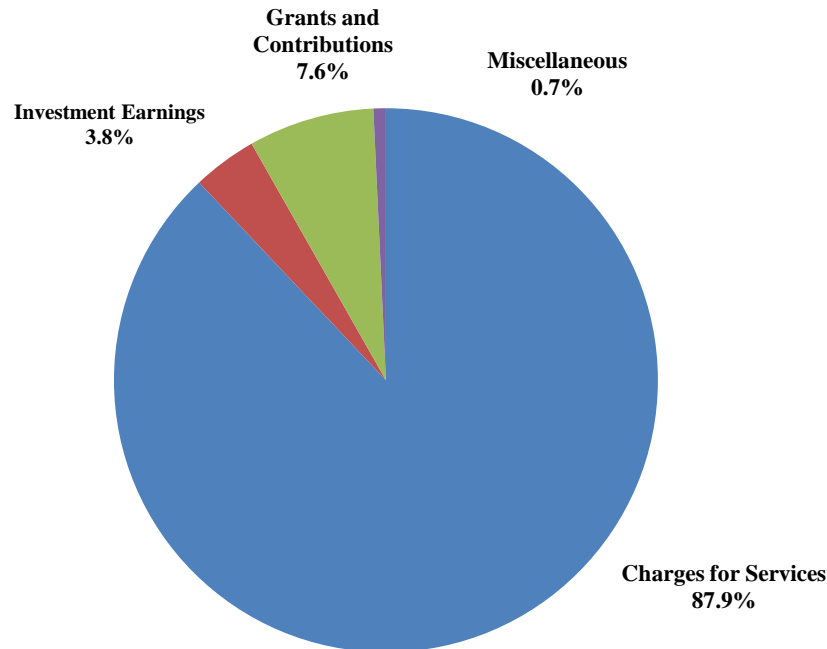
Expenses for business-type activities were \$574.3 million in FY 2023, an increase of \$96.4 million.

- Electric expenses were \$384.9 million, an increase of \$72.4 million from the prior year. The primary expenses contributing to the increase is the SPP settlement which increased miscellaneous expense by \$66.1 million from FY 2022. Personal services increased \$3.1 million in FY 2023 due to increased pension expense totaling \$6.3 million, offset by a decrease in expenses related to OPEB, totaling \$2.4 million, and payroll and benefits decreased \$0.8 million. Other Services and Charges increased \$2.9 million due to an increase in charges related to property and liability insurance, totaling \$3.2 million. Depreciation and amortization expense increased \$3.8 million in FY 2023 as a result of adding \$1.7 million related to Subscription Based Information Technology Asset as well as other assets during the fiscal year. Offsetting these increases were Interest expense decreased \$1.8 million due to an adjustment to the market value of securities. Additionally, the purchase of fuel and power expense decreased \$0.8 million in FY 2023. Supplies and Maintenance also changed slightly from the previous year.
- Expenses in the Water/Wastewater Fund were \$125.7 million in FY 2023, an increase of \$15.3 million from FY 2022. Water other services and charges increased by \$2.5 million in FY 2023 while Water personnel expense also increased \$2.0 million from the prior year. Water depreciation was \$21.0 million in FY 2022 and \$22.5 in FY 2023 for an increase of \$1.5 million, and Water supplies expense increased \$1.0 million to \$4.3 million in 2023. Water and Wastewater interest expense increased from \$13.7 million in 2022 to \$19.8 million in 2023 for an increase of \$6.1 million. Wastewater other services and charges increased by \$2.0 million in FY 2023 while Wastewater supplies expense also increased by \$0.4 million to \$4.3 million in FY 2023. Wastewater depreciation and amortization increased from \$14.3 million in FY 2022 to \$14.5 million in FY 2023 while the Wastewater billing office expense went down slightly.
- Expenses in the Storm Water Fund were \$13.8 million in FY 2023, an increase of \$0.3 million from the prior year. Other services and charges expense increased by \$0.5 million in FY 2023 to \$4.2 million. Billing office expense increased \$0.1 million in FY 2023 to \$1.3 million from FY 2023 while Storm Water interest expense decreased to \$2.0 million in FY 2023 from \$2.3 million in FY 2022.
- Expenses for Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry were \$50.0 million, an \$8.5 million increase from FY 2022. Transit Fund expenses increased by \$1.1 million in FY 2023 to \$16.7 million. Transit personnel services increased by \$1.0 million in FY 2023, depreciation increased by \$0.4 million, and supplies decreased by \$0.3 million. Airport expenses increased by \$6.0 million in FY 2023 to \$27.5 million. Airport other services and charges increased by \$5.4 million and personnel services expense increased by \$0.9 million in FY 2023. Airport interest expense decreased by \$0.3 million in FY 2023 to \$1.5 million. Civic Centers expenses increased by \$1.2 million in FY 2023 while Cemetery expenses increased by \$0.2 million to \$.07 million and Lake Alan Henry expenses increased slightly in FY 2023. Civic Center personnel services increased by \$1.0 million, other services and charges increased by \$0.3 million, and interest expense decreased by \$0.1 million. Cemetery personnel services increased slightly while Lake Alan Henry personnel services increased marginally.

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The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, the activities include LP&L (Electric), Water, Wastewater, Storm Water, Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry.

Revenues by Source – Business-type Activities



Financial Analysis of the City’s Funds

Governmental funds: The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. The General Fund is the chief operating fund of the City.

The GASB has defined five types of fund balances, which, are more fully described in the notes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned. At the end of the year, the City’s governmental funds reported combined ending fund balances of \$259.9 million, compared to \$212.5 million at the end of the prior fiscal year.

The unassigned fund balance serves as a useful measure of the City’s resources available for spending at the end of the fiscal year. In FY 2023, the General Fund had \$92.5 million unassigned fund balance compared to \$89.2 million unassigned fund balance in FY 2022. This is 35.6 percent of the ending governmental fund balance, compared to 42.0 percent of the ending governmental fund balance, at the end of the prior fiscal year. As a measure of the General Fund’s liquidity, it is useful to compare both the unassigned fund balance and total fund balance to total fund revenues. Unassigned fund balance represented 34.9 percent of total General Fund revenues which was the same percentage amount of 34.9

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percent of total General Fund revenue in the prior year. Total fund balance represented 35.0 percent of total General Fund revenues compared to 35.0 percent of total General Fund revenue in the prior year.

Tax revenues for the year increased primarily due to increased property tax revenues, which grew as a result of a 12.5% increase in taxable assessed values. Sales tax revenue also increased significantly from \$90.6 million to \$105.7 million.

The Debt Service Fund had an increase in fund balance from \$3.9 million in FY 2022 to \$6.5 million in FY 2023. The \$2.6 million increase was due to a reduction in principal and interest expenditures as well as an increase in tax and interest revenues when compared to the previous fiscal year.

The Governmental Capital Project Fund had an increase in fund balance of \$40.0 million in FY 2023. The increase was caused by the issuance of \$61.6 million in bonds. Some of the increase was offset by capital outlay that increased by \$11.9 million from the previous fiscal year.

Proprietary funds: The City’s proprietary fund statements provide essentially the same type of information found in the GWFS, but in more detail. Unrestricted net position of the major proprietary funds at the end of September 30, 2023 and 2022 are as follows with amounts presented in thousands:

| | 2023 | 2022 |
|------------------|------------|-----------|
| LP&L | \$ (2,054) | \$ 41,575 |
| Water/Wastewater | 14,911 | 19,926 |
| Storm Water | 13,740 | 10,010 |
| | \$ 26,597 | \$ 71,511 |

The LP&L Fund unrestricted net position decreased by \$43.6 million, compared to an increase of \$11.5 million in the prior year. FY 2023 net position before contributions and transfers of (\$46.3) million was \$73.1 million lower than in FY 2022. FY 2023 income before transfers, totaling \$46.3 million, was \$73.7 million lower than FY 2022 income due to the \$65.6 million increase in other expenses, mainly related to the \$65.6 million SPP settlement recognized in FY 2023 and (b) the \$6.9 million decrease in program revenues; (c) the \$11.3 million increase in program expenses (c) offset by the \$10.6 million increase in interest earnings.

The Water/Wastewater Fund unrestricted net position decreased by \$5.0 million compared to a decrease of \$5.2 million in the prior year. Revenues decreased by \$2.2 million in FY 2023 due to a decrease in average daily water consumption. A decrease in capital contributions of \$3.6 million from \$16.3 million in FY 2022 to \$12.7 million in FY 2023 was mainly due to completed capital projects in FY 2023. Water/Wastewater net transfers decreased \$0.4 million from \$5.4 million in FY 2022 to \$5.0 million in FY 2023. Transfers to internal services for fleet maintenance decreased in FY 2023 by \$0.4 million.

The Storm Water Fund unrestricted net position increased by \$3.7 million compared to a \$1.5 million increase in the prior fiscal year. FY 2023 net position before contributions and transfers of \$10.6 million was \$0.4 million higher than in FY 2022. Transfers out decreased by \$0.6 million to \$1.7 million in FY 2023. Capital contributions increased in FY 2023 to \$9.2 million in FY 2023 from \$2.7 million in FY 2022.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

General Fund Budgetary Highlights

The adopted operating revenue budget for the General Fund, including transfers, totaled \$264.3 million.

No revenue adjustments were needed, so the final adopted budget revenue for FY 2023, including transfers in, totaled \$264.3 million. Actual revenue was \$273.4 million. Revenue and transfers into the General Fund exceeded budget by \$9.1 million. The City's sales tax was \$6.3 million over budget and interest earnings were \$2.5 million over budget due to improved rate environments. Recoveries of expenditures revenue was \$1.2 million over budget mainly due to damaged equipment recoveries, while fines and forfeitures was \$0.9 million over due to municipal court fines and forfeitures. Public Works revenue was \$1.0 million under budget due to Solid Waste consumer metered revenues decreasing, and revenue from franchise fees and telecom right of way fees were both down by \$0.4 million each due to a slowdown in home building.

The original operating expenditure budget for the General Fund, including transfers out, totaled \$275.3 million. An amendment was passed to carry forward balances not used in FY 2022 in the amount of \$543,711 for City elections under contract with Lubbock County, the purchase of maintenance equipment for the Parks Department, equipment for the Police Department, backhoes for the Water Department, and storm drain covers, lights, and a swing set for various PIDs that could not be received before September 30, 2022. A budget amendment was made to increase the transfer to Fleet Capital in the General Fund by \$2.8 million. The final General Fund expenditure budget totaled \$278.7 million.

The City ended the fiscal year with expenditures and transfers out totaling \$270.3 million, \$8.3 million less than budgeted. Police expenditures were under budget by \$2.3 million primarily because vehicle shortages from vendors, lower than expected expenses for Police vehicle maintenance, and vacant patrol positions which lowered compensation and related benefits. Solid Waste was \$1.5 million below budget. The estimated amount of dumpsters needed was lower than projected due to less development and less property damage, and diesel prices were also lower than estimated. A transfer to the Gateway fund was \$1.1 million under budget as franchise fees came in lower than projected. Streets was \$0.8 million under budget due personnel vacancies in the year and having less emergency repairs while Parks and Recreation was \$0.6 million under budget due to personnel vacancies and poor contractor performance. Traffic was \$0.6 million under budget due to personnel vacancies. City Secretary was under budget by \$0.4 million since they did not utilize all of the election budget but will carry over the budget to the next fiscal year. Engineering and Library were both under budget by \$0.3 million each due to personnel vacancies. Finally, City Manager and Municipal Court were both \$0.2 million below budget due to personnel vacancies.

The City budgets on a basis other than Generally Accepted Accounting Principles (GAAP), with the main difference being that debt proceeds and related capital outlay are not budgeted.

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities at September 30, 2023 totaled \$2.67 billion, a \$88.5 million increase over the prior fiscal year's balance of \$2.58 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

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City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2023

City of Lubbock Capital Assets
(Net of Accumulated Depreciation/Amortization)
September 30
(in thousands)

| | Governmental Activities | | Business- type Activities | | Totals | |
|--------------------------------------|----------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 46,612 | \$ 44,006 | \$ 90,424 | \$ 80,775 | \$ 137,036 | \$ 124,781 |
| Electric non-depreciable | - | - | 50,458 | 49,348 | 50,458 | 49,348 |
| Buildings | 107,157 | 110,100 | 131,040 | 135,971 | 238,197 | 246,071 |
| Improvements other than buildings | 344,432 | 343,539 | 1,020,550 | 1,023,425 | 1,364,982 | 1,366,964 |
| Machinery and equipment | 56,033 | 53,268 | 89,544 | 93,072 | 145,577 | 146,340 |
| Electric depreciable | - | - | 558,520 | 527,207 | 558,520 | 527,207 |
| Lease | 3,681 | 2,869 | 516 | 594 | 4,197 | 3,463 |
| SBITA | 1,030 | - | 623 | - | 1,653 | - |
| Construction in progress | 75,135 | 31,979 | 90,960 | 82,043 | 166,095 | 114,022 |
| Total | \$ 634,080 | \$ 585,761 | \$ 2,032,635 | \$ 1,992,435 | \$ 2,666,715 | \$ 2,578,196 |

Major capital asset projects and purchases during the fiscal year included the following:

- Expansion and upgrade of the Vicksburg electric substation totaling \$10.9 million
- Phase II of the construction of two new 2 million gallon elevated storage tanks that must be completed within the next twenty years totaling \$6.7 million
- Construction work on a new Police Headquarters Facility totaling \$8.9 million
- Purchase of land for a new solid waste transfer station totaling \$6.4 million

At the end of the fiscal year, the City had construction commitments of \$304.7 million. The City has a remaining appropriation of \$10.2 million to complete the construction of Fire Station #20. This fire station will be located east of the Lubbock Police Department substation at 141st and Indiana. LP&L has a remaining appropriation of \$8.4 million to upgrade their technology to create a system required to provide data to the Electric Reliability Council of Texas. (ERCOT)

Additional information about the City’s capital assets can be found on pages 81-85 of the ACFR.

**City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2023**

Long-term debt: A summary of the City’s total outstanding debt follows:

| | Governmental | | Business-type | | Totals | |
|--------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | Activities | | Activities | | | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation bonds | \$ 336,316 | \$ 306,973 | \$ 309,909 | \$ 347,967 | \$ 646,225 | \$ 654,940 |
| Revenue and contract bonds | - | - | 660,335 | 681,411 | 660,335 | 681,411 |
| State infrastructure bank loan | 5,536 | 6,011 | - | - | 5,536 | 6,011 |
| Subscription Liability | 886 | - | 672 | - | 1,558 | - |
| Lease | 3,804 | 2,945 | 528 | 601 | 4,332 | 3,546 |
| Total | \$ 346,542 | \$ 315,929 | \$ 971,444 | \$ 1,029,979 | \$ 1,317,986 | \$ 1,345,908 |

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all city purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonded debt service. The FY 2023 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.10832, which is significantly below the maximum allowable tax rate.

As of September 30, 2023, the City’s total outstanding debt has decreased by \$29.5 million, or 2.2 percent from the prior fiscal year. General obligation bond and revenue and contract bond debt decreased by \$29.8 million or 2.2 percent. Total bond additions were \$85.4 million, offset by the payment of scheduled principal payments totaling \$111.0 million and refunded debt of \$4.7 million.

During the fiscal year, the City issued the following bonds and certificates:

- \$14.5 million Water and Wastewater System Revenue Bonds, Series 2023 (Bonds), with a 3.69 percent interest rate. The Bonds were issued at a premium of \$1,592,757 and incurred issuance costs of \$202,757. The \$16,077,757 proceeds from the sale of the Bonds will be used for the purpose of paying (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System and (ii) paying the costs associated with the issuance of the Bonds.
- \$46.1 million General Obligation Bonds, Series 2023 (Bonds), with a 3.92 percent interest rate. The Bonds were issued at a premium of \$2,672,742 and incurred issuance costs of \$457,742. The \$48,757,742 proceeds from the sale of the Bonds will be issued for (i) the acquisition, construction and reconstruction of City street improvements, including but not limited to sidewalks, utility line relocation and traffic signalization, necessary and related storm drainage facilities and the acquisition of land and rights-of-way therefor and (ii) payment of costs of issuance of the Bonds.
- \$15.5 million Combination Tax and Revenue Certificates of Obligation, Series 2023 (Certificates), with a 3.61 percent interest rate. The Certificates were issued at a premium of \$1,759,849 and incurred issuance costs of \$179,835. The \$17,229,849 proceeds from the sale of the Certificates will be used for (i) improvements to the City’s Solid Waste Disposal System (the “Project”), and (ii)

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates.

- \$4.8 million Tax Note, Series 2023 (Note) with a 4.17 percent interest rate - The proceeds will be used to (a) finance the purchase of materials, supplies, equipment and machinery; and (b) pay for the costs of issuance related to the Note.

In February 2023, Standard and Poor's reaffirmed the City's bond rating of AA+ and characterized the City's rating outlook as stable. In December 2023, Fitch Ratings, Inc. reaffirmed the City's bond rating of AA+ and characterized the City's rating outlook as stable.

In February 2023, Standard and Poor's reaffirmed the City's Water & Wastewater bond rating of AA characterizing the Water & Wastewater System's rating outlook as stable. In January 2024, Fitch Ratings, Inc. reaffirmed the Water & Wastewater System's bond rating of AA and characterized the Water & Wastewater System's rating outlook as positive.

In November 2023, Lubbock Power & Light (LP&L) received bond ratings from Fitch Ratings, Inc., Standard and Poor's, and Moody's Investor Service. Fitch Ratings, Inc. issued a rating of A+ and characterized LP&L's outlook as positive. Standard and Poor's issued a bond rating of A characterizing LP&L's outlook as developing and Moody's Investors Service issued a bond rating of A1 characterizing LP&L's outlook as stable.

Additional information about the City's long-term debt can be found on pages 99-107 of the ACFR.

Economic Factors and the Next Fiscal Year's Budget and Rates

- In September 2023, the average unemployment rate for the Lubbock area was 3.5 percent, up from 3.3 percent in September of the previous year. The State's unemployment rate of 4.1 percent and the national rate of 3.8 percent for September 2023 is up from 3.8 percent and 3.5 percent respectively from the previous year.
- Taxable retail sales tax were \$96.9 million in FY 2023 compared to \$92.6 million in FY 2022.
- The total number of new residential permits through September 2023 decreased by 26.1 percent from 2022 levels, and valuation amounts were \$348.6 million, which is 31.0 percent lower than the same period in 2022.
- Hotel occupancy tax receipts increased to \$9.8 million in FY 2023 compared to \$9.2 million in FY 2022.

The following factors were considered in preparing the City's budget for FY 2024.

- The City adopted an increased tax rate of \$0.480164 per \$100 valuation for FY 2024. This is a \$0.3402 increase from FY 2023. The tax rate for debt service increased from \$0.108317 to \$0.109783 per \$100 valuation. The General Fund rate increased from \$0.368445 to \$0.370381 per \$100 valuation. Property tax revenues are expected to increase by \$11.8 million for FY 2024 of which \$3.8 million is new property on the roll.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2023

- Sales tax revenues in FY 2024 are expected to increase 8.2 percent compared to the FY 2023 budget amount.
- Franchise fees and payments in lieu of franchise fees are expected to decrease by \$3.4 million or 10.4 percent. The decrease is due to the slowdown in home building in the current year and expected activity in FY 2024.
- Fees for services are expected to increase by \$2.4 million in FY 2024. This is due to an increase in Solid Waste landfill tipping fees for both regular trash and special waste. Residential and commercial collection rates were increased as well. A portion of the increase is due to additional accounts associated with growth in the City.
- License and permit revenue are projected to decrease \$95.0 thousand or 1.8 percent for FY 2024. These payments are for building permit related fees, food establishments, food truck permit, peddler permit, and mixed beverage permits, charitable solicitations, animal licensing, oil and gas permit and other licenses and permits required by the City. Construction related permits are projected to decrease \$186.4 thousand or 4.6 percent compared to FY 2023.
- Compensation costs are expected to increase to \$133.3 million or 5.7 percent in FY 2024 due to a four percent increase. The increase for Police and Fire compensation is \$5.6 million. In addition, thirty new positions are approved in the General Fund and are offset by a decrease of eight positions for a net of twenty-one.
- Employee retirement costs increased by nine percent for FY 2024. The increase is due to increased compensation association with the cost of living adjustment as well as a change in the rate. The change is attributed to an actuarial valuation that reflects a change in post-retirement, mortality assumptions, actuarial cost methods, and amortization policy.
- Unleaded fuel costs decreased 32.4 percent, or \$879.9 thousand while diesel costs decreased 23.9 percent or \$755.1 thousand when compared to FY 2023. Fuel was budgeted using prior year actuals and incorporating the current and projected fuel prices.
- The transfer to the capital program totals \$17.1 million in FY 2024 and twenty-three capital projects are funded in the General Fund Capital Program. There is also ARPA funding that is being de-obligated with this adopted budget.
- The Stormwater revenue is expected to decrease \$1.9 million or 7.4 percent in FY 2024 primarily due to the change in rate offset with the addition of new residential and commercial accounts.

Requests for Information

The financial report is designed to provide a general overview of the City of Lubbock's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Director of Accounting, City of Lubbock, P.O. Box 2000, Lubbock, Texas, 79457.

City of Lubbock, Texas
Statement of Net Position
September 30, 2023

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,377,218 | \$ 1,303,974 | \$ 2,681,192 | \$ 20,249,395 |
| Investments | 209,862,111 | 198,700,751 | 408,562,862 | 25,177,867 |
| Receivables (net of allowance for uncollectibles) | 27,715,728 | 72,092,890 | 99,808,618 | 7,030,213 |
| Internal balances | 13,632,491 | (13,632,491) | - | - |
| Due from other governments | 4,154,913 | 9,501,906 | 13,656,819 | 1,400,244 |
| Due from others | 2,801,101 | 295,216 | 3,096,317 | - |
| Inventories | 613,963 | 6,068,339 | 6,682,302 | 78,069 |
| Prepaid expenses | 1,404,844 | 996,262 | 2,401,106 | 61,546 |
| Restricted assets: | | | | |
| Cash and cash equivalents | - | - | - | 1,139,727 |
| Investments | 110,818,584 | 150,885,914 | 261,704,498 | - |
| Leases receivable | 364,462 | 2,665,280 | 3,029,742 | - |
| Investment in property | - | - | - | 114,888 |
| Mortgage receivables | - | - | - | 994,423 |
| Land Inventory | - | - | - | 16,824,378 |
| Capital assets (net of accumulated depreciation/amortization): | | | | |
| Right of Use Asset-Leases | 3,680,898 | 516,396 | 4,197,294 | - |
| SBITA Assets | 1,029,685 | 622,955 | 1,652,640 | - |
| Non-depreciable | 121,747,324 | 231,842,912 | 353,590,236 | 250,000 |
| Depreciable | 507,622,445 | 1,799,653,778 | 2,307,276,223 | 8,346,935 |
| Total assets | <u>1,006,825,767</u> | <u>2,461,514,082</u> | <u>3,468,339,849</u> | <u>81,667,685</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred outflows from pensions | 91,540,908 | 27,262,743 | 118,803,651 | - |
| Deferred outflow from OPEB | 10,908,828 | 4,253,167 | 15,161,995 | - |
| Deferred charge on refunding | 3,191,003 | 3,909,007 | 7,100,010 | - |
| Total deferred outflows of resources | <u>105,640,739</u> | <u>35,424,917</u> | <u>141,065,656</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts payable | 19,587,006 | 123,819,762 | 143,406,768 | 4,334,823 |
| Due to other governments | 2,755 | - | 2,755 | - |
| Accrued liabilities | 4,404,307 | 2,812,296 | 7,216,603 | 257,247 |
| Accrued interest payable | 2,456,493 | 11,015,839 | 13,472,332 | 69,915 |
| Customer deposits | - | 5,775,499 | 5,775,499 | - |
| Unearned revenue | 44,181,587 | 279,060 | 44,460,647 | 5,463,344 |
| Noncurrent liabilities due within one year: | | | | |
| Compensated absences | 13,100,161 | 4,131,272 | 17,231,433 | - |
| Accrued insurance claims | 1,804,827 | 1,758,305 | 3,563,132 | - |
| Leases payable | 783,931 | 88,673 | 872,604 | 9,898,577 |
| Subscriptions payable | 540,157 | 546,254 | 1,086,411 | - |
| Bonds and notes payable | 37,260,828 | 73,529,767 | 110,790,595 | 48,000 |
| Noncurrent liabilities due in more than one year: | | | | |
| Compensated absences | 24,180,710 | 2,655,353 | 26,836,063 | - |
| Post-employment benefits | 95,450,644 | 34,077,096 | 129,527,740 | - |
| Net pension liability | 211,215,630 | 48,568,224 | 259,783,854 | - |
| Accrued insurance claims | 197,932 | 897,219 | 1,095,151 | - |
| Landfill closure and postclosure care | 7,575,954 | - | 7,575,954 | - |
| Rebatable Arbitrage | 1,171,852 | 1,608,725 | 2,780,577 | - |
| Leases payable | 3,020,456 | 439,795 | 3,460,251 | 54,495,471 |
| Subscriptions payable | 345,803 | 126,209 | 472,012 | - |
| Bonds and notes payable | 327,940,162 | 988,269,154 | 1,316,209,316 | 1,848,000 |
| Total liabilities | <u>795,221,195</u> | <u>1,300,398,502</u> | <u>2,095,619,697</u> | <u>76,415,377</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred inflows from pensions | 4,876,852 | 1,631,242 | 6,508,094 | - |
| Deferred inflows from OPEB | 40,702,362 | 14,731,287 | 55,433,649 | - |
| Deferred inflows from refunding | 1,296 | - | 1,296 | - |
| Deferred inflows from Leases | 364,462 | 2,665,280 | 3,029,742 | - |
| Total deferred inflows of resources | <u>45,944,972</u> | <u>19,027,809</u> | <u>64,972,781</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 358,630,149 | 1,040,403,047 | 1,399,033,196 | 8,440,236 |
| Restricted for: | | | | |
| Passenger facility charges | - | 6,897,127 | 6,897,127 | - |
| Debt service | 10,868,615 | 73,727,520 | 84,596,135 | - |
| Grants | 3,324,367 | - | 3,324,367 | - |
| Tax Incremental Funds/Public Improvement Dist. | 12,254,809 | - | 12,254,809 | - |
| Hotel/Motel | 343,874 | - | 343,874 | - |
| Cable Services | 4,393,435 | - | 4,393,435 | - |
| Other | 5,323,586 | - | 5,323,586 | - |
| Component Units | - | - | - | 2,234,036 |
| Primary government agreement | - | - | - | 100,000 |
| Unrestricted | (123,838,496) | 56,484,994 | (67,353,502) | (5,521,964) |
| Total net position (deficit) | <u>\$ 271,300,339</u> | <u>\$ 1,177,512,688</u> | <u>\$ 1,448,813,027</u> | <u>\$ 5,252,308</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2023

