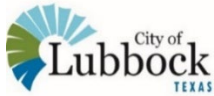


OFFICIAL STATEMENT DATED MARCH 25, 2026



RATINGS: S&P Global Ratings "AA"
Fitch Ratings "AA+"
See "RATINGS" herein

NEW ISSUE: BOOK-ENTRY-ONLY

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

\$48,585,000
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2026

Dated: April 1, 2026

Due: February 15, as shown on page ii

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

Principal of and interest on the \$48,585,000 City of Lubbock, Texas Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2026 (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, 2027, 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, 1371 and 1502, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on March 10, 2026 (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"). An authorized City official executed the Pricing Certificate on March 25, 2026. 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) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, (iv) 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 (v) paying the costs of issuing the Bonds and refunding the Refunded Obligations (see "PLAN OF FINANCE").

The Bonds maturing on or after February 15, 2037, are subject to redemption at the option of the City, on February 15, 2036, 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 April 22, 2026 (the "Delivery Date").

BAIRD

STIFEL

STEPHENS INC.

MATURITY SCHEDULE

**\$48,585,000 WATER AND WASTEWATER SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2026**

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Yield^(b)</u>	<u>CUSIP Suffix^(a)</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Yield^(b)</u>	<u>CUSIP Suffix^(a)</u>
2/15/2027	\$1,785,000	5.00%	2.56%	HW7	2/15/2037	\$1,710,000	5.00%	3.59% ^(c)	JG0
2/15/2028	2,655,000	5.00%	2.61%	HX5	2/15/2038	1,800,000	5.00%	3.71% ^(c)	JH8
2/15/2029	2,795,000	5.00%	2.68%	HY3	2/15/2039	1,890,000	5.00%	3.82% ^(c)	JJ4
2/15/2030	2,650,000	5.00%	2.78%	HZ0	2/15/2040	1,985,000	5.00%	3.93% ^(c)	JK1
2/15/2031	2,795,000	5.00%	2.89%	JA3	2/15/2041	2,090,000	5.00%	3.97% ^(c)	JL9
2/15/2032	2,930,000	5.00%	3.02%	JB1	2/15/2042	2,195,000	5.00%	4.05% ^(c)	JM7
2/15/2033	3,085,000	5.00%	3.14%	JC9	2/15/2043	2,310,000	5.00%	4.14% ^(c)	JN5
2/15/2034	3,235,000	5.00%	3.26%	JD7	2/15/2044	2,430,000	5.00%	4.25% ^(c)	JP0
2/15/2035	3,410,000	5.00%	3.39%	JE5	2/15/2045	2,545,000	4.50%	4.58%	JQ8
2/15/2036	1,625,000	5.00%	3.47%	JF2	2/15/2046	2,665,000	4.50%	4.62%	JR6

(Interest accrues from Delivery Date)

Optional Redemption...The Bonds maturing on or after February 15, 2037, are subject to redemption at the option of the City on February 15, 2036, 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 its General Obligation Improvement and Refunding Bonds, Series 2026 (the “GO Bonds”) and Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) but pursuant to a separate offering document. The Bonds, the GO Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently, and, while the Bonds, the GO Bonds and the Certificates 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 GO Bonds and the Certificates through the facilities of DTC is expected to occur on or about April 22, 2026.

^(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.

^(c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on their first optional redemption date of February 15, 2036, plus accrued interest to the date of redemption.

USE OF INFORMATION IN OFFICIAL STATEMENT

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 SCHEDULE AND APPENDICES, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

