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.

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 for tax years beginning after December 31, 2022, 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).

$57,610,000*
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE 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 $57,610,000* City of Lubbock, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2024 (the "Bonds") issued by the City of Lubbock, Texas (the "City") are payable to the holders of the Bonds by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") 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 denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds are subject to redemption prior to their stated maturities at the option of the City (see "THE BONDS – Redemption Provisions").

Principal of 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"). Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months, will accrue from the Delivery Date and is payable on February 15, 2025, and on each August 15 and February 15 thereafter, until maturity or prior redemption, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar at the close of business 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").

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 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager, and the Chief Financial 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") (see "THE BONDS – Authority for Issuance"). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance." The Bonds are special obligations of the City, payable, both as to principal and interest together with other Parity Bonds (defined herein), solely from and secured by a first lien on and pledge of the Net Revenues of the City's Water and Wastewater System (the "System"). **The Bonds are not payable from monies raised or to be raised from taxation** (see "SECURITY FOR THE BONDS").

Proceeds from the sale of the Bonds will be used for the purposes of (i) refunding certain outstanding obligations of the City (the "Refunded Obligations", see "SCHEDULE I – Schedule of Refunded Obligations") for the purpose of achieving debt service savings 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 and accepted, 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**

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*Preliminary, subject to change

CUSIP Prefix: 549233[a]

MATURITY SCHEDULE

$57,610,000* Water and Wastewater System Revenue Refunding Bonds, Series 2024

Maturity	Principal Amount*	Interest Rate	Initial Offering Yield[b]	CUSIP Suffix[a]	Maturity	Principal Amount*	Interest Rate	Initial Offering Yield[b]	CUSIP Suffix[a]
2/15/2025	$805,000				2/15/2031	$3,730,000			
2/15/2026	11,360,000				2/15/2032	3,920,000			
2/15/2027	9,595,000				2/15/2033	4,120,000			
2/15/2028	8,285,000				2/15/2034	4,325,000			
2/15/2029	3,375,000				2/15/2035	4,550,000			
2/15/2030	3,545,000								

(Interest accrues 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 General Obligation Refunding Bonds, Series 2024 (the "GO Bonds") but pursuant to a separate offering document. The Bonds and the GO Bonds are separate and distinct securities offerings being issued and sold independently, and, while the Bonds and the GO 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 GO Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

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*Preliminary, subject to change.

[a] 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.

[b] The initial offering yields will be established by and are the sole responsibility of the Underwriters and may subsequently be changed.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), 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 the Rule.

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. 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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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 THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES AND SCHEDULE, 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.

The City, the Municipal Advisor, and the Underwriters make no representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system herein, as such information has been provided by DTC.

TABLE OF CONTENTS

The cover page hereof, the Maturity Schedule, this Table of Contents, the section entitled "Official Statement Summary," this Table of Contents, the Schedule and Appendices A, B, C, and D attached hereto are part of this Official Statement.

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 $57,610,000* Water and Wastewater System Revenue 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.

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 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager, and the Chief Financial Officer the authority to effect the sale of the Bonds by the execution of a pricing certificate (the "Pricing Certificate") evidencing the final terms of the Bonds (see "THE BONDS – Authority for Issuance"). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance."

PAYMENT OF INTEREST................Interest on the Bonds accrues from the initial delivery date (the "Delivery Date"), and is payable February 15, 2025 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds"). Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

SECURITY FOR THE BONDS.........The Bonds are special obligations of the City, payable, both as to principal and interest, solely from and, together with certain outstanding revenue bonds of the City and any additional parity bonds which the City has reserved the right to issue in the future, secured by a first lien on and pledge of the Net Revenues of the City's Water and Wastewater System (the "System"). **The Bonds are not payable from monies raised or to be raised from taxation** (see "SECURITY FOR THE BONDS").

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

REDEMPTION PROVISIONS*........The Bonds maturing on and after 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. In the event the Underwriters elect to combine two or more consecutive serial maturities 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 for tax years beginning after December 31, 2022, 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).

*Preliminary, subject to change.

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 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").

PAYMENT RECORD......................... The City has never defaulted in payment of its debt.

LEGAL OPINION.............................. The delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an 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 General Obligation Refunding Bonds, Series 2024 (the "GO Bonds") but pursuant to a separate offering document. The Bonds and the GO Bonds are separate and distinct securities offerings being issued and sold independently, and, while the Bonds and the GO 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 GO Bonds through the facilities of DTC is expected to occur on or about December 12, 2024.

For additional information regarding the City, please contact:

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Interim Chief Financial Officer/
Director of Financial Planning & Analysis
City of Lubbock
1314 Avenue K
Lubbock, Texas 79401
Phone (806) 775-2019
Fax (806) 775-2051

Matthew Boles
RBC Capital Markets, LLC
200 Crescent Court, Suite 1500
Dallas, Texas 75201
Phone (214) 989-1660
Fax (214) 989-1650

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS OF THE CITY

Name	Position	Date of Installation of Office	Term Expires	Occupation
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

Name	Position	Date of Employment in Current Position	Date of Initial Employment with City of Lubbock	Total Years of Government Service
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

OFFICIAL STATEMENT
RELATING TO

$57,610,000*
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE 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 $57,610,000* Water and Wastewater System Revenue Refunding Bonds, Series 2024 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds adopted by the City Council on October 8, 2024 (the "Bond Ordinance"), except as otherwise indicated herein (see "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE").

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 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 or the System (defined below). 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 DISCLAIMER").

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 offering document.

There follows in this Official Statement descriptions of the Bonds, the Water and Wastewater System of the City (the "System") 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 the purposes of (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.

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 permitted by the ordinances authorizing the issuance of the Refunded Obligations which are to be acquired and held in the Escrow

* Preliminary, subject to change.

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 of the Bonds	$
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 shall bear interest on the unpaid principal amounts from their date of initial delivery (the "Delivery Date") and mature on February 15 in each of the years and in the amounts shown on page ii hereto. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be initially payable on February 15, 2025, and on each August 15 and February 15 thereafter until maturity or prior redemption. 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") 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 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager, and the Chief Financial Officer (each, an "Authorized Officer") the authority to effect the sale of the Bonds by the execution of a pricing certificate (the "Pricing Certificate") evidencing the final terms of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance".

Redemption Provisions*

The City reserves the right, at its option, to redeem the 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. If less than all of the Bonds 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, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

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*Preliminary, subject to change.

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 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 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 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 holders of the Parity Bonds (defined herein) aggregating a majority in principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to the Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the holders of all of the Parity Bonds at the time outstanding, nothing in the Ordinance shall permit or be construed to permit the amendment of the terms and conditions in the Ordinance or the Bonds so as to: (i) make any change in the maturity of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal payable on the outstanding Bonds; (iv) modify the terms of payment of principal of or interest on the outstanding Bonds or impose any conditions with respect to such payment; (v) affect the rights of the holders of less than all of the Bonds then outstanding; or (vi) change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

The City may, without the consent of or notice to any owners, amend the Ordinance to (i) add to the covenants and agreements of the City, grant additional rights or remedies to owners or to surrender, restrict or limit any right or power reserved to or conferred upon the City; (ii) to clarify matters or questions arising under the Ordinance or for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Ordinance, as are necessary or desirable and not contrary to or inconsistent with the Ordinance and in all events which shall not adversely affect the interests of the owners of the Bonds, (iii) to modify any of the provisions of the Ordinance in any other respect whatsoever, provided that such modification shall be, and be expressed to be, effective only after all previously issued Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding; and (iv) to make such amendments to the Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with certain provisions of the Internal Revenue Code and the regulations promulgated thereunder and applicable thereto.

See "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – Amendment of Ordinance".

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 Ordinance. 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 Ordinance. Each exchange Bond delivered by the Paying Agent/Registrar in accordance with the Ordinance shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered. No service charge shall be made to the 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 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. 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 ("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 preceding month. 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 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 a Bond appearing on the Register 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 General Obligation Refunding Bonds, Series 2024 (the "GO Bonds") but pursuant to a separate offering document. The Bonds and the GO Bonds are separate and distinct securities offerings being issued and sold independently, and, while the Bonds and the GO 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 GO 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 Advisorand 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 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 Ordinance will be given only to DTC.

SECURITY FOR THE BONDS

Security and Source of Payment

The Bonds are special obligations of the City payable solely from and, together with certain outstanding revenue bonds of the City (the "Previously Issued Bonds") and any additional parity bonds which may be issued in the future (the "Additional Bonds", and together with the Previously Issued Bonds, the "Parity Bonds"), secured by a first lien on and pledge of the Net Revenues of the System after the payment of maintenance and operating expenses (see "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – Pledge of Security"). The City has also reserved the right to issue or incur other obligations on a parity with the Parity Bonds, including obligations issued or incurred under the terms of a Credit Facility (the "Parity Obligations"), subject to the determination that the City will have sufficient Net Revenues to satisfy the annual debt service requirements of the System and the financial obligations of the City relating to the System after giving effect to the treatment of the Credit Facility as a Parity Obligation.

Maintenance and operating expenses include all salaries, materials, repairs and extensions necessary to render efficient service; provided, however, only such expenses for repairs and extensions as in the judgment of the City Council reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from Net Revenues of the System, shall be deducted in determining "Net Revenues" under the Ordinance. Additionally, depreciation shall never be considered as an expense of operation and maintenance. The City's payment obligations under contracts for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred therefor and as may be authorized by law. The System also makes annual payments in lieu of taxes ("PILOT") and franchise fees to the City. The payment of the PILOT and the franchise fees are treated and accounted for as maintenance and operating expenses of the System, payable prior to the payment of debt service on Parity Obligations, including the Bonds.

The Parity Obligations, including the Bonds, are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Bonds are not payable from funds raised or to be raised from taxation. The Ordinance does not create a lien or mortgage on the capital assets of the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

Previously Issued Bonds

The City has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that is on a parity with the lien securing the Bonds, as follows:

Dated Date	Outstanding Principal	Issue Description
03/27/2019	$14,710,000	Water and Wastewater System Revenue Bonds, Series 2019[a]
04/30/2019	10,530,000	Water and Wastewater System Revenue Imp & Ref Bonds, Series 2019A
10/15/2019	67,895,000	Water and Wastewater System Revenue Ref Bonds, Taxable Series 2019B
06/01/2020	36,720,000	Water and Wastewater System Revenue Bonds, Series 2020A
12/01/2020	18,965,000	Water and Wastewater System Revenue Ref Bonds, Series 2020B
12/01/2020	16,840,000	Water and Wastewater System Revenue Ref Bonds, Taxable Series 2020C
02/01/2021	7,220,000	Water and Wastewater System Revenue Bonds, Series 2021
10/14/2021	8,870,000	Water and Wastewater System Revenue Bonds, Series 2021A[a]
05/01/2022	6,285,000	Water and Wastewater System Revenue Bonds, Series 2022
03/01/2023	14,085,000	Water and Wastewater System Revenue Bonds, Series 2023
Total	**$202,120,000**	

[a] Bonds held by the Texas Water Development Board ("TWDB").

Pledged Revenues

All of the Net Revenues of the System with the exception of those in excess of the amounts required to establish and maintain the special funds created for the payment and security of the Parity Obligations are irrevocably pledged for the payment of the Parity Obligations and interest thereon. The Parity Obligations are equally and ratably secured by a first lien upon the Net Revenues of the System (see "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – Pledge of Security").

Rates

The City has covenanted in the Ordinance that it shall, at all times while any of the Parity Obligations are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the System which will provide revenues sufficient at all times to: (i) pay all maintenance, operation, debt service, depreciation, replacement and betterment charges of the System; (ii) pay the amounts required to be deposited to the Bond Fund to pay the principal of and interest on the Parity Bonds as the same becomes due and payable, to accumulate and maintain the reserve amount, if any, required to be deposited in the Reserve Fund, and to pay any other costs of Parity Obligations as the same becomes due and payable; (iii) produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the maximum annual debt service requirements of the Parity Bonds from time to time outstanding; and (iv) pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

General Reserve Fund

As additional security for the Parity Obligations, (other than TWDB Bonds, defined herein) designated as "Covered Parity Bonds", the City covenants and agrees in the Ordinance to accumulate and maintain Reserve Fund Obligations in the General Reserve Fund equal to not less than the lesser of (i) the maximum annual debt service (calculated on a Fiscal Year basis) for all Outstanding Covered Parity Bonds, as determined on the date of issuance of each series or installment of Additional Bonds issued as Covered Parity Bonds, and annually following each principal payment date or redemption date for the Covered Parity Bonds, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of section 148 of the Code (defined herein) and regulations promulgated thereunder. The General Reserve Fund shall be made available for and reasonably employed to pay principal of and interest on Covered Parity Bonds in the event that amounts in the Bond Fund are insufficient for such purpose. If any amount of the General Reserve Fund is employed to pay principal of or interest on Covered Parity Bonds and, after disbursement of such amounts for such purpose, the amount on deposit in the General Reserve Fund is less than the General Reserve Fund Requirement, or if an event of default under any Credit Facility held in the General Reserve Fund has occurred and is continuing, the General Reserve Fund Requirement shall be restored from Net Revenues in twenty-four (24) approximately equal monthly payments from the first available Net Revenues in the System Fund, subject only to (and in accordance with) the priority of payments prescribed in the Ordinance.

Notwithstanding anything to the contrary contained in the Ordinance, the requirement set forth above to maintain the General Reserve Fund shall be suspended for such time as the Net Revenues for each fiscal year are equal to at least 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds. In the event that the Net Revenues for any fiscal year are less than 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds, the City will be required to commence making deposits to the General Reserve Fund, as provided in the Ordinance, and to continue such deposits until the earlier of (i) such time as the General Reserve Fund contains the General Reserve Fund Requirement or (ii) the end of any period of two consecutive fiscal years during which Net Revenues were equal to not less than 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds.

Following the issuance of the Bonds, Net Revenues for the fiscal year ending fiscal year ending September 30, 2023 will exceed (and based on near final unaudited results for fiscal year ending September 31, 2024 are expected to exceed) 1.25 times the maximum annual debt service requirements for all Outstanding Parity Bonds. Accordingly, the requirement to maintain the General Reserve Fund will be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.25 times the maximum annual debt service requirements for all Outstanding Parity Bonds.

The City maintains a separate reserve fund (the "TWDB Reserve Fund") for Parity Bonds owned by the TWDB (the "TWDB Bonds") as described in APPENDIX C. The Bonds are not TWDB Bonds and are not secured by the TWDB Reserve Fund. The TWDB Reserve Fund will be funded in an amount equal to the TWDB Reserve Requirement, which shall be calculated and predetermined at the time of issuance of each series or installment of TWDB Bonds. As of the date of this Official Statement, the TWDB Reserve Fund Requirement for the City's currently outstanding TWDB Bonds is $1,649,721 (see "SECURITY FOR THE BONDS – Previously Issued Bonds"). The TWDB Reserve Fund Requirement for the City's currently outstanding TWDB Bonds is being funded from Net Revenues of the System in equal monthly installments, over sixty (60) months. With respect to the City's: (a) Water and Wastewater System Revenue Bonds, Series 2019, such installments began in April 2019, and (b) Water and Wastewater System Revenue Bonds, Series 2021A, such installments began in November 2021.

See "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – General Reserve Fund" and "– TWDB Reserve Fund."

Flow of Funds

The City hereby covenants and agrees with the owners of the Bonds that the moneys deposited in the System Fund shall be used first for the payment of the reasonable and proper expenses of operating and maintaining the System. All moneys deposited in the System Fund in excess of the amounts required to pay operating and maintenance expenses of the System shall be applied and appropriated, to the extent required and in the order of priority prescribed, as follows:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Parity Obligations, including the principal of and interest on the Parity Bonds as the same become due and payable;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Reserve Funds to accumulate, restore and maintain the amounts required to be deposited therein;

Third: To the payment of Subordinate Obligations, including the payment of amounts required to maintain any special funds created to secure payment of Subordinate Obligations; and

Fourth: For any other purpose of the City now or hereafter permitted by law.

See "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – System Fund."

Issuance of Additional Bonds

In the Ordinance, the City has reserved the right to issue Additional Bonds which may be secured on a parity with the pledge of the Net Revenues that secures the payment of the Bonds and the Previously Issued Bonds. Such Additional Bonds may be issued under certain conditions, including that the Chief Financial Officer of the City shall provide a certificate to the effect that, according to the books and records of the City, the Net Revenues of the System were, during the last completed Fiscal Year, or during any consecutive twelve (12) month period of the last fifteen (15) consecutive months next preceding the date of delivery of the Additional Bonds, equal to at least 1.25 times the maximum annual debt service requirements of the Parity Bonds which will be outstanding upon the issuance of the Additional Bonds. See "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE – Issuance of Additional Bonds" for complete terms and conditions to be satisfied for the issuance of Additional Bonds. The Bonds constitute Additional Bonds.