| | Expenses | Charges for Services | Program Revenues Operating Grants and Contributions |
|--|----------------|----------------------|--|
| Primary government: | | | |
| Governmental activities: | | | |
| Administrative services and general government | \$ 22,865,383 | \$ 14,437 | \$ - |
| Community services | 5,963,785 | - | 4,134,478 |
| Cultural and recreation | 22,142,916 | 1,073,426 | 596,282 |
| Economic and business development | 26,104,347 | 2,405,982 | 8,120,284 |
| Fire | 69,839,062 | 223,134 | - |
| Health | 14,118,024 | 891,399 | 7,148,365 |
| Police | 90,456,263 | 162,445 | 121,180 |
| Other public safety | 10,555,801 | 10,426,703 | 1,540,604 |
| Streets and traffic | 35,636,558 | 5,471,392 | - |
| Solid Waste | 25,199,298 | 26,408,854 | - |
| Interest on long-term debt | 11,130,899 | - | - |
| Total governmental activities | 334,012,336 | 47,077,772 | 21,661,193 |
| Business-type activities: | | | |
| Electric | 384,894,877 | 332,150,988 | - |
| Water/Wastewater | 125,708,930 | 141,694,678 | - |
| Storm Water | 13,858,961 | 23,679,141 | - |
| Transit | 16,679,992 | 5,742,741 | 7,614,941 |
| Airport | 27,260,108 | 12,998,392 | 10,827,338 |
| Civic Centers | 4,555,913 | 656,038 | - |
| Cemetery | 671,173 | 415,187 | - |
| Lake Alan Henry | 633,506 | 776,381 | - |
| Total business-type activities | 574,263,460 | 518,113,546 | 18,442,279 |
| Total primary government | \$ 908,275,796 | \$ 565,191,318 | \$ 40,103,472 |
| Component units: | | | |
| Urban Renewal Agency (URA) | \$ 1,192,416 | \$ 194,039 | \$ - |
| Civic Lubbock, Inc. | 2,927,212 | 2,843,129 | 132,003 |
| Market Lubbock, Inc. | 8,868,804 | 65,246 | 755,410 |
| Lubbock Economic Development Alliance | 6,099,792 | - | 1,000,000 |
| Vintage Township Public Facilities Corporation | 139,830 | - | - |
| Total component units | \$ 19,228,054 | \$ 3,102,414 | \$ 1,887,413 |
| General revenues: | | | |
| Property taxes | | | |
| Sales taxes | | | |
| Occupancy taxes | | | |
| Other taxes | | | |
| Franchise taxes | | | |
| Investment earnings | | | |
| Miscellaneous | | | |
| Transfers, net | | | |
| Total general revenues and transfers | | | |
| Change in net position | | | |
| Net position - beginning restated | | | |
| Net position - ending | | | |

**Net (Expenses) Revenues and
Changes in Net Position**

| Capital Grants and Contributions | Primary Government | | | Component Units |
|---|------------------------------------|-------------------------------------|-------------------------|------------------------|
| | Governmental Activities | Business-type Activities | Total | |
| \$ 459,269 | \$ (22,391,677) | \$ - | \$ (22,391,677) | \$ - |
| - | (1,829,307) | - | (1,829,307) | - |
| 1,196,386 | (19,276,822) | - | (19,276,822) | - |
| - | (15,578,081) | - | (15,578,081) | - |
| - | (69,615,928) | - | (69,615,928) | - |
| - | (6,078,260) | - | (6,078,260) | - |
| 2,655,307 | (87,517,331) | - | (87,517,331) | - |
| - | 1,411,506 | - | 1,411,506 | - |
| 14,758,369 | (15,406,797) | - | (15,406,797) | - |
| - | 1,209,556 | - | 1,209,556 | - |
| - | (11,130,899) | - | (11,130,899) | - |
| <u>19,069,331</u> | <u>(246,204,040)</u> | <u>-</u> | <u>(246,204,040)</u> | <u>-</u> |
| 48,464 | - | (52,695,425) | (52,695,425) | - |
| 12,511,910 | - | 28,497,658 | 28,497,658 | - |
| 9,249,744 | - | 19,069,924 | 19,069,924 | - |
| - | - | (3,322,310) | (3,322,310) | - |
| 3,829,275 | - | 394,897 | 394,897 | - |
| - | - | (3,899,875) | (3,899,875) | - |
| - | - | (255,986) | (255,986) | - |
| - | - | 142,875 | 142,875 | - |
| <u>25,639,393</u> | <u>-</u> | <u>(12,068,242)</u> | <u>(12,068,242)</u> | <u>-</u> |
| <u>\$ 44,708,724</u> | <u>(246,204,040)</u> | <u>(12,068,242)</u> | <u>(258,272,282)</u> | <u>-</u> |
| \$ - | - | - | - | (998,377) |
| - | - | - | - | 47,920 |
| - | - | - | - | (8,048,148) |
| 973,303 | - | - | - | (4,126,489) |
| 183,379 | - | - | - | 43,549 |
| <u>\$ 1,156,682</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(13,081,545)</u> |
| | 113,376,196 | - | 113,376,196 | 3,739,776 |
| | 105,747,752 | - | 105,747,752 | 8,812,026 |
| | 9,763,985 | - | 9,763,985 | 5,487,301 |
| | 2,213,535 | - | 2,213,535 | - |
| | 32,022,103 | - | 32,022,103 | - |
| | 12,478,098 | 22,569,426 | 35,047,524 | 1,264,494 |
| | 19,074,171 | 4,345,220 | 23,419,391 | 1,081,629 |
| | 6,705,744 | (6,705,744) | - | - |
| | <u>301,381,584</u> | <u>20,208,902</u> | <u>321,590,486</u> | <u>20,385,226</u> |
| | 55,177,544 | 8,140,660 | 63,318,204 | 7,303,681 |
| | 216,122,795 | 1,169,372,028 | 1,385,494,823 | (2,051,373) |
| | <u>\$ 271,300,339</u> | <u>\$ 1,177,512,688</u> | <u>\$ 1,448,813,027</u> | <u>\$ 5,252,308</u> |

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2023

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Governmental Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------------|------------------------------|--|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 454,011 | \$ - | \$ 191,434 | \$ 543,615 | \$ 1,189,060 |
| Investments | 69,182,682 | - | 29,170,949 | 82,836,787 | 181,190,418 |
| Taxes receivable (net) | 19,377,598 | 509,037 | - | 1,667,446 | 21,554,081 |
| Accounts receivable (net) | 5,743,362 | - | - | - | 5,743,362 |
| Interest receivable | 237,267 | 11,833 | - | 65,298 | 314,398 |
| Due from other funds | 9,139,719 | - | - | - | 9,139,719 |
| Due from other governments | - | - | - | 4,154,913 | 4,154,913 |
| Due from others | 1,265,183 | - | - | 1,535,918 | 2,801,101 |
| Inventory | 130,895 | - | - | - | 130,895 |
| Restricted investments | 270,854 | 6,402,650 | 88,741,204 | 9,378,697 | 104,793,405 |
| Leases receivable | - | - | - | 364,462 | 364,462 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$105,801,571</u> | <u>\$ 6,923,520</u> | <u>\$ 118,103,587</u> | <u>\$ 100,547,136</u> | <u>\$ 331,375,814</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 6,195,061 | \$ - | \$ 7,505,077 | \$ 3,590,320 | \$ 17,290,458 |
| Accrued liabilities | 4,184,702 | - | 5,192 | 87,877 | 4,277,771 |
| Due to other funds | - | - | - | 2,290,410 | 2,290,410 |
| Due to other governments | - | - | - | 2,755 | 2,755 |
| Unearned revenue | 52,506 | - | 739,428 | 43,389,653 | 44,181,587 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>10,432,269</u> | <u>-</u> | <u>8,249,697</u> | <u>49,361,015</u> | <u>68,042,981</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows from leases | - | - | - | 364,462 | 364,462 |
| Unavailable revenue | 2,518,542 | 461,022 | - | 83,546 | 3,063,110 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>2,518,542</u> | <u>461,022</u> | <u>-</u> | <u>448,008</u> | <u>3,427,572</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 130,895 | - | - | - | 130,895 |
| Restricted | 270,854 | 6,462,498 | 82,016,245 | 34,982,664 | 123,732,261 |
| Committed | - | - | 27,837,645 | 15,736,319 | 43,573,964 |
| Unassigned | 92,449,011 | - | - | 19,130 | 92,468,141 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>92,850,760</u> | <u>6,462,498</u> | <u>109,853,890</u> | <u>50,738,113</u> | <u>259,905,261</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$105,801,571</u> | <u>\$ 6,923,520</u> | <u>\$ 118,103,587</u> | <u>\$ 100,547,136</u> | <u>\$ 331,375,814</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2023

Total fund balance - governmental funds \$ 259,905,261

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and right of use assets used in governmental activities are not financial resources and therefore are not reported in the funds. 634,080,352

Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of the assets and liabilities of the ISF's primarily serving governmental funds are included in governmental activities in the Statement of Net Position as follows:

| | |
|---|--------------|
| Net Position | 38,185,916 |
| General obligation bonds | 17,551,797 |
| Net book value of capital assets | (34,049,437) |
| Compensated absences | 705,684 |
| Post employment benefits | 3,824,979 |
| Net pension Liability | 5,155,825 |
| Lease | 1,685,262 |
| Subscription Liability | 757,955 |
| Arbitrage Liability | 25,057 |
| Deferred Inflows of Pensions | 188,407 |
| Deferred Outflows of Pensions | (2,892,879) |
| Deferred Inflows of OPEB | 1,673,704 |
| Deferred Outflows from OPEB | (454,332) |
| Deferred Inflow on Refunding | 1,296 |
| Amounts due from business-type ISF's for amounts undercharged | 6,783,183 |

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities are as follows:

| | |
|--|---------------|
| General obligation bonds | (336,316,488) |
| SIB Loan | (5,535,509) |
| Leases | (3,804,387) |
| Subscription Liabilities | (885,960) |
| Arbitrage Liability | (1,171,852) |
| Closure/Post Closure | (7,575,954) |
| Compensated absences | (37,280,871) |
| Post employment benefits | (95,450,644) |
| Net pension liability | (211,215,630) |
| Accrued interest on general obligation bonds | (2,364,741) |

Bond premiums and deferred charges on refunding are recognized as an other financing source in the fund statements. In the government wide statements premiums and deferred charges on refunding are amortized over the life of the bonds. Unamortized balances as of fiscal year end equal premiums \$23,348,993 and deferred charges on refunding \$3,189,706. (20,159,287)

| | |
|-------------------------------|--------------|
| Deferred Inflows of Pensions | (4,876,852) |
| Deferred Outflows of Pensions | 91,540,908 |
| Deferred Inflows from OPEB | (40,702,362) |
| Deferred Outflow from OPEB | 10,908,828 |

Revenue earned but unavailable in the funds is deferred. 3,063,110

Net Position of governmental activities \$ 271,300,339

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2023

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Governmental Capital Projects</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|------------------------------|--|--|---|
| REVENUES | | | | | |
| Taxes | \$176,086,535 | \$ 23,890,548 | \$ - | \$ 30,904,237 | \$ 230,881,320 |
| Franchise taxes | 31,705,993 | - | - | 316,110 | 32,022,103 |
| Special assessments | - | - | - | 2,116,592 | 2,116,592 |
| Fees and fines | 3,142,215 | - | 5,255,499 | 553,692 | 8,951,406 |
| Licenses and permits | 5,389,965 | - | - | - | 5,389,965 |
| Intergovernmental | 650,751 | - | 9,316,670 | 13,626,912 | 23,594,333 |
| Charges for services | 30,039,326 | - | - | 294,243 | 30,333,569 |
| Interest | 3,940,570 | 167,261 | 3,473,572 | 3,732,405 | 11,313,808 |
| Miscellaneous | 14,306,863 | - | 1,242,114 | 3,163,083 | 18,712,060 |
| Total revenues | <u>265,262,218</u> | <u>24,057,809</u> | <u>19,287,855</u> | <u>54,707,274</u> | <u>363,315,156</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administrative services and general government | 19,002,416 | - | 492,451 | 117,362 | 19,612,229 |
| Community services | - | - | 22,666 | 5,296,090 | 5,318,756 |
| Cultural and recreation | 16,712,876 | - | 134,717 | 561,802 | 17,409,395 |
| Economic and business development | 997,510 | - | 1,149,847 | 20,961,221 | 23,108,578 |
| Health | 6,556,186 | - | - | 6,583,583 | 13,139,769 |
| Fire | 64,326,904 | - | - | 69 | 64,326,973 |
| Police | 82,601,000 | - | - | 1,656,772 | 84,257,772 |
| Other public safety | 8,584,194 | - | - | 907,451 | 9,491,645 |
| Streets and traffic | 7,429,526 | - | 91,391 | 908 | 7,521,825 |
| Solid waste | 19,799,302 | - | 74,645 | - | 19,873,947 |
| Intergovernmental | - | - | - | 104,947 | 104,947 |
| Debt service: | | | | | |
| Principal | 4,719,672 | 29,895,725 | - | 3,672 | 34,619,069 |
| Interest and other charges | 185,536 | 10,768,531 | 627,066 | 1,698 | 11,582,831 |
| Capital outlay | 727,723 | - | 55,432,098 | 9,572,629 | 65,732,450 |
| Total expenditures | <u>231,642,845</u> | <u>40,664,256</u> | <u>58,024,881</u> | <u>45,768,204</u> | <u>376,100,186</u> |
| Revenues under expenditures | <u>33,619,373</u> | <u>(16,606,447)</u> | <u>(38,737,026)</u> | <u>8,939,070</u> | <u>(12,785,030)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of debt - bonds | - | - | 61,555,000 | - | 61,555,000 |
| Bond premium | - | - | 4,432,591 | - | 4,432,591 |
| Payment to the refunded bond escrow agent | - | - | - | - | - |
| Issuance of debt - leases | 23,623 | - | - | - | 23,623 |
| Issuance of debt - SBITA | 189,405 | - | - | - | 189,405 |
| Transfers in | 8,148,383 | 19,635,627 | 16,246,538 | 14,168,303 | 58,198,851 |
| Transfers out | <u>(38,657,070)</u> | <u>(438,181)</u> | <u>(3,472,945)</u> | <u>(21,653,660)</u> | <u>(64,221,856)</u> |
| Net other financing sources | <u>(30,295,659)</u> | <u>19,197,446</u> | <u>78,761,184</u> | <u>(7,485,357)</u> | <u>60,177,614</u> |
| Net change in fund balances | 3,323,714 | 2,590,999 | 40,024,158 | 1,453,713 | 47,392,584 |
| Fund balances - beginning of year | <u>89,527,046</u> | <u>3,871,499</u> | <u>69,829,732</u> | <u>49,284,400</u> | <u>212,512,677</u> |
| Fund balances - end of year | <u>\$ 92,850,760</u> | <u>\$ 6,462,498</u> | <u>\$ 109,853,890</u> | <u>\$ 50,738,113</u> | <u>\$ 259,905,261</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2023

| | |
|---|----------------------|
| Net change in fund balances - total governmental funds | \$ 47,392,584 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$65,732,450 exceeded depreciation of \$41,078,779 and Right to Use Assets amortization \$398,925 and Subscription Asset amortization of \$63,135 in the current period. | 24,191,611 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of \$61,555,000 was more than debt repayments of \$34,252,772 and debt defeasance of \$0. | (27,302,228) |
| Lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. The proceed amount of \$23,623 was less than the amount of repayment \$366,296. | 342,673 |
| Subscription Based IT transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. The proceed amount of \$189,405 was more than the amount of repayment \$61,400. | (128,005) |
| Bond premiums are recognized as an other financing source in the governmental funds, but are considered bonds and notes payable on the Statement of Net Position. Premiums are amortized over the life of the bonds. This is the amount by which bond premium issued of \$4,432,591 was more than deferred refunding charges of \$0 and amortization of \$3,092,110. | (1,340,481) |
| Estimated long-term liabilities, excluding internal service funds, are recognized as expenses in the Statement of Activities as incurred, but are recognized when current financial resources are used in the governmental funds. | |
| Compensated absences | (2,185,168) |
| Post retirement benefits | (6,511,433) |
| Net pension liability | (8,505,931) |
| Arbitrage Liability | (1,146,795) |
| Property taxes levied and court fines and fees earned, but not available, are deferred in the governmental funds, but are recognized when earned (net of estimated uncollectibles) in the Statement of Activities. This amount is the net change in deferred property taxes and court fines and fees for the year. | 467,135 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. | 13,032,721 |
| Current Amount undercharged by Internal Service Fund Business Type Activities-Lookback | 1,625,349 |
| Accrued interest is recognized as expenses in the Statement of Activities as incurred, but is recognized when current financial resources are used in the governmental funds. This amount is the net change in the accrued interest this year. | (1,002,919) |
| Capital assets transactions include \$14,629,355 donated assets plus \$2,220,806 capital asset transfers in from business-type activities and less \$3,286 disposition of assets and use of property. | 16,846,875 |
| Landfill closure and postclosure adjustment in FY 23 | (598,444) |
| Change in net position of governmental activities | <u>\$ 55,177,544</u> |

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

| | Enterprise Funds | | |
|---------------------------------------|-------------------------|------------------------------|-----------------------|
| | LP&L | Water/Waste Water | Storm Water |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 752,937 | 162,674 | \$ 92,761 |
| Investments | 114,733,322 | 24,788,371 | 14,134,943 |
| Accounts receivable, net | 48,198,085 | 18,004,654 | 2,626,940 |
| Interest receivable | 571,756 | 572,409 | 58,129 |
| Due from others | - | - | - |
| Due from other funds | - | - | - |
| Due from other governments | - | 103,232 | - |
| Prepaid expenses | 25,000 | - | - |
| Inventories | 3,339,461 | 1,012,864 | - |
| Total current assets | <u>167,620,561</u> | <u>44,644,204</u> | <u>16,912,773</u> |
| Noncurrent assets: | | | |
| Restricted investments | 68,021,315 | 66,432,122 | 6,983,707 |
| Prepaid expenses | 811,109 | - | - |
| Lease Receivable | - | - | - |
| | <u>68,832,424</u> | <u>66,432,122</u> | <u>6,983,707</u> |
| Capital assets: | | | |
| Land | - | 43,795,532 | 41,813,654 |
| Electric non-depreciable | 50,458,282 | - | - |
| Construction in progress | 30,372,518 | 56,800,298 | 849,932 |
| Buildings | - | 164,648,417 | - |
| Improvements other than buildings | - | 1,173,135,061 | 204,509,728 |
| Machinery and equipment | - | 141,922,119 | 5,171,270 |
| Lease right-of-use assets, net | 463,210 | - | - |
| Subscription assets, net | 317,804 | 305,151 | - |
| Electric depreciable | 869,933,965 | - | - |
| Less accumulated depreciation | <u>(311,414,028)</u> | <u>(537,204,729)</u> | <u>(58,929,723)</u> |
| Total capital assets | <u>640,131,751</u> | <u>1,043,401,849</u> | <u>193,414,861</u> |
| Total noncurrent assets | <u>708,964,175</u> | <u>1,109,833,971</u> | <u>200,398,568</u> |
| Total assets | <u>\$ 876,584,736</u> | <u>\$ 1,154,478,175</u> | <u>\$ 217,311,341</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | 145,490 | 2,325,105 | 1,321,918 |
| Deferred outflows from pensions | 16,186,613 | 7,299,053 | 703,605 |
| Deferred outflows from OPEB | 2,027,363 | 1,436,120 | 207,590 |
| Total deferred outflows of resources | <u>18,359,466</u> | <u>11,060,278</u> | <u>2,233,113</u> |

See accompanying Notes to Basic Financial Statements

Enterprise Funds

| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--------------------------------------|-----------------------------------|-----------------------------------|
| \$ 191,808 | \$ 1,200,180 | \$ 291,952 |
| 29,227,982 | 182,884,618 | 44,487,826 |
| 1,878,674 | 70,708,353 | 99,640 |
| 85,677 | 1,287,971 | 100,813 |
| 284,433 | 284,433 | 10,783 |
| 19,548 | 19,548 | - |
| 9,398,674 | 9,501,906 | - |
| 160,153 | 185,153 | 1,404,844 |
| 996,538 | 5,348,863 | 1,202,544 |
| <u>42,243,487</u> | <u>271,421,025</u> | <u>47,598,402</u> |
| 9,448,770 | 150,885,914 | 6,025,179 |
| - | 811,109 | - |
| <u>2,665,280</u> | <u>2,665,280</u> | <u>-</u> |
| <u>12,114,050</u> | <u>154,362,303</u> | <u>6,025,179</u> |
| 4,815,267 | 90,424,453 | - |
| - | 50,458,282 | - |
| 2,937,429 | 90,960,177 | 250,607 |
| 65,251,851 | 229,900,268 | 1,691,882 |
| 241,849,365 | 1,619,494,154 | 7,351,905 |
| 63,628,144 | 210,721,533 | 58,838,447 |
| - | 463,210 | 1,716,076 |
| - | 622,955 | 903,415 |
| - | 869,933,965 | - |
| <u>(222,897,176)</u> | <u>(1,130,445,656)</u> | <u>(36,600,195)</u> |
| <u>155,584,880</u> | <u>2,032,533,341</u> | <u>34,152,137</u> |
| <u>167,698,930</u> | <u>2,186,895,644</u> | <u>40,177,316</u> |
| <u>\$ 209,942,417</u> | <u>\$ 2,458,316,669</u> | <u>\$ 87,775,718</u> |
| 116,494 | 3,909,007 | - |
| 2,539,358 | 26,728,629 | 3,426,993 |
| 494,221 | 4,165,294 | 542,205 |
| <u>3,150,073</u> | <u>34,802,930</u> | <u>3,969,198</u> |

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

| | Enterprise Funds | | |
|--------------------------------------|-------------------------|------------------------------|-----------------------|
| | LP&L | Water/Waste Water | Storm Water |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 115,880,603 | 6,011,007 | \$ 151,996 |
| Accrued liabilities | 1,849,986 | 338,905 | 36,112 |
| Accrued interest payable | 8,580,205 | 1,994,764 | 239,248 |
| Due to other funds | - | - | - |
| Customer deposits | 4,578,558 | 1,074,393 | - |
| Unearned revenue - other | - | - | - |
| Compensated absences | 2,063,359 | 1,171,963 | 42,755 |
| Accrued insurance claims | - | - | - |
| Notes payable | - | - | - |
| Subscriptions payable | 427,159 | 119,095 | - |
| Leases payable | 34,437 | - | - |
| Bonds payable | 17,720,000 | 44,257,056 | 8,550,612 |
| Total current liabilities | <u>151,134,307</u> | <u>54,967,183</u> | <u>9,020,723</u> |
| Noncurrent liabilities: | | | |
| Accrued insurance claims | - | - | - |
| Compensated absences | 1,501,637 | 852,911 | 31,116 |
| Post employment benefits | 16,227,189 | 11,301,078 | 1,390,902 |
| Net pension liability | 28,980,668 | 13,030,421 | 1,318,523 |
| Rebatable arbitrage | 1,066,799 | 304,599 | 221,219 |
| Leases payable | 439,795 | - | - |
| Subscriptions payable | - | 126,209 | - |
| Bonds payable | 473,538,366 | 395,318,382 | 79,499,542 |
| Total noncurrent liabilities | <u>521,754,454</u> | <u>420,933,600</u> | <u>82,461,302</u> |
| Total liabilities | <u>672,888,761</u> | <u>475,900,783</u> | <u>91,482,025</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | - | - | - |
| Deferred inflows from pensions | 908,593 | 496,437 | 49,954 |
| Deferred inflows from OPEB | 7,276,813 | 4,709,534 | 602,553 |
| Deferred inflows from leases | - | - | - |
| Total deferred inflows of resources | <u>8,185,406</u> | <u>5,205,971</u> | <u>652,507</u> |
| NET POSITION (DEFICIT) | | | |
| Net investment in capital assets | 190,370,980 | 626,822,776 | 109,620,638 |
| Restricted for: | | | |
| Passenger facility charges | - | - | - |
| Debt service | 25,553,992 | 42,697,558 | 4,049,694 |
| Unrestricted | (2,054,937) | 14,911,365 | 13,739,590 |
| Total net position (deficit) | <u>\$ 213,870,035</u> | <u>\$ 684,431,699</u> | <u>\$ 127,409,922</u> |

