

Research Update:

# Lubbock, TX Series 2026 GO Bonds And Certificates of Obligation Rated 'AA+'; Outlook Stable

March 10, 2026

## Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the City of [Lubbock](#), Texas' proposed \$89.6 million series 2026 general obligation (GO) improvement and refunding bonds and \$11.7 million series 2026 combination tax and revenue certificates of obligation (COs).
- At the same time, we affirmed our 'AA+' rating on the city's previously issued limited-tax GO debt and COs.
- The outlook is stable.

## Rationale

### Security

The GO bonds and COs are a direct obligation of Lubbock, payable from the proceeds of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within its borders.

A limited water and wastewater system surplus-revenue pledge, in an amount not to exceed \$1,000, additionally secures the COs. Due to the additional pledge's limited nature, we rate the COs based on Lubbock's ad valorem-tax pledge.

The maximum allowable ad valorem tax rate in Texas is \$2.50 per \$100 of assessed value (AV) for all purposes with the portion dedicated to debt service limited to \$1.50. The total tax rate is well below the maximum for fiscal 2026 at 47.22 cents, 10.75 cents of which is for debt service. Despite state statutory tax-rate limitations, we view the limited-tax GO pledge on par with the city's general creditworthiness. Ad valorem taxes are not levied on a narrower or distinctly different property tax base, and there are no limitations on the fungibility of resources available for debt-service payments.

The GO bonds will fund various street improvements, as well as refund Lubbock's series 2016 GO refunding bonds, series 2016A GO refunding bonds, and series 2016 COs for debt service cost savings. The COs will fund street improvements.

### Credit highlights

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The rating reflects our view of the city's growing local economy, role as a regional economic hub, and robust financial policies and practices that support a stable financial profile and strong reserves. These strengths are offset by weaker gross county product (GCP) per capita metrics when compared with those of national peers and a somewhat elevated debt burden, with ongoing future borrowings planned.

Lubbock serves as a regional economic, education, and health care center for a 26-county region that is home to more than 500,000 residents. The agriculture, education, and health care sectors anchor a diverse local economy. Lubbock is also home to three universities and one community college, the largest of which is Texas Tech University, with an enrollment of more than 40,000, which we think provides a stabilizing presence and likely understates income metrics. Taxable assessed value (TAV) has shown steady growth, averaging 8.4% annual growth over the past five years. We expect TAV will continue to show growth, with city officials indicating a recent increase in housing permits following a gradual decrease in interest rates.

This economic growth has helped contribute to positive operating results, with Lubbock reporting general fund surpluses in four of the past five audited fiscal years. Fiscal 2025 saw a \$10.9 million (negative 3.8% of general fund revenue) general fund deficit; however, this was driven by one-time capital spending. For fiscal 2026, the city adopted an operationally balanced budget, accounting for another \$11.7 million use of excess reserves for capital spending. We expect Lubbock will remain operationally balanced over the outlook period, while using available reserves in excess of its 20% of operating revenue fund balance policy minimum to support capital projects.

After this issuance, the city will have \$99.7 million in authorized but unissued GO debt remaining. However, it anticipates issuing only about \$23 million in additional tax-secured debt through fiscal 2029. Given these modest additional debt plans, we do not expect a material change in Lubbock's debt profile over the outlook period.

In our view, credit fundamentals supporting the 'AA+' rating include the following:

- Below-average GCP and per capita personal income when compared with those of the nation. However, metrics undervalue the significance of the city as a regional hub in West Texas.
- Comprehensive budgeting practices that incorporate financial forecasting and capital planning that, in conjunction with regular budget monitoring, have led to consistently balanced operations. Lubbock also has a comprehensive five-year capital improvement plan and five-year operating forecasts for its enterprise funds, all of which it are regularly updates. It has also adopted basic debt management, investment management, and fund balance policies. Management has implemented policies and practices to help mitigate the city's exposure to cybersecurity threats.
- Consistently balanced operations and maintenance of robust reserves, supported by stable or growing sales and property tax revenue. Lubbock intends to use excess reserves to cash-fund smaller one-time capital projects. The city has several privately placed debt obligations, but we do not consider them to be contingent liquidity risks.
- Somewhat elevated fixed costs, which partially reflect Lubbock's above-average amortization rate; however, additional debt plans over the outlook period are unlikely to significantly increase the city's debt profile. In our view, pension and other postemployment benefits (OPEB) are not an immediate budgetary pressure due to adequate pension funding status and manageable OPEB costs, although the city's fire-pension plan has several actuarial assumptions could lead to contribution volatility.