REMEDIES

The 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 Ordinance provides that any owner is entitled to seek a writ of mandamus from a court of proper 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 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 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 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 the Bonds may not be able to bring such a suit against the City for breach of the Bond or the 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 Ordinance provides that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the 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). 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.

The enforcement of a claim for payment of principal of or interest on the Bonds and the City's other obligations with respect to the Bonds are subject to the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors of political subdivisions generally. The City may seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Should the City become a debtor in a Chapter 9 bankruptcy proceeding, the owners of the Bonds would continue to have a lien on Net Revenues after the commencement of the bankruptcy case so long as the Net Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. While the Net Revenues appear to be "special revenues," no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers. If Net Revenues do not constitute "special revenues," there could be delays or reductions in payments by the City with respect to the Bonds.

If the City were to become a debtor in a proceeding under Chapter 9, the automatic stay of section 362 of the Bankruptcy Code would be applicable to the City's proceedings, subject to certain possible exceptions. For example, the proceeding should not operate to stay application of pledged "special revenues" to the payment of indebtedness secured by such revenue. However, although the automatic stay has historically been understood not to stay the collection and application of such "special revenues" to payment of bonds secured by such special revenues, the bankruptcy court could possibly decide that (i) post-bankruptcy Bond payments by the City are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement actions by the owners of the Bonds) or is limited to amounts then in the possession of the owners of the Bonds. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding may thus be prohibited from taking any action to collect the Net Revenues, or to enforce any related obligation connected with the Bonds, without the bankruptcy court's permission.

Regardless of any specific determinations by a bankruptcy court in a City bankruptcy proceeding, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Bonds. In addition, there may be delays or reductions in payments on the Bonds in a Chapter 9 proceeding, especially if the City does not voluntarily pay debt service on the Bonds as and when required by the Ordinance.

THE SYSTEM

Background

The City's Water and Wastewater Utilities Department (the "Department") provides water and wastewater services to residential, commercial, industrial and wholesale customers. The Department serves a population of approximately 320,000 people within the City of Lubbock and three surrounding communities (Shallowater, Ransom Canyon, and Buffalo Springs). The Department consists of two separate functions: Water and Wastewater, each of which has several divisions responsible for specific areas. The Water Department is responsible for providing safe, clean drinking water to System customers. The Wastewater Department collects, monitors, and treats domestic, commercial and industrial wastewater from the City. The City provides highly treated effluent from the City's water reclamation facility to Xcel Energy's Jones Power Plant for industrial water cooling towers. In addition, the City's treated effluent is used to grow crops at two City-owned land application sites (Lubbock and Hancock Sites) and the remaining treated effluent is discharged into the North Fork of the Double Mountain Fork of the Brazos River. The System operates as an enterprise fund. Revenues collected from the provision of water and wastewater are used to pay operating expenses and debt service costs. Water and wastewater services are billed separately to more accurately capture the cost of each service. However, the Department shares some administrative staff and functions within the System.

Water Utility

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 also works closely with the State's 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 is 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.

As of September 30, 2023, the water system consisted of 100,014 meters and 2,183 miles of distribution lines. The City also provides treated wholesale water to Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, the Texas Department of Criminal Justice's Montford Unit, Texas Tech University's East Campus – Petroleum Engineering Classroom, and Lubbock-Cooper ISD main campus and the City of Wolfforth. The City is under contract to provide potable water under emergency conditions to the City of Littlefield.

The City currently receives its water from four different sources: Roberts County Well Field, Lake Meredith Reservoir, Bailey County Well Field, and Lake Alan Henry. The Roberts County Well Field and Lake Meredith Reservoir are owned by the Canadian River Municipal Water Authority ("CRMWA"). 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 some 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% capacity, throughout the year to increase peak capacity by 25 million gallons per day. Additional capacity exists in the main aqueduct supplying water to the southern CRMWA cities (Lubbock, Levelland, Brownfield, Lamesa, Tahoka, O'Donnell, and Slaton). Therefore, CRMWA is currently securing easements for a new pipeline route so a second transmission line ("CRMWA II") can be constructed from the well field to the aqueduct. This will allow for the full utilization of the aqueduct to the southern cities. The project is estimated to be completed sometime after 2032 when all of the member cities have a need for the additional water.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.2 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. Lake Alan Henry is currently at greater than 75% of its capacity. The South Water Treatment Plant includes a 225-million-gallon terminal storage reservoir and a high service pump station to transfer the treated water into the City's distribution system.

The Canadian River Municipal Water Authority . . . CRMWA is a political subdivision of the State of Texas, a conservation and reclamation district organized and functioning pursuant to Article 16, Section 59 of the Texas Constitution, under chapter 243, Acts of the 53rd Legislature Regular Session, 1953, as amended, formerly codified as article 8280-154 Vernon's Annotated Texas Civil Statutes (the "Enabling Act"). CRMWA was created to provide a source of municipal and industrial water for its eleven member cities (as defined below) located in the Texas Panhandle and South Plains. Under the Constitution and the Enabling Act, CRMWA has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and floodwaters and unappropriated flow waters, to effectuate salinity control facilities within or without the State, and as a necessary aid to the purposes, specific authority to construct, own and operate water supply, treatment and distribution facilities.

CRMWA comprises all of the territory of its Member Cities: Amarillo, Brownfield, Borger, Lamesa, Levelland, Lubbock, O'Donnell, Pampa, Plainview, Slaton, and Tahoka (the "Member Cities"). CRMWA is governed by a 17 member Board of Directors. Each member city having a population of 10,000 or more is represented by two members on the Board of Directors of CRMWA. Members of the Board of Directors are appointed by the governing bodies of the respective Member Cities for two-year terms. CRMWA undertook to supply surface water to its Member Cities by developing its first projects, the "Canadian River Project", which includes Lake Meredith Reservoir.

The City currently has a water supply agreement with CRMWA (the "CRMWA Contract"). CRMWA has developed ground water resources in Roberts County which is permitted to produce 13 billion gallons annually. City payments to CRMWA, under the CRMWA Contract, are operating expenses of the System and are paid prior to the City's Parity Bonds, including the Bonds. The payments to CRMWA are structured to include both a debt service component, which is used to pay a portion of the debt on CRMWA bonds, and a maintenance and operations component, which is used to pay a portion of CRMWA's maintenance and operating expenses. The term of each contract coincides with the final payment of the debt service component, and indefinitely thereafter, for payment on any maintenance and operating expenses associated with each project. When all debt payments are made, the City will own a vested interest in each project. CRMWA currently has debt obligations outstanding until 2031.

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 fiscal year 2023, approximately 41% 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% of the treated wastewater and 46% 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 hauled and disposed of at the City's regional solid waste landfill in Abernathy, Texas. In April 2018, the new 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. 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 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 includes upgrades to Plant 3 for biological nutrient removal. Construction for rehabilitation of Plant 3 clarifiers and improved aeration capabilities is currently underway. 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 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.

Capital Improvement Plan

The following discussion contains forward looking information that is subject to change as capital planning decisions evolve. No assurance can be given that any of the projects described below will be implemented or that the expected benefits of any such projects will be realized.

The Department annually adopts a six-year capital improvement plan (the "CIP") for all its operations, and the current plan is summarized in Table 15 of "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM". The current CIP reflects expenditures for fiscal years 2024-25 through 2029-30 and includes annual expenditures that range in size from $7.1 million to $77.1 million per year. The Department anticipates that the level of cash funding for all capital projects for this six-year period will be approximately 38.2 percent. The amount of cash funding averages roughly $14.8 million per year for the six-year period.

The following are high level summaries of some of the significant projects included in the current CIP.

<u>Lake 7 Design and Land Acquisition</u> . . . This project includes the design, construction, land acquisition, and mitigation associated with Lake 7 (Lubbock's new water supply). Lake 7 will require extensive permitting through the US Army Corp of Engineers. Design and construction services include a reservoir, intake structure, pipelines, pumping facilities, and an advanced water treatment facility. The majority of the land for the lake will be purchased in 2024-25.

<u>West Lubbock Water System Expansion</u>. . . This project will add major infrastructure upgrades to maintain an appropriate level of service to West Lubbock. Due to anticipated growth and lack of municipal infrastructure the current model shows future pressure could be below the regulatory minimum average. The project includes a new pump station, ground storage tank (GST), elevated storage tank and transmission pipelines. All of the infrastructure is necessary together in order to maintain TCEQ minimum requirements in the west Lubbock area in the near future.

<u>Pump Station 11B</u> . . .This project will demolish Pump Station No. 11 and build a new Pump Station 11B to handle future anticipated flows for the City. The existing pump station 11 serves as the primary pump station for the North Water Treatment Plant. This pump station is the pump station hub for distribution of Roberts County Wellfield and Lake Meredith water to the City. The pump station has surpassed its useful service life and with the continued expansion in the Lubbock Business Park and the Industrial Rail Port sizing of the new pump station will need to be taken into consideration when planning for the new pump station.

A CIP is made 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. At present, the Department management is planning under the assumption that the listed capital improvements will be funded from a blend of operating revenues and bond proceeds.

FINANCIAL POLICIES

Policies

<u>Basis of Accounting</u> . . . 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 appropriable 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 appropriable 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 appropriable 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 appropriable net position for the Water and Wastewater, Storm Water, and Airport enterprise funds are as follows based on:

Enterprise Fund	Target Net Position by Policy	Appropriable Net Position
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:

Enterprise Fund	Target General Reserve by Policy	General Reserve
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:

FYE 9-30-23	TMRS	LFPS	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	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 are set forth in Appendix D 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 Obligation, 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. An explanation of the significance of such ratings may be obtained from the company furnishing the rating.

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 security's rating is not a recommendation to buy, sell or hold 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 BONDS FOR SALE

The sale of the Bonds has 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"). 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 Ordinance and the legal opinion of Bond Counsel. The form of Bond Counsel's opinion is attached hereto in APPENDIX D. 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 - Purpose," "THE BONDS" (excluding the subcaption "Book-Entry-Only System"), "SECURITY FOR THE BONDS," "TAX MATTERS", "REGISTRATION AND QUALIFICATION OF 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 Ordinance or set out the content of our Bond Opinion, are accurate in all material respects.

The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions 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

Environmental Regulations

The City is subject to State and federal environmental laws and regulations applicable to the System. These laws and regulations are subject to change, and the City may be required to expend substantial funds to meet the requirements of such laws and regulations in in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil, and criminal penalties, or the imposition of an injunction requiring the City to take or refrain from taking certain actions. In addition, the City may be required to remediate contamination as a result of the City operations on properties owned or operated by the City or on properties owed by others.

Weather Events

The City is located in West Texas. Land located in this area is susceptible to high winds, tornados, fires and arid conditions. Revenues and expenses of the System can be impacted by weather. Dry weather generally results in an increase of usage of the System, which can increase both revenues and expenses. Higher than average rainfall amounts generally result in less demand for water from the System.

Damage to the System

Damage to the System resulting from vandalism, sabotage, or terrorist activities may inadvertently impact the operations and finances of the System. The City currently carries insurance and maintains electronic security on the System's facilities, particularly its remote pump stations. There can be no assurance that the City's security, emergency preparedness, and response plans will be adequate to prevent such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

Cyber Security

Computer networks and data transmission and collection are vital to the operations of the City and the System. Information technology and infrastructure of the City and the System 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 and the System. 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.

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.

Unregulated Contaminant Monitoring Rule Publication.

On December 27, 2021, the EPA published the fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") related to polyfluoroalkyl substances, or PFAS chemicals, under the SDWA. UCMR5 requires drinking water providers like the City to measure the level of 29 specific PFAS chemicals. In April 2024, the EPA finalized regulations for six of these compounds. Public water systems must complete initial monitoring by 2027 and, if these six PFAS are found at levels above the regulatory limits, implement solutions to reduce PFAS by 2029. In a proactive approach to health and safety standards, the City conducted PFAS sampling and found no detectable levels of the six types of PFAS compounds which will be regulated by the EPA. Additional testing will be required and the results from each testing sample will be averaged to determine if any treatment mitigation is required by 2029.

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 1-15) and 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 Securities and Exchange Commission 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 its continuing disclosure agreements made 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 Bonds. 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 issuer 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 Co.

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.

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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 GO Bonds*	Redemption Date
General Obligation Refunding Bonds, Series 2014							
05/01/2014	$ 44,920,000	$ 15,005,000	02/15/2026	$ 5,740,000	$ 2,250,000	$ 3,490,000	02/15/2025
			Total	**$ 5,740,000**	**$ 2,250,000**	**$ 3,490,000**	
General Obligation Refunding Bonds, Series 2015							
04/15/2015	$129,665,000	$ 44,725,000	02/15/2026	$ 12,295,000	$ 6,415,000	$ 5,850,000 [a]	02/15/2025
			02/15/2027	12,380,000	6,745,000	5,605,000 [a]	02/15/2025
			02/15/2028	8,350,000	5,295,000	3,055,000	02/15/2025
			Total	**$ 33,025,000**	**$ 18,455,000**	**$ 14,510,000**	
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	3,235,000	$ 1,435,000	02/15/2025
			02/15/2027	4,885,000	3,385,000	1,500,000	02/15/2025
			02/15/2028	5,135,000	3,555,000	1,580,000	02/15/2025
			02/15/2029	5,400,000	3,740,000	1,660,000	02/15/2025
			02/15/2030	5,645,000	3,910,000	1,735,000	02/15/2025
			02/15/2031	5,880,000	4,075,000	1,805,000	02/15/2025
			02/15/2032	6,120,000	4,240,000	1,880,000	02/15/2025
			02/15/2033	6,365,000	4,410,000	1,955,000	02/15/2025
			02/15/2034	6,625,000	4,585,000	2,040,000	02/15/2025
			02/15/2035	6,895,000	4,775,000	2,120,000	02/15/2025
			Total	**$ 57,620,000**	**$ 39,910,000**	**$ 17,710,000**	
TOTAL REFUNDED OBLIGATIONS				**$ 96,385,000**	**$ 60,615,000**	**$ 35,710,000**	

*Preliminary, subject to change.
[a] The City intends to cash redeem the remaining $30,000 of each maturity on February 15, 2025.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE SYSTEM

FINANCIAL INFORMATION REGARDING
THE CITY OF LUBBOCK WATER AND WASTEWATER SYSTEM

TABLE 1 - TOTAL ANNUAL HISTORICAL CUSTOMERS

Fiscal Year Ended 30-Sep	Number of Customers	
	Water	Wastewater
2019	80,099	76,004
2020	81,998	78,212
2021	92,664	80,986
2022	96,435	90,139
2023	100,014	91,788

Source: City's Annual Comprehensive Financial Reports and City records.

TABLE 2 - HISTORICAL WATER CONSUMPTION

Fiscal Year Ended 30-Sep	Average Daily Water Consumption (Gallons)	Maximum Daily Water Consumption (Gallons)	Miles of Mains		Number of Meters
			Water	Sewer	
2019	31,621,312	54,200,000	1,859.0	1,212.0	90,046
2020	35,264,249	57,000,000	1,901.0	1,242.0	92,291
2021	34,457,140	47,751,000	2,011.0	1,275.0	95,701
2022	37,110,000	54,000,000	2,128.0	1,301.0	97,709
2023	35,080,000	51,784,000	2,186.0	1,320.0	100,014

Maximum water production capacity (from water plant, lakes and wells)................................ 127.0 MGD
Maximum or Peak Usage to date (October 2020).. 51.7 MGD
Overhead Storage Capacity.. 8.0 MGD
Ground Storage Capacity.. 50.5 MGD

Source: City's Annual Comprehensive Financial Reports and City records.

TABLE 3 - TEN LARGEST WATER CUSTOMERS (FISCAL YEAR 2023)

Customer	Avg Monthly Use (Gallons)	% of Sys Avg Monthly
Texas Tech University	27,873,667	2.61%
Parks Department	15,506,833	1.45%
X-FAB	10,925,500	1.02%
Lubbock Independent School District	9,322,667	0.87%
Covenant Health System	7,888,750	0.74%
Town of Ransom	7,436,833	0.70%
Southwestern Public Service	7,601,167	0.71%
Texas Department of Criminal Justice	4,832,583	0.45%
Sewage Disposal	5,322,667	0.50%
City of Wolfforth	4,151,250	0.39%
Total	**100,861,917**	**9.43%**

Source: City records.