See accompanying Notes to Basic Financial Statements

Enterprise Funds

| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--------------------------------------|-----------------------------------|-----------------------------------|
| \$ 1,569,498 | \$ 123,613,104 | \$ 2,503,206 |
| 565,620 | 2,790,623 | 148,209 |
| 201,612 | 11,015,829 | 91,762 |
| 6,868,856 | 6,868,856 | - |
| 122,548 | 5,775,499 | - |
| 279,060 | 279,060 | - |
| 792,962 | 4,071,039 | 308,204 |
| - | - | 3,563,132 |
| - | - | - |
| - | 546,254 | 477,038 |
| - | 34,437 | 418,012 |
| <u>2,999,154</u> | <u>73,526,822</u> | <u>3,652,884</u> |
| <u>13,399,310</u> | <u>228,521,523</u> | <u>11,162,447</u> |
| - | - | 1,095,151 |
| 225,854 | 2,611,518 | 501,548 |
| 4,520,431 | 33,439,600 | 4,462,475 |
| 4,357,221 | 47,686,833 | 6,037,216 |
| 16,108 | 1,608,725 | 25,057 |
| - | 439,795 | 1,321,486 |
| - | 126,209 | 280,917 |
| <u>39,906,888</u> | <u>988,263,178</u> | <u>13,907,834</u> |
| <u>49,026,502</u> | <u>1,074,175,858</u> | <u>27,631,684</u> |
| <u>62,425,812</u> | <u>1,302,697,381</u> | <u>38,794,131</u> |
| - | - | 1,296 |
| 140,754 | 1,595,738 | 223,911 |
| 1,851,567 | 14,440,467 | 1,964,524 |
| <u>2,665,280</u> | <u>2,665,280</u> | <u>-</u> |
| <u>4,657,601</u> | <u>18,701,485</u> | <u>2,189,731</u> |
| 113,921,550 | 1,040,735,944 | 19,812,474 |
| 6,303,437 | 6,303,437 | - |
| 1,426,276 | 73,727,520 | 286,151 |
| <u>24,357,814</u> | <u>50,953,832</u> | <u>30,662,429</u> |
| <u>\$ 146,009,077</u> | <u>\$ 1,171,720,733</u> | <u>\$ 50,761,054</u> |



City of Lubbock, Texas
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2023

| | |
|--|------------------|
| Total net position - proprietary funds | \$ 1,171,720,733 |
|--|------------------|

Amounts reported for business-type activities in the Statement of Net Position are different because:

Internal service funds (ISF's) are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The portion of assets and liabilities of the ISF's primarily serving enterprise funds are included in business-type activities in the Statement of Net Position as follows:

| | |
|---|--------------------------------|
| Net position of business-type ISF's | 12,575,138 |
| Amounts due to governmental ISF's for amounts overcharged | <u>(6,783,183)</u> |
| Net position of business-type activities | <u><u>\$ 1,177,512,688</u></u> |

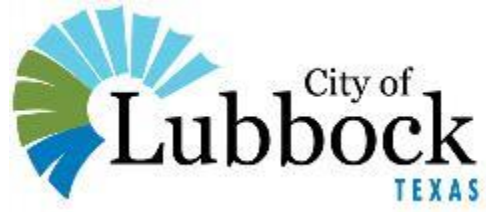
City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended September 30, 2023

| | Enterprise Funds | | |
|---|-------------------------|------------------------------|-----------------------|
| | LP&L | Water/Waste Water | Storm Water |
| OPERATING REVENUES | | | |
| Charges for services (net) | \$ 332,150,988 | \$ 141,694,678 | \$ 23,679,141 |
| Total operating revenues | <u>332,150,988</u> | <u>141,694,678</u> | <u>23,679,141</u> |
| OPERATING EXPENSES | | | |
| Personnel services | 25,455,603 | 14,052,153 | 1,073,958 |
| Insurance and claims | - | - | - |
| Supplies | 1,701,172 | 6,177,120 | 157,864 |
| Materials | - | - | - |
| Maintenance | 4,679,239 | 5,781,230 | 503,632 |
| Purchase of fuel and power | 212,613,912 | - | - |
| Self insurance claims | - | - | - |
| Billing office expense | - | 3,470,149 | 1,254,567 |
| Other services and charges | 16,409,456 | 39,730,173 | 4,159,277 |
| Depreciation and amortization | 24,262,239 | 36,955,292 | 4,594,551 |
| Total operating expenses | <u>285,121,621</u> | <u>106,166,117</u> | <u>11,743,849</u> |
| Operating income (loss) | <u>47,029,367</u> | <u>35,528,561</u> | <u>11,935,292</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Interest earnings | 7,615,812 | 12,267,237 | 688,763 |
| Passenger facility charges/Federal grants | - | - | - |
| Disposition of assets | 77,506 | (31,090) | (357) |
| Miscellaneous | (85,767,518) | 1,297,328 | 22,525 |
| Pass-through grant payments | - | - | - |
| Interest expense | (15,280,634) | (19,813,372) | (2,047,848) |
| Renewable Energy Credit Sales | - | - | - |
| Net nonoperating revenues (expenses) | <u>(93,354,834)</u> | <u>(6,279,897)</u> | <u>(1,336,917)</u> |
| Income (loss) before contributions and transfers | (46,325,467) | 29,248,664 | 10,598,375 |
| Capital contributions/grants | 48,464 | 12,700,112 | 9,249,744 |
| Transfers in | 1,591,773 | 107,916 | - |
| Transfers out | (3,633,626) | (5,148,509) | (1,712,389) |
| Change in net position (deficit) | <u>(48,318,856)</u> | <u>36,908,183</u> | <u>18,135,730</u> |
| Total net position - beginning of year, as restated | <u>262,188,891</u> | <u>647,523,516</u> | <u>109,274,192</u> |
| Total net position (deficit) - end of year | <u>\$ 213,870,035</u> | <u>\$ 684,431,699</u> | <u>\$ 127,409,922</u> |

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

| Nonmajor Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--------------------------------------|-----------------------------------|-----------------------------------|
| \$ 20,588,739 | \$ 518,113,546 | \$ 94,838,212 |
| <u>20,588,739</u> | <u>518,113,546</u> | <u>94,838,212</u> |
| 16,232,421 | 56,814,135 | 7,758,349 |
| - | - | 47,807,498 |
| 1,920,629 | 9,956,785 | 296,926 |
| - | - | 12,804,007 |
| 2,743,563 | 13,707,664 | 13,275,584 |
| - | 212,613,912 | - |
| - | - | - |
| - | 4,724,716 | - |
| 13,980,541 | 74,279,447 | 4,715,184 |
| 13,506,286 | 79,318,368 | 5,846,561 |
| <u>48,383,440</u> | <u>451,415,027</u> | <u>92,504,109</u> |
| <u>(27,794,701)</u> | <u>66,698,519</u> | <u>2,334,103</u> |
| 1,557,247 | 22,129,059 | 1,604,545 |
| 18,442,279 | 18,442,279 | 2,546,089 |
| 18,466 | 64,525 | 301,758 |
| 245,132 | (84,202,533) | 295,694 |
| - | - | - |
| (1,631,915) | (38,773,769) | (492,142) |
| - | - | - |
| <u>18,631,209</u> | <u>(82,340,439)</u> | <u>4,255,944</u> |
| (9,163,492) | (15,641,920) | 6,590,047 |
| 3,829,275 | 25,827,595 | - |
| 7,350,205 | 9,049,894 | 10,530,546 |
| (2,866,301) | (13,360,825) | (196,607) |
| <u>(850,313)</u> | <u>5,874,744</u> | <u>16,923,986</u> |
| <u>146,859,390</u> | <u>1,165,845,989</u> | <u>33,837,068</u> |
| <u>\$ 146,009,077</u> | <u>\$ 1,171,720,733</u> | <u>\$ 50,761,054</u> |



City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund net position - total enterprise funds \$ 5,874,744

Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds (ISF's) are used by management to charge the costs of certain activities such as fleet services, central warehousing activities, management information activities, etc. to individual funds. The net revenue (expense) of certain ISF's is reported with business-type activities.

2,265,916

Change in net position of business-type activities

\$ 8,140,660

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2023

| | Enterprise Funds | | |
|---|-------------------------|------------------------------|----------------------|
| | LP&L | Water/ Wastewater | Storm Water |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 349,393,389 | \$ 141,114,155 | \$ 23,949,174 |
| Receipts from interfund services | - | - | - |
| Payments to suppliers | (154,913,593) | (57,918,345) | (6,742,131) |
| Payments to employees | (25,455,603) | (14,391,058) | (1,110,070) |
| Other receipts (payments) | <u>(85,767,518)</u> | <u>1,297,328</u> | <u>22,525</u> |
| Net cash provided (used) by operating activities | <u>83,256,675</u> | <u>70,102,080</u> | <u>16,119,498</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Transfers in from other funds | 1,591,773 | 107,916 | - |
| Transfers out to other funds | (3,633,626) | (5,148,509) | (1,712,389) |
| Short-term interfund borrowings | - | - | - |
| Federal grants | - | - | - |
| Operating grants | <u>-</u> | <u>-</u> | <u>-</u> |
| Net cash provided (used) by noncapital and related financing activities | <u>(2,041,853)</u> | <u>(5,040,593)</u> | <u>(1,712,389)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Purchases of capital assets | (63,281,537) | (29,338,402) | (845,295) |
| Sale of capital assets | - | 19,462 | - |
| Principal paid on leases | (20,168) | - | - |
| Principal paid on bonds | (19,455,000) | (42,456,933) | (8,648,782) |
| Issuance of bonds | - | 15,487,244 | - |
| Bond issuance costs | - | 653,031 | - |
| Interest paid on bonds and leases | (19,033,917) | (25,144,902) | (2,183,754) |
| Payment of rebatable arbitrage | 1,066,799 | 304,599 | 52,660 |
| Capital grants and contributions | <u>-</u> | <u>263,864</u> | <u>-</u> |
| Net cash provided (used) by capital and related financing activities | <u>(100,723,823)</u> | <u>(80,212,037)</u> | <u>(11,625,171)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sales and maturities of investments | 44,659,695 | 18,927,170 | 276,770 |
| Purchase of investments | (32,578,302) | (16,261,195) | (3,764,664) |
| Interest earnings (expenses) on cash and investments | <u>7,612,534</u> | <u>12,311,355</u> | <u>693,414</u> |
| Net cash provided (used) by investing activities | <u>19,693,927</u> | <u>14,977,330</u> | <u>(2,794,480)</u> |
| Net increase (decrease) in cash and cash equivalents | 184,926 | (173,220) | (12,542) |
| Cash and cash equivalents - beginning of year | 568,011 | 335,894 | 105,303 |
| Cash and cash equivalents - end of year | <u>\$ 752,937</u> | <u>\$ 162,674</u> | <u>\$ 92,761</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 47,029,367 | \$ 35,528,561 | \$ 11,935,292 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization | 24,262,239 | 36,955,292 | 4,594,551 |
| Other income (expense) | (85,767,518) | 1,297,328 | 22,525 |
| Change in current assets and liabilities: | | | |
| Accounts receivable | 17,242,401 | (580,523) | 270,033 |
| Inventory | (1,134,829) | (576,939) | - |
| Prepaid expenses | - | - | - |
| Due from other governments | - | 3,138 | - |
| Accounts payable | 83,255,117 | (1,392,666) | (29,562) |
| Due to/from other funds | - | (52,538) | - |
| Other accrued expenses | 136,588 | 45,216 | 7,004 |
| Customer deposits | (1,017,886) | 260,359 | - |
| Subscription liability | (1,179,568) | 245,304 | - |
| Change in compensated absences and retirement benefits | 430,764 | (1,630,452) | (680,345) |
| Net cash provided (used) by operating activities | <u>\$ 83,256,675</u> | <u>\$ 70,102,080</u> | <u>\$ 16,119,498</u> |
| Supplemental cash flow information: | | | |
| Noncash capital contributions and other charges | \$ 48,464 | \$ 12,754,904 | \$ 9,249,744 |

See accompanying Notes to Basic Financial Statements.

| Enterprise Funds | | |
|--|-----------------------|---------------------------------------|
| Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| \$ 20,984,185 | \$ 535,440,903 | \$ 92,246,699 |
| - | - | 2,599,762 |
| (20,178,081) | (239,752,150) | (82,097,522) |
| (16,348,330) | (57,305,061) | (7,953,181) |
| <u>386,092</u> | <u>(84,061,573)</u> | <u>302,555</u> |
| <u>(15,156,134)</u> | <u>154,322,119</u> | <u>5,098,313</u> |
| 7,350,205 | 9,049,894 | 10,530,546 |
| (2,866,301) | (13,360,825) | (196,607) |
| 1,895,838 | 1,895,838 | - |
| - | - | 2,546,089 |
| <u>18,442,279</u> | <u>18,442,279</u> | <u>-</u> |
| 24,822,021 | 16,027,186 | 12,880,028 |
| (4,242,846) | (97,708,080) | (10,430,445) |
| 36,488 | 55,950 | 294,904 |
| - | (20,168) | (352,486) |
| (2,836,471) | (73,397,186) | (3,274,219) |
| - | 15,487,244 | 4,837,216 |
| - | 653,031 | - |
| (1,946,537) | (48,309,110) | (648,412) |
| - | 1,424,058 | 25,057 |
| <u>3,829,275</u> | <u>4,093,139</u> | <u>-</u> |
| <u>(5,160,091)</u> | <u>(197,721,122)</u> | <u>(9,548,385)</u> |
| 1,882,727 | 65,746,362 | 3,054,235 |
| (7,958,697) | (60,562,858) | (13,131,688) |
| <u>1,545,364</u> | <u>22,162,667</u> | <u>1,587,794</u> |
| <u>(4,530,606)</u> | <u>27,346,171</u> | <u>(8,489,659)</u> |
| (24,810) | (25,646) | (59,703) |
| <u>216,618</u> | <u>1,225,826</u> | <u>351,655</u> |
| <u>\$ 191,808</u> | <u>\$ 1,200,180</u> | <u>\$ 291,952</u> |
| \$ (27,794,701) | \$ 66,698,519 | \$ 2,334,103 |
| 13,506,286 | 79,318,368 | 5,846,560 |
| 245,132 | (84,202,533) | 302,555 |
| 395,446 | 17,327,357 | 8,249 |
| (93,714) | (1,805,482) | (223,209) |
| (16,536) | (16,536) | (1,404,844) |
| 720,490 | 723,628 | - |
| (1,477,664) | 80,355,225 | (512,763) |
| (1,595,902) | (1,648,440) | (19,677) |
| 270,445 | 459,253 | (962,178) |
| (64,492) | (822,019) | - |
| - | (934,264) | (474,660) |
| <u>749,076</u> | <u>(1,130,957)</u> | <u>204,177</u> |
| <u>\$ (15,156,134)</u> | <u>\$ 154,322,119</u> | <u>\$ 5,098,313</u> |
| \$ - | \$ 22,053,112 | \$ - |

City of Lubbock, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2023

| | <u>Police Custodial Fund</u> |
|---|----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 499,627 |
| Receivables: | |
| Contribution | <u>-</u> |
| Total assets | <u>\$ 499,627</u> |
| LIABILITIES | |
| Accounts payable | <u>\$ -</u> |
| Total liabilities | <u>-</u> |
| NET POSITION (DEFICIT) | |
| Restricted for Police Evidence and Found Property | <u>499,627</u> |
| Total Net Position | <u>\$ 499,627</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2023

| | <u>Police Custodial Fund</u> |
|--|----------------------------------|
| ADDITIONS | |
| Police funds received into custody | \$ 134,765 |
| Total additions | <u>134,765</u> |
| DEDUCTIONS | |
| Police funds released from custody | <u>68,415</u> |
| Total deductions | <u>68,415</u> |
| Change in net position | 66,350 |
| Total net position - beginning of year | <u>433,277</u> |
| Total net position (deficit) - end of year | <u>\$ 499,627</u> |

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements (BFS) of the City of Lubbock, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the City applies all applicable GASB pronouncements.

The more significant accounting policies are described below.

A. REPORTING ENTITY

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1909, is located in the northwestern part of the state. The City currently occupies a land area of 144.45 square miles and serves a population approximating 267,825. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

The City provides a full range of services including public safety (police and fire protection), electric, water and wastewater, storm water, solid waste, public transportation, health and social services, cultural-recreation, highways and streets, airport, planning and zoning, and general administrative services.

The BFS present the City and its component units and include all activities, organizations, and functions for which the City is considered financially accountable. The criteria considered in determining activities to be reported within the City's BFS are based upon and consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, "*Defining the Financial Reporting Entity*." The criteria include the following:

- The organization is legally separate (can sue and be sued in its own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit or burden on the City; or
- There is fiscal dependency by the organization on the City.

As required by GAAP, the BFS present the reporting entity, which consists of the City (the primary government), organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's BFS to be misleading or incomplete.

DISCRETELY PRESENTED COMPONENT UNITS

The financial data for the Component Units are shown in the Government-Wide Financial Statements. Component Units are reported in a separate column to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable, is able to impose its will on the organization, or can significantly influence operations and/or activities of the organization.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

The **Urban Renewal Agency (URA)** is a legally separate entity that serves as an arm of the City. The URA is governed by state law and was formed to help eliminate slum and blight within the City. The URA board oversees loans made to businesses and citizens of Lubbock using funds accumulated by the City of Lubbock community development program. The URA also oversees the acquisition and disposition of real property. The URA manages the City of Lubbock Community Development loans and property program. The URA Board is composed of nine members appointed by the City Council. There are no separate financial statements available for the URA.

Civic Lubbock, Inc. is a legally separate entity that was organized to foster and promote the presentation of wholesome educational, cultural, and entertainment programs for the general moral, intellectual and physical improvement, and welfare of the citizens of Lubbock and the surrounding area. The eleven-member board is appointed by the City Council. The City Council reviews and accepts the annual budget. Separate audited financial statements for Civic Lubbock may be obtained from Civic Lubbock, Inc. at 1501 Mac Davis Ln, Lubbock, Texas.

Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc. is a legally separate entity that was formed on October 10, 1995 by the City Council to create, manage, operate, and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board, and its operations are funded primarily through budgeted allocations of the City's property and hotel occupancy taxes. Separate audited financial statements may be obtained from Market Lubbock, Inc. at 1500 Broadway, Sixth Floor, Lubbock, Texas.

Lubbock Economic Development Alliance, Inc. is a legally separate entity that was formed on June 1, 2004 by the City of Lubbock to create, manage, and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the seven-member board, and its operations are funded primarily through budgeted allocations of the City's sales and use taxes. Separate audited financial statements may be obtained from Lubbock Economic Development Alliance, Inc. at 1500 Broadway, Sixth Floor, Lubbock, Texas.

The Vintage Township Public Facilities Corporation is a legally separate entity that was formed in 2007 with the sole purpose to assist the City in financing, refinancing, providing, or otherwise assisting in the acquisition, construction, and maintenance of certain public facilities benefiting the Vintage Township Public Improvement District. The three-member board is appointed by the City Council. The City Council reviews and accepts the annual budget. Separate audited financial statements are not available.

RELATED ORGANIZATIONS

The City Council is responsible for appointing the board members of some other organizations, but the City's accountability for these organizations do not extend beyond the board appointments. The City Council is not able to impose its will on these entities and there is no financial benefit or burden relationship. Bonds issued by these organizations do not constitute indebtedness of the City. The following related organizations are not included in the reporting entity:

The **Lubbock Fire Pension Fund (LFPF)** operates under provisions of the Texas Local Fire Fighters' Retirement Act for purposes of providing retirement benefits for the City's firefighters and eligible fire civilian employees. The Mayor's designee, the Chief Financial Officer or his designee, three firefighters elected by active firefighters, and two at-large members elected by the LFPF Board govern its affairs. The Pension Fund is funded by contributions from the firefighters and City matching contributions. As provided by enabling legislation, the City's responsibility to the LFPF is limited to matching bi-weekly contributions made by the members. Title to assets is vested in the LFPF and not the City. The Texas State Pension Review Board is mandated to oversee all Texas public retirement systems concerning their actuarial soundness and compliance with state law. The City cannot significantly influence the Pension Fund's operations. Separate audited financial statements may be obtained from the LFPF or from the City.

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The **Housing Authority of the City of Lubbock** is a legally separate entity. The Mayor appoints the five-member board.

The **Lubbock Health Facilities Development Corporation** promotes health facilities development. The City Council appoints the seven-member board.

The **Lubbock Education Facilities Authority, Inc.** is a non-profit corporation and instrumentality of the City and was created pursuant to the Higher Education Authority Act, Chapter 53 Texas Education Code, to aid institutions of higher education, secondary schools, and primary schools in providing educational facilities and housing facilities. The seven-member board is appointed by the City Council.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-Wide Financial Statements (GWFS) (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City and its blended component unit as a whole. The discretely presented component units are also aggregately presented within these statements. The effect of interfund activity has been removed from these statements by allocation of the activities of the various internal service funds to the governmental and business-type activities based on the predominant users of the services. Interfund services are not eliminated in the process of consolidation. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide Statement of Net Position reports all financial and capital resources of the City. It is displayed in the format of assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources, plus net position, with the assets and liabilities shown in order of their relative liquidity. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. Net investment in capital assets equals capital assets net of accumulated depreciation and is reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount. Restricted net position are those with constraints placed on their use as: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as net investment in capital assets or restricted, is shown as unrestricted. Reservations or designations of net position imposed by the City, whether by administrative policy or legislative actions of the City Council that do not otherwise meet the definition of restricted net position, are considered unrestricted in the GWFS.

The Government-Wide Statement of Activities demonstrates the degree to which the direct expenses for a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are

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reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Fund Financial Statements (FFS) for governmental and proprietary funds are also part of the BFS. The focus of the FFS is on major funds, as defined by GASB Statement No. 34. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, i.e., a percentage of assets, liabilities, revenue, or expenditures/expenses of fund category and of the governmental and enterprise funds combined. However, it also gives governments the option of displaying other funds as major funds. The City can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water, and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental FFS are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is necessary: 1) to demonstrate legal and covenant compliance; 2) to demonstrate the sources and uses of liquid resources; and 3) to demonstrate how the City's actual revenues and expenditures conform to the annual budget. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available, generally, if they are collected within 45 days of the end of the current fiscal period. The City considers the grant availability period to be one year for revenue recognition. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when the liability has matured. Because the governmental FFS are presented on a different basis of accounting than the GWFS, reconciliations are provided immediately following each fund statement. These reconciliations explain the adjustments necessary to convert the FFS into the governmental activities column of the GWFS.

Property taxes, sales taxes, franchise taxes, occupancy taxes, grants, licenses, court fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when the City receives cash.

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Fund Accounting

The City uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, deferred inflows, liabilities, fund balance/net position, revenues, and expenditures/expenses.

Governmental Funds are those through which most of the governmental functions of the City are financed. The City reports three major governmental funds:

The **General Fund**, as the City's primary operating fund, accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Governmental Capital Projects Fund** accounts for financing and construction of government capital projects, except for North Overton, Central Business District, and Lubbock Business Park Tax Increment Financing Reinvestment Zone (TIF) capital projects and Gateway Streets Fund capital projects. Projects include public safety improvements, park improvements, street improvements, purchase of and construction of municipal buildings, and major maintenance, repair, and replacement of public buildings and facilities.

The **Debt Service Fund** is used to account for and report financial resources that are restricted to expenditures for principal and interest (other than debt service payments made by proprietary funds).

Enterprise Funds are used to account for operations: 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City reports the following major enterprise funds:

LP&L Fund accounts for the activities of the city-owned electric production and distribution system.

The **Water/Wastewater Fund** accounts for the activities of the City's water system and sanitary wastewater system.

