

# Lubbock (TX) [Water, Sewer]

The 'AA+' rating reflects the system's 'Very Strong' financial profile within the framework of 'Very Strong' revenue defensibility and 'Very Strong' operating risk profile, both assessed at 'aa'. The system's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), was extremely low, at 4.1x, in fiscal 2025 and is expected to peak at 5.1x in fiscal 2028 in Fitch's Analytical Stress Test (FAST) rating case. The system has large water supply projects starting in the next six to seven years and its currently exceptionally low leverage profile provides sufficient headroom to absorb debt related to the projects.

## Security

The bonds are payable from a first-lien pledge on the net revenues of the system after payments of operations and maintenance expenses.

### Assessment

Standalone Credit Profile aa+

### Rating Outlook

Revenue bonds Stable

### New Issues

\$48,93,000 Lubbock Water & Wastewater System Revenue Improvement and Refunding bonds, Series 2026 AA+

### Sale Date

The bonds are scheduled to sell via negotiation the week of March 23rd

### Outstanding Debt

[Issuer Ratings Information](#)

### Applicable Criteria

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(January 2025\)](#)

[U.S. Water and Sewer Rating Criteria \(February 2026\)](#)

### Related Research

[Fitch Rates Lubbock, TX's Water and Wastewater Rev Bonds 'AA+'; Outlook Stable \(March 2026\)](#)

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## Key Rating Drivers

### Revenue Defensibility - 'aa'

Very Favorable Service Area, Affordable Rates for the Vast Majority of the Population

The city retains the legal authority to adjust rates as needed without external oversight. Fitch considers the monthly residential combined bill affordable for approximately 80% of the service area population based on standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. The very favorable service area is characterized by average income levels, a moderate unemployment rate relative to the nation and strong customer growth. Customer growth registered a five-year compound annual growth rate of 3.3% as of fiscal 2025. Income levels are average, with median household income (MHI) equal to nearly 75% of the national median as of 2024. The unemployment rate was 3.5% in 2024 and has tracked about 8% below the national level over the past four years. There are modest planned water rate adjustments through fiscal 2030, and no rate adjustments are planned for the sewer system.

### Operating Risk - 'aa'

Very Low Operating Cost Burden, Moderate Investment Needs

In fiscal 2025, the system's operating cost burden was considered very low, at \$5,563 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was low, at 37%, in fiscal 2025. Annual capital spending relative to depreciation is strong, averaging 120% over the five fiscal years from 2021 to 2025. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued low life cycle ratio.

The system's fiscal 2026-2030 planned capital spending totals about \$250 million, up about 10% from the previous capital improvement plan (CIP). About a third of the current CIP is anticipated to be funded through pay-as-you-go and the remaining costs through debt financing. Spending related to additional water sources is expected to ramp up in the next six to seven years.

### Financial Profile - 'aa'

Stable Leverage, Neutral Liquidity

The system had exceptionally low leverage of 4.1x in fiscal 2025, continuing the gradual decline in leverage from 5.9x in fiscal 2021. The liquidity profile is neutral to the overall assessment, with current days' cash on hand of 166 and coverage of full obligations (COFO) of 1.2x. Fitch-calculated total debt service coverage was 1.3x in fiscal 2025.

The FAST considers the potential trend of key ratios in a base case and stress scenario over a five-year period. The stress scenario is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios. The FAST reflects Fitch's view of a reasonable scenario, which is generally informed by publicly available and/or management-provided information with respect to capex, user charges and rate of revenue and expenditure growth.

In the base case scenario, the leverage ratio is expected to increase to 4.8x in fiscal 2028, then decline to 4.4x through fiscal 2030. In the stress scenario, which is considered the rating case, the leverage ratio is expected to increase to 5.1x in fiscal 2028, then decline to 4.8x through fiscal 2030. The liquidity profile is expected to remain neutral to the assessment over the five-year horizon.

### Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

## Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Leverage sustained above 7.0x in Fitch's rating case scenario.
- Capital plan revisions that result in increased and/or accelerated levels of investment that are not sufficiently supported by increased FADS.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Leverage sustained below 5.0x in Fitch's rating case scenario, coinciding with near- and medium-term capital spending consistent with current projections.
- Greater clarity around any additional water supply or other large capital projects, beyond the Lake 7 project, that provide greater certainty around longer-term leverage levels.

## Profile

The city serves as the retail/trade, educational and healthcare hub in a largely rural region of northwest Texas. The system serves a growing population of over 270,000 residents within the city and in several surrounding communities. Water supply, which is considered sufficient for the intermediate term, comes from both city-owned sources and through a long-term, take-or-pay contract with the Canadian River Municipal Water Authority (CRMWA). CRMWA accounts for about 60% of total supply.

## Revenue Defensibility

### Revenue Source Characteristics

The system derives 100% of its revenues from the monopolistic business of providing retail water and sewer services, with the majority coming from retail services. However, the city also supplies treated wholesale water to Shallowater, Ransom Canyon, Buffalo Springs Lake, Reese Redevelopment Authority, TDCJ's Montford Unit, Texas Tech University's East Campus, Lubbock-Cooper ISD main campus and the City of Wolfforth, and has a contract to provide potable water to Littlefield under emergency conditions.

### Service Area Characteristics

Service area characteristics are considered very favorable. The system serves a growing customer base with a five-year compound annual growth rate of 3.3% as of fiscal 2025, continuing the upward growth trend that started in fiscal 2021. The unemployment rate in the service area is consistently lower than state and national averages. However, given the somewhat rural service area and the presence of a large university (Texas Tech University), as of fiscal 2024 the MHI was considered midrange, at 75% of the national average. Service area unemployment was also midrange, with the city's unemployment rate for the month of December 2025 at 3.1%, which was lower than both the state and national average of 3.9% and 4.1%, respectively.

The service area economy is stable, bolstered by Texas Tech University and agricultural production in the surrounding region, while the city also serves as the regional medical center.

### Rate Flexibility

The system has the independent legal ability to increase rates without external oversight. Utility rates are considered affordable for the majority of the service area population. Fitch measures affordability relative to the most vulnerable customers, or those at the lower income brackets of the service territory.

Based on Fitch's standard usage, the monthly residential bill in fiscal 2025 was about \$92 and is considered affordable for nearly 80% of the population based on the city's income levels.

Over the past five years, rate adjustments for customers have been minimal but sufficient to cover cost of service, with revenue increases mostly driven by organic growth. The city benefits from population increases tied to net immigration and has also annexed surrounding territories over the years upon their development.

Residential water customers pay a fixed rate with an additional tiered-volumetric component. Nearly 40% of the total combined monthly bill consists of fixed charges. In fiscal 2025, the system kept rates flat. There was a \$1 increase (about 2%) in the fixed base rate for sewer service in fiscal 2025. Going forward, additional minimal water rate adjustments are planned, with increases to both the fixed and volumetric charges. No additional sewer rate adjustments are planned through 2030.

### Asymmetric Factor Considerations

No asymmetric rating factor considerations affect the revenue defensibility assessment.

## Operating Risk

### Operating Cost Burden

The system's operating cost burden has been very low, measuring less than \$6,000 per mg over the past five fiscal years. These costs, which are partially driven by the price of water purchased from CRMWA, should remain manageable as limited planned increases in pass-through rates are expected from CRMWA. Fitch expects the operating cost burden to remain consistent with the operating risk assessment over the long term.

### Capital Planning and Management

Healthy levels of capital investment are reflected in the very low life cycle ratio, despite the slight increase to 37% as of fiscal 2025 from 31% in fiscal 2021. The five-year average capex-to-depreciation ratio remains strong, at 120%.