TABLE 4 - HISTORICAL WASTEWATER PLANT TREATMENT

The table below sets forth the average daily influent treated in million gallons per day, at the City's Southwest Water Reclamation Plant for each of the last five calendar years.

Calendar Year	Average Treatment
2018	18.00
2019	18.70
2020	18.44
2021	18.50
2022	19.82
2023	20.80

TABLE 5 - WATER AND WASTEWATER SYSTEM REVENUE BONDS COVERAGE

	Fiscal Year Ending September 30,				
	2023	**2022**	**2021**	**2020**	**2019**
Revenues	$ 141,694,678	$ 143,881,122	$ 134,824,670	$ 136,392,723	$ 124,756,503
Less: Operating Expenses[(a)]	(106,166,117)	(96,389,048)	(97,983,361)	(91,315,466)	(78,849,758)
Plus: Depreciation	36,955,292	35,246,808	34,837,083	33,500,419	32,178,046
Plus: Interest earnings	12,267,237	-	2,469,860	5,404,229	8,393,779
Plus: Miscellaneous	1,297,328	1,257,544	1,126,416	488,542	1,509,439
Less: PILOT/FFE Transfer[(a)]	-	-	-	-	(14,404,699)
P/L: Disposition of Assets	(31,090)	(193,689)	(359,533)	(16,187)	(317,279)
Net Revenue Available for Debt Service[(a)]	$ 86,017,328	$ 83,802,737	$ 74,915,135	$ 84,454,260	$ 73,266,031
Customer Count Water/Wastewater	191,802	186,574	173,650	160,210	156,103
FY2025 W&WW System Revenue Debt Service[(b)]					$ 26,379,517
Coverage Ratio based on FY2023 Net Revenue					2.84 x
Average Annual W&WW System Revenue Debt Service (FY2025-FY2041)[(b)]					$ 17,218,097
Coverage Ratio based on FY2023 Net Revenue					4.35 x
Maximum Annual W&WW System Revenue Debt Service (FY2026)[(b)]					$ 39,617,274
Coverage Ratio based on FY2023 Net Revenue					1.89 x

Source: City's Annual Comprehensive Financial Reports.

[(a)] As of FY2020, payments in lieu of taxes ("PILOT") and franchise fee expenses ("FFE") of the Water and Wastewater System are categorized in Operating Expenses in "Other Services and Charges" based on an accounting standards change. Prior to FY2020, the expenses were classified as fund transfers by the Water and Wastewater System. Regardless of accounting standards, the City has treated PILOT and FFE as maintenance and operating expenses of the System, payable prior to the payment of debt service on Parity Obligations.

[(b)] Excludes the portion of the City's self-supporting general obligation debt that is paid from System revenues (see "Table 10 - AGGREGATE DEBT SUPPORTED BY THE WATER AND WASTEWATER SYSTEM"). Excludes amounts payable to the Canadian River Municipal Water Authority ("CRMWA") pursuant to the CRMWA Contract, which constitute operating expenses of the System and are paid prior to the Parity Obligations. Includes the Bonds. Preliminary, subject to change.

TABLE 6 - MONTHLY WATER RATES

Lubbock City Council adopted water rate changes, effective October 1, 2024. Rates are designed to cover water expenses of the fiscal year and to fully fund the debt service for water supply projects.

Base Rate [(a)]	1-Oct-24
3/4" meter	$ 18.75
1" meter (single family residential)	31.31
1" meter (other than residential)	31.31

Flow Rate Charge per 1,000 Gallons	Block 1 (0-1,000)	Block 2 (1,001-5,000)	Block 3 (5,001-10,000)	Block 4 (10,001-30,000)	Block 5 (30,001) & Up
Single Family Residential	$ -	$ 4.10	$ 7.15	$ 8.75	$ 9.25

Flow Rate Charge per 1,000 Gallons	Block 1	Block 2 (1,001-40,000)	Block 3 (> Block 2)
Single Family Residential Irrigation	n/a	$ 6.67	$ 8.00
		(based on meter size)	(> Block 2)
Non-Residential Irrigation	n/a	$ 6.67	$ 8.00

Flow Rate Charge per 1,000 Gallons	Block 1 (Up to 100% AWC)	Block 2 (Block 1 + Up to 50% of AWC)	Block 3 (Excess of Block 1 and Block 2)
Multi-Family Residential, Commercial and Public	$ 4.89	$ 6.67	$ 8.00
Schools	$ 4.89	n/a	n/a
Wholesale	$ 7.335	$ 10.005	$ 12.000

(a) The Base Rate is for water service; Base Rates shown are for a 3/4" water meter and a 1" meter for residential and commercial customers; higher Base Rates apply to meters ranging from 1.5" to 10". AWC stands for average volume of water used as measured by the non-irrigation meter readings for the months of September - February.

TABLE 7 - MONTHLY WASTEWATER RATES

In providing adequate wastewater service to its customers, the utility must receive sufficient total revenue to ensure proper operation and maintenance, development and perpetuation of the system, and preservation of the utility's financial integrity. Nearly all of total revenue requirements for the utility is met from revenues derived from wastewater residential and commercial fees.

The goal in setting wastewater rates is to generate enough revenue to fund operating costs, debt payments, utility billing charges, indirect allocation, and transfers to the general fund; to adequately fund system improvements and maintenance programs; and to build and/or maintain target balances in both working capital and rate stabilization funds.

The Lubbock City Council adopted a rate increase for the wastewater rates that went into effect on October 1, 2024. Those rates remain in effect and are shown below.

	1-Oct-24
Residential	
Base Rate [(a)]	$ 17.55
Flow Rate (Water Consumption)	3.71
Commercial/Industrial [(b)]	
Base Rate [(a)]	$ 30.91
Flow Rate (Water Consumption)	3.71

(a) The Base Rate is for wastewater service; Base Rates shown are for a 3/4" water meter for residential consumers and a 1 1/2" water meter for commercial consumers; higher Base Rates apply to larger meters ranging from 2" to 10".
(b) Industrial waste that exceeds allowable limits is subject to surcharge for treating biochemical oxygen demand ("B.O.D.") and total suspended solids ("T.S.S."). Present surcharge rate for B.O.D. is $0.4335/lb. and for T.S.S. is $0.4141/lb. effective October 1, 2024.

TABLE 8 - WATER AND WASTEWATER REVENUE BOND DEBT SERVICE REQUIREMENTS

FY Ending 30-Sep	Outstanding System Revenue Bonds[a] Principal[b]	Outstanding System Revenue Bonds[a] Interest	Plus: The Bonds[c] Principal[b]	Plus: The Bonds[c] Interest	Total Debt Service Requirements
2025	$ 17,540,000	$ 6,110,305	$ 805,000	$ 1,924,213	$ 26,379,517
2026	20,150,000	5,551,024	11,360,000	2,556,250	39,617,274
2027	20,790,000	4,916,610	9,595,000	2,032,375	37,333,985
2028	21,465,000	4,225,727	8,285,000	1,585,375	35,561,102
2029	20,810,000	3,533,481	3,375,000	1,293,875	29,012,356
2030	21,395,000	2,852,633	3,545,000	1,120,875	28,913,508
2031	18,295,000	2,238,607	3,730,000	939,000	25,202,607
2032	11,880,000	1,790,858	3,920,000	747,750	18,338,608
2033	9,630,000	1,473,084	4,120,000	546,750	15,769,834
2034	7,855,000	1,210,729	4,325,000	335,625	13,726,354
2035	5,565,000	995,708	4,550,000	113,750	11,224,458
2036	5,735,000	805,655	-	-	6,540,655
2037	5,920,000	606,084	-	-	6,526,084
2038	6,110,000	397,149	-	-	6,507,149
2039	4,875,000	214,550	-	-	5,089,550
2040	3,585,000	73,546	-	-	3,658,546
2041	520,000	4,160	-	-	524,160
	$ 202,120,000	**$ 36,999,909**	**$ 57,610,000**	**$ 13,195,838**	**$ 309,925,746**

Average Annual Debt Service Requirements (FY2025-FY2041)	$ 17,218,097
Maximum Annual Debt Service Requirement (FY2026)	$ 39,617,274

(a) Excludes the portion of the City's self-supporting general obligation debt that is paid from System revenues (see "Table 10 - AGGREGATE DEBT SUPPORTED BY THE WATER AND WASTEWATER SYSTEM"). Excludes amounts payable to the Canadian River Municipal Water Authority ("CRMWA") pursuant to the CRMWA Contract, which constitute operating expenses of the System and are paid prior to the Parity Obligations.

(b) Principal paid February 15 of each year.

(c) Preliminary, subject to change. Debt service on the Bonds shown with a true interest cost of 3.249%.

TABLE 9 - ANTICIPATED ISSUANCE OF SYSTEM REVENUE BONDS

The System anticipates the issuance of Water and Wastewater System Revenue Bonds to fund $60,776,000 of capital improvement projects during fiscal year 2025, $48,950,000 in fiscal year 2026 and $33,633,000 in fiscal year 2027. Issuance beyond the current fiscal year is subject to change as the City and the System review priorities and revise the Systems's capital plan annually.

The City expects to issue additional System revenue bonds on an annual basis to provide funding for its Water and Wastewater System Capital Improvement Plan ("the CIP"); see "Table 15 - SYSTEM SIX-YEAR CAPITAL IMPROVEMENT PLAN" for details of the CIP.

TABLE 10 - AGGREGATE DEBT SUPPORTED BY THE WATER AND WASTEWATER SYSTEM

FY Ending 09/30	Outstanding System Revenue Bonds[(a)] Principal[(b)]	Interest	Total	Outstanding Self-Supporting Ad Valorem Tax Debt Paid From System Revenues[(c)] Principal[(b)]	Interest	Total	Total Requirements[(a)(d)]
2025	$ 18,345,000	$ 8,034,517	$ 26,379,517	$ 23,410,053	$ 3,506,627	$ 26,916,680	$ 53,296,198
2026	31,510,000	8,107,274	39,617,274	9,418,053	2,689,487	12,107,540	51,724,814
2027	30,385,000	6,948,985	37,333,985	9,020,000	2,260,606	11,280,606	48,614,591
2028	29,750,000	5,811,102	35,561,102	9,430,000	1,838,775	11,268,775	46,829,877
2029	24,185,000	4,827,356	29,012,356	9,905,000	1,372,950	11,277,950	40,290,306
2030	24,940,000	3,973,508	28,913,508	10,095,000	889,825	10,984,825	39,898,333
2031	22,025,000	3,177,607	25,202,607	2,435,000	596,650	3,031,650	28,234,257
2032	15,800,000	2,538,608	18,338,608	2,530,000	497,350	3,027,350	21,365,958
2033	13,750,000	2,019,834	15,769,834	2,635,000	394,050	3,029,050	18,798,884
2034	12,180,000	1,546,354	13,726,354	2,735,000	286,650	3,021,650	16,748,004
2035	10,115,000	1,109,458	11,224,458	2,845,000	184,675	3,029,675	14,254,133
2036	5,735,000	805,655	6,540,655	2,935,000	88,600	3,023,600	9,564,255
2037	5,920,000	606,084	6,526,084	995,000	19,900	1,014,900	7,540,984
2038	6,110,000	397,149	6,507,149	-	-	-	6,507,149
2039	4,875,000	214,550	5,089,550	-	-	-	5,089,550
2040	3,585,000	73,546	3,658,546	-	-	-	3,658,546
2041	520,000	4,160	524,160	-	-	-	524,160
2042			-	-	-	-	-
2043	-	-	-	-	-	-	-
	$ 259,730,000	**$ 50,195,746**	**$ 309,925,746**	**$ 88,388,106**	**$ 14,626,146**	**$ 103,014,252**	**$ 412,939,998**

(a) Includes the Bonds. Preliminary, subject to change.

(b) Principal paid February 15 of each year.

(c) Prior to the City's issuance of System revenue secured Parity Bonds, the City historically issued Tax and Waterworks System Surplus Revenue Certificates of Obligation and Tax Notes secured by an ad valorem tax pledge (collectively, "Self-Supporting Ad Valorem Tax Supported Debt") to finance a variety of capital projects, including projects for the Water and Wastewater System. Historically, the City has budgeted and paid debt service on the portion of Self-Supporting Ad Valorem Tax Supported Debt issued to fund Water and Wastewater System projects from revenues of the System. The City expects to continue to budget and pay debt service on Self-Supporting Ad Valorem Tax Supported Debt shown in these columns from System revenues remaining after payment of Parity Obligations. Excludes the Refunded Bonds. Preliminary, subject to change.

(d) Represents combined total of Parity Obligations, which are secured by pledge of Net Revenues of the System, and Self-Supporting Ad Valorem Tax Supported Debt supported by and paid from System revenues.

TABLE 11 - CITY'S EQUITY IN THE WATER AND WASTEWATER SYSTEM

	Fiscal Years Ended September 30,				
	2023	**2022**	**2021**	**2020**	**2019**
Value of the System					
System in Service	$ 1,523,501,129	$ 1,483,905,454	$ 1,415,943,120	$ 1,386,848,050	$ 1,347,577,402
Reserve for Depreciation	(537,204,729)	(501,255,754)	(466,792,930)	(432,925,398)	(403,282,420)
Net Plant in Service	986,296,400	982,649,700	949,150,190	953,922,652	944,294,982
Construction Funds Net Assets	56,800,298	55,983,347	55,291,307	18,587,939	8,473,115
Net Fixed Asset Value	$ 1,043,096,698	$ 1,038,633,047	$ 1,004,441,497	$ 972,510,591	$ 952,768,097
Restricted Investments	23,734,564	16,202,320	34,253,397	65,051,847	49,700,786
Deferred charge on refunding	2,325,105	3,283,996	4,282,975	4,329,850	6,663,740
Deferred outflows for pensions	7,299,053	2,161,000	1,345,455	1,373,615	4,074,262
Deferred outflows from OPEB	1,436,120	1,808,268	2,046,408	1,308,421	869,434
Current Assets	44,644,204	53,071,314	61,851,986	62,634,345	70,808,342
Less: Current Liabilities (excluding bonds/leases current)	(10,710,127)	(11,581,185)	(15,912,441)	(10,684,390)	(9,190,178)
Value of the system	$ 1,111,825,617	$ 1,103,578,760	$ 1,092,309,277	$ 1,096,524,279	$ 1,075,694,483
Long-Term Obligations					
Long-Term Debt	439,575,438	472,200,883	500,995,826	538,736,072	538,304,786
Less Debt Reserves	(42,697,558)	(43,479,143)	(38,015,777)	(37,095,911)	(19,907,604)
Net long-term debt	396,877,880	428,721,740	462,980,049	501,640,161	518,397,182
Plus:					
Accrued vacation and sick leave	852,911	751,709	690,610	630,636	431,259
Post employment benefits	11,301,078	16,272,024	17,690,199	15,878,883	15,146,174
Net pension liability	13,030,421	2,938,614	7,911,428	9,311,856	13,876,403
Deferred inflows pensions	496,437	4,644,098	2,522,708	2,390,291	539,464
Deferred inflows OPEB	4,709,534	2,727,059	987,709	1,125,268	558,514
Total long-term obligations	$ 427,268,261	$ 456,055,244	$ 492,782,703	$ 530,977,095	$ 548,948,996
City's equity in the system	**$ 684,557,356**	**$ 647,523,516**	**$ 599,526,574**	**$ 565,547,184**	**$ 526,745,487**
Equity percentage	61.57%	58.67%	54.89%	51.58%	48.97%

TABLE 12 - WATER AND WASTEWATER SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	Fiscal Years Ended September 30,				
	2023	**2022**	**2021**	**2020**	**2019**
OPERATING REVENUES					
Charges for services (net)	$ 141,694,678	$ 143,881,122	$ 134,824,670	$ 136,392,723	$ 124,756,503
Total operating revenues	$ 141,694,678	$ 143,881,122	$ 134,824,670	$ 136,392,723	$ 124,756,503
OPERATING EXPENSES					
Personnel services	$ 14,052,153	$ 11,637,849	$ 13,116,650	$ 14,052,588	$ 14,104,737
Supplies	6,177,120	5,146,402	3,945,663	4,091,459	3,767,816
Maintenance	5,781,230	5,268,279	4,814,377	4,374,347	4,125,774
Billing office expense	3,470,149	3,806,448	3,682,405	3,822,721	4,477,332
Other services and charges	39,730,173	35,283,262	37,587,183	31,473,932	20,196,053
Depreciation and amortization	36,955,292	35,246,808	34,837,083	33,500,419	32,178,046
Total operating expenses	$ 106,166,117	$ 96,389,048	$ 97,983,361	$ 91,315,466	$ 78,849,758
Operating income (loss)	$ 35,528,561	$ 47,492,074	$ 36,841,309	$ 45,077,257	$ 45,906,745
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	$ 12,267,237	$ -	$ 2,469,860	$ 5,404,229	$ 8,393,779
Federal grants	-	-	-	25,679	-
Disposition of assets	(31,090)	(193,689)	(359,533)	(161,874)	(317,279)
Miscellaneous	1,297,328	1,257,544	1,126,416	488,542	1,509,439
Interest expense	(19,813,372)	(13,674,877)	(14,677,461)	(19,163,357)	(22,565,715)
Net nonoperating revenues (expenses)	$ (6,279,897)	$ (12,611,022)	$ (11,440,718)	$ (13,406,781)	$ (12,979,776)
Income (loss) before contributions & transfers	$ 29,248,664	$ 34,881,052	$ 25,400,591	$ 31,670,476	$ 32,926,969
Capital contributions/grants	12,700,112	16,308,455	14,238,414	12,109,332	13,192,205
Transfers in	107,916	107,916	136,290	136,292	626,296
Transfers out	(5,148,509)	(5,511,104)	(5,795,905)	(5,117,403)	(18,295,704)
Change in net position (deficit)	$ 36,908,183	$ 45,786,319	$ 33,979,390	$ 38,798,697	$ 28,449,766
TOTAL NET POSITION/(DEFICIT)					
Beginning of year (restated)	$ 647,523,516	$ 601,737,197	$ 565,547,184	$ 526,748,487	$ 498,298,721
End of year	$ 684,431,699	$ 647,523,516	$ 599,526,574	$ 565,547,184	$ 526,748,487

Source: The City's Annual Comprehensive Financial Report.
The Water/Wastewater fund is forecasted to end fiscal year 2023/24 with approximately $160.8 million in revenue.