The **Storm Water Fund** accounts for the activities of the storm water utility.

The City also reports the following non-major funds:

Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays (other than those recorded in the proprietary funds).

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the

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City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Funds are used to account for services to outside users where the full cost of providing services, including capital, is to be recovered through fees and charges, e.g., Lubbock Preston Smith International Airport (Airport Fund), Citibus (Transit Fund), Cemetery, Civic Centers and Lake Alan Henry Recreational Funds.

Internal Service Funds are used to account for services provided to other departments, agencies of the departments, or to other governments on a cost reimbursement basis (i.e., fleet maintenance, print shop and warehouse, information technology, risk management, health benefits, and investment pool).

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Annual budgets are adopted for the General Fund, Debt Service Fund, Enterprise Funds, Internal Service Funds, and certain Special Revenue Funds. Public hearings are conducted to obtain citizen comments, and the budget is legally enacted through passage of an ordinance by the Council. City Council action is also required for the approval of any supplemental appropriations.

All budget amounts presented in the General Fund Budgetary Comparison Schedule in the Required Supplementary Information (RSI) section reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. The operating budget is adopted on a basis other than GAAP for the General Fund, with the main difference being that tax note proceeds and related capital outlay are not budgeted. Budgetary control is maintained at the fund level. The City Manager may make administrative transfers and increases or decreases between accounts below the fund level without City Council approval. However, any transfer of funds between Funds, the legal level of control, or higher level shall be presented to City Council for approval by ordinance before such funds can be transferred between Funds or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital Project and grant appropriations do not lapse at fiscal yearend, but remain in effect until the project or grant is completed and closed.

All budget amounts presented in the Special Revenue Funds and Debt Service Fund Budgetary Comparison Schedule in the Combining and Individual Fund Statements and Schedules section reflect the final budget amounts, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. Budgetary control is maintained at the fund level, the legal level of control for Special Revenue Funds and Debt Service Funds. The following Special Revenue Funds have legally adopted budgets: Abandoned Motor Vehicle, Animal Assistance, Cable Services, Central Business District TIF, Community Development Grant, Criminal Investigation, Department of Justice Asset Sharing, Economic Development Incentive, Gateway Streets, Hotel Motel Tax, Lubbock Business Park TIF, Lubbock Economic Development Alliance, Municipal Court, North and East Lubbock Neighborhood and Infrastructure, North Overton PID, North Overton District TIF, North Point PID, Quincy Park PID, Valencia PID, Vintage Township PID, Bell Farms PID, Upland Crossing PID's 1, 2 and 3, Northwest Passage PID, and Willow Bend Villas PID and grants.

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Capital project and grant funds do not lapse at fiscal yearend, but remain in effect until the project is completed and closed. The following funds have project length budgets: Donations, Community Services, Health, Library, Police, and Other Grants Special Revenue Funds; and the Governmental, TIF, and Gateway Streets Capital Projects Funds.

In addition to the tax levy for general operations, in accordance with state law, the City Council sets an ad valorem tax levy for a sinking fund (General Obligation, Certificate of Obligation, and Tax Note Debt Service) which, with cash and investments in the fund, is sufficient to pay all debt service due during the fiscal year.

E. ENCUMBRANCES

At the end of the fiscal year, encumbrances for goods and services that have not been received are canceled except in the Capital Projects Fund. Management has authority, by ordinance, to re-appropriate any encumbrances that were open at the prior fiscal year end. At the beginning of the next fiscal year, management reviews all open encumbrances and approves needed encumbrances. In FY 2023, management approved reappropriation of \$1,295,046 in funds as follows: General Fund - \$1,084,182, Airport Fund - \$25,884, Water Fund - \$24,840, and North Overton PID - \$160,140. There are no other significant encumbrances at year-end that have not been restricted, committed, or assigned.

F. ASSETS, LIABILITIES, AND FUND BALANCE/NET POSITION

Equity in Cash and Investments - The City pools the resources of the various funds in order to facilitate the management of cash and enhance investment earnings. Records are maintained which reflect each fund's equity in the pooled account. Government agency bonds, municipal bonds, and commercial paper are stated at fair value; State Pools (TexStar, LOGIC, Texas CLASS) are stated at net asset value; and money market funds and TexPool are stated at amortized cost.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand and demand deposits.

Investments- - Investments include securities in the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Municipal Bonds, Commercial Paper, Treasury Bills, Certificates of Deposit, and Money Markets. Investments also include state investment pools. Restricted investments include investments that have been restricted for bond financed capital projects, funds that have been restricted by bond covenants for debt service requirements, and funds accumulated for passenger facility charges and customer facility charges.

Property Tax Receivable - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due on receipt of the tax bill. On the following January 1, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The taxes are considered delinquent if not paid before February 1. Therefore, at fiscal year-end, all property taxes receivable are delinquent but are secured by a tax lien.

At the GWFS level, property tax revenue is recognized upon levy. In governmental funds, the City records property taxes receivable upon levy and defers tax revenue until the taxes are collected or available. For each fiscal year, the City recognizes revenue in the amount of taxes collected during the year plus an estimate of taxes to be collected in the subsequent 45 days. The City allocates property tax revenue between the General, certain Special Revenue, and Debt Service Funds based on tax rates adopted for the year of levy. The Lubbock Central Appraisal District assesses property values, bills, collects, and remits the property taxes to the City. The City adjusts the allowance for uncollectible taxes and deferred inflows of tax revenue at fiscal year-end based upon historical collection experience. To write off property taxes receivable, the City eliminates the receivable and reduces the allowance for uncollectible accounts.

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Enterprise Funds Receivables - Within the LP&L, Water/Wastewater, and Storm Water Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued. This amount is reflected in the accounts receivable balances of each fund. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

Leases Receivable –Lessor- The City is a lessor for noncancelable leases of property and equipment. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental and proprietary fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently the deferred inflow of resources is recognized as revenue over the lease term. The City has \$3,029,742 remaining in lease receivables and \$3,029,742 remaining in deferred inflows as of September 30, 2023. The City recorded lease revenue including interest of \$307,966 in the fiscal year. The City uses key estimates and judgements related to leases including how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term is for the noncancelable period of the lease. Lease payments that are included in the measurement of the lease receivable are composed of fixed payments from the lessee that are fixed in substance or that depend on an index or a rate.

The City monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Inventories - Inventories consist of expendable supplies held for consumption. Inventories are valued using the average cost method of valuation, and are accounted for using the consumption method of accounting, i.e., inventory is expensed when used rather than when purchased.

Prepaid Items - Prepaid items are accounted for under the consumption method.

Capital Assets and Depreciation - Capital assets, including public domain infrastructure (streets, bridges, sidewalks, and other assets that are immovable and of value only to the City), are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These capital assets are reported in the GWFS and the proprietary funds. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated acquisition value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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Depreciation is computed using the straight-line method over the estimated useful lives as follows:

| | |
|-----------------------------------|-------------|
| Improvements Other Than Buildings | 10-60 years |
| Buildings | 15-50 years |
| Machinery and Equipment | 3-15 years |
| Water Rights | 85 years |

Interest Capitalization – In FY 2020, the City early implemented GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period ("GASB 89"), which requires that interest cost incurred before the end of a construction period be recognized as interest expense in the period incurred. GASB 89 does not change the applicability of capitalization of qualifying interest cost as a regulatory asset for business type activities that have regulatory operations as set forth in GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Therefore, the City capitalized \$1,006,911 related to LP&L, a regulated operation in FY 2023.

Leases Payable-Lessee – The City is a lessee for non-cancelable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide and proprietary fund financial statements. The City uses a threshold of \$50,000 on their leases.

At the commencement of a lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancelable period of the lease. Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate.

The City monitors changes in circumstances that would require a re-measurement of its leases and will re-measure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangements (SBITAs)-A SBITA is a contract that conveys control of the right to use another party's software as specified in a contract for a period of time exceeding one year in an exchange or exchange like transaction. The City uses a threshold of \$20,000 on their SBITA's.

At the commencement of a SBITA, the City measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the lease liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or its useful life.

Key estimates and judgements related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancelable period of the subscription.

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-Subscription payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or rate, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The City monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has a deferred charge on a bond refunding, which is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred or amortized over the shorter of the life of the refunded and new debt. The City also has deferred outflows for pensions related to contributions, changes in actuarial assumptions and investment experience, and for other post-employment benefits related to benefit payments and changes in actuarial assumptions.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City's deferred inflows include property taxes and municipal court fines in the governmental funds, pension actuarial differences in expected and actual experience and investment experience in the proprietary and internal service funds, for other post-employment benefits related to difference in expected and actual experience, and changes in actuarial assumptions, and for leases.

For additional information on deferred outflows/inflows related to pensions, reference note III. F. Retirement Plans and note III. G. Other Post-Employment Benefits (OPEB).

Classification of Fund Equity - Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes that are externally imposed by providers, such as creditors, grantors, or other governments, or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance, which is the highest action level by City Council. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by city management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that have not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The proprietary funds and GWFS have three classifications of net position: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position. In the first category, capital assets are netted with bonded and lease debt. Restricted net position includes debt service, grantor, and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities.

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues in order to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriable net position reserve policies, ranging from 10

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to 25 percent of operating revenue. The LP&L Fund maintains general reserves equal to a minimum of three months operating expenses as determined by taking the average monthly budgeted enterprise expense from the current fiscal year.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements along with reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. REVENUES, EXPENSES AND EXPENDITURES

Interest Income on pooled cash and investments is allocated monthly based on the percentage of a fund's pooled cash and investments monthly balance compared to the total city-wide monthly balance in pooled cash and investments. Bond funds and other separate non-pooled cash are distributed to the fund where the cash and investment is recorded.

Sales Tax Revenue for the City results from an allocation of 1.5 percent of the total sales tax levy of 8.25 percent, which is collected by the State of Texas and remitted to the City monthly. The tax is collected by the vendor and is required to be remitted to the State by the 20th of the month following collection. The tax is then paid to the City by the Friday following the second Wednesday of the subsequent month. The City then allocates 0.125 cents to the Lubbock Economic Development Alliance, a discretely presented component unit.

Grant Revenue from federal and state grants is recognized as revenue as soon as all eligibility requirements have been met. The availability period for grants is considered to be one year.

Interfund Transactions are accounted for as revenues, expenditures, expenses, or other financing sources or uses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from that fund that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

Compensated Absences consists of vacation leave, sick leave, and compensatory leave. Vacation leave of 10-20 days is granted to all regular employees dependent upon the date employed, years of service, and civil service status. Currently, up to 40 hours of vacation leave may be carried over to the next calendar year. The City is obligated to make payment upon retirement or termination for employees in good standing for any available, unused vacation leave.

Sick leave for employees is accrued at 1 1/4 days per month with a maximum accrual status of 200 days. After 15 years of continuous full-time service for non-civil service personnel, vested sick leave is paid on retirement or termination at the current hourly rate for up to 90 days. Upon retirement or termination, Police Civil Service Personnel are paid for up to 90 days accrued sick leave regardless of reason for leaving or time with the City. Firefighter Civil Service Personnel are paid for up to 90 days of accrued sick leave upon retirement or termination. The Texas Civil Service laws dictate certain benefits and personnel policies above and beyond the policies of the City.

In accordance with the Fair Labor Standards Act and City policy, non-exempt employees may accrue compensatory time off instead of receiving payment for overtime hours worked. Compensatory time may be accrued up to 45 hours (30 overtime hours at time and one-half) and must be used within 26 pay periods. In order to be eligible for compensatory time, each employee is required to sign an agreement with the City.

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The liability for the accumulated vacation, sick, and compensatory time off is recorded in the GWFS and in the FFS for proprietary fund employees when earned. The liability is recorded in the governmental FFS to the extent it is due and payable.

Post-Employment Benefits for retirees of the City include the option to purchase health and life insurance with health insurance benefits at a subsidized premium. However, employees that retire with 15 or more years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Retirees are required to pay a prorated premium for the days of coverage that are not funded by their excess sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City's health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated at \$4.8 million during the measurement period.

H. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the City's pension plans (Texas Municipal Retirement System [TMRS] and the Lubbock Fire Pension Fund [LFPF]) and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. NEW PRONOUNCEMENTS

In May 2019, GASB issued GASB Statement No. 91, Conduit Debt Obligations ("GASB 91"). GASB 91 requires issuers disclose general information about their conduit debt obligations. Issuers that recognize liabilities related to supporting debt service of conduit debt obligations should disclose information about the amount recognized and how the liability changed during the reporting period. This statement is effective for fiscal years beginning after June 15, 2022 and reporting periods thereafter. The City has determined that GASB 91 did not have any impact on their financial statements.

In March 2020, GASB issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement requires governments to report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. This statement is effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. The City has determined that GASB 96 did not have any impact on their financial statements.

In June 2022, GASB issued GASB Statement No. 100, Accounting Changes and Error Corrections. The objective of this statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023 and reporting periods thereafter.

In June of 2022, GASB issued GASB Statement No. 101, Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This statement is effective for fiscal years beginning after December 15, 2023. The City is currently evaluating the effect of this statement on their financial statements.

City of Lubbock, Texas
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J. IMPLEMENTATION OF NEW PRONOUNCEMENT/RESTATEMENT OF NET POSITION

In FY 2023 the City implemented GASB Statement No. 96, ("GASB 96"), Subscription Based Information Technology Arrangements (SBITA) and found it had no material impact on the City's financial statements. Throughout the analysis of assessing the effect of Statement No. 96, it became evident that a majority of the City's subscription arrangements are perpetual agreements. The City restated the current fiscal year beginning balance by the cumulative effect of \$1.7 million which is a decrease of 0.12% from the net position ending balance in FY22 as follows:

| | LP&L | Information Technology |
|--|-----------------|-----------------------------------|
| Net Position - beginning of year, as previously stated | \$ 263,795,618 | 1,159,077 |
| Restatement due to implementation of new GASB | (1,606,727) | (104,630) |
| Net Position - beginning of year, as restated | \$ 262,188,891 | 1,054,447 |

The new SBITA standard requires enhanced disclosures which includes the total amount of subscription assets and the related amortization, the amount of outflow recognized from SBITA contracts that are not included in the measurement of the liability, and the disclosure of the long-term effect of SBITA arrangements on a government's resources.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. RESTRICTED NET POSITION

Restricted net position is only used for its intended purpose. For the majority of projects funded by tax exempt debt proceeds, the debt proceeds are used first, followed by unrestricted resources.

B. GENERAL FUND BUDGET COMPARISON

The General Fund FY 2023 amended budgeted expenditures and transfers out were \$278,666,543, while actual budgetary basis expenditures and transfers out were \$270,299,915; a difference of \$8,366,628.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2023, the bank balance of the City's deposits was \$2,654,019. All of the bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

State law requires federal depository insurance or collateralization with the value of eligible securities having an aggregate value at least equal to the amount of the deposits. The City's Investment Policy requires the minimum collateral level to be 102.0 percent of the fair value of principal and accrued interest.

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On September 30, 2023, bank balances were not exposed to custodial credit risk as follows:

| | | |
|---|----|-----------|
| Insured | \$ | 500,000 |
| Uninsured and collateral held by a third party financial institution in the City's name | | 2,154,019 |
| | \$ | 2,654,019 |

On September 30, 2023, the City had the following investments and maturities:

| <u>Type</u> | September 30, 2023 | | |
|--|--------------------|---------------------|---------------|
| | Fair Value | Maturities in Years | |
| | | Less Than 1 | 1-5 |
| Federal Farm Credit Bank (FFCB) | \$ 16,800,961 | \$ 6,656,134 | \$10,144,827 |
| Farmer Mac (FAMCA) | 5,926,098 | 2,930,607 | 2,995,491 |
| Federal Home Loan Bank (FHLB) | 88,073,084 | 23,747,555 | 64,325,529 |
| Federal Home Loan Mortgage Corporation (FHLMC) | 22,420,869 | 8,919,879 | 13,500,990 |
| Federal National Mortgage Association (FNMA) | - | - | - |
| Municipal Bonds | 131,634,637 | 47,482,765 | 84,151,872 |
| Commercial Paper | 29,296,205 | 29,296,205 | - |
| Treasury Bills | 2,942,997 | 2,942,997 | - |
| Money Market | 20,972,641 | 20,972,641 | - |
| State Investment Pools * | 352,199,868 | 352,199,868 | - |
| | \$670,267,360 | \$495,148,651 | \$175,118,709 |

*State Investment Pools are considered investments for financial reporting purposes.

Investment in State Investment Pools

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the significant ability to influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. TexPool is rated AAAM by Standard & Poor's. The pool offers same day access to investment funds.

TexPool does not have any limitations or restrictions on participants' withdrawals that would have to be disclosed in the notes to the financial statements. All TexPool securities are reported within the highest category of credit ratings and are denominated in U.S. dollars. Per GASB Statement No. 40, Deposit and Investment Risk Exposure, TexPool is not exposed to custodial credit risk. Additionally, TexPool utilizes shadow pricing, which is consistently within 0.5% of amortized cost value per unit.

TexSTAR's governing body is a five-member board of directors (the "Board"). Three directors are officers or employees of Participants; one director is an officer or employee of J.P. Morgan Investment Management Inc. (JPMIM); and the final director is an officer or employee of Hilltop Securities Inc. (HTS), or an

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affiliate. TexSTAR's bylaws require the Board to appoint an advisory board. The Advisory Board currently consists of six members, each of whom is either (1) a representative of a participant or (2) a person who has no business relationship with TexSTAR. The primary investment objectives of TexSTAR, in order of priority, are (1) the preservation of capital and protection of principal, (2) the maintenance of sufficient liquidity, and (3) yield. TexSTAR is rated AAAM by Standard & Poor's. The pool offers same day access to investment funds.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities that have become parties to the Agreement ("Participants"). Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio are managed separately and segregated from the assets of every other Portfolio. Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. Hilltop Securities and JPMIM serve as co-administrators to LOGIC. JPMIM or its affiliates provide investment management, custody, and fund accounting services. The investment objectives of the pool is to seek preservation of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. LOGIC is rated AAAM by Standard & Poor's. The pool offers same day access to investment funds.

Texas Cooperative Liquid Assets Securities System (Texas CLASS) was created specifically for use by Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. Public Trust Advisors, LLC also performs all marketing and operation functions of the portfolio. The pool is subject to the general supervision of a Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Texas CLASS is rated AAAM by Standard and Poor's. The pool offers same day access to investment funds.

Interest Rate Risk - As a means of limiting its exposure to fair value losses due to rising interest rates, the City's investment policy limits investments to those that are held to maturity and by limiting final stated maturity to no more than five (5) years. The City uses the specific identification method for positions in fixed-rate securities. The investment pools have laddered out maturities within their funds but are redeemable in full within one day to the governments investing in the pooled funds. The City only invests in government pools and funds that maintain a stable \$1 NAV (net asset value). While the interest income derived from these particular types of investments fluctuates based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities and collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States. The City's policy also allows investment in obligations of the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. The City may also invest in collateralized certificates of deposit, banker's acceptances with stated maturities of 270 days or fewer, commercial paper rated at a minimum of A-1 or P-1 with stated maturities 270 days or fewer, no-load money market funds registered with the Securities and Exchange Commission, and constant dollar investment pools authorized by the City Council. On September 30, 2023, Standard & Poor's rated the investment pools AAAM. The senior unsecured debt for investments in FHLB, FAMCA, FFCB, FHLMC, and FNMA are rated AA+ by Standard & Poor's and Aaa by Moody's. The municipal bond investments are rated between an AAA and A- by S&P and between an Aaa and A1 by Moody's.

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Custodial Credit Risk - State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FNMA, FAMCA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes.

Concentration of Credit Risk - The City places limits on the amount that may be invested in any one issuer with the exception of United States Treasury obligations and State Investment Pools. As of September 30, 2023, the City's investments constituted the following percentages of total investments:

| <u>Investment</u> | <u>Percentage</u> | <u>WAM (Days)</u> | <u>Rating</u> | <u>Rating Agency</u> |
|------------------------|-------------------|-----------------------|---------------|----------------------|
| State Investment Pools | 48.3% | 1 | AAAm | S&P |
| Municipal Bonds | 21.5% | 633 | AA/Aa2 | S&P/Moody's |
| Money Market | 3.3% | 1 | AAAm/Aaa-mf | S&P/Moody's |
| FFCB | 2.7% | 492 | AA+/Aaa | S&P/Moody's |
| FHLB | 14.5% | 679 | AA+/Aaa | S&P/Moody's |
| FNMA | 0.0% | 0 | AA+/Aaa | S&P/Moody's |
| FHLMC | 3.6% | 607 | AA+/Aaa | S&P/Moody's |
| Commercial Paper | 4.7% | 148 | A-1+/P-1 | S&P/Moody's |
| Treasury Bills | 0.5% | 131 | AA+/Aaa | S&P/Moody's |
| FAMCA | 0.9% | 1058 | AA+/Aaa | S&P/Moody's |

The City's investment policy places the following limits on the amount the City can invest in any type of authorized investment. All securities are rated A-, or equivalent, or better.

| <u>Authorized Investment</u> | <u>Policy Limitation</u> |
|------------------------------|--------------------------|
| U.S. Treasury Obligations | 100% |
| Agency Bonds | 80% |
| Municipal Bonds | 50% |
| Investment Pools | 100% |
| Certificates of Deposit | 30% |
| No Load Mutual Fund | 30% |
| Commercial Paper | 10% |
| Banker Acceptance | 10% |

Foreign Currency Risk - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

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Disclosures about Fair Value of Assets and Liabilities

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The following hierarchy of three levels of inputs is used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The City has the following recurring fair value measurements based on the hierarchy above as of September 30, 2023:

| September 30, 2023 | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|----------------------|---|--|--|
| Investments by fair value level | | | | |
| Federal Farm Credit Bank (FFCB) | \$ 16,800,961 | \$ - | \$ 16,800,961 | \$ - |
| Farmer Mac (FAMCA) | 5,926,098 | - | 5,926,098 | - |
| Federal Home Loan Bank (FHLB) | 88,073,084 | - | 88,073,084 | - |
| Federal Home Loan Mortgage Corporation (FHLMC) | 22,420,869 | - | 22,420,869 | - |
| Federal National Mortgage Association (FNMA) | - | - | - | - |
| Municipal Bonds | 131,634,637 | - | 131,634,637 | - |
| Commercial Paper | 29,296,205 | - | 29,296,205 | - |
| Treasury Bills | 2,942,997 | - | 2,942,997 | - |
| Total investments by fair value level | <u>\$297,094,851</u> | <u>\$ -</u> | <u>\$297,094,851</u> | <u>\$ -</u> |
| Investments measured at the net asset value | | | | |
| TexStar | \$ 37,352,770 | | | |
| LOGIC | 35,729,744 | | | |
| Texas Class | 279,040,087 | | | |
| Total investments measured at the NAV | <u>\$352,122,601</u> | | | |
| Investments measured at amortized cost | | | | |
| TexPool | \$ 77,267 | | | |
| Money Markets | 20,972,641 | | | |
| Investments measured at amortized cost | <u>21,049,908</u> | | | |
| Total Investments | <u>\$670,267,360</u> | | | |

The City's investments in debt securities are valued using Level 2 by FTI using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Matrix prices are verified against investment reports from the City's Safekeeping Institution, Bank of New York Mellon.

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B. INTERFUND TRANSACTIONS

Interfund balances, specifically, the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements.

Interfund balances are loans to cover Council directed internal financing of certain projects. On September 30, 2023, the City had \$9,159,267 of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

The following amounts due to other funds or due from other funds are included in the fund financial statements (all amounts in thousands):

| Interfund Payables: (in Thousands) | Interfund Receivables: (in Thousands) | | | |
|---|--|--|--------------------------------|---------------|
| | Governmental Funds | | Proprietary Funds | |
| | General | Governmental Capital Projects | Nonmajor Enterprise | Totals |
| Governmental Funds: | | | | |
| Nonmajor Governmental | \$ 2,271 | \$ - | \$ 19 | \$ 2,290 |
| Proprietary Funds: | | | | |
| Nonmajor Enterprise | 6,869 | - | - | 6,869 |
| Totals | \$ 9,140 | \$ - | \$ 19 | \$ 9,159 |

Transfers include: 1) debt service payments made from the debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted funds; and 3) transfers to move indirect cost allocations.