- For more information on our institutional framework assessment for Texas cities, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

## Environmental, social, and governance

Data from S&P Global Sustainable1 shows that Lubbock County (where the city is located) faces elevated exposure to drought, extreme heat, and water stress compared with other locations nationally. To help mitigate these risks, the city has implemented comprehensive water conservation programs, diversified its water supply, and strategically planned for its long-term water needs.

Lubbock's social and governance factors are neutral considerations in our credit rating analysis.

## Outlook

The stable outlook reflects our expectation that the city will maintain balanced operations (accounting for one-time capital spending), robust available reserves above its policy minimum, and that its debt profile will not materially worsen.

### Downside scenario

We could lower the rating if available reserves were to decrease below Lubbock's formal adopted policy or if the debt burden were to grow significantly.

### Upside scenario

We could raise the rating if debt and pension metrics improve materially and if the city's economic growth leads to increased incomes more in line with those of higher-rated peers.

### Lubbock, Texas--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.21
Economy	3.5
Financial performance	2
Reserves and liquidity	1
Management	1.30
Debt and liabilities	3.25

### Lubbock, Texas--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GDP per capita % of U.S.	71	--	--	71
County PCPI % of U.S.	79	--	--	79
Market value (\$000s)	29,000,257	28,705,492	26,892,726	23,959,039
Market value per capita (\$)	110,578	108,334	101,492	90,421
Top 10 taxpayers % of taxable value	2.8	2.6	2.5	3.3
County unemployment rate (%)	3.2	3.2	3.5	3.4

**Lubbock, Texas--key credit metrics**

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	83	--	83	82
Local per capita EBI % of U.S.	85	--	85	81
Local population	264,973	--	--	264,973
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	288,627	273,819	273,236
Operating fund expenditures (\$000s)	--	258,491	247,715	268,305
Net transfers and other adjustments (\$000s)	--	(41,058)	(24,155)	2,034
Operating result (\$000s)	--	(10,922)	1,949	6,965
Operating result % of revenues	--	(3.8)	0.7	2.5
Operating result three-year average %	--	(0.2)	1.7	3.8
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	28.9	34.5	33.8
Available reserves (\$000s)	--	83,459	94,378	92,449
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	13.3	12.5	12.4
Net direct debt per capita (\$)	2,209	2,299	2,582	2,477
Net direct debt (\$000s)	579,407	609,123	684,194	656,451
Direct debt 10-year amortization (%)	72	75	77	--
Pension and OPEB cost % of revenues	--	10.0	10.0	10.0
NPLs per capita (\$)	--	722	835	980
Combined NPLs (\$000s)	--	191,418	221,126	259,784

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

**Ratings List**

**New Issue Ratings**

US\$11,685,000 City of Lubbock, Texas, Combination Tax and Revenue Certificates of Obligation, dated: April 1, 2026, due: February 15, 2046

Long Term Rating AA+/Stable

US\$89,655,000 City of Lubbock, Texas, General Obligation Improvement and Refunding, Series 2026, dated: April 1, 2026, due: February 15, 2046

Long Term Rating AA+/Stable

**Ratings Affirmed**

**Local Government**

Lubbock TX Limited Tax General Obligation & Water/Sewer REvenues AA+/Stable

Lubbock, TX Limited Tax General Operating Pledge AA+/Stable

Lubbock, TX Limited Tax General Operating Pledge and Water System Subordinate Lien AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

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different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352>. Complete ratings information is available to RatingsDirect subscribers at [www.capitaliq.com](http://www.capitaliq.com). All ratings referenced herein can be found on S&P Global Ratings' public website at [www.spglobal.com/ratings](http://www.spglobal.com/ratings).

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