TABLE 13 - WATER AND WASTEWATER SYSTEM STATEMENT OF NET POSITION

	Fiscal Years Ended September 30,				
	2023	2022	2021	2020	2019
ASSETS					
Current assets:					
Cash and cash equivalents	$ 162,674	$ 335,894	$ 342,278	$ 1,130,734	$ 1,404,990
Investments	24,788,371	34,205,005	41,212,913	41,983,738	52,536,205
Accounts receivable, net	18,004,654	17,424,131	19,523,409	18,838,871	16,065,257
Interest receivable	572,409	616,527	514,021	514,944	562,814
Due from others	-	3,138	-	10,482	69,267
Due from other governments	103,232	50,694	117,713	94,818	53,221
Inventories	1,012,864	435,925	141,652	60,758	116,588
Total current assets	$ 44,644,204	$ 53,071,314	$ 61,851,986	$ 62,634,345	$ 70,808,342
Noncurrent assets:					
Restricted investments	$ 66,432,122	$ 59,681,463	$ 72,269,174	$ 102,147,758	$ 69,608,390
Total noncurrent assets	$ 66,432,122	$ 59,681,463	$ 72,269,174	$ 102,147,758	$ 69,608,390
Capital assets:					
Land	$ 43,795,532	$ 43,395,899	$ 42,043,375	$ 41,089,965	$ 40,865,761
Construction in progress	56,800,298	55,983,347	55,291,307	18,587,939	8,473,115
Buildings	164,648,417	164,648,417	165,004,173	165,004,173	164,903,321
Improvements other than buildings	1,173,135,061	1,139,630,716	1,085,252,854	1,057,287,837	1,018,986,629
Machinery and equipment	141,922,119	136,230,422	123,642,718	123,466,075	122,821,691
Subscription assets, net	305,151	-	-	-	-
Less accumulated depreciation	(537,204,729)	(501,255,754)	(466,792,930)	(432,925,398)	(403,282,420)
Total capital assets	$ 1,043,401,849	$ 1,038,633,047	$ 1,004,441,497	$ 972,510,591	$ 952,768,097
Total capital & noncurrent assets	$ 1,109,833,971	$ 1,098,314,510	$ 1,076,710,671	$ 1,074,658,349	$ 1,022,376,487
Total assets	$ 1,154,478,175	$ 1,151,385,824	$ 1,138,562,657	$ 1,137,292,694	$ 1,093,184,829
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	$ 2,325,105	$ 3,283,996	$ 4,282,975	$ 4,329,850	$ 6,663,740
Deferred outflows from pensions	7,299,053	2,161,000	1,345,455	1,373,615	4,074,262
Deferred outflows from OPEB	1,436,120	1,808,268	2,046,408	1,308,421	869,434
Total deferred outflows of resources	$ 11,060,278	$ 7,253,264	$ 7,674,838	$ 7,011,886	$ 11,607,436
LIABILITIES					
Current liabilities:					
Accounts payable	$ 6,011,007	$ 7,403,677	$ 11,633,957	$ 6,044,854	$ 4,480,067
Accrued liabilities	338,905	293,689	753,775	680,968	568,777
Accrued interest payable	1,994,764	1,976,398	2,183,622	2,477,367	2,647,526
Customer deposits	1,074,393	814,034	346,803	337,533	291,223
Compensated absences	1,171,963	1,093,387	994,284	1,143,668	1,202,585
Subscriptions payable	119,095	-	-	-	-
Leases payable	-	-	-	57,960	181,835
Bonds payable	44,257,056	42,477,469	40,706,058	43,320,302	40,380,419
Total current liabilities	$ 54,967,183	$ 54,058,654	$ 56,618,499	$ 54,062,652	$ 49,752,432
Noncurrent liabilities:					
Compensated absences	$ 852,911	$ 751,709	$ 690,610	$ 630,636	$ 431,259
Post employment benefits	11,301,078	16,272,024	17,690,199	15,878,883	15,146,174
Net pension liability	13,030,421	2,938,614	7,911,428	9,311,856	13,873,403
Rebatable arbitrage	304,599	-	-	-	-
Leases payable	-	-	-	305,545	864,054
Subscriptions payable	126,209	-	-	-	-
Bonds payable	395,318,382	429,723,414	460,289,768	495,052,265	496,878,478
Total noncurrent liabilities	$ 420,933,600	$ 449,685,761	$ 486,582,005	$ 521,179,185	$ 527,193,368
Total liabilities	$ 475,900,783	$ 503,744,415	$ 543,200,504	$ 575,241,837	$ 576,945,800
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	$ 496,437	$ 4,644,098	$ 2,522,708	$ 2,390,291	$ 539,464
Deferred inflows from OPEB	4,709,534	2,727,059	987,709	1,125,268	558,514
Total deferred inflows of resources	$ 5,205,971	$ 7,371,157	$ 3,510,417	$ 3,515,559	$ 1,097,978
NET POSITION (DEFICIT)					
Net investment in capital assets	$ 626,822,776	$ 584,118,417	$ 536,338,655	$ 497,157,396	$ 469,057,930
Restricted for debt service	42,697,558	43,479,143	38,015,777	37,095,911	19,907,604
Unrestricted	14,911,365	19,925,956	25,172,142	31,293,877	37,782,953
Total net position (deficit)	$ 684,431,699	$ 647,523,516	$ 599,526,574	$ 565,547,184	$ 526,748,487

Source: The City's Annual Comprehensive Financial Report

TABLE 14 - CURRENT INVESTMENTS

As of August 31, 2024, the City's investable funds 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 whoses investment objectives are preservation and safety of principal, liquidity, and yield. The pools in which the City invests its funds seek to maintain a $1.00 net asset value per share as required by the PFIA.
[c] Money Market Funds are held at The Bank of New York Mellon Trust Company, N.A.

TABLE 15 - SYSTEM SIX-YEAR CAPITAL IMPROVEMENT PLAN

Fiscal Year Ending September 30	Total W&WW Capital Improvements[(a)(b)]
2025	$ 77,081,500
2026	68,625,000
2027	50,408,000
2028	11,780,000
2029	17,140,000
2030	7,125,000
Total	**$ 232,159,500**

[a] FY2025 figures are actual. FY2026-FY2030 are projected, subject to change as the City and the System review priorities and revise the Systems's capital plan annually.
[b] The six-year capital improvement plan has been updated with information from the FY 2024-25 Operating Budget.

APPENDIX B

EXCERPTS FROM THE ANNUAL COMPREHENSIVE 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

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.

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

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 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. Premlinary 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 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

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.

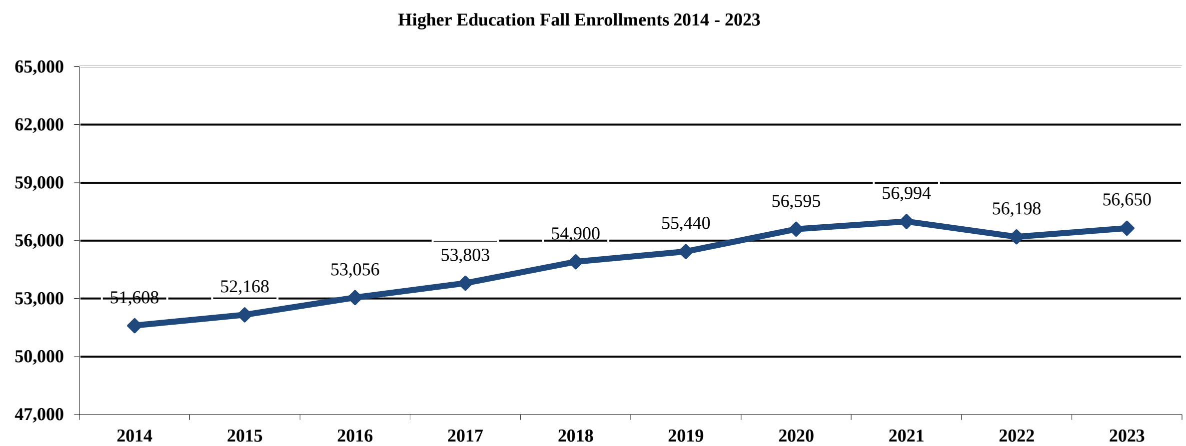
Local Economy

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 1.81percent 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]

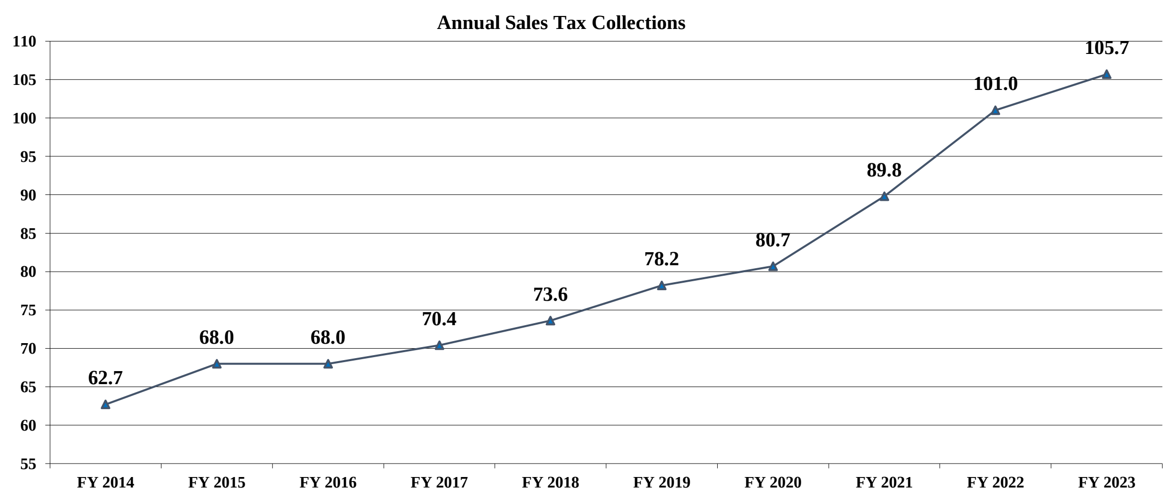
[2] Lubbock Economic Pulse, September 2023, Lubbock National Bank , Lubbock, Texas

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.



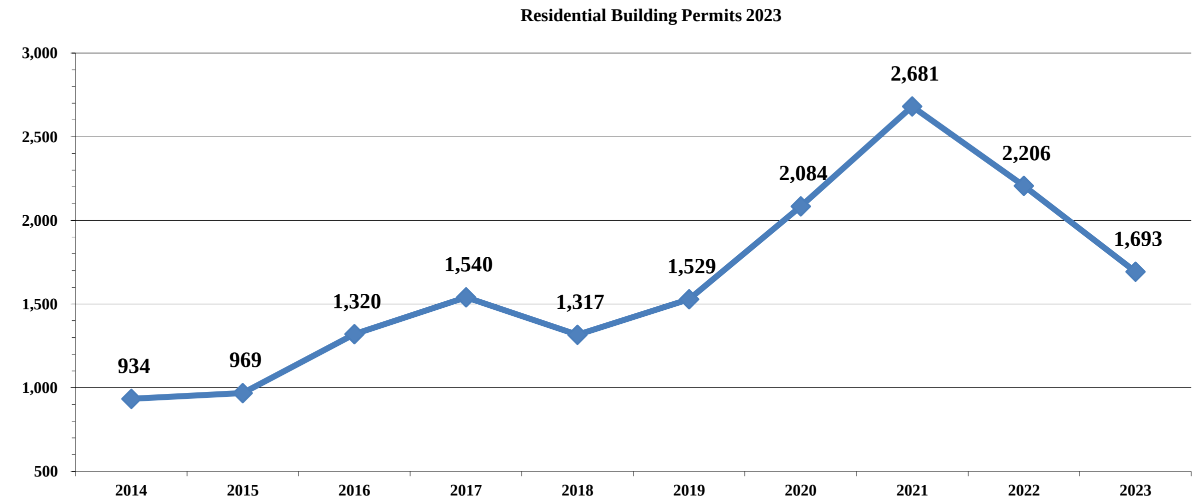
The health care and social assistance sector is also a vital component of the Lubbock economy, with an average of 27,388 employees and payroll exceeding $1.63 billion.[3] Lubbock is home to several medical facilities including University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, 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.

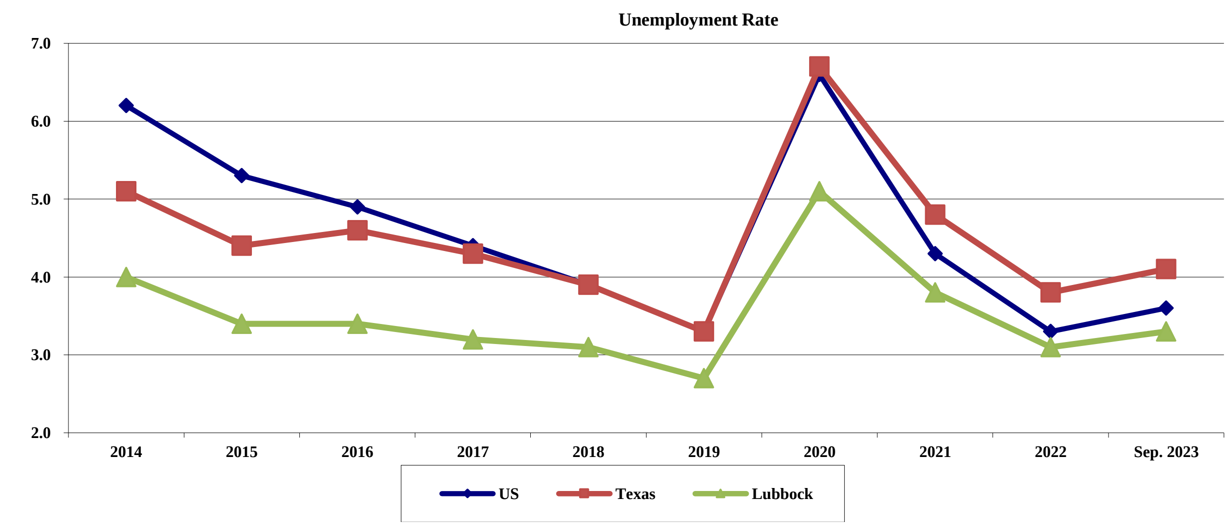


[3] Texas Labor Market Information, *Quarterly Census of Employment and Wages (QCEW) Report, retrieved from texaslmi.com/LMIbyCaterogry/QCEW.*

***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.

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.