In line with the previous CIP, which totaled \$240 million, the CIP for the fiscal years 2026-2030 totals about \$250 million. Of this, just over 30% is anticipated to be funded through pay-as-you-go, with the balance debt-financed, inclusive of the current offering.

Significant initiatives include the Lake 7 project, which will be Lubbock's new water supply. It includes a reservoir, pipelines, pumping facilities and an advanced water treatment plant. Although construction is projected to begin in 2031, the city received its water rights permit from the state of Texas in 2023. Land acquisitions continue, with about 90% of such acquisitions completed to date. The project is estimated to cost about \$630 million. The West Lubbock Water System Expansion project will include upgrades to maintain an appropriate level of service to West Lubbock, a growing section of the service area, to address anticipated growth pressures. Upgrades include a new pumping station, a ground storage tank, an elevated storage tank and transmission pipelines.

The system is evaluating potential participation in a previously anticipated pipeline project, CRMWA II, which would add even more water supply, but does not expect the project to begin before 2034 (when all member cities are likely to need additional water). No CRMWA II costs are included in the current CIP, with large construction projects likely to begin after much of the system's current debt has amortized, freeing up capacity for future debt funding without materially affecting system revenues.

### Updated U.S. Environmental Protection Agency (EPA) Regulations

The city is addressing new regulations set forth by the U.S. EPA. The EPA's enhanced focus on lead and copper lines and per-and-polyfluoroalkyl (PFAS) contaminants has led to the finalized Lead and Copper Rule Improvements (LCRI) along with specific testing requirements for PFAS. The city is conducting PFAS sampling and, to date, has found no detectable levels of PFAS compounds to be regulated by the EPA. Further testing will be needed, with the results determining whether any further treatment will be required by 2029.

Regarding LCRI, the system completed a pipeline inventory and as of the required October 2024 deadline had not found any lead pipes. The inventory will be updated annually. Galvanized pipes were found, but the city has until 2032 to replace these. At this time, the replacement plan and associated costs remain in development.

### Operational Overview

#### Water System

The city adopted its latest Strategic Water Supply Plan in 2025, focusing on water conservation and planning for Lubbock's water supply for the next 100 years. The city receives water from four sources: Roberts County Well Field, Lake Meredith Reservoir (owned by CRMWA), Bailey County Well Field, and Lake Alan Henry (owned by the city). The water supply and treatment system has a peak capacity of 74 mgd, with average daily usage of 35 mgd. The city is moving forward with the Lake 7 project, which will provide additional water source from the city's wastewater treatment plants; Lubbock received the state water rights permit in 2023 and has submitted its application with the U.S. Army Corps of Engineers, with about 90% of the required land secured.

#### Wastewater System

The city provides wastewater collection and treatment within the city limits and provides wholesale wastewater services to Reese Redevelopment Authority, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus and Texas Tech's East Campus. The Southeast Water Reclamation Plant has a permitted capacity of 31.5 mgd, with average utilization of approximately 19.8 mgd and peak utilization of 25 mgd. The Northwest Water Reclamation Plant became operational in April 2018 and has a permitted capacity of 3 mgd, with average utilization of 0.81 mgd in 2025; effluent is discharged into the North Fork of the Brazos River and solids are sent to the Southeast Water Reclamation Plant for processing. A wastewater master plan finalized in early 2020 identified the Northwest Interceptor as undersized for anticipated growth, and preliminary engineering has begun on recommended solutions.

#### Canadian River Municipal Water Authority (CRMWA)

Wholesale water is supplied by CRMWA through long-term contracts, with member cities remitting payments to the authority for their proportionate share of debt-financed projects, as well as their share of operating and maintenance costs for pumping and transporting water.