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The following interfund transfers are reflected in the fund financial statements (all amounts in thousands):

| Interfund Transfers Out: (in Thousands) | Interfund Transfers In: (in Thousands) | | | | | | | | Totals |
|--|---|-------------------------|--------------------------|---------------------------|--------------------------|-------------------------------|--------------------------------|-----------------------------|------------------|
| | Governmental Funds | | | | Proprietary Funds | | | | |
| | General | Debt Service | Govt. Capital | Nonmajor Govt. | Electric | Water/Waste- water | Nonmajor Enterprise | Internal Service | |
| Governmental Funds: | | | | | | | | | |
| General Fund | \$ - | \$ 1,995 | \$16,247 | \$ 8,994 | \$ 280 | \$ - | \$ 2,717 | \$ 8,424 | \$ 38,657 |
| Debt Service | - | - | - | - | - | - | 438 | - | 438 |
| Govt. Capital Projects | - | 3,473 | - | - | - | - | - | - | 3,473 |
| Nonmajor Govt. | - | 12,881 | - | 5,174 | - | - | 3,598 | - | 21,653 |
| Proprietary Funds: | | | | | | | | | |
| LP&L | 2,494 | 1,140 | - | - | - | - | - | - | 3,634 |
| Water/Wastewater | 2,760 | 147 | - | - | 1,032 | - | - | 1,210 | 5,148 |
| Stormwater | 601 | - | - | - | 280 | - | - | 831 | 1,712 |
| Nonmajor Enterprise | 2,119 | - | - | - | - | 108 | 596 | 43 | 2,866 |
| Internal Service | 174 | - | - | - | - | - | - | 22 | 196 |
| Totals | \$ 8,148 | \$19,636 | \$16,247 | \$ 14,168 | \$1,592 | \$ 108 | \$ 7,349 | \$10,530 | \$ 77,777 |

Net transfers on the GWFS amounted to \$6,705,744 from business activities to governmental-type activities.

The most significant transfers made were:

- From the General fund to:
 - Traffic, public safety and general capital projects
 - Economic Development, Transit, Cemetery, Gateway and North and East Lubbock operations
- From the Hotel Motel fund to:
 - Debt service, Civic Center operations and capital, and North Overton TIF
- From LP&L, Water/Waste Water, Storm Water funds to:
 - General fund for payment in lieu of property tax and franchise fees
- From LP&L for utility collection services to:
 - Water/Waste Water
 - Storm Water
 - General Fund
- From Hotel Motel, Central Business District TIF, General Fund (Solid Waste), Gateway Streets, North Overton TIF, LP&L, and Water/Waste Water to the Debt Service fund.

C. PREPAID EXPENSES

The total prepaid expenses (noncurrent assets) of \$811,109 in the LP&L Enterprise Fund represents an advertising contract with the United Supermarket Arena. The advertising (and amortization) began with the opening of the sports arena in FY 2000 and will continue for 30 years.

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D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

Primary Government:

Governmental Activities

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-------------------------------|----------------------|----------------------|----------------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 44,005,980 | \$ 2,606,103 | \$ - | \$ 46,612,083 |
| Construction in Progress | 31,979,038 | 75,941,419 | 32,785,216 | 75,135,241 |
| Total Capital Assets Not Depreciated | <u>75,985,018</u> | <u>78,547,522</u> | <u>32,785,216</u> | <u>121,747,324</u> |
| Capital Assets Depreciated: | | | | |
| Buildings | 146,947,004 | 567,105 | - | 147,514,109 |
| Improvements Other than Buildings | 791,978,179 | 34,406,584 | 986,810 | 825,397,953 |
| Machinery and Equipment | 176,446,408 | 12,362,898 | 1,781,687 | 187,027,619 |
| Total Capital Assets Depreciated | <u>1,115,371,591</u> | <u>47,336,587</u> | <u>2,768,497</u> | <u>1,159,939,681</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 36,847,195 | 3,509,326 | - | 40,356,521 |
| Improvements Other than Buildings | 448,438,918 | 33,190,291 | 663,130 | 480,966,079 |
| Machinery and Equipment | 123,177,750 | 9,595,278 | 1,778,392 | 130,994,636 |
| Total Accumulated Depreciation | <u>608,463,863</u> | <u>46,294,895</u> | <u>2,441,522</u> | <u>652,317,236</u> |
| Total Capital Assets Depreciated, Net | <u>506,907,728</u> | <u>1,041,692</u> | <u>326,975</u> | <u>507,622,445</u> |
| Capital Assets Amortized: | | | | |
| Lease Buildings | 3,243,182 | 27,509 | - | 3,270,691 |
| Lease Equipment | 360,183 | 1,497,104 | - | 1,857,287 |
| Subscription Based Information Technology Arrangements | - | 1,452,868 | - | 1,452,868 |
| Total Capital Assets Amortized | <u>3,603,365</u> | <u>2,977,481</u> | <u>-</u> | <u>6,580,846</u> |
| Less Accumulated Amortization: | | | | |
| Lease Buildings | 446,080 | 453,679 | - | 899,759 |
| Lease Equipment | 288,146 | 259,175 | - | 547,321 |
| Subscription Based Information Technology Arrangements | - | 423,183 | - | 423,183 |
| Total Accumulated Amortization | <u>734,226</u> | <u>1,136,037</u> | <u>-</u> | <u>1,870,263</u> |
| Total Capital Assets Amortized, Net | <u>2,869,139</u> | <u>1,841,444</u> | <u>-</u> | <u>4,710,583</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 585,761,885</u> | <u>\$ 81,430,658</u> | <u>\$ 33,112,191</u> | <u>\$ 634,080,352</u> |

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Depreciation and Amortization expense was charged to functions/programs of the governmental activities as follows:

| | |
|--|-----------------------------|
| Governmental activities: | |
| Administrative Services and General Government | \$ 1,998,535 |
| Community Services | 186,404 |
| Cultural and Recreation Services | 3,755,056 |
| Economic and Business Development | 1,571,283 |
| Fire | 2,187,400 |
| Health | 285,036 |
| Other Public Safety | 454,811 |
| Police | 1,434,697 |
| Streets and Traffic | 27,657,014 |
| Solid Waste | 2,010,604 |
| Internal Service Funds | <u>5,779,439</u> |
| Total Depreciation Expense - Governmental Activities | 47,320,279 |
| Transfer in of Accumulated Depreciation - Business-Type Activities | <u>110,653</u> |
| Increase in Accumulated Depreciation - Governmental Activities | <u><u>\$ 47,430,932</u></u> |

City of Lubbock, Texas
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Business Type Activities

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-------------------------|-----------------------|----------------------|-------------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 80,775,076 | \$ 9,649,377 | \$ - | \$ 90,424,453 |
| Construction in Progress | 82,042,830 | 97,545,486 | 88,628,139 | 90,960,177 |
| Electric Production Plant | 75,410 | - | - | 75,410 |
| Electric Transmission Plant | 30,858,404 | 1,058,355 | - | 31,916,759 |
| Electric Distribution Plant | 18,096,713 | 51,447 | - | 18,148,160 |
| Electric General Plant | 317,953 | - | - | 317,953 |
| Total Capital Assets Not Depreciated | <u>212,166,386</u> | <u>108,304,665</u> | <u>88,628,139</u> | <u>231,842,912</u> |
| Capital Assets Depreciated: | | | | |
| Buildings | 230,365,075 | - | 302,690 | 230,062,385 |
| Improvements Other than Buildings | 1,585,014,448 | 36,785,419 | 2,305,713 | 1,619,494,154 |
| Machinery and Equipment | 207,885,723 | 6,938,554 | 3,860,414 | 210,963,863 |
| Electric Production Plant | 89,169,155 | - | 37,041 | 89,132,114 |
| Electric Transmission Plant | 298,064,250 | 10,874,585 | - | 308,938,835 |
| Electric Distribution Plant | 369,928,184 | 43,417,239 | 403,161 | 412,942,262 |
| Electric Regional Trans Mkt Oper Plant | 2,767,781 | - | - | 2,767,781 |
| Electric General Plant | 57,033,546 | 1,881,562 | 2,762,135 | 56,152,973 |
| Total Capital Assets Depreciated | <u>2,840,228,162</u> | <u>99,897,359</u> | <u>9,671,154</u> | <u>2,930,454,367</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings | 94,394,310 | 4,930,767 | 302,690 | 99,022,387 |
| Improvements Other than Buildings | 561,588,836 | 39,642,728 | 2,287,689 | 598,943,875 |
| Machinery and Equipment | 114,813,549 | 10,435,078 | 3,828,324 | 121,420,303 |
| Electric Production Plant | 60,355,532 | 3,431,119 | 37,041 | 63,749,610 |
| Electric Transmission Plant | 18,517,396 | 6,408,595 | - | 24,925,991 |
| Electric Distribution Plant | 182,116,328 | 8,728,829 | 403,161 | 190,441,996 |
| Electric Regional Trans Mkt Oper Plant | 2,317,144 | 241,257 | - | 2,558,401 |
| Electric General Plant | 26,449,908 | 3,625,144 | 337,026 | 29,738,026 |
| Total Accumulated Depreciation | <u>1,060,553,003</u> | <u>77,443,517</u> | <u>7,195,931</u> | <u>1,130,800,589</u> |
| Total Capital Assets Depreciated, Net | <u>1,779,675,159</u> | <u>22,453,842</u> | <u>2,475,223</u> | <u>1,799,653,778</u> |
| Capital Assets Amortized: | | | | |
| Lease Buildings | 382,483 | 10,730 | - | 393,213 |
| Lease Equipment | 301,358 | 3,910 | - | 305,268 |
| Subscription Based Information Technology Arrangements | - | 2,339,184 | - | 2,339,184 |
| Total Capital Assets Amortized | <u>683,841</u> | <u>2,353,824</u> | <u>-</u> | <u>3,037,665</u> |
| Less Accumulated Amortization: | | | | |
| Lease Buildings | 8,315 | 9,115 | - | 17,430 |
| Lease Equipment | 81,362 | 83,293 | - | 164,655 |
| Subscription Based Information Technology Arrangements | - | 1,716,229 | - | 1,716,229 |
| Total Accumulated Amortization | <u>89,677</u> | <u>1,808,637</u> | <u>-</u> | <u>1,898,314</u> |
| Total Capital Assets Amortized, Net | <u>594,164</u> | <u>545,187</u> | <u>-</u> | <u>1,139,351</u> |
| Business Type Activities Capital Assets, Net | <u>\$ 1,992,435,709</u> | <u>\$ 131,303,694</u> | <u>\$ 91,103,362</u> | <u>\$ 2,032,636,041</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
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Depreciation and Amortization expense was charged to functions/programs of the business-type activities as follows:

| | |
|---|-----------------------------|
| Business-Type Activities: | |
| LP&L | \$ 24,128,904 |
| Water/Wastewater | 36,955,291 |
| Storm Water | 4,594,551 |
| Airport | 10,606,454 |
| Transit | 1,950,569 |
| Civic Centers | 900,757 |
| Cemetery | 42,702 |
| Lake Alan Henry | 5,804 |
| Internal Service | 67,122 |
| Total Depreciation Expense - Business-Type Activities | <u>79,252,154</u> |
| Transfer in of Accumulated Depreciation - Governmental Activities | - |
| Increase in Accumulated Depreciation - Business-Type Activities | <u><u>\$ 79,252,154</u></u> |

Construction Commitments

The City has active construction projects at fiscal year end.

| <u>Projects</u> | <u>Original Commitments</u> | <u>Spent-to-Date</u> | <u>Remaining Commitments</u> |
|-------------------------------|---------------------------------|-----------------------|----------------------------------|
| Governmental Capital Projects | \$ 237,953,216 | \$ 112,119,510 | \$ 125,833,706 |
| TIF Capital Projects | 19,255,185 | 13,225,546 | 6,029,639 |
| Gateway Street Projects | 10,567,011 | 8,796,116 | 1,770,895 |
| LP&L | 382,077,851 | 318,186,472 | 63,891,379 |
| Water/Wastewater | 168,480,148 | 112,686,631 | 55,793,517 |
| Storm Water | 13,425,848 | 4,847,099 | 8,578,749 |
| Airport | 62,835,830 | 43,193,483 | 19,642,347 |
| Civic Center | 2,113,912 | 623,714 | 1,490,198 |
| Cemetery | 403,491 | 85,797 | 317,694 |
| Internal Service Fund | 35,441,215 | 14,075,811 | 21,365,404 |
| Total | <u>\$ 932,553,707</u> | <u>\$ 627,840,179</u> | <u>\$ 304,713,528</u> |

LP&L has numerous capital projects that are nearing completion. One of their newer projects is an \$23.9 million project for the technology upgrade, and implementation to create a system required to provide data to the Electric Reliability Council of Texas. (ERCOT)

Water has an \$23.6 million appropriation to design and construct a treated water booster pump station located at Pump Station 14, and approximately four miles of treated water line to the future Bailey County Well Field line to Pump Station 16.

Airport has a \$8.0 million appropriation for the upgrade of various electrical system components that are past their serviceable life and inefficient. Work includes switchgear, power distribution, and emergency power system replacement.

City of Lubbock, Texas
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One of the many ongoing Governmental Capital Projects is a \$10.6 million appropriation to construct a multi-company fire station that will serve South Lubbock area residents. The fire station #20 will be located east of the Lubbock Police Department substation at 141st and Indiana. Another new Governmental Capital Project is a street project with an \$12.0 appropriation to pave and improve 98th Street Alcove Avenue to Upland Avenue.

E. LEASES

The City has entered into multiple lease agreements as lessor. The leases allow the right-to-use of land, buildings, and infrastructure to other organizations over the terms of the lease. The City receives monthly payments at the interest rate stated or implied within the leases. The interest rate for these leases is the City's incremental borrowing rate of 1.97%. The City has \$3,029,742 remaining in lease receivables and \$3,029,742 remaining in deferred inflows as of September 30, 2023.

| Fiscal Year | Leases | | | |
|--------------------|--------------------------------|-----------------|----------------------------------|-----------------|
| | Governmental Activities | | Business- Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 57,820 | \$ 7,180 | \$ 186,922 | \$ 50,783 |
| 2025 | 58,959 | 6,040 | 191,144 | 46,443 |
| 2026 | 60,121 | 4,879 | 195,450 | 43,256 |
| 2027 | 61,305 | 3,695 | 187,950 | 39,488 |
| 2028 | 62,513 | 2,487 | 189,893 | 35,777 |
| 2029-2033 | 63,744 | 1,256 | 989,774 | 120,766 |
| 2034-2038 | - | - | 724,147 | 36,179 |
| Totals | \$ 364,462 | \$ 25,537 | \$ 2,665,280 | \$ 372,692 |

F. RETIREMENT PLANS

Each qualified employee is included in one of two retirement plans in which the City participates. These are the Texas Municipal Retirement System (TMRS) and the Lubbock Fire Pension Fund (LFPP). The City does not maintain the accounting records, hold the investments, or administer either retirement plan.

The total (aggregate for the TMRS and LFPP plans) of the City's net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2023 and the pension expense for the year ended is as follows:

| | TMRS | LFPP | Total |
|--------------------------------|---------------|---------------|----------------|
| Net pension liability | \$151,624,079 | \$108,159,774 | \$ 259,783,853 |
| Deferred outflows of resources | 85,088,555 | 33,715,096 | 118,803,651 |
| Deferred inflows of resources | 4,901,489 | 1,606,605 | 6,508,094 |
| Pension expense (income) | 31,505,819 | 11,324,491 | 42,830,310 |

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as

City of Lubbock, Texas
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an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member’s benefit is calculated based on the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s contributions and interest.

The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | Plan Year 2023 |
|---|-----------------------|
| Employee Deposit Rate | 7.0% |
| Matching Ratio (City to Employee) | 2 to 1 |
| Years Required for Vesting | 5 |
| Service Retirement Eligibility (Expressed as Age/Years of Service) | 60/5, 0/20 |

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | 1,566 |
| Inactive employees entitled to but not yet receiving benefits | 1,099 |
| Active employees | 1,850 |
| Total | 4,515 |

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member’s total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.66% and 17.01% in calendar years 2022 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2023, were \$21,799,011, and were equal to the required contributions.

City of Lubbock, Texas
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Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year, adjusted down for population declines, if any |
| Investment Rate of Return | 6.75%, net of pension investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retiree of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

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| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|-------------------|--|
| Global Equity | 35.0% | 7.7% |
| Core Fixed Income | 6.0% | 4.9% |
| Non-Core Fixed Income | 20.0% | 8.7% |
| Other Public and Private Markets | 12.0% | 8.1% |
| Real Estate | 12.0% | 5.8% |
| Hedge Funds | 5.0% | 6.9% |
| Private Equity | 10.0% | 11.8% |
| Total | 100.0% | |

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

| | Plan | | |
|---|-------------------------|------------------------|-----------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balance at September 30, 2022 | \$ 817,735,159 | \$ 784,142,557 | \$ 33,592,602 |
| Changes for the year | | | |
| Service Cost | 20,783,149 | - | 20,783,149 |
| Interest | 54,430,194 | - | 54,430,194 |
| Difference between expected and actual experience | 14,653,185 | - | 14,653,185 |
| Contributions - employer | - | 20,355,513 | (20,355,513) |
| Contributions - employee | - | 8,553,456 | (8,553,456) |
| Changes in assumptions | - | - | - |
| Net investment income | - | (57,169,662) | 57,169,662 |
| Benefit payments, including refunds of employee contributions | (43,506,972) | (43,506,972) | - |
| Administrative expenses | - | (495,317) | 495,317 |
| Other Charges | - | 591,061 | (591,061) |
| Net changes | \$ 46,359,556 | \$ (71,671,921) | \$ 118,031,477 |
| Balance at September 30, 2023 | \$ 864,094,715 | \$ 712,470,636 | \$ 151,624,079 |

City of Lubbock, Texas
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Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 6.75, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75) or 1-percentage-point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|------------------------------|---|------------------------------|---|
| City's net pension liability | \$266,515,150 | \$151,624,079 | \$57,012,570 |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023 the City recognized pension expense of \$31,505,819.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference in expected and actual experience | \$ - | \$ 4,901,489 |
| Difference in expected and actual experience | 19,292,325 | - |
| Difference in assumption changes | 73,041 | - |
| Difference between projected and actual investment earnings | 48,944,540 | - |
| Contributions subsequent to the measurement date | 16,778,649 | - |
| Total | \$ 85,088,555 | \$ 4,901,489 |

\$16,778,649 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30: | |
|----------------------------------|----------------------|
| 2024 | \$ 6,588,105 |
| 2025 | 18,519,692 |
| 2026 | 16,280,764 |
| 2027 | 22,019,856 |
| Total | \$ 63,408,417 |

City of Lubbock, Texas
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LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

The city contributes to the retirement plan for firefighters and eligible civilian employees in the Lubbock Fire Department known as the Lubbock Fire Pension Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Lubbock Fire Pension Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Lubbock Fire Pension Fund at 4223 85th Street, Lubbock, Texas 79423. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters and eligible civilian employees in the Lubbock Fire Department are covered by the Lubbock Fire Pension Fund, which provides service retirement, death, disability, and withdrawal benefits. The retirement benefits fully vest after 20 years of credited service. Plan members become eligible for normal service retirement at age 50 with 20 years of service. A partially vested benefit is provided for members who terminate employment with at least 10 but less than 20 years of service. If a terminated member has a fully vested benefit (with at least 20 years) but is not eligible for normal retirement, the member may elect an actuarially equivalent early retirement benefit or wait to retire starting on the date he or she would have first satisfied both age and service requirements for normal retirement if he or she had remained an eligible plan member. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus \$335.05 for each year of service in excess of 20. Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude overtime compensation designated as "Call-Back Overtime Pay" that is overtime in excess of "regular normal scheduled hours."

A retiring plan member eligible for normal service retirement with certain minimum combinations of years of service and age has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Final 48-Month Average Salary as if the member had terminated employment on the selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the member meets the RETRO DROP eligibility requirements and the date preceding the date of actual retirement by the maximum lump sum accumulation period (24 months). Upon retirement, the member will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date of retirement under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

In the December 31, 2022 actuarial valuation, the following numbers of members were covered by the Fund:

| | |
|---|-----|
| Retirees and beneficiaries currently receiving benefits | 326 |
| Inactive employees entitled to but not yet receiving benefits | 3 |
| Active employees | 431 |
| Total | 760 |

City of Lubbock, Texas
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Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the city.

The contribution policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the members, the rate elected by the members according to TLFFRA effective September 29, 2018. Before that their contribution rate was 12.43% for many years. For many years, the city's contribution rate to the Fund has been related to the percentage of payroll that the city contributes to the Texas Municipal Retirement System (TMRS) for other employees each calendar year. The actual city contribution rate was 22.18% in 2021 and averaged 21.78% in 2022.

Beginning October 1, 2022, the city has decided to discontinue the formula tied to TMRS and agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the expected city contribution rate beginning October 1, 2022 is 21.75%. The December 31, 2022 actuarial valuation includes the assumption that the new city contribution policy will continue with the city contribution rate of 21.75% at least as long as the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2022, the money-weighted rate of return on pension plan investments was -4.61%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the members and the assumed City contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

The City's contributions to LFPF for the year ended September 30, 2023 were \$9,081,090 and were equal to the statutorily required contributions.

Net Pension Liability

The City of Lubbock's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2022.

| | | |
|---|----|--------------------|
| Total pension liability | \$ | 347,747,936 |
| Plan fiduciary net position | | <u>239,588,162</u> |
| City's net pension liability | \$ | 108,159,774 |
| | | |
| Plan fiduciary net position as a percentage of the total pension liability | | 68.9% |

City of Lubbock, Texas
Notes to Basic Financial Statements
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Actuarial assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.5% |
| Overall payroll growth | 2.75%, plus promotion, step and longevity increases that vary by service |
| Investment Rate of Return | 7.5%, net of pension plan investment experience, including inflation |

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.05%) and by adding expected inflation (2.5%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Equities | | |
| Domestic total market | 10.00% | 6.49% |
| World large cap | 40.00% | 6.13% |
| Alternatives | | |
| Real estate | 15.00% | 4.39% |
| Private equity | 10.00% | 6.75% |
| Fixed income | | |
| Domestic core plus | 15.00% | 2.04% |
| Floating rate | 5.00% | 2.40% |
| Private credit | 5.00% | 3.76% |
| Total | 100% | |
| Weighted Average | | 5.05% |

Discount rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the special study based on the December 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 25 years. Because of the 25-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

City of Lubbock, Texas
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| Changes in the Net Pension Liability | Increase (Decrease) | | |
|---|-----------------------------------|---------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balance at September 30, 2022 | \$322,930,134 | \$257,048,761 | \$ 65,881,373 |
| Changes for the year: | | | |
| Service cost | 7,586,703 | - | 7,586,703 |
| Interest | 24,049,453 | - | 24,049,453 |
| Changes of benefit provisions | - | - | - |
| Difference between expected and actual experience | 12896,584 | - | 12,896,584 |
| Contributions – employer | - | 8,439,910 | (8,439,910) |
| Contributions – employee | - | 5,806,171 | (5,806,171) |
| Net investment income | - | (11,730,635) | 11,730,635 |
| Benefit payments, including refunds of employee contributions | (19,714,938) | (19,714,938) | - |
| Administrative expense | - | (262,048) | 262,048 |
| Assumption changes | - | - | - |
| Other changes | - | 941 | (941) |
| Net changes | <u>\$ 24,817,802</u> | <u>\$(17,460,599)</u> | <u>\$ 42,278,401</u> |
| Balance at September 30, 2023 | <u>\$347,747,936</u> | <u>\$239,588,162</u> | <u>\$108,159,774</u> |

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

| | 1% Decrease in Discount Rate (6.5%) | Discount Rate (7.5%) | 1% Increase in Discount Rate (8.5%) |
|------------------------------|--|----------------------|--|
| City's net pension liability | \$151,748,816 | \$108,159,774 | \$71,847,586 |

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund’s separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date. That report can be obtained by contacting the Board of Trustees, LFPF, 4223 85th Street, Lubbock, TX 79423 or at www.lubbockfirepensionfund.com.

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pension

For the year ended September 30, 2023, the City recognized pension expense of \$11,324,491. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

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At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between projected and actual economic experience | \$ 6,606,687 | \$ - |
| Changes in actuarial assumptions | 7,592,109 | 1,251,584 |
| Difference between projected and actual investment earnings | 12,554,756 | 355,021 |
| Contributions subsequent to the measurement date | 6,961,544 | - |
| Total | \$ 33,715,096 | \$ 1,606,605 |

\$6,961,544 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability as of September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ending September 30: | |
|----------------------------------|---------------------|
| 2024 | \$871,127 |
| 2025 | 3,908,879 |
| 2026 | 4,180,168 |
| 2027 | 8,368,991 |
| 2028 | 2,348,877 |
| Thereafter | 5,486,905 |
| Total | \$25,164,947 |

G. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person's dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City does not issue stand-alone financial statements for the health/dental plan. However, all required information is presented in this report.

Benefits Provided

Permanent full-time employees of the City are eligible to participate in the retiree health/dental care plan provided they meet the criteria for retirement. To be recognized as a "service retiree" and be eligible for group medical/dental coverage, an employee must have worked for the City for five consecutive years immediately preceding the date of retirement and satisfy the retirement eligibility criteria listed below. Employees who retire or are eligible to retire when they leave employment must make an irrevocable decision to accept or deny retiree insurance at the time they terminate their employment with the City.

City of Lubbock, Texas
Notes to Basic Financial Statements
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Normal Retirement Benefits

Texas Municipal Retirement System (TMRS)

- Completion of 20 years of service, regardless of age; or
- Upon attaining age 60 provided the employee has at least five (5) years of service.