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

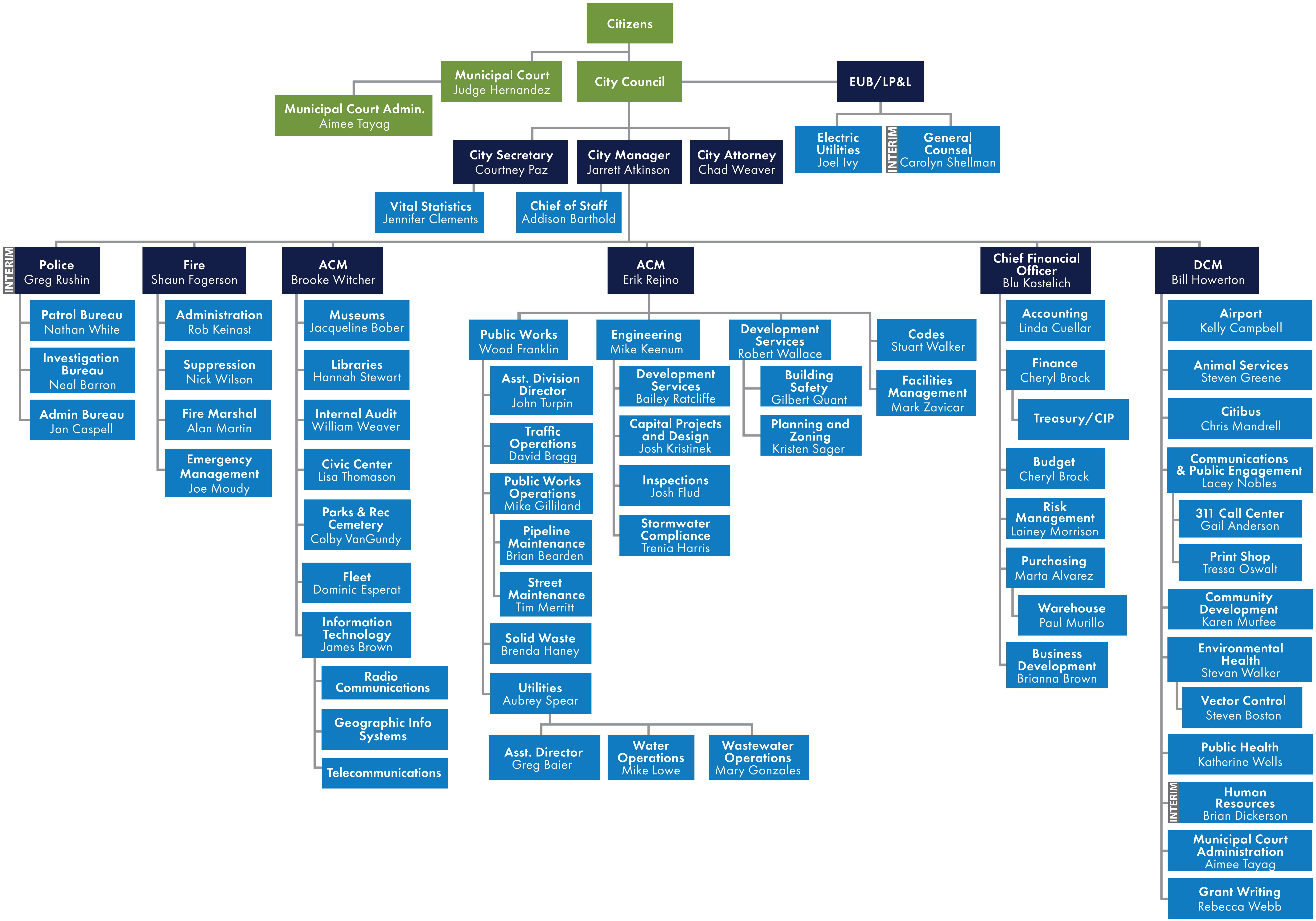
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

Organizational Chart



City of Lubbock TEXAS

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

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 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 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.

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	1,006,825	909,908	2,461,514	2,442,024	3,468,339	3,351,932
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	795,221	660,580	1,300,399	1,261,151	2,095,620	1,921,731
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	$ 271,300	$ 216,227	$ 1,177,513	$ 1,170,979	$ 1,448,814	$ 1,387,206

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

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 Changes in Net Position
For the Years Ended September 30
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
Revenues:	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
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	382,484	380,440	589,109	563,356	971,593	943,796
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	334,012	305,254	574,262	477,874	908,274	783,128
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	$ 271,300	$ 216,227	$ 1,177,513	$ 1,170,978	$ 1,448,814	$ 1,387,205

*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.

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

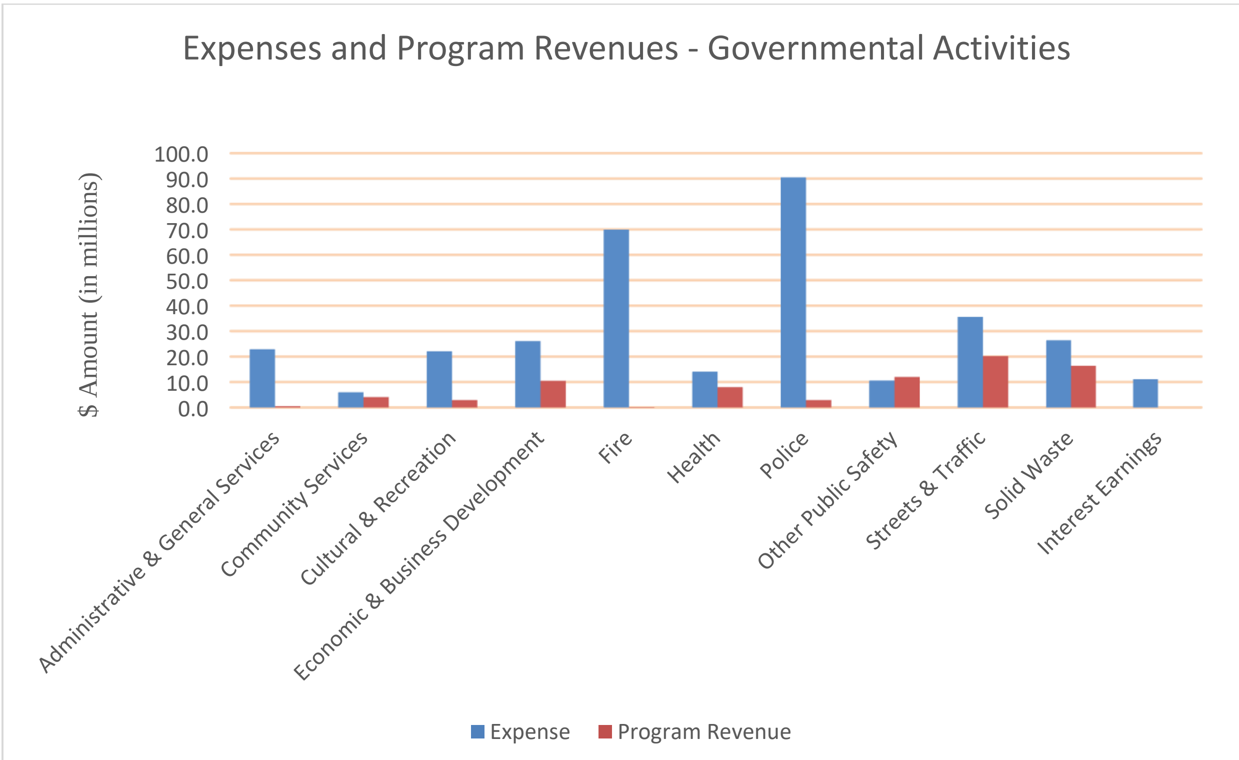
increased by $0.4 million due to variable pay increases. Streets and traffic department pension expenses increased by $0.8 million while depreciation expense increased by $2.3 million.

- 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.

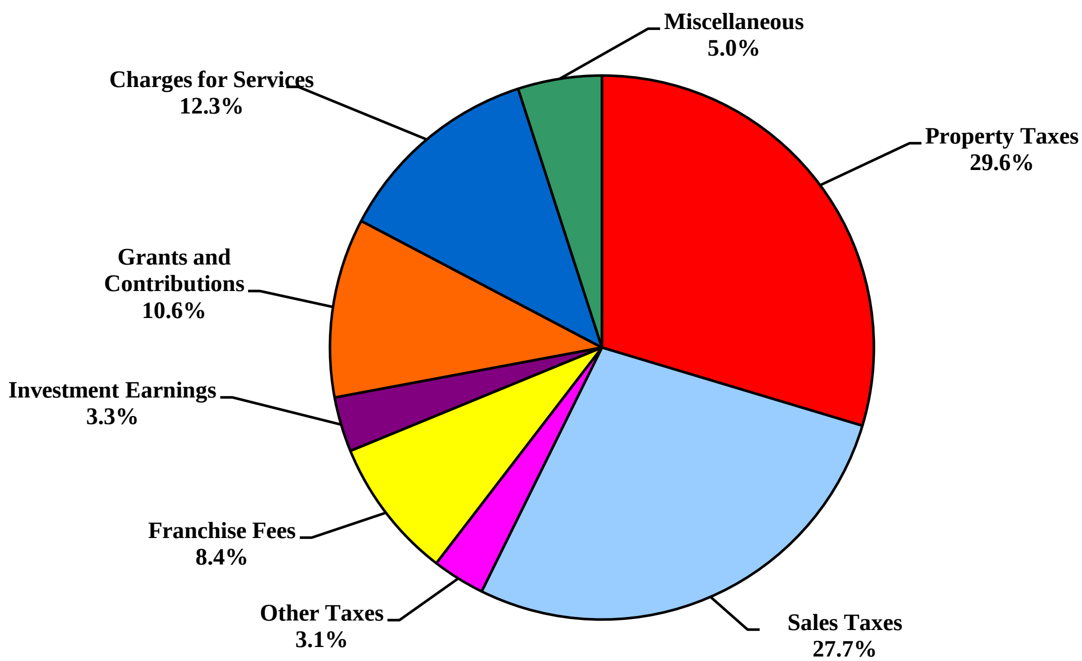
    - Net transfers from business-type activities included indirect cost payments of operations for centralized services such as payroll and purchasing to governmental activities.

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



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

Revenues by Source - Governmental Activities



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.

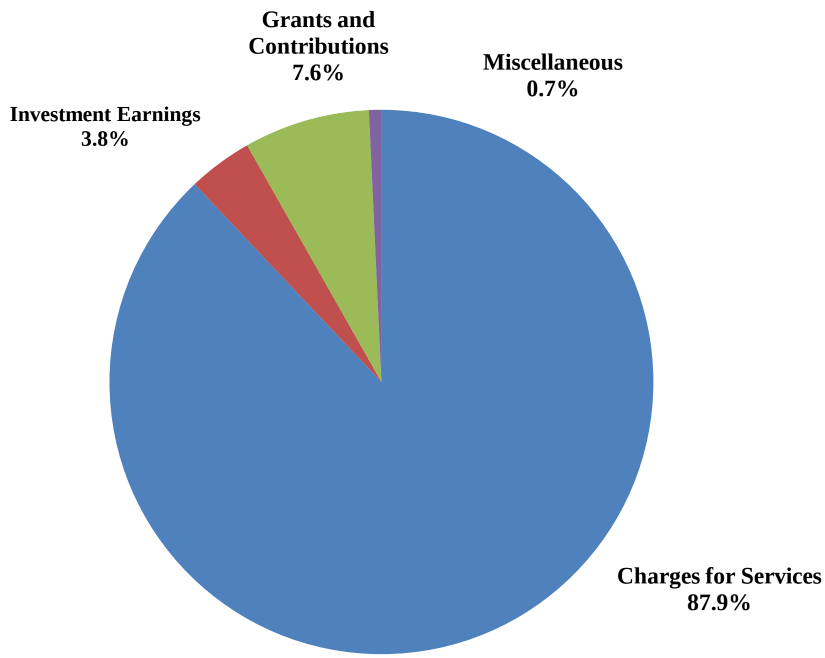
- Operating grants, capital grants and contributions produced $44.1 million in revenue for business-type activities during FY 2023, an increase of $8.2 million from the prior year. The increase is related to Airport operating grants and contributions, which increased from $6.0 million in FY 2022 to $10.8 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.

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

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.

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.

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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.

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

	Governmental Activities		Business-type Activities		Totals	
	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) 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.

- 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			
	Governmental Activities	Business-type Activities	Total	Component Units
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	1,006,825,767	2,461,514,082	3,468,339,849	81,667,685
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	105,640,739	35,424,917	141,065,656	-
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	795,221,195	1,300,398,502	2,095,619,697	76,415,377
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	45,944,972	19,027,809	64,972,781	-
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)	$ 271,300,339	$ 1,177,512,688	$ 1,448,813,027	$ 5,252,308

See accompanying Notes to Basic Financial Statements

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

	Expenses	Program Revenues: 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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
$ 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)	-
19,069,331	(246,204,040)	-	(246,204,040)	-
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	-
25,639,393	-	(12,068,242)	(12,068,242)	-
$ 44,708,724	(246,204,040)	(12,068,242)	(258,272,282)	-
$ -	-	-	-	(998,377)
-	-	-	-	47,920
-	-	-	-	(8,048,148)
973,303	-	-	-	(4,126,489)
183,379	-	-	-	43,549
$ 1,156,682	-	-	-	(13,081,545)
	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)	-	-
	301,381,584	20,208,902	321,590,486	20,385,226
	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)
	$ 271,300,339	$ 1,177,512,688	$ 1,448,813,027	$ 5,252,308

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

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
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
Total assets	$105,801,571	$ 6,923,520	$ 118,103,587	$ 100,547,136	$ 331,375,814
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
Total liabilities	10,432,269	-	8,249,697	49,361,015	68,042,981
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from leases	-	-	-	364,462	364,462
Unavailable revenue	2,518,542	461,022	-	83,546	3,063,110
Total deferred inflows of resources	2,518,542	461,022	-	448,008	3,427,572
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
Total fund balances	92,850,760	6,462,498	109,853,890	50,738,113	259,905,261
Total liabilities, deferred inflows of resources, and fund balances	$105,801,571	$ 6,923,520	$ 118,103,587	$ 100,547,136	$ 331,375,814

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

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
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	265,262,218	24,057,809	19,287,855	54,707,274	363,315,156
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	231,642,845	40,664,256	58,024,881	45,768,204	376,100,186
Revenues under expenditures	33,619,373	(16,606,447)	(38,737,026)	8,939,070	(12,785,030)
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	(38,657,070)	(438,181)	(3,472,945)	(21,653,660)	(64,221,856)
Net other financing sources	(30,295,659)	19,197,446	78,761,184	(7,485,357)	60,177,614
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	89,527,046	3,871,499	69,829,732	49,284,400	212,512,677
Fund balances - end of year	$ 92,850,760	$ 6,462,498	$ 109,853,890	$ 50,738,113	$ 259,905,261

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	$ 55,177,544

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	167,620,561	44,644,204	16,912,773
Noncurrent assets:			
Restricted investments	68,021,315	66,432,122	6,983,707
Prepaid expenses	811,109	-	-
Lease Receivable	-	-	-
	68,832,424	66,432,122	6,983,707
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	(311,414,028)	(537,204,729)	(58,929,723)
Total capital assets	640,131,751	1,043,401,849	193,414,861
Total noncurrent assets	708,964,175	1,109,833,971	200,398,568
Total assets	$ 876,584,736	$ 1,154,478,175	$ 217,311,341
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	18,359,466	11,060,278	2,233,113

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
42,243,487	271,421,025	47,598,402
9,448,770	150,885,914	6,025,179
-	811,109	-
2,665,280	2,665,280	-
12,114,050	154,362,303	6,025,179
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	-
(222,897,176)	(1,130,445,656)	(36,600,195)
155,584,880	2,032,533,341	34,152,137
167,698,930	2,186,895,644	40,177,316
$ 209,942,417	$ 2,458,316,669	$ 87,775,718
116,494	3,909,007	-
2,539,358	26,728,629	3,426,993
494,221	4,165,294	542,205
3,150,073	34,802,930	3,969,198

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	151,134,307	54,967,183	9,020,723
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	521,754,454	420,933,600	82,461,302
Total liabilities	672,888,761	475,900,783	91,482,025
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	8,185,406	5,205,971	652,507
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)	$ 213,870,035	$ 684,431,699	$ 127,409,922