CRMWA was created to provide a source of municipal and industrial water for its 11 member cities: Amarillo, Brownfield, Borger, Lamesa, Levelland, Lubbock, O'Donnell, Pampa, Plainview, Slaton and Tahoka. The Roberts County Well Field and Lake Meredith Reservoir are owned by CRMWA, and the city currently has a water supply agreement with CRMWA. The city obtained 8.59 billion gallons of its annual water supply from CRMWA in calendar year 2025; CRMWA is currently blending groundwater from the Ogallala Aquifer in Roberts County with surface water from Lake Meredith and can deliver up to 65,000 acre-feet of water to its member cities each year from the Roberts County Well Field.

CRMWA owns 407,666 acres of groundwater rights, with an estimated 22 million acre-feet of water within those rights. Lake Meredith is now at greater than 46% capacity and supplies additional water throughout the year to increase peak capacity by 25 mgd. CRMWA is securing easements for a new pipeline route (CRMWA II) from the well field to the aqueduct to allow full utilization of the aqueduct to supply the southern cities, with completion estimated at sometime after 2034.

### Asymmetric Factor Considerations

No asymmetric rating factors affect the operating risk assessment.

## Financial Profile and FAST Analysis

Fitch's leverage calculation yielded an exceptionally low result of 4.1x as of the end of fiscal 2025, with leverage continuing its downward trend from the higher levels seen in fiscal 2019.

The liquidity profile is neutral to the assessment and rating. COFO measured 1.2x, consistent with the average over the past five years, but current days' cash on hand declined from 422 days in 2019 to 166 days in fiscal 2025. Fitch-calculated all-in debt service coverage was 1.3x in fiscal 2025.

### Fitch Analytical Stress Tool

The FAST considers the potential trend of key ratios in a base case and a stress case. Fitch's base case is informed by the management-provided forecast and planned debt issuance. Fitch assumed slightly higher operating expense growth, which it deems reasonable. The system's CIP will be partially funded with future debt issuances, which are also included in the analysis.

Factoring in these assumptions, leverage rises to 4.8x in the base case and 5.1x in the rate case in fiscal 2028. Using these assumptions, leverage peaks in fiscal 2026 at 4.6x in the base case and at 4.8x in the stress case. The metric is anticipated to stay at a level that aligns with the 'AA+' rating. The liquidity profile is expected to remain neutral to the assessment, with COFO at least 1.3x and sound days' cash through the five-year horizon.

## Asymmetric Additive Risk Considerations

No asymmetric additive risk considerations affected this credit determination.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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**Financial Summary**