Lubbock Fire Pension Fund (LFPF)

- Upon attaining age 50 provided the employee has at least twenty (20) years of service.

Retiree medical/dental coverage levels for retirees is the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan.

Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave shall be eligible to elect to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. Retirees are required to pay a prorated premium for the days of coverage not funded by their excess sick leave.

Retirees may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense. Insured dependents of a deceased insured retiree shall remain eligible for insurance or the Medicare stipend.

The City will provide a \$150 per month Health Retirement Account (HRA) contribution or stipend for Medicare eligible retiree/spouses. Medicare eligible retirees/dependents may not continue coverage on the City's plan.

The following table provides a summary of the number of participants in the plan as of December 31, 2021:

| | |
|---|-------|
| Inactive plan members or beneficiaries currently receiving benefits | 854 |
| Inactive plan members entitled to but not yet receiving benefits | - |
| Active plan members | 2,226 |
| Total | 3,080 |

Contributions

The City is not required to contribute to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. Plan members pay monthly premiums of \$442/\$23 (medical/dental) for single coverage and \$1,009/\$51 (medical/dental) for family coverage, pre-65.

Total OPEB Liability

The City's OPEB liability was measured as of December 31, 2021. Update procedures were used to roll forward the total OPEB liability to December 31, 2022.

City of Lubbock, Texas
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Actuarial assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|----------------------------|--|
| Actuarial Cost Method | Individual Entry-Age |
| Inflation | 2.5% per year |
| Healthcare cost trend rate | Initial rate of 7.0% declining to an ultimate rate of 4.15% after 13 years |
| Discount rate | 4.05% as of December 31, 2022 |
| Salary increases | <u>TMRS</u> : 3.5% to 11.5%, including inflation <u>LFPF</u> : 2.75% to 7.89% |

Demographic assumptions were updated to reflect the 2019 TMRS Experience Study and assumptions utilized by the Lubbock Fire Pension Fund valuation.

Mortality rates for TMRS: for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

Mortality rates for LFPF: based on the PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018.

Discount rate

For plans that do not have a formal trust that meets GASB’s requirements, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For purposes of this valuation, the municipal bond rate is 4.05% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”).

| Changes in the Total OPEB Liability | Total OPEB Liability |
|---|------------------------------------|
| Balance at September 30, 2022 | \$154,946,406 |
| Changes for the year: | |
| Service cost | 10,103,936 |
| Interest | 2,899,710 |
| Difference between expected and actual experience | (205,595) |
| Changes of assumptions | (33,405,883) |
| Benefit Payments | (4,810,834) |
| Net Changes | <u>\$(25,418,666)</u> |
| Balance at September 30, 2023 | <u><u>\$129,527,740</u></u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
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Sensitivity of the total OPEB liability to changes in the discount rate

The following represents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

| | 1% Decrease in Discount Rate (3.05%) | Discount Rate (4.05%) | 1% Increase in Discount Rate (5.05%) |
|-----------------------------|---|----------------------------------|---|
| City's Total OPEB Liability | \$143,364,690 | \$129,527,740 | \$117,463,298 |

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rate

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following represents the total OPEB liability of the City, calculated using the assumed healthcare cost trend rate as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| | 1% Decrease in Healthcare Cost Trend Rate | Current Healthcare Cost Trend Rate Assumption | 1% Increase in Healthcare Cost Trend Rate |
|-----------------------------|--|--|--|
| City's Total OPEB Liability | \$118,248,628 | \$129,527,740 | \$143,052,181 |

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized total OPEB expense of \$6,154,528.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference in expected and actual experience | \$ - | \$ 18,836,460 |
| Changes in assumptions | 11,980,714 | 36,597,189 |
| Contributions subsequent to the measurement date | 3,181,281 | - |
| Total | \$ 15,161,995 | \$ 55,433,649 |

\$3,181,281 reported as deferred outflows of resources related to OPEB resulting from benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability as of September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Lubbock, Texas
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| Year ending September 30: | |
|----------------------------------|------------------------------|
| 2024 | (\$6,849,118) |
| 2025 | (7,380,390) |
| 2026 | (7,260,770) |
| 2027 | (7,034,448) |
| 2028 | (8,469,113) |
| Thereafter | <u>(6,459,096)</u> |
| Total | <u><u>\$(43,452,935)</u></u> |

H. DEFERRED COMPENSATION

The City offers its employees three deferred compensation plans in accordance with Internal Revenue Code (“IRC”) Section 457. The plans, available to all city employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plans’ assets are held in trust for the exclusive benefit of the participants and their beneficiaries. The City does not provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the BFS.

I. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2023, the Board was comprised of 17 members, two of which represented the City. The City contracted with the CRMWA to reimburse CRMWA for a portion of the cost of the Canadian River Dam and aqueduct system in exchange for surface water. The City’s pro-rata share of annual fixed and variable operating and reserve assessments are recorded as an expense of obtaining surface water. The City has four contract revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water and Wastewater Enterprise Fund.

J. COMMITMENTS

In anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement on May 27, 2021 to terminate the PR Agreement. Regulatory approval was granted on September 28, 2023. The full ERCOT integration was completed on December 11, 2023, resulting in an early termination of the PR Agreement. Under the terms of the Settlement Agreement, LP&L will pay a lump sum, totaling \$65.7 million on January 15, 2024 to SPS as compensation for power and transmission related shifted costs under the PR Agreement. This was recorded as an expense/liability as of September 20, 2023. The expense is included in the non-operating miscellaneous line item in the LP&L fund financial statement. The negotiated lump sum termination payment of \$65.7 million will be funded with long-term bonds.

LP&L also agreed to continue paying SPP charges that are assessed to SPS under the LP&L Network Integration Transmission Service (“NITS”) Agreement, for up to 24 months, that are attributable to service to LP&L’s load after LP&L departs the SPP system (because SPP uses lagging billing determinants for certain charges). Additionally, the Settlement Agreement will not become effective unless and until it is approved or accepted by the Federal Energy Regulatory Commission (FERC) and the PUC. Following the termination

City of Lubbock, Texas
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date, the contractual relationship between LP&L and SPS will be limited to the Settlement Agreement and certain easements and crossing agreements necessary for the operation of each respective system. For clarity, the existing water use agreement and the existing franchise agreement pertaining to SPS' retail service territory in Lubbock will continue under the existing terms of each respective agreement.

K. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

| <u>Interest Rate%</u> | <u>Dated</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Outstanding 09/30/23</u> |
|---------------------------|--------------|--------------------------|--------------------------|---------------------------------|
| 2.64 | 05/01/14 | 02/15/26 | \$ 44,920,000 | \$ 20,905,000 |
| 3.25 | 05/01/14 | 02/15/34 | 62,900,000 | 6,025,000 |
| 3.11 | 04/15/15 | 02/15/35 | 102,490,000 | 68,785,000 |
| 2.42 | 04/15/15 | 02/15/28 | 129,665,000 | 55,855,000 |
| 3.21 | 05/01/15 | 02/15/31 | 28,305,000 | 18,950,000 |
| 2.41 | 04/15/16 | 02/15/34 | 26,660,000 | 18,745,000 |
| 2.72 | 04/15/16 | 02/15/36 | 101,305,000 | 68,940,000 |
| 2.47 | 11/01/16 | 02/15/34 | 36,780,000 | 16,195,000 |
| 0.00 | 02/16/17 | 02/15/37 | 35,000,000 | 24,500,000 |
| 3.20 | 04/15/17 | 02/15/37 | 23,290,000 | 16,060,000 |
| 2.92 | 04/04/18 | 02/15/38 | 18,535,000 | 11,610,000 |
| 3.86 | 04/04/18 | 02/15/38 | 14,675,000 | 11,990,000 |
| 2.76 | 04/04/18 | 02/15/30 | 96,160,000 | 61,925,000 |
| 3.07 | 04/04/19 | 02/15/39 | 64,550,000 | 56,755,000 |
| 2.13 | 04/04/19 | 02/15/30 | 12,270,000 | 7,545,000 |
| 2.31 | 10/08/19 | 02/15/32 | 44,875,000 | 36,430,000 |
| 2.51 | 05/13/20 | 02/15/40 | 7,045,000 | 6,405,000 |
| 1.57 | 12/17/20 | 02/15/34 | 32,690,000 | 29,465,000 |
| 0.83 | 02/18/21 | 02/15/31 | 6,010,000 | 5,155,000 |
| 1.97 | 07/28/21 | 02/15/41 | 24,420,000 | 22,785,000 |
| 3.61 | 03/23/23 | 02/15/38 | 15,470,000 | 15,470,000 |
| 3.92 | 03/23/23 | 02/15/43 | 46,085,000 | 46,085,000 |
| | | | <u>\$ 974,100,000</u> | <u>\$ 626,580,000</u> |

(A) Excludes net bond premiums and discounts – (\$20,531,975) business-type and (\$23,348,993) governmental. Additionally, this amount includes \$308,915,000 of bonds used to finance enterprise fund activities.

At September 30, 2023, management of the City believes the City complied with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, tax notes, electric revenue bonded debt, and water contract bonded debt.

Amounts classified as restricted investment in other governmental funds represent amounts restricted by bond ordinances to cover next year's debt service payments for certain general obligations that will be transferred to the debt service fund next year.

City of Lubbock, Texas
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LP&L REVENUE BONDS

| <u>Interest Rate (%)</u> | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Amount Issued</u> | <u>Balance Outstanding 09/30/2023</u> |
|--------------------------|-------------------|----------------------------|----------------------|---------------------------------------|
| 1.90 | 04/15/2013 | 04/15/2024 | 16,570,000 | 785,000 |
| 3.09 | 05/01/2014 | 04/15/2034 | 16,245,000 | 7,235,000 |
| 3.41 | 04/15/2015 | 04/15/2035 | 11,865,000 | 8,195,000 |
| 3.04 | 04/15/2016 | 04/15/2046 | 7,535,000 | 5,105,000 |
| 3.60 | 08/15/2017 | 02/15/2047 | 17,760,000 | 15,415,000 |
| 3.64 | 07/12/2018 | 04/15/2048 | 93,925,000 | 75,630,000 |
| 2.73 | 09/09/2021 | 04/15/2051 | 266,870,000 | 252,930,000 * |
| 3.61 | 09/07/2022 | 04/15/2042 | 56,480,000 | 53,750,000 |
| Total | | | <u>487,250,000</u> | <u>419,045,000</u> |

* Balance outstanding excludes (\$59,090,181) of net bond premiums and discounts.

Debt is secured by a first lien on and pledge of the net revenues of the City's Electric Light and Power System. Remaining interest required to amortize all outstanding debt equals \$255.4 million.

The general purpose for the debt is for acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities and/or related infrastructure for the Electric Light and Power System. Net revenue available for debt service is 2.1 times the debt service requirements in FY23.

WATER/WASTEWATER REVENUE BONDS

| <u>Interest Rate (%)</u> | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Amount Issued</u> | <u>Balance Outstanding 09/30/2023</u> |
|--------------------------|-------------------|----------------------------|----------------------|---------------------------------------|
| 0.92 | 04/04/2019 | 02/15/2039 | 19,635,000 | 15,695,000 |
| 2.47 | 04/04/2109 | 02/15/2039 | 16,725,000 | 11,940,000 |
| 2.45 | 10/08/2019 | 02/15/2034 | 88,405,000 | 73,900,000 |
| 2.51 | 05/14/2020 | 02/15/2040 | 42,085,000 | 38,250,000 |
| 0.74 | 12/17/2020 | 02/15/2030 | 27,220,000 | 21,555,000 * |
| 1.71 | 12/17/2020 | 02/15/2033 | 22,135,000 | 20,070,000 |
| 0.86 | 02/18/2021 | 02/15/2031 | 9,630,000 | 8,120,000 |
| 1.00 | 10/14/2021 | 02/15/2041 | 10,445,000 | 9,395,000 |
| 2.64 | 05/12/2022 | 02/15/2032 | 7,435,000 | 6,920,000 |
| 3.69 | 03/23/2023 | 02/15/2038 | 14,485,000 | 14,485,000 |
| Total | | | <u>258,200,000</u> | <u>220,330,000</u> |

* Balance outstanding excludes (\$9,572,512) of bond premiums.

The general purpose for the debt is for acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities and/or related infrastructure for the Water and Wastewater Systems. Net revenue available for debt service is 2.7 times the debt service requirements in FY23.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

CONTRACT BONDS

| <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Amount Issued</u> | <u>Balance Outstanding 09/30/2023*</u> |
|-------------------|----------------------------|----------------------|--|
| 10/01/2017 | 02/15/2029 | 4,723,042 | 2,366,771 |
| 11/19/2020 | 02/15/2031 | 16,526,365 | 12,861,544 |
| 11/18/2021 | 02/15/2025 | 3,660,000 | 1,780,416 |
| 06/01/2023 | 02/15/2027 | 4,569,251 | 3,951,000 |
| | | <u>29,478,658</u> | <u>20,959,731</u> |

*Balance outstanding excludes (\$2,361,010) of bond premiums.

TAX NOTE

| <u>Interest Rate (%)</u> | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Amount Issued</u> | <u>Balance Outstanding 09/30/2023</u> |
|--------------------------|-------------------|----------------------------|----------------------|---------------------------------------|
| 1.78 | 07/11/2017 | 02/15/2024 | 18,220,000 | 1,755,000 |
| 2.50 | 08/01/2018 | 02/15/2025 | 13,290,000 | 1,165,000 |
| 1.99 | 08/01/2019 | 02/15/2026 | 7,130,000 | 1,885,000 |
| 1.11 | 07/27/2020 | 02/15/2027 | 8,705,000 | 3,555,000 |
| 1.11 | 08/24/2021 | 02/15/2028 | 3,000,000 | 1,975,000 |
| 2.80 | 06/14/2022 | 02/15/2029 | 5,150,000 | 4,495,000 |
| 4.17 | 06/21/2023 | 02/15/2030 | 4,815,000 | 4,815,000 |
| Total | | | <u>60,310,000</u> | <u>19,645,000</u> |

The City of Lubbock has entered into multiple lease agreements as lessee. The leases allow the right to use assets over the term of the lease. The City of Lubbock is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

City of Lubbock, Texas
Notes to Basic Financial Statements
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LEASES

| <u>Interest Rate (%)</u> | <u>Final Maturity Date</u> | <u>Initial Liability</u> | <u>Balance Outstanding 09/30/2023</u> |
|--------------------------|----------------------------|--------------------------|---------------------------------------|
| 1.97 | 09/01/2024 | 158,176 | 54,236 |
| 1.97 | 03/01/2030 | 572,038 | 457,833 |
| 1.97 | 09/01/2029 | 1,161,599 | 941,348 |
| 1.97 | 03/01/2030 | 740,795 | 592,838 |
| 1.97 | 12/01/2026 | 768,750 | 493,372 |
| 1.97 | 09/01/2026 | 143,182 | 91,392 |
| 1.97 | 09/01/2068 | 382,483 | 382,840 |
| 2.80 | 03/01/2026 | 1,497,104 | 1,318,996 |
| Total | | <u>\$ 5,424,127</u> | <u>\$ 4,332,855</u> |

The City has entered into multiple Subscription-Based Information Technology Arrangements (SBITA). These arrangements include cloud computing, and software as a service. The related obligations are presented in the amounts equal to the present value of subscription payments, payable during the remaining SBITA term.

Subscription Based Information Technology Arrangements

| <u>Interest Rate (%)</u> | <u>Final Maturity Date</u> | <u>Initial Liability</u> | <u>Balance Outstanding 09/30/2023</u> |
|--------------------------|----------------------------|--------------------------|---------------------------------------|
| 2.80 | 09/01/2025 | 1,181,229 | 791,304 |
| 2.80 | 09/01/2025 | 189,405 | 128,005 |
| 2.80 | 09/01/2024 | 417,568 | 211,955 |
| 2.80 | 09/01/2024 | 65,631 | 34,150 |
| 2.80 | 09/01/2024 | 24,482 | 11,268 |
| 2.80 | 11/01/2023 | 1,878,778 | 381,741 |
| Total | | <u>\$ 3,757,093</u> | <u>\$ 1,558,423</u> |

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

The annual requirements to amortize all outstanding debt of the City as of September 30, 2023 are as follows:

| Fiscal Year | Governmental Activities | | | | | |
|-------------|--------------------------|---------------|---------------|--------------|--------------|------------|
| | General Obligation Bonds | | Tax Notes | | SIB Loan | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 31,270,000 | \$ 13,636,541 | \$ 5,502,082 | \$ 434,182 | \$ 488,745 | \$ 142,860 |
| 2025 | 31,075,000 | 11,187,063 | 3,850,446 | 306,637 | 502,122 | 129,484 |
| 2026 | 28,525,000 | 9,869,783 | 2,998,960 | 229,911 | 515,864 | 115,742 |
| 2027 | 25,590,000 | 8,672,895 | 2,280,000 | 166,028 | 529,983 | 101,623 |
| 2028 | 24,395,000 | 7,585,185 | 1,695,000 | 110,368 | 544,489 | 87,117 |
| 2029-2033 | 89,410,000 | 25,714,534 | 2,325,000 | 73,363 | 2,954,306 | 203,721 |
| 2034-2038 | 62,150,000 | 10,576,729 | - | - | - | - |
| 2039-2043 | 25,250,000 | 1,984,850 | - | - | - | - |
| Totals | \$ 317,665,000 | \$ 89,227,580 | \$ 18,651,488 | \$ 1,320,489 | \$ 5,535,509 | \$ 780,547 |

| Fiscal Year | Business-Type Activities | | | | | |
|-------------|--------------------------|---------------|------------|-----------|------------------------|----------------|
| | General Obligation Bonds | | Tax Notes | | Revenue/Contract Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | \$ 35,140,000 | \$ 11,417,653 | \$ 667,918 | \$ 11,573 | \$ 37,721,849 | \$ 26,415,391 |
| 2025 | 37,345,000 | 9,842,517 | 259,554 | 3,121 | 35,621,456 | 24,684,492 |
| 2026 | 35,355,000 | 8,264,188 | 66,040 | 367 | 38,547,415 | 23,259,636 |
| 2027 | 32,460,000 | 6,832,012 | - | - | 39,122,094 | 21,718,562 |
| 2028 | 30,545,000 | 5,513,389 | - | - | 39,618,226 | 20,129,042 |
| 2029-2033 | 96,475,000 | 13,863,069 | - | - | 156,918,691 | 79,671,318 |
| 2034-2038 | 40,100,000 | 2,506,641 | - | - | 112,560,000 | 53,999,731 |
| 2039-2043 | 1,495,000 | 29,900 | - | - | 90,415,000 | 33,033,412 |
| 2044-2049 | - | - | - | - | 72,080,000 | 16,797,825 |
| 2050-2054 | - | - | - | - | 37,730,000 | 3,058,000 |
| Totals | \$ 308,915,000 | \$ 58,269,369 | \$ 993,512 | \$ 15,061 | \$ 660,334,731 | \$ 302,767,409 |

| Fiscal Year | Leases | | | |
|-------------|-------------------------|------------|--------------------------|------------|
| | Governmental Activities | | Business-Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 783,932 | \$ 77,469 | \$ 88,673 | \$ 9,223 |
| 2025 | 823,136 | 58,654 | 35,896 | 7,944 |
| 2026 | 850,815 | 39,005 | 37,403 | 7,217 |
| 2027 | 565,867 | 20,650 | 5,666 | 7,054 |
| 2028 | 336,927 | 12,347 | 5,779 | 6,941 |
| 2029-2033 | 443,710 | 7,656 | 30,663 | 32,937 |
| 2034-2038 | - | - | 33,834 | 29,766 |
| 2039-2043 | - | - | 37,334 | 31,068 |
| 2044-2048 | - | - | 41,195 | 17,603 |
| 2049-2053 | - | - | 45,456 | 18,144 |
| 2054-2058 | - | - | 50,157 | 13,443 |
| 2059-2063 | - | - | 55,344 | 8,256 |
| 2064-2068 | - | - | 61,068 | 2,532 |
| Totals | \$ 3,804,387 | \$ 215,781 | \$ 528,468 | \$ 192,128 |

The value of right-to-use assets at the end of the current fiscal year was \$5,826,459 and had accumulated amortization of \$1,629,165.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

| Fiscal Year | Subscription Based Information Technology Arrangements | | | |
|------------------------|---|-----------------|----------------------------------|-----------------|
| | Governmental Activities | | Business- Type Activities | |
| | Principal | Interest | Principal | Interest |
| 2024 | \$ 540,157 | \$ 24,807 | \$ 546,255 | \$ 10,399 |
| 2025 | 345,803 | 9,682 | 126,208 | 3,534 |
| Totals | \$ 885,960 | \$ 34,489 | \$ 672,463 | \$ 13,933 |

The value of Gross Subscription Assets at the end of the current fiscal year was \$3,792,052 and had accumulated amortization of \$2,139,412.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

Long-term obligations for governmental and business-type activities for the year ended September 30, 2023 are as follows:

| | Debt Payable | | | Debt Payable | Due in |
|---------------------------------------|-------------------------|-----------------------|-----------------------|-------------------------|---------------------|
| | 09/30/22 | Additions | Deletions | 09/30/23 | one year |
| Governmental activities: | | | | | |
| Tax-Supported - | | | | | |
| Obligation Bonds | \$ 306,972,634 | \$ 66,370,000 | \$ 37,026,146 | \$ 336,316,488 | \$36,772,083 |
| Bond Premiums | 23,054,900 | 4,432,591 | 4,138,498 | 23,348,993 | - |
| SIB Loan | 6,011,234 | - | 475,725 | 5,535,509 | 488,745 |
| Leases | 2,944,937 | 1,524,613 | 665,163 | 3,804,387 | 783,931 |
| Subscription Liability | - | 1,422,021 | 536,061 | 885,960 | 540,157 |
| Closure/Post Closure | 6,977,510 | 598,444 | - | 7,575,954 | - |
| Compensated Absences | 35,117,261 | 15,139,111 | 12,975,501 | 37,280,871 | 13,100,161 |
| Total OPEB Liability | 108,980,755 | 9,582,553 | 23,112,664 | 95,450,644 | - |
| Net Pension Liability | 88,676,573 | 156,836,639 | 34,297,582 | 211,215,630 | - |
| Insurance Claims Payable | 2,083,214 | 34,956,982 | 35,037,437 | 2,002,759 | 1,804,827 |
| Total Governmental activities | \$ 580,819,018 | \$ 290,862,954 | \$ 148,264,777 | \$ 723,417,195 | \$53,489,904 |
| Business-type activities: | | | | | |
| Self-Supported - | | | | | |
| Obligation Bonds | \$ 347,967,363 | \$ - | \$ 38,058,851 | \$ 309,908,512 | \$35,807,918 |
| Revenue and Contract Bon | 681,410,625 | 19,054,251 | 40,130,145 | 660,334,731 | 37,721,849 |
| Bond Premiums | 101,445,744 | 1,810,919 | 11,700,985 | 91,555,678 | - |
| Leases | 600,876 | 14,640 | 87,048 | 528,468 | 88,673 |
| Subscription Liability | - | 2,335,072 | 1,662,609 | 672,463 | 546,254 |
| Compensated Absences | 6,528,748 | 3,994,053 | 3,736,176 | 6,786,625 | 4,131,272 |
| Total OPEB Liability | 45,965,651 | 3,421,093 | 15,309,648 | 34,077,096 | - |
| Net Pension Liability | 10,797,402 | 47,220,292 | 9,449,470 | 48,568,224 | - |
| Insurance Claims Payable | 3,543,357 | 12,850,516 | 13,738,349 | 2,655,524 | 1,758,305 |
| Total Business-type activities | \$ 1,198,259,766 | \$ 90,700,836 | \$ 133,873,281 | \$ 1,155,087,321 | \$80,054,271 |

Payments on bonds payable for governmental activities are made in the Debt Service Fund. Bonded debt is subject to the applicability of federal arbitrage regulations. In FY 2023, the City had \$2,780,577 outstanding federal arbitrage. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund and Special Revenue Funds. The Risk Management Internal Service Fund will liquidate insurance claims payable that pertain to governmental activities. Payments for the leases that pertain to the governmental activities will be liquidated by the General Fund and Special Revenue Funds.

The General Fund will liquidate the other postemployment benefit liability that pertains to governmental activities. The net pension liability that pertains to the governmental activities will be liquidated mainly by the General Fund.

City of Lubbock, Texas
Notes to Basic Financial Statements
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The total long-term debt is reconciled to the total annual requirements to amortize long-term debt as follows:

| | | |
|---|----------------|------------------|
| Long-Term Debt - Governmental Activities | \$ 723,417,195 | |
| Long-Term Debt - Business-Type Activities | 1,155,087,321 | |
| Interest | 452,836,786 | |
| Total Amount of Debt | | \$ 2,331,341,302 |
| Less: Bond Discounts/Premiums | (114,904,671) | |
| Less: Closure/Post Closure | (7,575,954) | |
| Less: Compensated Absences | (44,067,496) | |
| Less: Post Employment Benefits | (129,527,740) | |
| Less: Net Pension Liability | (259,783,854) | |
| Less: Insurance Claims Payable | (4,658,283) | |
| Total Other Debt | | (560,517,998) |
| Total Future Bonded Debt Requirements | | \$ 1,770,823,304 |

New Bond Issuance

In March 2023, the City issued \$14,485,000 Water and Wastewater System Revenue Bonds, Series 2023 (Bonds), with a 3.69 percent interest rate. The Bonds were issued at a premium of \$1,592,757 and incurred issuance costs of \$202,757. The \$16,077,757 proceeds from the sale of the Bonds will be used for the purpose of (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System and (ii) paying the costs associated with the issuance of the Bonds.