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
2,999,154	73,526,822	3,652,884
13,399,310	228,521,523	11,162,447
-	-	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
39,906,888	988,263,178	13,907,834
49,026,502	1,074,175,858	27,631,684
62,425,812	1,302,697,381	38,794,131
-	-	1,296
140,754	1,595,738	223,911
1,851,567	14,440,467	1,964,524
2,665,280	2,665,280	-
4,657,601	18,701,485	2,189,731
113,921,550	1,040,735,944	19,812,474
6,303,437	6,303,437	-
1,426,276	73,727,520	286,151
24,357,814	50,953,832	30,662,429
$ 146,009,077	$ 1,171,720,733	$ 50,761,054

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	(6,783,183)
Net position of business-type activities	$ 1,177,512,688

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	332,150,988	141,694,678	23,679,141
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	285,121,621	106,166,117	11,743,849
Operating income (loss)	47,029,367	35,528,561	11,935,292
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)	(93,354,834)	(6,279,897)	(1,336,917)
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)	(48,318,856)	36,908,183	18,135,730
Total net position - beginning of year, as restated	262,188,891	647,523,516	109,274,192
Total net position (deficit) - end of year	$ 213,870,035	$ 684,431,699	$ 127,409,922

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
20,588,739	518,113,546	94,838,212
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
48,383,440	451,415,027	92,504,109
(27,794,701)	66,698,519	2,334,103
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)
-	-	-
18,631,209	(82,340,439)	4,255,944
(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)
(850,313)	5,874,744	16,923,986
146,859,390	1,165,845,989	33,837,068
$ 146,009,077	$ 1,171,720,733	$ 50,761,054

City of Lubbock TEXAS

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)	(85,767,518)	1,297,328	22,525
Net cash provided (used) by operating activities	83,256,675	70,102,080	16,119,498
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	-	-	-
Net cash provided (used) by noncapital and related financing activities	(2,041,853)	(5,040,593)	(1,712,389)
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	-	263,864	-
Net cash provided (used) by capital and related financing activities	(100,723,823)	(80,212,037)	(11,625,171)
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	7,612,534	12,311,355	693,414
Net cash provided (used) by investing activities	19,693,927	14,977,330	(2,794,480)
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	$ 752,937	$ 162,674	$ 92,761
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	$ 83,256,675	$ 70,102,080	$ 16,119,498
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)
386,092	(84,061,573)	302,555
(15,156,134)	154,322,119	5,098,313
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
18,442,279	18,442,279	-
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
3,829,275	4,093,139	-
(5,160,091)	(197,721,122)	(9,548,385)
1,882,727	65,746,362	3,054,235
(7,958,697)	(60,562,858)	(13,131,688)
1,545,364	22,162,667	1,587,794
(4,530,606)	27,346,171	(8,489,659)
(24,810)	(25,646)	(59,703)
216,618	1,225,826	351,655
$ 191,808	$ 1,200,180	$ 291,952
$ (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)
749,076	(1,130,957)	204,177
$ (15,156,134)	$ 154,322,119	$ 5,098,313
$ -	$ 22,053,112	$ -

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

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

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

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

See accompanying Notes to Basic Financial Statements

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.

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.

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 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.

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

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.

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.

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.

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 it's 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.

-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 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.

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.

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.

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:

	September 30, 2023		
		Maturities in Years	
Type	**Fair Value**	**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 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.

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:

Investment	Percentage	WAM (Days)	Rating	Rating Agency
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.

Authorized Investment	Policy Limitation
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.

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	$297,094,851	$ -	$297,094,851	$ -

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	$352,122,601
Investments measured at amortized cost	
TexPool	$ 77,267
Money Markets	20,972,641
Investments measured at amortized cost	21,049,908
Total Investments	$670,267,360

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.

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 Receivables: (in Thousands)			
	Governmental Funds		Proprietary Funds	
Interfund Payables: (in Thousands)	**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.

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

	Interfund Transfers In: (in Thousands)								
	Governmental Funds				Proprietary Funds				
Interfund Transfers Out: (in Thousands)	General	Debt Service	Govt. Capital	Nonmajor Govt.	Electric	Water/Waste-water	Nonmajor Enterprise	Internal Service	Totals
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. <u>PREPAID EXPENSES</u>

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.

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	75,985,018	78,547,522	32,785,216	121,747,324
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	1,115,371,591	47,336,587	2,768,497	1,159,939,681
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	608,463,863	46,294,895	2,441,522	652,317,236
Total Capital Assets Depreciated, Net	506,907,728	1,041,692	326,975	507,622,445
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	3,603,365	2,977,481	-	6,580,846
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	734,226	1,136,037	-	1,870,263
Total Capital Assets Amortized, Net	2,869,139	1,841,444	-	4,710,583
Governmental Activities Capital Assets, Net	$ 585,761,885	$ 81,430,658	$ 33,112,191	$ 634,080,352

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	5,779,439
Total Depreciation Expense - Governmental Activities	47,320,279
Transfer in of Accumulated Depreciation - Business-Type Activities	110,653
Increase in Accumulated Depreciation - Governmental Activities	$ 47,430,932

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	212,166,386	108,304,665	88,628,139	231,842,912
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	2,840,228,162	99,897,359	9,671,154	2,930,454,367
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	1,060,553,003	77,443,517	7,195,931	1,130,800,589
Total Capital Assets Depreciated, Net	1,779,675,159	22,453,842	2,475,223	1,799,653,778
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	683,841	2,353,824	-	3,037,665
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	89,677	1,808,637	-	1,898,314
Total Capital Assets Amortized, Net	594,164	545,187	-	1,139,351
Business Type Activities Capital Assets, Net	$ 1,992,435,709	$ 131,303,694	$ 91,103,362	$ 2,032,636,041

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	79,252,154
Transfer in of Accumulated Depreciation - Governmental Activities	-
Increase in Accumulated Depreciation - Business-Type Activities	$ 79,252,154

Construction Commitments

The City has active construction projects at fiscal year end.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
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	$ 932,553,707	$ 627,840,179	$ 304,713,528

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.

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.

Leases

	Governmental Activities		Business-Type Activities	
Fiscal Year	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 (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:

	TMRS	LFPF	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 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.

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:

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	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (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**

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 is1-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

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

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		239,588,162
City's net pension liability	$	108,159,774
Plan fiduciary net position as a percentage of the total pension liability		68.9%

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.

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	$ 24,817,802	$(17,460,599)	$ 42,278,401
Balance at September 30, 2023	**$347,747,936**	**$239,588,162**	**$108,159,774**

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.

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.

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.

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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	TMRS: 3.5% to 11.5%, including inflation LFPF: 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	$(25,418,666)
Balance at September 30, 2023	**$129,527,740**

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:

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	(6,459,096)
Total	$(43,452,935)

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 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:

Interest Rate%	Dated	Maturity Date	Amount Issued	Outstanding 09/30/23
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
			$ 974,100,000	$ 626,580,000

(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.

LP&L REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2023
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			487,250,000	419,045,000

***** 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

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2023
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			258,200,000	220,330,000

* 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.

CONTRACT BONDS

Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2023*
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
		29,478,658	20,959,731

*Balance outstanding excludes ($2,361,010) of bond premiums.

TAX NOTE

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2023
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			60,310,000	19,645,000

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:

LEASES

Interest Rate (%)	Final Maturity Date	Initial Liability	Balance Outstanding 09/30/2023
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		$ 5,424,127	$ 4,332,855

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

Interest Rate (%)	Final Maturity Date	Initial Liability	Balance Outstanding 09/30/2023
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		$ 3,757,093	$ 1,558,423

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:

Governmental Activities

	General Obligation Bonds		Tax Notes		SIB Loan	
Fiscal Year	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

Business-Type Activities

	General Obligation Bonds		Tax Notes		Revenue/Contract Bonds	
Fiscal Year	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

Leases

	Governmental Activities		Business-Type Activities	
Fiscal Year	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.

Subscription Based Information Technology Arrangements

Fiscal Year	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 09/30/22	Additions	Deletions	Debt Payable 09/30/23	Due in 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.

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 Absenses	(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.

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
September 30, 2023

N. FUND BALANCE

The City classified governmental fund balances as follows:

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
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.

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.

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. <u>HEALTH INSURANCE</u>

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.

The following represents changes in those aggregate liabilities for these funds during the past two years ended September 30:

	FY 2023	FY 2022
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	(13,738,349)	(11,430,244)
Workers' Compensation and Liability Reserves at End of Fiscal Year	2,655,524	3,543,357
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	(35,037,437)	(34,968,521)
Medical and Dental Claims Liability at End of Fiscal Year	2,002,759	2,083,214
Total Self-Insurance Liability at End of Fiscal Year	$ 4,658,283	$ 5,626,571
Total Assets to Pay Claims at End of Fiscal Year	$ 24,610,596	$ 19,621,857
Accrued Insurance Claims Payable - Current	$ 3,563,132	$ 3,169,242
Accrued Insurance Claims Payable - Noncurrent	1,095,151	2,457,329
Total Accrued Insurance Claims	$ 4,658,283	$ 5,626,571

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.

R. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	Accounts Receivable Summary					
	Court Fines	Consumer Metered	Property Damage	Paving	Misc.	Balance at 09/30/23
Governmental Funds:						
General Fund	$ 9,624,048	$ 5,344,983	$ 481,678	$ 221,417	$ 164,332	$ 15,836,458
Capital Projects	-	-	-	-	-	-
Total	$ 9,624,048	$ 5,344,983	$ 481,678	$ 221,417	$ 164,332	$ 15,836,458

	Accounts Receivable Summary		
	General Consumer	Misc.	Balance at 09/30/23
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	$ 77,138,736	$ 3,210,218	$ 80,348,954

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	$ 14,598,496

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

	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.

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:

- 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.

- 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 property 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

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
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	$ 264,286,664	$ 264,286,664	$ 273,410,601	$ 9,123,937
EXPENDITURES				
Administrative Services				
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	19,139,091	19,952,600	19,064,440	888,160

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Development Services*				
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	7,947,304	8,227,932	8,052,130	175,802
Cultural and Recreation Services				
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	17,933,997	18,501,907	17,564,382	937,525
Public Works				
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	37,506,292	32,301,097	29,150,039	3,151,058
Public Safety and Health Services				
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	151,335,166	159,895,534	157,598,826	2,296,708
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	$ 275,302,832	$ 278,666,543	$ 270,299,915	$ 8,366,628
Revenues less expenditures	$ (11,016,168)	$ (14,379,879)	$ 3,110,686	$ 17,490,565

*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
Required Supplementary Information
Mandatory Budget Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2023

Explanation of Differences between Budgetary Revenues and Expenditures to the General 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	$273,410,601
Adjustments:	
Right to Use Lease Proceeds and Subscription Proceeds are classified as other financing sources for GAAP reporting, but are not included in total revenue on the budget basis	213,028
Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$273,623,629
Expenditures and Other Financing Uses	
Actual amounts (budgetary basis) “Total Expenditures” from the Budget Comparison Schedule	$270,299,915
Adjustments:	
	-
Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$270,299,915

City of Lubbock, Texas
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
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	40,454,468	40,431,640	43,693,436	3,261,796
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	41,285,452	41,285,452	41,102,437	183,015
Revenues less expenditures	$ (830,984)	$ (853,812)	$ 2,590,999	$ 3,078,781

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	$43,693,436
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	$41,102,437

APPENDIX C

EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE

EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE

Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise in this Ordinance, the following terms shall have the meanings specified below:

"Account" means any account created within a Fund established pursuant to the terms of this Ordinance or an ordinance authorizing the issuance of Parity Obligations.

"Additional Bonds" means the additional parity obligations the City reserves the right to issue in accordance with the terms and conditions prescribed in Section 9.01 hereof.

"Authorized Officer" means each of the Mayor, the City Manager and the Chief Financial Officer, acting individually.

"Bond" means any of the Bonds.

"Bond Date" means the date designated as the initial date of the Bonds by Section 3.02(a) of this Ordinance.

"Bond Fund" has the meaning assigned in Section 7.01 hereof.

"Bonds" means the bonds authorized to be issued by Section 3.01 of this Ordinance.

"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.

"Chapter 1207" means Chapter 1207, Texas Government Code, as amended.

"Chapter 1208" means Chapter 1208, Texas Government Code, as amended.

"Chapter 1371" means Chapter 1371, Texas Government Code, as amended.

"Chapter 1502" means Chapter 1502, Texas Government Code, as amended.

"Chief Financial Officer" means the Chief Financial Officer of the City or such other City official or officer who has assumed the duties of the Chief Financial Officer.

"City" means the City of Lubbock, Texas.

"Closing Date" means the date of the initial delivery of and payment for Bonds.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, enacted on or before the Issue Date.

"Computation Date" has the meaning stated in Section 1.148-1(b) of the Regulations.

"Covered Parity Bonds" means Parity Bonds (other than TWDB Bonds) designated as Covered Parity Bonds.

"Credit Facility" means an agreement (including a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitment to purchase Parity Bonds, purchase or sale agreement, or commitment or other contract) that is (a) authorized, recognized and approved by the City as a Credit Facility in connection with the authorization, issuance, security, or payment of Parity Bonds or (b) entered into with a financial institution for the purpose of (i) enhancing or supporting the creditworthiness of (A) a series or installment of Parity Bonds or (B) all of the Parity Bonds, (ii) providing a surety policy or other similar instrument in order to fund all or a portion of a Reserve Fund Requirement for one or more series of Parity Bonds, or (iii) providing liquidity with respect to a series or installment of Parity Bonds which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Parity Bonds; provided that, on the date any such credit facility is issued, any rating agency having an outstanding rating on the Parity Bonds would not lower the rating on the Parity Bonds as confirmed in writing by such rating agency. A determination by the City Council contained in the ordinance authorizing the issuance of Parity Bonds and/or authorizing the execution and delivery of a Credit Facility that such agreement constitutes a Credit Facility under this definition shall be conclusive as against all Owners.

"Debt Service" means, as of any particular date of computation, with respect to any series or installment of obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed or paid prior to maturity in accordance with the mandatory redemption or prepayment provisions applicable thereto.

"Defeasance Securities" has the meaning assigned in the Escrow Agreement.

"Designated Payment/Transfer Office" means the Designated Payment/Transfer Office, as designated in the Paying Agent/Registrar Agreement, or such other location designated by the Paying Agent/Registrar.

"DTC" means The Depository Trust Company of New York, New York, or any successor securities depository.

"DTC Participant" means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"EMMA" means the Electronic Municipal Market Access System.

"Event of Default" means any event of default as described in Section 10.01 of this Ordinance.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Fiscal Year" means the twelve (12) month accounting period used by the City in connection with the operations of the System which may be any twelve (12) consecutive month period established by the City.

"Fund" means any of the funds, accounts or a portion of a fund or account, confirmed and/or established pursuant to Article VII hereof.

"General Reserve Fund" has the meaning assigned in Section 7.01 hereof.

"General Reserve Fund Requirement" means an amount equal to the lesser of (i) the maximum annual debt service (calculated on a Fiscal Year basis) for all Outstanding Covered Parity Bonds, as determined on the date of issuance of each series or installment of Additional Bonds issued as Covered Parity Bonds, and annually following each principal payment date or redemption date for the Covered Parity Bonds, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of section 148 of the Code and regulations promulgated thereunder.

"Initial Bond" means the initial bond or bonds authorized by Section 3.04 of this Ordinance.

"Interest Payment Date" means the date or dates on which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, as set forth in the Pricing Certificate.

"Investment" has the meaning stated in Section 1.148-1(b) of the Regulations.

"Issue Date" for each series of Bonds or other obligations of the City is the respective date on which such series of Bonds or other obligations of the City is delivered against payment therefor.

"MSRB" means the Municipal Securities Rulemaking Board.

"Net Revenues" means all income, revenues and receipts of every nature derived from and received by virtue of the operation of the System including interest income and earnings received from the investment of moneys in the special Funds created by this Ordinance or ordinances authorizing Parity Obligations, after deducting and paying, and making provisions for the payment of, current expenses of maintenance and operation thereof, including all salaries, materials, repairs and extensions necessary to render efficient service; provided, however, only such expenses for repairs and extensions as in the judgment of the City Council reasonably and fairly exercised, are necessary to keep the System in operation and to render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from Net Revenues of the System, shall be deducted in determining "Net Revenues". Contractual payments for the purchase of water or the treatment of sewage shall be a maintenance and operating expense of the System to the extent provided in the contract incurred therefor and as may be authorized by law. Depreciation shall never be considered as an expense of operation and maintenance.