(Audited Fiscal Years Ended Sept. 30)	2021	2022	2023	2024	2025
<b>Revenue Defensibility</b>					
<b>Revenue Source Characteristics</b>					
% of Total Revenue from Monopolistic Services	100	100	100	100	100
<b>Service Area Characteristics</b>					
Service Area Population	261,308	264,573	268,053	272,086	272,782
Total Customer Count	184,758	188,635	193,085	196,637	209,634
5-Year Total Customer Count CAGR(%)	2.3	2.4	2.4	2.5	3.3
Service Area Median Household Income (\$)	54,060	58,734	60,487	60,895	N.A.
Service Area MHI/U.S. Median Household Income (%)	78	78	77	75	N.A.
Service Area Unemployment Rate (%)	4.7	3.5	3.4	3.5	N.A.
Service Area Unemployment Rate/U.S. Unemployment Rate (%)	89	97	94	88	N.A.
<b>Rate Flexibility</b>					
Total Monthly Bill (\$) (7,500 Gallons Water/6,000 Gallons Sewer)	90.86	90.86	90.86	91.84	92.84
% of Population with Unaffordable Bill	23.1	21.4	20.2	20.3	N.A.
<b>Operating Risk</b>					
<b>Operating Cost Burden</b>					
Operating Cost Burden (\$/mg)	5,393	4,918	4,820	5,259	5,563
<b>Capital Planning and Management</b>					
Life Cycle Ratio (%)	31	32	34	35	37
Annual CapEx/Depreciation (%)	173	151	79	83	113
5-Year Average Capex/Depreciation (%)	153	124	116	123	120
<b>Financial Profile (\$000, unless otherwise indicated)</b>					
Current Unrestricted Cash/Investments	41,555	34,541	24,951	19,396	36,865
Current Restricted Cash/Invest (Available Liquidity)	–	–	–	–	–
Current Cash Available	41,555	34,541	24,951	19,396	36,865
Noncurrent Unrestricted Cash/Investments	–	–	–	–	–
Noncurrent Restricted Cash/Invest (Available Liquidity)	–	–	–	–	–
Available Cash	41,555	34,541	24,951	19,396	36,865
Current Restricted Cash/Invest (Debt Service or Debt Service Reserve)	–	–	–	–	–
Noncurrent Restricted Cash/Invest (Debt Service or Debt Service Reserve)	38,016	43,479	42,698	47,743	42,517
Funds Restricted for Debt Service	38,016	43,479	42,698	47,743	42,517
Total Debt	500,996	472,201	439,821	390,165	398,324
Capitalized Fixed Charges	–	–	–	–	–
Adjusted Net Pension Liability	14,161	9,950	20,301	18,179	23,201
Available Cash	41,555	34,541	24,951	19,396	36,865
Funds Restricted for Debt Service	38,016	43,479	42,698	47,743	42,517
Net Adjusted Debt	435,586	404,131	392,474	341,204	342,143
Total Operating Revs	134,825	143,881	141,695	148,350	151,288
Purchased Water/Sewer Services	–	–	–	–	–
Other Operating Expenses	63,146	61,142	69,211	73,806	81,116
EBITDA	71,678	82,739	72,484	74,543	70,172
Investment Income/(Loss)	2,470	–	12,267	17,529	13,192
Non-Operating Revenues from Taxes	–	–	–	–	–

## Financial Summary

(Audited Fiscal Years Ended Sept. 30)	2021	2022	2023	2024	2025
Other Cash Revenues/(Expenses)	1,126	1,258	1,297	7,270	1,752
BAB Subsidy	—	—	—	—	—
Capital Contributions	3,161	2,003	264	162	1,412
Funds Available for Debt Service	78,436	86,000	86,312	99,504	86,528
Fixed Services Expense	—	—	—	—	—
Net Transfers In/(Out)	-5,660	-5,403	-5,041	-5,931	-6,100
Pension Expense	494	130	2,708	2,019	4,078
Adjusted Funds Available for Debt Service	73,270	80,727	83,979	95,591	84,506
<b>Net Adjusted Debt/Adjusted Funds Available for Debt Service (x)</b>	<b>5.9</b>	<b>5.0</b>	<b>4.7</b>	<b>3.6</b>	<b>4.1</b>
Funds Available for Debt Service	78,436	86,000	86,312	99,504	86,528
Fixed Services Expense	—	—	—	—	—
Net Transfers In/(Out)	-5,660	-5,403	-5,041	-5,931	-6,100
Adjusted FADS for Coverage of Full Obligations	72,776	80,596	81,272	93,572	80,428
Total Annual Debt Service	65,088	62,365	67,622	73,585	67,665
Fixed Services Expense	—	—	—	—	—
Adjusted Debt Service (Includes Fixed Services Expense)	65,088	62,365	67,622	73,585	67,665
Coverage of Full Obligations (x)	1.1	1.3	1.2	1.3	1.2
Coverage of Full Obligations Excluding Connection Fees (x)	1.1	1.3	1.2	1.3	1.2
Current Days Cash on Hand	240	206	132	96	166
Liquidity Cushion Ratio (Days)	240	206	132	96	166
All-In Debt Service Coverage (x)	1.2	1.4	1.3	1.4	1.3

Notes: Fitch may have reclassified certain financial statement items for analytical purposes. N.A. - Not available.  
Source: Fitch Ratings, Fitch Solutions, Lubbock

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