In March 2023, the City issued \$46,085,000 General Obligation Bonds, Series 2023 (Bonds), with a 3.92 percent interest rate. The Bonds were issued at a premium of \$2,672,742 and incurred issuance costs of \$457,742. The \$48,757,742 proceeds from the sale of the Bonds will be used for (i) the acquisition, construction and reconstruction of City street improvements, including but not limited to sidewalks, utility line relocation and traffic signalization, necessary and related storm drainage facilities and the acquisition of land and rights-of-way therefor and (ii) payment of costs of issuance of the Bonds.

In March 2023, the City issued \$15,470,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (Certificates), with a 3.61 percent interest rate. The Certificates were issued at a premium of \$1,759,849 and incurred issuance costs of \$179,835. The \$17,229,849 proceeds from the sale of the Certificates will be used for (i) improvements to the City's Solid Waste Disposal System (the "Project"), and (ii) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates.

In June 2023, the City issued \$4,815,000 Tax Note, Series 2023, with a 4.17 percent interest rate. The Tax Notes incurred issuance costs of \$50,000. The \$4,765,000 proceeds from the sale of Tax Notes will be used to (a) finance the purchase of materials, supplies, equipment and machinery (the "Project"); and (b) pay for the costs of issuance related to the Note.

City of Lubbock, Texas
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Refunding

No refunding of Certificate of Obligation or Bonds were issued in FY 2022-23.

Prior year defeasance of debt. In prior years, the City defeased bonds by placing the proceeds of the new bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the government's financial statements. At September 30, 2023, \$29,005,000 of defeased bonds remain outstanding.

L. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2023, there was one series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of \$23,730,000. The bonds were issued in 2008 and refunded in FY 2016. Also, as of September 30, 2023, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$16,365,000. The bonds were issued in 2007 and refunded in FY 2016.

M. SPECIAL ASSESSMENT DEBT

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for the acquisition and construction of certain public facilities benefiting Vintage Township. The PFC had \$1,896,000 outstanding special assessment debt as of September 30, 2022. The City collects assessments and forwards the collections to the bondholders. The City is not obligated in any manner for special assessment debt and is not liable for repayment of the debt. As the PFC completes construction of certain public facilities, the assets are donated to the City. As of September 30, 2022, \$4,677,257 in completed construction costs was contributed to the City. The PFC has a deficit in unrestricted net position, which is a result of the debt held in the PFC name while the assets are donated to the City and held in the City's name.

City of Lubbock, Texas
Notes to Basic Financial Statements
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N. FUND BALANCE

The City classified governmental fund balances as follows:

| Fund Balances | General Fund | Debt Service Fund | Governmental Capital Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|--------------------------|--------------------------------------|------------------------------------|---------------------------------|
| Nonspendable: | | | | | |
| Inventory | \$ 130,895 | \$ - | \$ - | \$ - | \$ 130,895 |
| Restricted: | | | | | |
| Debt service | - | 6,462,498 | - | 6,163,252 | 12,625,750 |
| Tax note purchases | 270,854 | - | - | - | 270,854 |
| Economic and business development | - | - | - | 654,005 | 654,005 |
| Tourism, convention centers, arts | - | - | - | 343,874 | 343,874 |
| Animal assistance | - | - | - | 379,816 | 379,816 |
| Tax improvement financing areas | - | - | - | 7,680,665 | 7,680,665 |
| Public improvement districts | - | - | - | 4,574,144 | 4,574,144 |
| Cable services to community public buildings | - | - | - | 4,393,435 | 4,393,435 |
| Community services grants | - | - | - | 2,442,864 | 2,442,864 |
| Heath grants | - | - | - | 36,104 | 36,104 |
| Police grants | - | - | - | 40,273 | 40,273 |
| Law enforcement purposes | - | - | - | 2,766,624 | 2,766,624 |
| Court technology | - | - | - | 1,678,407 | 1,678,407 |
| Donations for community services | - | - | - | 58,836 | 58,836 |
| Donations for animal services | - | - | - | 182,448 | 182,448 |
| Donations for museums | - | - | - | 261,777 | 261,777 |
| Donations for parks and recreational | - | - | - | 100,912 | 100,912 |
| Donations for fire services | - | - | - | 6,300 | 6,300 |
| Donations for police services | - | - | - | 9,248 | 9,248 |
| Donations for cultural | - | - | - | 18,644 | 18,644 |
| Donations for other programs | - | - | - | 11,695 | 11,695 |
| Street capital projects | - | - | 54,039,474 | 679,246 | 54,718,720 |
| General facility capital projects | - | - | 18,293,628 | - | 18,293,628 |
| Public safety capital projects | - | - | 9,683,143 | - | 9,683,143 |
| Parks capital projects | - | - | - | - | - |
| TIF capital projects | - | - | - | 2,466,337 | 2,466,337 |
| Committed: | | | | | |
| Gateway street capital projects | - | - | - | 8,726,944 | 8,726,944 |
| TIF capital projects | - | - | - | 5,788,737 | 5,788,737 |
| Infrastructure and neighborhood dev | - | - | - | 1,273,526 | 1,273,526 |
| Street capital projects | - | - | 15,839,572 | - | 15,839,572 |
| General facility capital projects | - | - | 6,434,965 | - | 6,434,965 |
| Public safety capital projects | - | - | 940,340 | - | 940,340 |
| Parks capital projects | - | - | 4,622,768 | - | 4,622,768 |
| Unassigned | 92,449,011 | - | - | - | 92,449,011 |
| Total Fund Balances | \$ 92,850,760 | \$ 6,462,498 | \$ 109,853,890 | \$ 50,738,113 | \$ 259,905,261 |

The restricted special revenue fund balances are also restricted for GWFS net position.

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O. RISK MANAGEMENT

The Risk Management Fund was established to account for liability claims, workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, which are based on costs.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) with continuous coverage through September 30, 2009. Effective October 1, 2009 through September 30, 2018 the City purchased workers' compensation coverage from Texas Political Subdivisions Joint Self-Insurance Fund (TPS). TPS operates as a self-insurance pool offering coverage to municipalities and other political subdivisions in accordance with the local government code and the terms of interlocal agreements among members. The City obtains workers' compensation coverage through a guaranteed-cost plan. Guaranteed-cost members combine their contributions to cover pooled losses and expenses. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the agreement so that members will not have joint and several liabilities beyond their required contribution. Effective October 1, 2018 the City purchased workers' compensation insurance with no deductible from Texas Mutual Insurance Company. The City entered into an interlocal agreement with Texas Municipal League Intergovernmental Risk Pool effective October 1, 2019 in which the City pays a premium and there is a \$25,000 deductible per claim. Prior to April 1999, the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program was funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City until October 1, 2017. After October 1, 2017 all self-insurance liability claims are being adjusted and paid through the use of an in-house claims adjuster who, with the assistance of the Risk Manager, sets reserves. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with a \$14 million annual aggregate limit and is subject to a \$500,000 self-insured retention per claim.

For self-insured coverage, the Risk Management Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for liability coverage. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to an expense account in the period in which they are incurred.

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. In FY 2018, the City of Lubbock separated Lubbock Power and Light's (LP&L) property and boiler and machinery as a cost savings measure. The City's property insurance policy, excluding LP&L, was purchased from an outside insurance carrier. The policy has a 3% of total values wind/hail deductible per occurrence and a \$250,000 deductible for all other forms of loss. The City's boiler and machinery insurance policy, excluding LP&L, was purchased from an outside insurance carrier. The policy has a \$25,000 deductible. Lubbock Power and Light purchases package property and boiler and machinery coverage from an outside carrier. The policy has various deductibles for both property and boiler and machinery ranging from \$250,000 to 2.5% of location values. Premiums are charged to funds based upon estimated premiums for the upcoming year. Departments that sustain property damage in excess of \$1,000 are eligible to request assistance from the Risk Management Fund for payment of those damages up to the policy deductible.

City of Lubbock, Texas
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Other small insurance policies, such as surety bond coverage and miscellaneous floaters, are also accounted for in the Risk Management Fund. Funds are charged based on premium amounts and administrative charges. The City accounts for all insurance activity in the Internal Service Funds.

P. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center, based upon the number of full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$700,000 per covered individual annually. Beginning on January 1, 2012, the City discontinued coverage that included an aggregate cap. The insurance vendor, based on medical trend, claims history, and utilization assists in the determination of the individual deductible. The actuarially determined IBNR calculations of Active/COBRA employees, Pre-65 Retirees, Disabled Retirees, as well as HRA claims for Pre-65 Retirees for the claim reserve liability estimate was \$2.05 million at September 30, 2022 for all health coverages including medical, prescription drugs, dental and HRA claims.

The City also provides full-time employees basic term life insurance. The life insurance policy has a face value of \$10,000 per employee.

Full-time employees may elect to purchase medical insurance for eligible dependents at a reduced rate. Employees may elect to purchase dental insurance for eligible dependents. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as vision insurance, voluntary life, and accident insurance.

The Risk Management and Health Benefits Funds established a liability for self-insurance for both reported and unreported insured events, which included estimates of future payments of losses and related claim adjustment expenses.

City of Lubbock, Texas
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The following represents changes in those aggregate liabilities for these funds during the past two years ended September 30:

| | <u>FY 2023</u> | <u>FY 2022</u> |
|--|----------------------|----------------------|
| Workers' Compensation and Liability Reserves at Beginning of Fiscal Year | \$ 3,543,357 | \$ 3,011,058 |
| Claims Expenses | 12,850,516 | 11,962,543 |
| Claims Payments | <u>(13,738,349)</u> | <u>(11,430,244)</u> |
| Workers' Compensation and Liability Reserves at End of Fiscal Year | <u>2,655,524</u> | <u>3,543,357</u> |
| | | |
| Medical and Dental Claims Liability at Beginning of Fiscal Year | 2,083,214 | 2,246,811 |
| Claims Expenses | 34,956,982 | 34,804,924 |
| Claims Payments | <u>(35,037,437)</u> | <u>(34,968,521)</u> |
| Medical and Dental Claims Liability at End of Fiscal Year | <u>2,002,759</u> | <u>2,083,214</u> |
| | | |
| Total Self-Insurance Liability at End of Fiscal Year | <u>\$ 4,658,283</u> | <u>\$ 5,626,571</u> |
| | | |
| Total Assets to Pay Claims at End of Fiscal Year | <u>\$ 24,610,596</u> | <u>\$ 19,621,857</u> |
| | | |
| Accrued Insurance Claims Payable - Current | \$ 3,563,132 | \$ 3,169,242 |
| Accrued Insurance Claims Payable - Noncurrent | <u>1,095,151</u> | <u>2,457,329</u> |
| Total Accrued Insurance Claims | <u>\$ 4,658,283</u> | <u>\$ 5,626,571</u> |

Q. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place final covers on its landfill sites at closure and to perform certain maintenance and monitoring functions for 30 years thereafter. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as operating expenses (and recognizes a corresponding liability) in each period based on landfill capacity used as of each statement of net position date.

The \$7,575,954 included in landfill closure and post closure care liability at September 30, 2023, represents the cumulative amount expensed by the City to date for its two landfills, that are registered under TCEQ permit numbers 69 (Landfill 69) and 2252 (Landfill 2252), less amounts that have been paid. Approximately 98.9 percent of the estimated capacity of Landfill 69 has been used, with \$584,329 remaining to be recognized over the remaining closure period. Approximately 9.6 percent of the estimated capacity of Landfill 2252 has been used to date, with \$22,347,375 remaining to be recognized over the remaining closure period. Post closure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

The City is required by state and federal laws and regulations to provide assurance that financial resources will be available for landfill closure, post closure care, and remediation or containment of environmental hazards. The City is in compliance with these requirements and has chosen the Local Government Financial Test mechanism for providing assurance. The City expects to finance costs through normal operations.

City of Lubbock, Texas
Notes to Basic Financial Statements
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R. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

| | <u>Accounts Receivable Summary</u> | | | | | Balance at 09/30/23 |
|----------------------------|------------------------------------|-----------------------------|----------------------------|-------------------|-------------------|--------------------------------|
| | Court Fines | Consumer Metered | Property Damage | Paving | Misc. | |
| Governmental Funds: | | | | | | |
| General Fund | \$ 9,624,048 | \$ 5,344,983 | \$ 481,678 | \$ 221,417 | \$ 164,332 | \$ 15,836,458 |
| Capital Projects | - | - | - | - | - | - |
| Total | <u>\$ 9,624,048</u> | <u>\$ 5,344,983</u> | <u>\$ 481,678</u> | <u>\$ 221,417</u> | <u>\$ 164,332</u> | <u>\$ 15,836,458</u> |

| | <u>Accounts Receivable Summary</u> | | Balance at 09/30/23 |
|---------------------------|------------------------------------|---------------------|--------------------------------|
| | General Consumer | Misc. | |
| Proprietary Funds: | | | |
| LP&L | \$ 51,109,674 | \$ 2,794,147 | \$ 53,903,821 |
| Water/Wastewater | 21,071,995 | 223,076 | 21,295,071 |
| Storm Water | 3,249,347 | - | 3,249,347 |
| Nonmajor | 1,707,720 | 192,995 | 1,900,715 |
| Total | <u>\$ 77,138,736</u> | <u>\$ 3,210,218</u> | <u>\$ 80,348,954</u> |

Allowance for Doubtful Accounts Summary

| | Balance at 09/30/23 |
|----------------------------|--------------------------------|
| Governmental Funds: | |
| General Fund | \$ 10,093,096 |
| Proprietary Funds: | |
| LP&L | 5,705,735 |
| Water/Wastewater | 3,290,417 |
| Storm Water | 622,406 |
| Nonmajor | 22,041 |
| Total | <u>\$ 14,598,496</u> |

City of Lubbock, Texas
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| Accounts Payable Summary | | | | |
|---------------------------------|-----------------|-----------------|----------------------|--------------------------------|
| | Vouchers | Accounts | Miscellaneous | Balance at 09/30/23 |
| Governmental Funds: | | | | |
| General Fund | \$ 1,304,672 | \$ 4,890,389 | \$ - | \$ 6,195,061 |
| Govt. Capital Projects | 5,401,412 | 290,465 | 1,813,200 | 7,505,077 |
| Nonmajor | 1,989,123 | 1,476,757 | 124,440 | 3,590,320 |
| Proprietary Funds: | | | | |
| LP&L | 19,885,211 | 204,844 | 95,790,548 | 115,880,603 |
| Water/Wastewater | 3,385,632 | 373,946 | 2,251,429 | 6,011,007 |
| Storm Water | 151,996 | - | - | 151,996 |
| Nonmajor | 752,281 | 226,840 | 590,377 | 1,569,498 |
| Internal Service | 1,155,077 | 738,636 | 609,493 | 2,503,206 |
| Total | \$ 34,025,404 | \$ 8,201,877 | \$ 101,179,487 | \$ 143,406,768 |

S. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

| Net Receivables | | | | | |
|-------------------------------------|--------------------------------|--------------------------------|-----------------------------|---|--------------------------------|
| | Accounts Receivable | Interest Receivable | Taxes Receivable | Internal Service Receivables | Balance at 09/30/23 |
| Governmental Activities | \$ 5,743,362 | \$ 314,398 | \$ 21,554,081 | \$ 103,887 | \$ 27,715,728 |
| Business-Type Activities | 70,708,353 | 1,287,971 | - | 96,566 | 72,092,890 |
| Total | \$ 76,451,715 | \$ 1,602,369 | \$ 21,554,081 | \$ 200,453 | \$ 99,808,618 |

| Accounts Payable | | | |
|-------------------------------------|-----------------------------|--------------------------------------|--------------------------------|
| | Accounts Payable | Internal Service Payables | Balance at 09/30/23 |
| Governmental Activities | \$ 17,290,458 | \$ 2,296,548 | \$ 19,587,006 |
| Business-Type Activities | 123,613,104 | 206,658 | 123,819,762 |
| Total | \$ 140,903,562 | \$ 2,503,206 | \$ 143,406,768 |

NOTE IV. CONTINGENT LIABILITIES

A. FEDERAL GRANTS

In the normal course of operations, the City receives grant funds from state and federal agencies. The grant programs are subject to audits by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grants is not believed to be significant.

City of Lubbock, Texas
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B. LITIGATION

The City is involved in various legal proceedings related to alleged personal and property damages, breach of contract and civil rights cases, some of which involve claims against the City that exceed \$500,000. State law limits municipal liability for personal injury to \$250,000 per person/\$500,000 per occurrence and property damage to \$100,000 per claim for activities arising out of its governmental functions. This limit is not applicable to claims pertaining to the City's electric utility.

The City's insurance coverage, if available, contains a \$500,000 self-insured retention. As of September 30, 2023, the City has \$817,911 reserved on general liability claims, as determined by an actuarial calculation.

The following represents the significant litigation against the City at this time.

City of Lubbock, Texas v. Elk City Wind II, LLC

LP&L filed its original complaint on March 3, 2023 asking the Court to declare that its purchased power agreement with Elk City for wind power generated electricity is void under Texas law because it fails to satisfy appropriation requirements of the Texas Constitution, because it results in a gratuitous dissemination of public funds prohibited by the Texas Constitution and because performance is frustrated due to limitations on transmission capacity.

NOTE V. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatement Disclosures*, defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or citizens of those governments.

The City utilizes the industrial tax abatement program to provide powerful new resources and incentives to grow the economy in the region, revitalize targeted areas of the City and promote strong, balanced growth throughout the community.

The City has not entered into agreements with other governments that would reduce the reporting government's tax revenues. Other entities are not authorized to enter tax abatement agreements that reduce the City tax revenue without the City's consent.

Industrial Tax Abatement Program

The purpose of the program is promotion of high quality development in all parts of the City of Lubbock, Texas and to an ongoing improvement in the quality of life for the citizens residing within the City. The specific taxes abated are real/personal property tax, and the authority under which abatement agreements are entered into is V.T.C.A., Tax Code, Chapter 312. To qualify for tax abatement, the company must meet both of the following criteria:

- The modernization or expansion of the existing facility of any type as herein defined or construction of a new facility of any type as herein defined.
- Producer, manufacturer or distributor of goods and services of which 50 percent or more are distributed outside of Lubbock County.

In addition to the aforementioned, the City will consider abatement only if the company meets one of the following criteria:

City of Lubbock, Texas
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- One of the following target industries:
 - Advanced Technologies and Manufacturing
 - Value-added Agricultural Production including Food Processing and Machinery
 - Research and Development
 - Medical Services (as defined in Section II Definitions)
 - Warehouse/Distribution
 - Corporate Headquarters of a Region/National Service Center
 - Information and Data Centers
- The project is not included as a target industry, but has the potential of generating additional, significant economic development opportunities to Lubbock.

The company must meet one of the following criteria:

- The project will add at least \$1 million in Real Property improvements, or \$2 million in new Personal Property, or 25 new permanent jobs if the facility is a new company to Lubbock.
- The project will add at least \$500,000 in Real Property improvements, or \$1 million in new Personal Property, or 15 new permanent jobs if the facility is an existing company.

New or existing facilities of any type herein defined, located in a designated Enterprise Zone, Reinvestment Zone, or upon Real Property eligible for such status will be eligible for consideration for tax abatement status provided that all other criteria and guidelines are satisfied.

Improvements to Real Property are eligible for tax abatement status. The types of property contained in Section IV 5. shall be ineligible for tax abatement status and shall be fully taxed. In order for a Facility to qualify for abatement, the following conditions must apply:

- The owner or leaseholder of Real Property must make eligible improvements to the real property; and,
- In the case of lessees, the leaseholder must have a lease commitment of at least five (5) years.

Taxes are reduced through a reduction of the property's assessed value. Taxable value is calculated and then the tax abatement eligible value is determined by the Central Appraisal District. The amount of abatement is determined by multiplying the percentage of abatement in the contract times the abatement eligible value.

The provisions for recapturing abated taxes are as follows:

- In the event that any type of facility, is completed and begins producing goods or services, but subsequently discontinues producing goods or services for any reason, excepting fire, explosion or other casually or accident or natural disaster or other event beyond the reasonable control of applicant or owner for a period of 180 days during the term of a Tax Abatement Agreement, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.
- In the event that the application or owner has entered into a Tax Abatement Agreement to make improvements to a facility of any type described in Section 1 above, but fails to undertake or complete such improvements or fails to create all or a portion of the number of new jobs provided by the Tax Abatement Agreement, then in such event the City shall give the applicant or owner sixty (60) days notice of such failure. The applicant or owner shall demonstrate to the satisfaction of the City, above mentioned, that the applicant or owner has commenced to cure such failure within the sixty (60) days above mentioned. In the event that the applicant or owner fails to demonstrate that he is taking affirmative action to cure his failure, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2023

- In the event that the City determines that the applicant or owner is in default of any of the terms or conditions contained in the Tax Abatement Agreement, then in such event the City shall give the applicant or owner sixty (60) days written notice to cure such default. In the event such default is not cured to the satisfaction of the City within the sixty (60) days notice period, then the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.
- In the event that the applicant or owner allows ad valorem taxes on property ineligible for tax abatement owed to the City, to become delinquent and fails to timely and properly follow the legal procedures for their protest or contest, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.
- In the event that the applicant or owner, who has executed a Tax Abatement Agreement with the City, relocates the business, for which tax abatement has been granted, to a location outside of the designated Reinvestment Zone, then in such event, the Tax Abatement Agreement shall terminate after sixty (60) days written notice by the City to the applicant or owner. Taxes abated during the calendar year in which termination, under this section takes place shall be payable to the City by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the City within sixty (60) days of the date of termination.
- The date of termination as the term is used in this Section IX shall, in every instance, be the 60th day after the day the City sends notice of default, in the mail to the address shown in the Tax Abatement Agreement to the applicant or owner. Should the default be cured by the applicant or owner within the sixty (60) day notice period, the applicant or owner shall be responsible for so advising in the City and obtaining a release from the notice of default from the City, failing in which, the abatement remains terminated and the abated taxes must be paid.
- In event case of termination set forth in Paragraphs 1, 2, 3, 4, and 5 above, the City shall determine whether default has occurred by applicant or owner in the terms and conditions of the Tax Abatement Agreement and shall so notify all other affected jurisdictions.
- In the event that a Tax Abatement Agreement is terminated for any reason whatsoever, and taxes are not paid within the time period herein specified, then in such event, the provisions of V.T.C.A., Tax Code, Section 33.01 will apply.

No other commitments are included in tax abatement agreements. The gross dollar amount by which the City’s tax revenues were reduced, was \$599,500.

| Industrial Tax Abatement Program | Amount of Taxes Abated During the Fiscal Year |
|---|--|
| Monsanto | \$ 565,646 |
| United/Safeway | 33,854 |
| | \$ 599,500 |

NOTE VI. SUBSEQUENT EVENTS

On November 6, 2023, the City of Lubbock awarded a bid for Tax Note 2023A in the amount of \$10,930,000 with a transfer of funds delivered on December 5, 2023. Also, on December 5, 2023 the City of Lubbock priced Electric Light and Power System Revenue Bonds in the amount of \$65,666,000. The bond closed and funds were received on December 28, 2023.