"Non-Recourse Debt" means any debt secured by a lien (other than a lien on Net Revenues), liability for which is effectively limited to the property subject to such lien with no recourse, directly or indirectly, to any other property of the City attributable to the

Water and Wastewater System; provided, however, that such debt is being incurred in connection with the acquisition of property only, which property is not, at the time of such occurrence, owned by the City and being used in the operations of the City.

"Official Statement" means a document described in Section 8.01(c) prepared for dissemination to potential investors in connection with the public offering and sale of Bonds.

"Outstanding" when used in this Ordinance with respect to Parity Bonds, means, as of the date of determination, all Parity Bonds theretofore sold, issued and delivered by the City, except:

(1) those Parity Bonds cancelled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) those Parity Bonds paid or deemed to be paid in accordance with the provisions of Section 12.01 of this Ordinance; and

(3) those Parity Bonds that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Owner" means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

"Parity Bonds" means any Previously Issued Bonds, the Bonds and Additional Bonds, if any.

"Parity Obligations" means all Parity Bonds, as well as any other obligations issued or incurred by the City that are determined and declared by the City Council of the City to be on a parity with the Parity Bonds, including obligations of the City issued or incurred under the terms of a Credit Facility.

"Paying Agent/Registrar" means the bank or trust company identified in the Paying Agent/Registrar Agreement referred to in Section 5.01 of this Ordinance, or any successor thereto as provided in this Ordinance.

"Preliminary Official Statement" means a document described in Section 8.01(c) prepared for dissemination to potential investors prior to the availability of the final Official Statement.

"Previously Issued Bonds" means Outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues of the System, which consist of the following obligations of the City:

(i) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2019,

(ii) City of Lubbock, Texas Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2019A,

(iii) City of Lubbock, Texas Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2019B,

(iv) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2020A,

(v) City of Lubbock, Texas Water and Wastewater System Revenue Refunding Bonds, Series 2020B,

(vi) City of Lubbock, Texas Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2020C,

(vii) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2021,

(viii) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2021A,

(ix) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2022, and

(x) City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2023.

"Pricing Certificate" means a certificate or certificates signed by an Authorized Officer establishing the terms and features of each series of Bonds in accordance with Section 8.01 hereof.

"Proceeds" has the meaning stated in Section 1.148-1(b) of the Regulations.

"Purchase Contract" means any contract, agreement or investment letter pursuant to which the Bonds of each series are sold to the Purchaser thereof.

"Purchaser" means the purchaser or purchasers of the Bonds of each series identified in the Pricing Certificate or Purchase Contract .

"Record Date" means the date specified in the Pricing Certificate.

"Refunding Candidates" means the obligations described in Schedule I attached hereto.

"Refunded Obligations" means the Refunding Candidates designated as Refunded Obligations in a Pricing Certificate.

"Register" means the register specified in Section 3.06(a) of this Ordinance.

"Regulations" means the final or temporary Income Tax Regulations applicable to obligations issued pursuant to Sections 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to Sections 141 through 150 of the Code and applicable to the Bonds.

"Representation Letter" means the Blanket Letter of Representations between the City and DTC.

"Reserve Fund Obligations" means cash or investment securities of any of the type or types permitted under Sections 7.04 and 7.09 of this Ordinance (in the case of the General Reserve Fund) or Sections 7.05 and 7.09 of this Ordinance (in the case of the TWDB Reserve Fund).

"Reserve Funds" has the meaning assigned in Section 7.01 hereof.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission.

"Special Payment Date" means the special payment date prescribed by Section 3.03(b).

"Special Record Date" means the special record date prescribed by Section 3.03(b).

"Subordinate Obligations" means any debt secured by or payable in whole or in part from revenues of the System or any portion thereof which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Obligations then outstanding or subsequently issued.

"System" or "Water and Wastewater System" means the City's combined water and wastewater system, including all properties and interests in properties (real, personal or mixed and tangible or intangible, including contract rights, water rights and permits) owned, operated, maintained, and vested in, the City for the supply, storage, treatment and distribution of treated water for municipal, domestic, commercial, industrial and other uses and the collection and treatment of watered wastes, together with all future additions, extensions, replacements and improvements thereto; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Water and Wastewater System shall not include any water or wastewater facilities that are declared not to be a part of the Water and Wastewater System and are acquired or constructed by the City with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being special revenue obligations of the City which are not secured by or payable from the Net Revenues as defined herein, but which are secured by and payable solely from special contract revenues or payments received from any other legal entity in connection with such facilities, and thus constitute Non-Recourse Debt; and such revenues or payments shall not be considered as or constitute gross revenues of the Water and Wastewater System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds."

"System Fund" has the meaning assigned in Section 7.01 hereof.

"Taxable Bonds" means any Bonds for which the City does not intend that the interest thereon shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code, as determined and set forth in the Pricing Certificate therefor.

"Tax-Exempt Bonds" means any Bonds for which the City intends that the interest thereon shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Code, as determined and set forth in the Pricing Certificate therefor.

"Term Bonds" has the meaning set forth in Section 4.02 hereof.

"TWDB" means Texas Water Development Board.

"TWDB Bonds" means Parity Bonds owned by the Texas Water Development Board and designated as TWDB Bonds.

"TWDB Reserve Fund" has the meaning assigned in Section 7.01 hereof.

"TWDB Reserve Fund Requirement" means an amount equal to the lesser of (i) the average annual debt service (calculated on a Fiscal Year basis) for all Outstanding TWDB Bonds, as determined on the date of issuance of each series or installment of Additional Bonds issued as TWDB Bonds, and annually following each principal payment date or redemption date for TWDB Bonds, as the case may be, or (ii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of section 148 of the Code and regulations promulgated thereunder.

"Unclaimed Payments" mean money deposited with the Paying Agent/Registrar for the payment of principal of, premium, if any, or interest on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds after the applicable payment or redemption date.

Findings.

(b) The declarations, determinations and findings declared, made and found in the preamble to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

(c) The Water and Wastewater System shall be maintained in accordance with this Ordinance as long as the Bonds remain Outstanding.

(d) The Bonds are payable from and secured by a first lien on and pledge of the Net Revenues of the Water and Wastewater System.

(e) All conditions precedent to the issuance of the Bonds have been or will be satisfied prior to delivery of the Bonds to the Purchasers.

(f) Each of the Bonds shall be deemed and construed to be a "Security", and as such a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

(g) The provisions of this Ordinance shall constitute a contract between the City and the holder or holders from time to time of the Bonds and no change, variation or alteration of any kind of the provisions of this Ordinance may be made, unless as herein otherwise provided, until all of the Bonds shall have been paid as to both principal and interest.

Pledge of Security.

The Bonds are and shall be equally and ratably secured by and payable from a first lien on and pledge of the Net Revenues.

The City hereby covenants and agrees that all of the Net Revenues derived from the operation of the System, with the exception of Net Revenues in excess of the amounts required to establish and maintain the special Funds created for the payment and security of the Parity Obligations, are hereby irrevocably pledged for the payment of the Parity Obligations (including the Bonds) and the interest thereon, and it is hereby ordained that the Parity Obligations (including the Bonds) and the interest thereon, shall constitute a first lien on the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the City as provided in Chapter 1208, Texas Government Code, as amended.

Limited Obligations.

(a) The Bonds are special obligations of the City, payable solely from the pledged Net Revenues, and do not constitute a prohibited indebtedness of the City, and the Bonds shall never be payable out of funds raised or to be raised by taxation.

(b) The Net Revenues shall not in any manner be pledged to the payment of any debt or obligation of the City or the System, other than Parity Obligations, except on a subordinate lien basis.

Security Interest.

Chapter 1208 applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the City under Section 2.01 hereof, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the City is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

Segregation of Revenues; Fund Designations.

All receipts, revenues and income derived from the operation and ownership of the System shall be kept separate from other funds of the City and deposited within twenty-four (24) hours after collection into the "Water and Wastewater System Fund" (hereinafter referred to as the "System Fund") which has been created and established on the books of the City. The System Fund shall continue to be kept and maintained at an official depository bank of the City while the Parity Obligations (including the Bonds) remain Outstanding. Furthermore, the City affirms that the following special funds have been created and established and such funds shall continue to be maintained by the City while any Parity Obligations (including the Bonds) remain Outstanding: the "Special Water and Wastewater System Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"), the "Special Water and Wastewater System Revenue Bond General Reserve Fund" (hereinafter referred to as the "General Reserve Fund") and the "Special Water and Wastewater System Revenue Bond TWDB Reserve Fund" (herein after referred to as the "TWDB Reserve Fund" and, together with the General Reserve Fund, the "Reserve Funds"). The Bond Fund, the General Reserve Fund and the TWDB Reserve Fund shall continue to be kept and maintained at the City's official depository bank, and moneys deposited therein shall be used for no purpose other than for the payment, redemption and retirement of Parity Obligations, as herein provided. The City may provide for the creation of any special Accounts deemed necessary or appropriate for the efficient administration of the System and payment of Parity Obligations.

System Fund.

The City hereby covenants and agrees with the owners of the Bonds that the moneys deposited in the System Fund shall be used first for the payment of the reasonable and proper expenses of operating and maintaining the System. All moneys deposited in the System Fund in excess of the amounts required to pay operating and maintenance expenses of the System shall be applied and appropriated, to the extent required and in the order of priority prescribed, as follows:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Parity Obligations, including the principal of and interest on the Parity Bonds as the same become due and payable;

Second: To the payment, equally and ratably, of the amounts required to be deposited in the Reserve Funds to accumulate, restore and maintain the amounts required to be deposited therein;

Third: To the payment of Subordinate Obligations, including the payment of amounts required to maintain any special funds created to secure payment of Subordinate Obligations; and

Fourth: For any other purpose of the City now or hereafter permitted by law.

Bond Fund.

The City hereby agrees and covenants to deposit to the Bond Fund an amount equal to one hundred percent (100%) of the amount required to fully pay all Parity Obligations as such payments mature and become due, including the amount required to pay the principal of and interest on the Bonds on or before each maturity date and Interest Payment Date therefor, such payments to be made in substantially equal monthly installments on or before the first day of each month beginning on or before the first day of the month next following the month the Bonds are delivered to the Purchasers. The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund, together with the amount deposited in the Reserve Funds, is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations, including Parity Bonds (principal and interest), or (ii) the Bonds are no longer Outstanding. Accrued interest, if any, received from the purchasers of the Bonds shall be deposited in the Bond Fund, and shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required which would otherwise be required to be deposited in the Bond Fund from the Net Revenues of the System.

General Reserve Fund.

(a) The City covenants and agrees to accumulate and maintain Reserve Fund Obligations in the General Reserve Fund equal to not less than the General Reserve Fund Requirement which shall be calculated and predetermined at the time of issuance of each series or installment of Covered Parity Bonds. Upon issuance of Additional Bonds designated as Covered Parity Bonds, the General Reserve Fund Requirement shall be increased, if required, to an amount equal to the General Reserve Fund Requirement after taking into account such Additional Bonds. The General Reserve Fund shall be made available for and reasonably employed to pay principal of and interest on Covered Parity Bonds in the event that amounts in the Bond Fund are insufficient for such purpose. If any amount of the General Reserve Fund is employed to pay principal of or interest on Covered Parity Bonds and, after disbursement of such amounts for such purpose, the amount on deposit in the General Reserve Fund is less than the General Reserve Fund Requirement, or if an event of default under any Credit Facility held in the General Reserve Fund has occurred and is continuing, the General Reserve Fund Requirement shall be restored from Net Revenues in twenty-four (24) approximately equal monthly payments from the first available Net Revenues in the System Fund, subject only to (and in accordance with) the priority of payments hereinabove prescribed in Section 7.02.

(b) The City may, at its option, withdraw all surplus on deposit in the General Reserve Fund over the General Reserve Fund Requirement and deposit the same in the System Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

(c) For the purpose of determining compliance with the requirements of subsections (a) and (b) of this Section 7.04, Reserve Fund Obligations shall be valued each year as of the last day of the Fiscal Year at their market value, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

(d) To the extent permitted by and in accordance with applicable law, the City may replace or substitute a Credit Facility for cash or investment securities on deposit in the General Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.09 hereof on deposit in the General Reserve Fund, which (taken together with the face amount of any existing Credit Facilities) are in excess of the General Reserve Fund Requirement may be withdrawn by the City, at its option, and transferred to the System Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

(e) If the City is required to make a withdrawal from the General Reserve Fund, the City shall promptly notify the issuer of any Credit Facility of the necessity for a withdrawal from the General Reserve Fund, and shall make such withdrawal first from available moneys or investment securities then on deposit in the General Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(f) In the event of a deficiency in the General Reserve Fund (including a deficiency resulting in whole or in part from termination or expiration of a Credit Facility or an event of default under a Credit Facility), the City shall restore such deficiency from the first available Net Revenues of the System in the System Fund, subject only to (and in accordance with) the priority of payments hereinabove prescribed in Section 7.02, in twenty-four (24) approximately equal monthly payments.

(g) In the event of the redemption or defeasance of any of the Outstanding Covered Parity Bonds, any Reserve Fund Obligations on deposit in the General Reserve Fund in excess of the General Reserve Fund Requirement may be withdrawn and transferred, at the option of the City and subject to the last sentence of this subparagraph (g), to the System Fund, as a result of (i) the redemption of the Outstanding Covered Parity Bonds, or (ii) funds for the payment of the Outstanding Covered Parity Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in this Ordinance, the result of such deposit being that such Covered Parity Bonds no longer are deemed to be Outstanding under the terms of this Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

(h) In the event there is a draw upon a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Net Revenues; however, such reimbursement from Net Revenues shall be (i) subject to the provisions of subparagraph (f) hereof, and (ii) subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

(i) Notwithstanding anything to the contrary contained in this Ordinance, the requirement set forth above in this Section 7.04 to maintain the General Reserve Fund shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds. In the event that the Net Revenues for any Fiscal Year are less than 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds, the City will be required to commence making deposits to the General Reserve Fund, as provided in subsection (f) above, and to continue such deposits until the earlier of (i) such time as the General Reserve Fund contains the General Reserve Fund Requirement or (ii) the end of any period of two consecutive Fiscal Years during which Net Revenues were equal to not less than 1.25 times the maximum annual debt service requirements of all Outstanding Parity Bonds.

During such time as the obligation to maintain the General Reserve Fund Requirement in the General Reserve Fund has been suspended pursuant to this subsection (i), the City may, at its option, withdraw all monies from the General Reserve Fund and deposit such surplus in the System Fund; provided, however, to the extent such monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

TWDB Reserve Fund.

(a) The City covenants and agrees to accumulate and maintain Reserve Fund Obligations in the TWDB Reserve Fund equal to not less than the TWDB Reserve Fund Requirement which shall be calculated and predetermined at the time of issuance of each series or installment of TWDB Bonds. The City covenants and agrees that the TWDB Reserve Fund Requirement in connection with the issuance of each series of TWDB Bonds shall be accumulated in equal monthly installments over the initial sixty (60) months following the initial delivery of such series of TWDB Bonds. Upon issuance of Additional Bonds designated as TWDB Bonds, the TWDB Reserve Fund Requirement shall be increased, if required, to an amount equal to the TWDB Reserve Fund Requirement after taking into account such Additional Bonds. The TWDB Reserve Fund shall be made available for and reasonably employed to pay principal of and interest on TWDB Bonds in the event that amounts in the Bond Fund are insufficient for such purpose. If any amount of the TWDB Reserve Fund is employed to pay principal of or interest on TWDB Bonds and, after disbursement of such amounts for such purpose, the amount on deposit in the TWDB Reserve Fund is less than the TWDB Reserve Fund Requirement, or if an event of default under any Credit Facility held in the TWDB Reserve Fund has occurred and is continuing, the TWDB Reserve Fund Requirement shall be restored from Net Revenues in twenty-four (24) approximately equal monthly payments from the first available Net Revenues in the System Fund, subject only to (and in accordance with) the priority of payments hereinabove prescribed in Section 7.02.

(b) The City may, at its option, withdraw all surplus on deposit in the TWDB Reserve Fund over the TWDB Reserve Fund Requirement and deposit the same in the System Fund; provided, however, that to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

(c) For the purpose of determining compliance with the requirements of subsections (a) and (b) of this Section 7.05, Reserve Fund Obligations shall be valued each year as of the last day of the Fiscal Year at their market value, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Fund in book-entry form shall be continuously valued at their par value or face principal amount.