**City of Lubbock, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total pension liability | | | | | | | | | |
| Service Cost | \$ 20,783,149 | \$ 18,751,672 | \$ 18,540,809 | \$ 17,744,764 | \$ 16,842,100 | \$ 16,420,981 | \$ 15,823,941 | \$ 15,646,134 | \$ 13,880,535 |
| Interest (on the total pension liability) | 54,430,194 | 51,719,509 | 50,306,547 | 48,499,961 | 47,036,685 | 45,317,091 | 43,569,660 | 43,381,064 | 41,941,717 |
| Difference between expected and actual experience | 14,653,185 | 11,312,485 | (7,266,289) | (3,365,549) | (6,213,444) | (709,626) | (116,124) | (2,308,849) | (5,561,662) |
| Change of assumptions | - | - | - | 1,696,165 | - | - | - | 1,083,512 | - |
| Benefit payments, including refunds of employee contributions | (43,506,972) | (41,775,241) | (39,732,225) | (36,686,001) | (36,191,022) | (35,336,067) | (32,040,199) | (32,247,421) | (28,915,142) |
| Net Change in Total Pension Liability | 46,359,556 | 40,008,425 | 21,848,842 | 27,889,340 | 21,474,319 | 25,692,379 | 27,237,278 | 25,554,440 | 21,345,448 |
| Total Pension Liability - Beginning | 817,735,159 | 777,726,734 | 755,877,892 | 727,988,552 | 706,514,233 | 680,821,854 | 653,584,576 | 628,030,136 | 606,684,688 |
| Total Pension Liability - Ending (a) | \$ 864,094,715 | \$ 817,735,159 | \$ 777,726,734 | \$ 755,877,892 | \$ 727,988,552 | \$ 706,514,233 | \$ 680,821,854 | \$ 653,584,576 | \$ 628,030,136 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - Employer | \$ 20,355,513 | \$ 19,270,118 | \$ 19,151,231 | \$ 18,573,283 | \$ 17,977,519 | \$ 17,388,324 | \$ 16,727,368 | \$ 17,455,926 | \$ 16,809,722 |
| Contributions - Employee | 8,553,456 | 7,721,277 | 7,630,862 | 7,341,830 | 6,972,627 | 6,781,947 | 6,519,575 | 6,580,584 | 6,187,966 |
| Net Investment Income | (57,169,662) | 92,125,932 | 50,799,016 | 91,140,108 | (18,566,799) | 76,875,125 | 35,696,237 | 791,199 | 29,351,843 |
| Benefit payments, including refunds of employee contributions | (43,506,972) | (41,775,241) | (39,732,225) | (36,686,001) | (36,191,022) | (35,336,067) | (32,040,199) | (32,247,421) | (28,915,142) |
| Administrative Expense | (495,317) | (426,591) | (328,945) | (515,289) | (358,970) | (398,475) | (403,223) | (481,936) | (306,464) |
| Other | 591,061 | 2,922 | (12,833) | (15,479) | (18,755) | (20,194) | (21,725) | (23,803) | (25,196) |
| Net Change in Plan Fiduciary Net Position | (71,671,921) | 76,918,417 | 37,507,106 | 79,838,452 | (30,185,400) | 65,290,660 | 26,478,033 | (7,925,451) | 23,102,729 |
| Plan Fiduciary Net Position - Beginning | 784,142,557 | 707,224,140 | 669,717,034 | 589,878,582 | 620,063,982 | 554,773,322 | 528,295,289 | 536,220,740 | 513,118,011 |
| Plan Fiduciary Net Position - Ending (b) | \$ 712,470,636 | \$ 784,142,557 | \$ 707,224,140 | \$ 669,717,034 | \$ 589,878,582 | \$ 620,063,982 | \$ 554,773,322 | \$ 528,295,289 | \$ 536,220,740 |
| City's Net Pension Liability - Ending (a) - (b) | \$ 151,624,079 | \$ 33,592,602 | \$ 70,502,594 | \$ 86,160,858 | \$ 138,109,970 | \$ 86,450,251 | \$ 126,048,532 | \$ 125,289,287 | \$ 91,809,396 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 82.45% | 95.89% | 90.93% | 88.60% | 81.03% | 87.76% | 81.49% | 80.83% | 85.38% |
| Covered Payroll | 122,181,946 | 110,303,954 | 108,999,463 | 104,874,493 | 99,598,464 | 96,821,824 | 93,136,791 | 93,914,371 | 88,287,852 |
| City's Net Pension Liability as a Percentage of Covered Payroll | 124.10% | 30.45% | 64.68% | 82.16% | 138.67% | 89.29% | 135.34% | 133.41% | 103.99% |

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in assumptions: In 2020, the payroll growth assumption was lowered from 3.0% to 2.75%. In 2016, the discount rate was lowered from 7.0% to 6.75%; the inflation rate was lowered from 3% to 2.5%; the experience study for retirement age was updated.

City of Lubbock, Texas
 Required Supplementary Information
 Schedule of Contributions
 Texas Municipal Retirement System

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially Determined Contribution | \$ 21,799,011 | \$ 20,802,453 | \$ 18,970,523 | \$ 19,163,541 | \$ 18,379,276 | \$ 17,788,537 | \$ 17,128,597 | \$ 16,819,070 | \$ 16,822,154 |
| Contributions in relation to the actuarially determined contribution | 21,799,011 | 20,802,453 | 18,970,523 | 19,163,541 | 18,379,276 | 17,788,537 | 17,128,597 | 16,819,070 | 16,822,154 |
| Covered payroll | 128,774,138 | 123,343,099 | 108,423,015 | 108,835,832 | 103,246,935 | 98,700,040 | 95,409,809 | 92,797,625 | 90,076,485 |
| Contributions as a percentage of covered payroll | 16.93% | 16.87% | 17.50% | 17.61% | 17.80% | 18.02% | 17.95% | 18.12% | 18.68% |

Notes to Schedule of Contributions

Valuation Date: December 31, 2022
 Notes: Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Normal
 Amortization Method: Level Percentage of Payroll, Closed
 Remaining Amortization Period: 23 years
 Asset Valuation Method: 10 Year smoothed market, 12% soft corridor
 Inflation: 2.5%
 Salary Increases: 3.5% to 11.5% including inflation
 Investment Rate of Return: 6.75%
 Retirement Age: Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
 Mortality: Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information
 Notes: There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30). This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Lubbock, Texas
 Required Supplementary Information
 Schedule of Changes in Net Pension Liability and Related Ratios
 Lubbock Fire Pension Fund

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total pension liability | | | | | | | | | |
| Service Cost | \$ 7,586,703 | \$ 7,347,896 | \$ 6,968,616 | \$ 6,732,962 | \$ 6,633,905 | \$ 6,378,755 | \$ 6,133,418 | \$ 5,897,517 | \$ 5,670,689 |
| Interest (on the total pension liability) | 24,049,453 | 23,206,562 | 22,472,953 | 21,681,080 | 21,482,849 | 20,651,840 | 19,752,539 | 18,983,849 | 18,188,061 |
| Changes of benefit provisions | - | - | - | (5,954,023) | - | - | - | - | - |
| Difference between expected and actual experience | 12,896,584 | - | 996,773 | - | 35,696 | - | 1,284,558 | - | (1,634,184) |
| Change of assumptions | - | - | 8,341,782 | - | (2,680,334) | - | - | - | 9,070,157 |
| Benefit payments, including refunds of employee contributions | (19,714,938) | (19,394,522) | (20,029,797) | (16,834,155) | (17,284,513) | (15,841,569) | (15,782,381) | (14,614,970) | (13,429,152) |
| Net Change in Total Pension Liability | 24,817,802 | 11,159,936 | 18,750,327 | 5,625,864 | 8,187,603 | 11,189,026 | 11,388,134 | 10,266,396 | 17,865,571 |
| Total Pension Liability - Beginning | 322,930,134 | 311,770,198 | 293,019,871 | 287,394,007 | 279,206,404 | 268,017,378 | 256,629,244 | 246,362,848 | 228,497,277 |
| Total Pension Liability - Ending (a) | \$ 347,747,936 | \$ 322,930,134 | \$ 311,770,198 | \$ 293,019,871 | \$ 287,394,007 | \$ 279,206,404 | \$ 268,017,378 | \$ 256,629,244 | \$ 246,362,848 |
| Plan Fiduciary Net Position | | | | | | | | | |
| Contributions - Employer | \$ 8,439,910 | \$ 8,063,879 | \$ 7,661,634 | \$ 7,555,031 | \$ 7,214,819 | \$ 6,897,164 | \$ 6,598,900 | \$ 6,652,094 | \$ 6,234,058 |
| Contributions - Employee | 5,806,171 | 5,445,830 | 5,363,142 | 5,189,023 | 4,312,808 | 3,947,134 | 3,774,706 | 3,716,202 | 3,424,188 |
| Net Investment Income | (11,730,635) | 38,837,083 | 19,792,987 | 29,245,480 | (2,831,237) | 23,109,838 | 7,668,252 | (5,133,050) | 991,921 |
| Benefit payments, including refunds of employee contributions | (19,714,938) | (19,394,522) | (20,029,797) | (16,834,155) | (17,284,513) | (15,841,569) | (15,782,381) | (14,614,970) | (13,429,152) |
| Administrative Expense | (262,048) | (375,072) | (303,578) | (316,533) | (351,995) | (290,549) | (322,882) | (244,762) | (205,266) |
| Other | 941 | 1,929 | 436,792 | 225,073 | 570,341 | 1,015,473 | 1,244,040 | 136,500 | 53,411 |
| Net Change in Plan Fiduciary Net Position | (17,460,599) | 32,579,127 | 12,921,180 | 25,063,919 | (8,369,777) | 18,837,491 | 3,180,635 | (9,487,986) | (2,930,840) |
| Plan Fiduciary Net Position - Beginning | 257,048,761 | 224,469,634 | 211,548,454 | 186,484,535 | 194,854,312 | 176,016,821 | 172,836,186 | 182,324,172 | 185,255,012 |
| Plan Fiduciary Net Position - Ending (b) | \$ 239,588,162 | \$ 257,048,761 | \$ 224,469,634 | \$ 211,548,454 | \$ 186,484,535 | \$ 194,854,312 | \$ 176,016,821 | \$ 172,836,186 | \$ 182,324,172 |
| City's Net Pension Liability - Ending (a) - (b) | \$ 108,159,774 | \$ 65,881,373 | \$ 87,300,564 | \$ 81,471,417 | \$ 100,909,472 | \$ 84,352,092 | \$ 92,000,557 | \$ 83,793,058 | \$ 64,038,676 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 68.90% | 79.60% | 72.00% | 72.20% | 64.89% | 69.79% | 65.67% | 67.35% | 74.01% |
| Covered Payroll | 38,759,486 | 36,354,005 | 35,802,016 | 34,639,673 | 33,080,326 | 31,754,899 | 30,367,707 | 29,897,052 | 27,547,772 |
| City's Net Pension Liability as a Percentage of Covered Payroll | 279.05% | 181.22% | 243.84% | 235.20% | 305.04% | 265.63% | 302.96% | 280.27% | 232.46% |

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in benefit provisions: Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude "Call-Back Overtime Pay" that is overtime in excess of "regular normal scheduled hours."

Changes in assumptions: In 2020, the discount rate was lowered from 7.75% to 7.5%.

City of Lubbock, Texas
 Required Supplementary Information
 Schedule of Contributions
 Lubbock Fire Pension Fund (LFPF)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily Determined Contribution | \$ 9,081,090 | \$ 8,221,494 | \$ 8,021,424 | \$ 7,551,705 | \$ 7,525,133 | \$ 7,111,376 | \$ 7,071,721 | \$ 6,591,298 | \$ 6,316,139 |
| Contributions in relation to the contractually determined contribution | 9,081,090 | 8,221,494 | 8,021,424 | 7,551,705 | 7,525,133 | 7,111,376 | 7,071,721 | 6,591,298 | 6,316,139 |
| Covered payroll | 42,112,792 | 37,756,575 | 36,308,606 | 35,134,173 | 34,502,908 | 32,636,722 | 32,554,784 | 30,141,037 | 28,277,981 |
| Contributions as a percentage of covered payroll | 21.56% | 21.77% | 22.09% | 21.49% | 21.81% | 21.79% | 21.72% | 21.87% | 22.34% |

Notes to Schedule of Contributions

Valuation Date: December 31, 2022
 Notes: Contribution rates were based on the budgeted contribution rates.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method: Entry Age Normal
 Amortization Method: Level Percentage of Payroll, Open
 Remaining Amortization Period: 25 years
 Inflation: 2.5%
 Salary Increases: 2.75%, plus promotion, step and longevity increases that vary by service
 Investment Rate of Return: 7.5%
 Mortality: PubS-2010 total dataset mortality tables, projected for mortality improvement generationally using the projection scale MP-2018.

Other Information

Notes: There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30). This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|-------------------|------------------|------------------|-------------------|
| Total OPEB liability | | | | | | |
| Service Cost | \$ 10,103,936 | 10,509,230 | \$ 8,633,091 | \$ 8,904,939 | \$ 7,851,201 | \$ 6,889,393 |
| Interest (on the total OPEB liability) | 2,899,710 | 3,516,052 | 4,212,162 | 5,372,294 | 4,731,705 | 4,871,975 |
| Changes of benefit terms | - | - | - | - | - | - |
| Difference between expected and actual experience | (205,595) | (19,857,298) | (761,751) | (8,855,483) | (1,162,564) | |
| Change of assumptions | (33,405,883) | (7,915,478) | 13,543,540 | 7,232,469 | (6,179,217) | 7,332,144 |
| Benefit payments | (4,810,834) | (3,708,212) | (4,155,820) | (4,153,211) | (3,674,958) | (5,316,929) |
| Net Change in Total OPEB Liability | (25,418,666) | (17,455,706) | 21,471,222 | 8,501,008 | 1,566,167 | 13,776,583 |
| Total OPEB Liability - Beginning | 154,946,406 | 172,402,112 | 150,930,890 | 142,429,882 | 140,863,715 | 127,087,132 |
| Total OPEB Liability - Ending (a) | 129,527,740 | 154,946,406 | \$ 172,402,112 | \$ 150,930,890 | \$ 142,429,882 | \$ 140,863,715 |
| Covered-Employee Payroll | 149,072,944 | 134,640,357 | 126,617,473 | 125,767,169 | 123,461,642 | 120,830,434 |
| City's Total OPEB Liability as a Percentage of Covered-Employee Payroll | 86.89% | 115.08% | 136.16% | 120.01% | 115.36% | 116.58% |

NOTE: The City implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date (December 31) of the total OPEB liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in assumptions: reflects a change in the discount rate from 1.84% as of December 31, 2021 to 4.05% as of December 31, 2022.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|------------------------|-----------------------|---|---|
| REVENUES | | | | |
| Taxes | | | | |
| Property Tax | \$ 76,353,893 | \$ 76,353,893 | \$ 76,306,672 | \$ (47,221) |
| Delinquent Taxes | 859,804 | 859,804 | 630,889 | (228,915) |
| Sales Tax | 90,647,776 | 90,647,776 | 96,935,439 | 6,287,663 |
| Mixed Beverage Tax | 1,500,000 | 1,500,000 | 1,937,762 | 437,762 |
| Bingo Tax | 260,000 | 260,000 | 275,773 | 15,773 |
| Suddenlink | 1,800,000 | 1,800,000 | 1,241,294 | (558,706) |
| Xcel | 245,000 | 245,000 | 915 | (244,085) |
| South Plains Electric Cooperative | 1,938,000 | 1,938,000 | 2,123,121 | 185,121 |
| Atmos | 3,800,000 | 3,800,000 | 3,820,331 | 20,331 |
| West Texas Gas Company | 20,000 | 20,000 | 93,462 | 73,462 |
| Franchise Fee | 23,370,825 | 23,370,825 | 22,959,277 | (411,548) |
| Telecom Right of Way | 1,890,000 | 1,890,000 | 1,467,592 | (422,408) |
| Development Services | 294,500 | 294,500 | 300,005 | 5,505 |
| General Government | 228,330 | 228,330 | 252,093 | 23,763 |
| City Secretary | 400,125 | 400,125 | 505,014 | 104,889 |
| Public Safety | 688,331 | 681,550 | 1,036,263 | 354,713 |
| Public Works | 27,884,964 | 27,892,145 | 26,912,918 | (979,227) |
| Health | 70,713 | 70,713 | 46,182 | (24,531) |
| Animal Shelter | 86,500 | 86,500 | 73,590 | (12,910) |
| Cultural/Recreational | 972,878 | 972,878 | 725,486 | (247,392) |
| Museum | 318,680 | 318,680 | 287,801 | (30,879) |
| Licenses and Permits | 5,300,037 | 5,300,037 | 5,390,367 | 90,330 |
| Intergovernmental | 537,899 | 534,889 | 521,737 | (13,152) |
| Fines and Forfeitures | 2,238,661 | 2,238,661 | 3,115,041 | 876,380 |
| Interest Earnings | 1,425,681 | 1,425,681 | 3,940,570 | 2,514,889 |
| In Lieu of Property Tax | 11,204,308 | 11,204,308 | 11,121,999 | (82,309) |
| Rental | 20,000 | 20,000 | 114,766 | 94,766 |
| Recoveries of Expenditures | 1,079,433 | 1,082,043 | 2,249,691 | 1,167,648 |
| Oil and Gas Royalties | 375,000 | 375,000 | 420,646 | 45,646 |
| Other | 326,943 | 326,943 | 455,522 | 128,579 |
| Transfers from Electric Fund | 2,493,965 | 2,493,965 | 2,493,965 | - |
| Transfers from Water/Wastewater Fund | 2,759,560 | 2,759,560 | 2,759,560 | - |
| Transfers from Airport Fund | 2,119,166 | 2,119,166 | 2,119,166 | - |
| Transfer from Risk Fund | 174,000 | 174,000 | 174,000 | - |
| Transfers from Stormwater | 601,692 | 601,692 | 601,692 | - |
| Total Revenue | <u>\$ 264,286,664</u> | <u>\$ 264,286,664</u> | <u>\$ 273,410,601</u> | <u>\$ 9,123,937</u> |
| EXPENDITURES | | | | |
| <u>Administrative Services</u> | | | | |
| City Attorney | \$ 2,358,297 | \$ 2,437,010 | \$ 2,418,993 | \$ 18,017 |
| City Council | 623,512 | 633,878 | 620,674 | 13,204 |
| City Manager | 1,849,692 | 1,905,422 | 1,694,512 | 210,910 |
| City Secretary | 1,778,756 | 2,163,253 | 1,750,236 | 413,017 |
| Facilities Management | 4,882,150 | 4,945,297 | 4,965,760 | (20,463) |
| Finance | 3,484,159 | 3,621,364 | 3,531,838 | 89,526 |
| Human Resources | 1,026,580 | 1,064,755 | 1,095,331 | (30,576) |
| Internal Audit | 416,508 | 432,433 | 424,021 | 8,412 |
| Non-departmental | 1,934,439 | 1,934,439 | 1,803,741 | 130,698 |
| Communications and Marketing and Call Center | 784,998 | 814,749 | 759,334 | 55,415 |
| Total Administrative Services | <u>19,139,091</u> | <u>19,952,600</u> | <u>19,064,440</u> | <u>888,160</u> |

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|------------------------|------------------------|---|---|
| EXPENDITURES (Continued) | | | | |
| <u>Development Services*</u> | | | | |
| Building Safety | \$ 2,736,468 | \$ 2,851,423 | \$ 2,890,106 | \$ (38,683) |
| Codes and Environmental Health | 4,139,930 | 4,266,389 | 4,164,514 | 101,875 |
| Planning | 1,070,906 | 1,110,120 | 997,510 | 112,610 |
| Total Development Services | <u>7,947,304</u> | <u>8,227,932</u> | <u>8,052,130</u> | <u>175,802</u> |
| <u>Cultural and Recreation Services</u> | | | | |
| Library | 4,045,443 | 4,165,030 | 3,889,993 | 275,037 |
| Cultural Arts | 1,344,912 | 1,377,824 | 1,327,039 | 50,785 |
| Parks and Recreation | 12,543,642 | 12,959,053 | 12,347,350 | 611,703 |
| Total Cultural and Recreation Services | <u>17,933,997</u> | <u>18,501,907</u> | <u>17,564,382</u> | <u>937,525</u> |
| <u>Public Works</u> | | | | |
| Solid Waste | 26,719,506 | 21,034,252 | 19,525,184 | 1,509,068 |
| Engineering | 960,999 | 1,323,077 | 1,042,108 | 280,969 |
| Streets | 5,590,089 | 5,579,027 | 4,779,995 | 799,032 |
| Traffic | 4,235,698 | 4,364,741 | 3,802,752 | 561,989 |
| Total Public Works | <u>37,506,292</u> | <u>32,301,097</u> | <u>29,150,039</u> | <u>3,151,058</u> |
| <u>Public Safety and Health Services</u> | | | | |
| Animal Services | 2,936,163 | 3,029,395 | 3,082,528 | (53,133) |
| Fire | 62,520,049 | 67,110,237 | 67,219,079 | (108,842) |
| Municipal Court | 1,981,325 | 2,053,519 | 1,885,798 | 167,721 |
| Police | 81,727,774 | 85,471,359 | 83,125,728 | 2,345,631 |
| Public Health | 2,169,855 | 2,231,024 | 2,285,693 | (54,669) |
| Total Public Safety and Health Services | <u>151,335,166</u> | <u>159,895,534</u> | <u>157,598,826</u> | <u>2,296,708</u> |
| Transfers | 30,996,081 | 39,787,473 | 38,657,070 | 1,130,403 |
| Payroll Accrual/Other Adjustments | 10,444,901 | - | 213,028 | (213,028) |
| Total Expenditures | <u>\$ 275,302,832</u> | <u>\$ 278,666,543</u> | <u>\$ 270,299,915</u> | <u>\$ 8,366,628</u> |
| Revenues less expenditures | <u>\$ (11,016,168)</u> | <u>\$ (14,379,879)</u> | <u>\$ 3,110,686</u> | <u>\$ 17,490,565</u> |

*Building Inspection and Codes & Environmental Health are included in "Other public safety" and Planning is included in "Economic and business development" on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

City of Lubbock, Texas
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended September 30, 2023

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|------------------------|---------------------|---|---|
| REVENUES | | | | |
| Property Tax | \$ 24,010,910 | \$ 23,988,082 | \$ 23,890,548 | \$ (97,534) |
| Interest Earnings | 280,875 | 280,875 | 167,260 | (113,615) |
| Transfers from Solid Waste | 1,995,600 | 1,995,600 | 1,995,600 | - |
| Transfers from North Overton TIF | 3,085,287 | 3,085,287 | 3,085,287 | - |
| Transfers from CBD TIF | 942,235 | 942,235 | 942,235 | - |
| Transfers from Hotel Tax Fund | 88,000 | 88,000 | 88,000 | - |
| Transfers from Gateway | 8,765,392 | 8,765,392 | 8,765,392 | - |
| Transfers from LP&L | 1,139,661 | 1,139,661 | 1,139,661 | - |
| Transfers from Water | 146,508 | 146,508 | 146,508 | - |
| Transfers from General Capital Projects | - | - | 3,472,945 | 3,472,945 |
| Total Revenue | <u>40,454,468</u> | <u>40,431,640</u> | <u>43,693,436</u> | <u>3,261,796</u> |
| EXPENDITURES | | | | |
| Principal | 25,145,151 | 29,895,725 | 29,895,725 | - |
| Interest and other charges | 15,702,120 | 10,951,546 | 10,768,531 | 183,015 |
| Transfer to Civic Center | 438,181 | 438,181 | 438,181 | - |
| Total Expenditures | <u>41,285,452</u> | <u>41,285,452</u> | <u>41,102,437</u> | <u>183,015</u> |
| Revenues less expenditures | <u>\$ (830,984)</u> | <u>\$ (853,812)</u> | <u>\$ 2,590,999</u> | <u>\$ 3,078,781</u> |

City of Lubbock, Texas
Budget Comparison Schedule (Continued)
Debt Service Fund
For the Year Ended September 30, 2023

Explanation of Differences between Budgetary Revenues and Expenditures to the Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balances - Revenues, Expenditures, and Other Financing Sources (Uses)

Revenues and Other Financing Sources

| | |
|--|--------------|
| Actual amounts (budgetary basis) "Total Revenue" from the Budget Comparison Schedule | \$43,693,436 |
|--|--------------|

| | |
|--------------|---------|
| Adjustments: | _____ - |
|--------------|---------|

| | |
|--|---------------------|
| Total debt service fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | <u>\$43,693,436</u> |
|--|---------------------|

Expenditures and Other Financing Uses

| | |
|---|--------------|
| Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule | \$41,102,437 |
|---|--------------|

| | |
|--------------|---------|
| Adjustments: | _____ - |
|--------------|---------|

| | |
|---|---------------------|
| Total debt service fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | <u>\$41,102,437</u> |
|---|---------------------|

APPENDIX C
FORM OF BOND COUNSEL'S OPINION



Orrick, Herrington & Sutcliffe LLP
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Austin, Texas 78701

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[_____], 2024

We have acted as bond counsel to the City of Lubbock, Texas (the “City”) in connection with the issuance of \$[_____] aggregate principal amount of General Obligation Refunding Bonds, Series 2024 (the “Bonds”). The Bonds are authorized by an ordinance adopted by the City Council of the City on October 8, 2024 (the “Bond Ordinance”) authorizing the issuance of the Bonds and a pricing certificate executed pursuant to the Bond Ordinance (the “Pricing Certificate” and, together with the Bond Ordinance, the “Ordinance”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the obligations that are being refunded (the “Refunded Obligations”) with the proceeds of the Bonds, including the Ordinance, certified copies of certain proceedings of the City and BOKF, NA (the “Escrow Agent”), the report (the “Report”) of Robert Thomas CPA, LLC, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Obligations, the tax certificate of the City dated the date hereof (the “Tax Certificate”), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events, or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions, or events will not cause interest on the Bonds to be included in gross income for federal

income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute the valid and legally binding obligations of the City, and the Bonds have been authorized and delivered in accordance with law.
2. The Bonds are payable, both as to principal and interest, from, and secured by, the proceeds of a continuing, direct, annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
3. The escrow agreement between the City and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Obligations, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the ordinances authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Obligations may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Obligations only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Obligations are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,