(d) To the extent permitted by and in accordance with applicable law, the City may replace or substitute a Credit Facility for cash or investment securities on deposit in the TWDB Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.09 hereof on deposit in the TWDB Reserve Fund, which (taken together with the face amount of any existing Credit Facilities) are in excess of the TWDB Reserve Fund Requirement may be withdrawn by the City, at its option, and transferred to the System Fund; provided that the face amount of any Credit Facility may be reduced at the option of the City in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

(e) If the City is required to make a withdrawal from the TWDB Reserve Fund, the City shall promptly notify the issuer of any Credit Facility of the necessity for a withdrawal from the TWDB Reserve Fund, and shall make such withdrawal first from available moneys or investment securities then on deposit in the TWDB Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency.

(f) In the event of a deficiency in the TWDB Reserve Fund (including a deficiency resulting in whole or in part from termination or expiration of a Credit Facility or an event of default under a Credit Facility), the City shall restore such deficiency from the first available Net Revenues of the System in the System Fund, subject only to (and in accordance with) the priority of payments hereinabove prescribed in Section 7.02, in twenty-four (24) approximately equal monthly payments.

(g) In the event of the redemption or defeasance of any of the Outstanding TWDB Bonds, any Reserve Fund Obligations on deposit in the TWDB Reserve Fund in excess of the TWDB Reserve Fund Requirement may be withdrawn and transferred, at the option of the City and subject to the last sentence of this subparagraph (g), to the System Fund, as a result of (i) the redemption of the Outstanding TWDB Bonds, or (ii) funds for the payment of the Outstanding TWDB Bonds having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in this Ordinance, the result of such deposit being that such TWDB Bonds no longer are deemed to be Outstanding under the terms of this Ordinance. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the System Fund and shall only be used for the purposes for which bond proceeds may be used.

In the event there is a draw upon a Credit Facility, the City shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Net Revenues; however, such reimbursement from Net Revenues shall be (i) subject to the provisions of subparagraph (f) hereof, and (ii) subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds. Any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the City.

Payment of Bonds.

While any of the Bonds are Outstanding, the proper officers of the City are hereby authorized to transfer or cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund and, if necessary, the Reserve Fund amounts sufficient to fully pay and discharge promptly each installment of interest and principal on the Bonds as such installments mature and come due; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date of payment for the Bonds.

Deficiencies in Funds.

If in any month the City shall, for any reason, fail to pay into any Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into such Fund from the first available and unallocated Net Revenues of the System, subject to the priority of payments prescribed in Section 7.02, in the following month or months and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into such Fund during such month or months.

Security and Investment of Funds.

(a) All Funds and Accounts shall be secured in the manner and to the fullest extent required by law for the security of public funds, including Chapter 2257, Texas Government Code, as amended, and the funds created by the Ordinance shall be used only for the purposes therein specified.

(b) Money in any Fund or Account established or affirmed pursuant to this Ordinance or any ordinance authorizing the issuance of Parity Obligations, may, at the option of the City, be invested in time deposits or certificates of deposit secured in the manner required by law for public funds, or be invested in direct obligations of, including obligations the principal and interest on which are unconditionally guaranteed by, the United States of America, in obligations of any agencies or instrumentalities thereof, or in such other investments as are permitted under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, or any successor law, as in effect from time to time, consistent with the City's investment policy; provided that all such deposits and investments shall be made in such manner (which may include repurchase agreements for such investment with any primary dealer of such agreements) that the money required to be expended from any such Fund will be available at the proper time or times. Such investments shall be valued each year in terms of current market value as of the last day of the Fiscal Year. For purposes of maximizing investment returns, to the extent permitted by law, money in such Funds may be invested in common investments of the kind described above, or in a common pool of such investment which shall be kept and held at an official depository bank, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such Fund. If necessary, such investments shall be promptly sold to prevent any default. Any investment made with money deposited to the credit of a Reserve Fund shall not have a maturity in excess of five (5) years.

Excess Revenues.

All revenues of the System in excess of those required to establish and maintain the Bond Fund and the Reserve Funds as required herein may be used for any proper City purpose now or hereafter permitted by law including, without limitation, pledging any excess revenues in support of Subordinate Obligations.

Issuance of Additional Bonds.

(a) In addition to the right to issue obligations of inferior lien as authorized by the laws of the State of Texas, the City hereby reserves the right to issue Additional Bonds which, when duly authorized and issued in compliance with the terms and conditions hereinafter appearing, shall be on a parity with the Parity Obligations herein authorized (including the Bonds), payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The Additional Bonds may be issued in one or more series or installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of Parity Obligations then Outstanding;

(ii) Each of the special Funds created for the payment and security of the Parity Obligations contains the amount of money and investments then required to be on deposit therein;

(iii) With respect to Covered Parity Bonds, the General Reserve Fund Requirement shall be accumulated and supplemented as necessary to maintain therein the General Reserve Fund Requirement (unless the obligation to maintain the General Reserve Fund Requirement is suspended pursuant to subsection 7.04(i)) and, with respect to TWDB Bonds, the TWDB Reserve Fund Requirement shall be accumulated and supplemented as necessary to maintain therein the TWDB Reserve Fund Requirement; the ordinance authorizing the issuance of the Additional Bonds shall provide for any required increase in the General Reserve Fund or the TWDB Reserve Fund, as applicable, and (if supplementation is necessary to meet all conditions of said Reserve Funds) said ordinance shall make provision that same be supplemented by the required amounts in equal monthly installments from the date of delivery of such Additional Bonds, as provided by this Ordinance;

(iv) The Chief Financial Officer shall provide a certificate to the effect that, according to the books and records of the City, during the last completed Fiscal Year, or during any consecutive twelve (12) month period of the last fifteen (15) months next preceding the date of delivery of the Additional Bonds, the Net Revenues of the System were equal to at least 1.25 times the maximum annual debt service requirements of the Parity Bonds which will be outstanding upon the issuance of the Additional Bonds. In making a determination of the Net Revenues, the Chief Financial Officer may take into consideration a change in the charges for services afforded by the System that became effective at least 60 days prior to the last day of the period for which Revenues are determined and, for purposes of satisfying the above Net Revenues test, make a pro-forma determination of the Net Revenues of the System for the period of time covered by the certificate based on such change in charges being in effect for the entire period covered by the certificate of the Chief Financial Officer.

When thus issued, such Additional Bonds may be secured by a pledge of the Net Revenues of the System on a parity in all things with the pledge securing the Parity Bonds.

(b) Wherever, in this Ordinance, the City reserves the right to issue Additional Bonds, such term shall also include, mean and refer to any other forms or types of obligations which may be made lawfully payable from and secured by the same source of revenues of the City.

(c) If Additional Bonds are being issued for the purpose of refunding less than all outstanding Parity Bonds, the certification described in subsection (a)(iv) of this Section is not required so long as the aggregate debt service requirements of such refunding Parity Bonds (or Parity Obligations) will not exceed the aggregate debt service requirements of the Parity Bonds being refunded.

Credit Facilities.

Payments to be made under a Credit Facility may be treated as Parity Obligations if the governing body of the City makes a finding in the ordinance authorizing the execution and delivery of such Credit Facility that the obligations of the City incurred under the Credit Facility shall be treated as a Parity Obligation and that, based upon the findings contained in a certificate executed and delivered by the Chief Financial Officer, the City will have sufficient funds to meet the financial obligations of the System, including sufficient Net Revenues to satisfy the annual debt service requirements of the System and the financial obligations of the City relating to the System after giving effect to the treatment of the Credit Facility as a Parity Obligation.

Separately Financed Projects.

The City expressly retains the right to issue or incur bonds, notes, or other obligations or evidences of indebtedness, other than Parity Obligations, for any project or purpose for goods or services other than the supply, storage, treatment and distribution of treated water for municipal, domestic, commercial, industrial and other uses and the collection and treatment of watered wastes, which presently are or hereafter may be authorized or permitted to be provided or maintained by water and wastewater systems generally or the City specifically under the laws of the State of Texas, federal law or the City's home rule charter; provided, that the bonds, notes or other obligations issued or incurred for any such separately financed project are payable from and secured by other available funds derived from the ownership or operation thereof or excess Net Revenues remaining after satisfying, or making provision for the satisfaction of, the priority of claims identified on such Net Revenues in Section 7.02 hereof and separate books and records for such separately financed project or activity are maintained by the City.

Rates and Charges.

The City shall, at all times while any of the Parity Obligations are outstanding and unpaid, maintain rates and collect charges for the facilities and services afforded by the Water and Wastewater System, as required by Section 1502.057, Texas Government Code, which will provide revenues sufficient at all times to:

(a) pay all maintenance, operation, debt service, depreciation, replacement and betterment charges of the Water and Wastewater System;

(b) pay the amounts required to be deposited to the Bond Fund to pay the principal of and interest on the Parity Bonds as the same becomes due and payable, to accumulate and maintain the reserve amount, if any, required to be deposited in the Reserve Fund, and to pay any other costs of Parity Obligations as the same becomes due and payable;

(c) produce Net Revenues each year in an amount reasonably estimated to be not less than 1.25 times the maximum annual debt service requirements of the Parity Bonds from time to time outstanding; and

(d) pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

Maintenance and Operation; Insurance.

The City shall maintain the Water and Wastewater System in good condition and operate the same in an efficient manner and at reasonable cost. So long as any Parity Bonds are outstanding, the City agrees to carry and maintain liability and property damage insurance of the kind and in the amounts customarily carried by municipal corporations in Texas on such kind of properties;

provided, however, the City, in lieu of and/or in combination with carrying such insurance, may self-insure against all perils and risks by establishing self-insurance reserves.

Records, Accounts, Accounting Reports.

The City hereby covenants and agrees while any of the Bonds or any interest thereon remain Outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts of the City in accordance with generally accepted accounting principles prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to said System, as provided by applicable law. The Owner of any Bonds, or any duly authorized agent or agents of such Owner, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising the same. The City further agrees that as soon as possible following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the certified public accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year;

(b) A balance sheet as of the end of such Fiscal Year;

(c) The comments of such accountant regarding the manner in which the City has complied with the covenants and requirements of this Ordinance and his recommendations for any changes or improvements in the operation, records and accounts of the System;

(d) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operating expenses of the System and paid as such. Copies of the aforesaid annual audit shall be furnished upon written request to the original purchasers and any subsequent Owners of the Bonds.

Further Covenants.

The City hereby further covenants and agrees as follows:

(a) That it has the lawful power to pledge the Net Revenues to the payment of the Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas; that the Bonds, when issued, shall be equally and ratably secured by a first lien on and pledge of the Net Revenues *pari passu* with the lien securing payment of all other Parity Obligations in such manner that no Parity Obligation shall have preference or priority over the Bonds.

(b) That, other than for the payment of Parity Obligations, the Net Revenues are and shall not in any manner be pledged to the payment of any debt or obligation of the City or of the System on a parity with the Bonds.

(c) So far as it legally may, the City covenants and agrees, for the protection and security of the Parity Bonds and the holders thereof from time to time, that it will not grant a franchise for the operation of any competing system in the City until all Parity Bonds shall have been retired.

(d) That, for so long as any of the Bonds or any interest thereon remain Outstanding, the City will not sell, lease or encumber the System or any substantial part thereof; provided, however, this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System when other property of equal value has been substituted therefor, and, also, with the exception of the Additional Bonds expressly permitted by this Ordinance to be issued, it will not encumber the Net Revenues unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance. In the event the City sells the System, the City will use proceeds of such sale to provide for final payment of the Parity Obligations and any Additional Bonds.

(e) That, it will cause to be rendered monthly to each customer receiving water and wastewater services a statement therefor and will not accept payment of less than all of any statement so rendered, using its power under existing ordinances and under all such ordinances to become effective in the future to enforce payment, to withhold service from such delinquent customers and to enforce and authorize reconnection charges.

(f) That it will faithfully and punctually perform all duties with respect to the System required by the Constitution and laws of the State of Texas, including the making and collecting of reasonable and sufficient rates for services supplied by the System, and the segregation and application of the revenues of the System as required by the provisions of this Ordinance.

(g) That no free service shall be provided by the System and to the extent the City or its departments or agencies utilize the services provided by the System, payment shall be made therefor at rates charged to others for similar service.

(h) That it will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance; the City will promptly pay or cause to be paid the principal of, premium, if any, and interest on each Bond on the dates and at the places and manner prescribed in such Bond; and the City will, at the times and in the manner prescribed by this Ordinance, deposit or cause to be deposited the amounts of money specified by this Ordinance.

Events of Default.

Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(a) defaults in payments to be made to the Bond Fund as required by this Ordinance;

(b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance.

Remedies for Default.

(a) Upon the happening of any Event of Default, then any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance and shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then Outstanding.

Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient.

Discharge.

Except as otherwise provided in the Pricing Certificate, the Bonds may be defeased, discharged or refunded in any manner permitted by applicable law.

Amendment of Ordinance.

(a) That the holders of the Parity Bonds aggregating a majority in principal amount of then outstanding Parity Bonds shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City; provided, however, that without the consent of the holders of all of the Parity Bonds at the time outstanding, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in this Ordinance or in the Bonds so as to: (i) make any change in the maturity of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal payable on the outstanding Bonds; (iv) modify the terms of payment of principal of or interest on the outstanding Bonds or impose any conditions with respect to such payment; (v) affect the rights of the holders of less than all of the Bonds then outstanding; or (vi) change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

(b) That if at any time the City shall desire to amend the Ordinance under this Section, the City shall cause notice of the proposed amendment to be (i) posted on the MSRB's EMMA system or (ii) published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two (2) successive calendar weeks; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to post or publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Paying Agent/Registrar for inspection by all holders of Bonds. Such publication is not required, however, if notice in writing is given to each holder of Bonds.

(c) That whenever at any time not less than thirty (30) days, and within one year, from the date of the first posting or publication of said notice or other service of written notice the City shall receive an instrument or instruments executed by the holders of at least a majority in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Paying Agent/Registrar, the City Council may pass the amendatory ordinance in substantially the same form.

(d) That upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and all the holders of then outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) That any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six (6) months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar therefor and the City, but such revocation shall not be effective if the holders of a majority in aggregate principal amount of the then outstanding Bonds as in this Section defined have, prior to the attempted revocation, consented to and approve the amendment.

(f) For the purposes of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the registrar therefor. The Paying Agent/Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Paying Agent/Registrar.

(g) The foregoing provisions of this Section notwithstanding, the City by action of the City Council may amend this Ordinance for any one or more of the following purposes:

(i) To add to the covenants and agreements of the City in this Ordinance contained, other covenants and agreements thereafter to be observed, grant additional rights or remedies to bondholders or to surrender, restrict or limit any right or power herein reserved to or conferred upon the City;

(ii) To make such provisions for the purpose of clarifying matters or questions arising under this Ordinance, as are required by the Attorney General of Texas to obtain the Attorney General's approval of the issuance of the Bonds or required by the Purchaser before their issuance or for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in this Ordinance, or at any time before or after issuance, including, without limitation, those matters described in Section 13.04 hereof, as are necessary or desirable and not contrary to or inconsistent with this Ordinance, and in all events which shall not adversely affect the interests of the owners of the Bonds;

(iii) To modify any of the provisions of this Ordinance in any other respect whatsoever, provided that such modification shall be, and be expressed to be, effective only after all previously issued Parity Bonds outstanding at the date of the adoption of such modification shall cease to be outstanding;

(iv) To make such amendments to this Ordinance as may be required, in the opinion of Bond Counsel, to ensure compliance with sections 103 and 141 through 150 of the Code and the regulations promulgated thereunder and applicable thereto.

Notice of any such amendment may be posted or published by the City in the manner described in clause (b) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory ordinance and the failure to post or publish such notice shall not adversely affect the implementation of such amendment as adopted pursuant to such amendatory ordinance.

(h) If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid, null, void, of no force and effect, then such provisions shall be construed as severable from the reminder of this Ordinance and shall not affect the validity of all other provision of this Ordinance which shall remain in full force and effect.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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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 Water and Wastewater System Revenue 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 special obligations of the City, and the Bonds have been authorized and delivered in accordance with law.

2. The Bonds are special obligations of the City and are payable solely from a first lien on and pledge of the Net Revenues of the City's water and wastewater system. "Net Revenues" are the revenues to be derived from the operation of the City's water and wastewater system after the payment of all operation and maintenance expenses thereof, as described in the Ordinance.

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.

The City has reserved the right in the Ordinance to issue from time to time additional Parity Bonds and to incur Parity Obligations which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues.

Very truly yours,