	<u>Page</u>	<u>Page</u>
OFFICIAL STATEMENT SUMMARY	v	
CITY OFFICIALS, STAFF AND CONSULTANTS.....	vii	
INTRODUCTION	1	
DESCRIPTION OF THE CITY	1	
PLAN OF FINANCE	1	
Purpose	1	
Refunded Obligations.....	2	
Sources and Uses of Proceeds.....	2	
THE BONDS	2	
Description of the Bonds.....	2	
Authority for Issuance.....	2	
Redemption Provisions	3	
Notices.....	3	
Amendments.....	3	
Defeasance.....	4	
Paying Agent/Registrar	4	
Registration, Transfer and Exchange.....	5	
Record Date for Interest Payment.....	5	
Concurrent Offerings.....	5	
Book-Entry-Only System.....	5	
SECURITY FOR THE BONDS	7	
Security and Source of Payment.....	7	
Previously Issued Bonds	8	
Pledged Revenues	8	
Rates	8	
General Reserve Fund.....	8	
Flow of Funds.....	9	
Issuance of Additional Bonds	9	
REMEDIES	9	
THE SYSTEM	11	
Background	11	
Water Utility.....	11	
Wastewater Utility.....	12	
Capital Improvement Plan	13	
FINANCIAL POLICIES	13	
Policies.....	13	
Administration.....	15	
Retirement Plans.....	16	
Other Post-Employment Benefits	17	
INVESTMENTS	17	
Legal Investments	17	
Investment Policies	18	
Additional Provisions	19	
The City’s Investment Policy and Investment Strategy	19	
TAX MATTERS	19	
RATINGS	21	
LITIGATION.....	21	
REGISTRATION AND QUALIFICATION OF BONDS		
FOR SALE.....	21	
LEGAL INVESTMENTS AND ELIGIBILITY TO		
SECURE PUBLIC FUNDS IN TEXAS.....	21	
LEGAL MATTERS	21	
INVESTMENT CONSIDERATIONS	22	
Environmental Regulations.....	22	
Weather Events.....	22	
Damage to the System	22	
Cyber Security.....	22	
2025 Texas Legislative Session.....	22	
Unregulated Contaminant Monitoring Rule Publication.	23	
CONTINUING DISCLOSURE OF INFORMATION	23	
Annual Reports	23	
Notice of Certain Events.....	23	
Availability of Information.....	24	
Limitations and Amendments.....	24	
Compliance with Prior Undertakings	24	
VERIFICATION OF ARITHMETICAL AND		
MATHEMATICAL COMPUTATIONS.....	24	
MUNICIPAL ADVISOR.....	25	
UNDERWRITING	25	
FORWARD-LOOKING STATEMENTS.....	25	
MISCELLANEOUS	26	
 <u>APPENDICES</u> 		
SCHEDULE I – SCHEDULE OF REFUNDED OBLIGATIONS		
APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM		
APPENDIX B – EXCERPTS FROM THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2025		
APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE		
APPENDIX D – FORM OF BOND COUNSEL’S OPINION		
 <i>The cover page hereof, the Maturity Schedule, this Table of Contents, the section entitled “Official Statement Summary,” this Table of Contents, the Schedule I, and the Appendices A, B, C, and D attached hereto are part of this Official Statement.</i> 		

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 145.9 square miles and has a current estimated population of 272,782 (see “DESCRIPTION OF THE CITY”).
- THE BONDS**.....The City’s \$48,585,000 Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2026 (the “Bonds”) are dated April 1, 2026, and mature on February 15 in each of the years 2027 through 2046, inclusive.
- The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1207, 1371 and 1502, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on March 10, 2026 (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”). An authorized City official executed the Pricing Certificate on March 25, 2026. 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, 2027 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) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, (iv) 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 (v) paying the costs of issuing the Bonds and refunding the Refunded Obligations (see “PLAN OF FINANCE”).
- REDEMPTION PROVISIONS**.....The Bonds maturing on and after February 15, 2037, are subject to redemption at the option of the City on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption Provisions”).
- RATINGS**.....The Bonds are rated “AA” by S&P Global Ratings, a division of S&P Global, Inc. and “AA+” by Fitch Ratings, Inc. (see “RATINGS”).
- 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”).

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

PAYMENT RECORDThe City has never defaulted in payment of its debt.

LEGAL OPINIONThe 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.

DELIVERYInitial delivery of the Bonds through the facilities of DTC is expected to occur on or about April 22, 2026.

CONCURRENT OFFERINGS.....The Bonds are being offered by the City concurrently with the City’s offering of its General Obligation Improvement and Refunding Bonds, Series 2026 (the “GO Bonds”) and Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) but pursuant to a separate offering document. The Bonds, the GO Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently, and, while the Bonds, the GO Bonds and the Certificates 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 GO Bonds and the Certificates through the facilities of DTC is expected to occur on or about April 22, 2026.

For additional information regarding the City please contact:

Joe Jimenez
 Chief Financial Officer
 City of Lubbock
 1314 Avenue K
 Lubbock, Texas 79401
 Phone (806) 775-2212
 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

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

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Date of Employment in Current Position</u>	<u>Date of Initial Employment with City of Lubbock</u>	<u>Total Years of Government Service</u>
W. Jarrett Atkinson	City Manager	December 2016	December 2016	31
Bill Howerton	Deputy City Manager	June 2014	August 1998	27
Brooke Witcher	Assistant City Manager	January 2019	January 2003	22
Erik Rejino	Assistant City Manager	October 2021	October 2021	16
Joe Jimenez	Chief Financial Officer	December 2024	June 2013	12
Cheryl Brock	Director of Financial Planning & Analysis	March 2012	April 1992	33
Brack Bullock	Director of Accounting	August 2025	August 1996	30
Matt Wade	City Attorney	June 2024	June 2024	17
Courtney Paz	City Secretary	April 2023	July 2017	12

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**

**\$48,585,000
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE IMPROVEMENT AND REFUNDING BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Schedule I and Appendices hereto, provides certain information regarding the issuance by the City of Lubbock, Texas (the “City”) of its \$48,585,000 Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2026 (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 March 10, 2026 (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 145.9 square miles.

PLAN OF FINANCE

Purpose

Proceeds from the sale of the Bonds will be used for the purposes of (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System, (ii) funding capitalized interest for the Bonds, if necessary, (iii) funding the reserve fund requirement for the Bonds, if necessary, (iv) 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 (v) paying the costs of issuing the Bonds and refunding the Refunded Obligations.

[Remainder of page left blank intentionally.]

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, 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 Fund under the Escrow Agreement (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, 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 the Verification Agent, 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, along with funds from the City, will be applied as follows:

Sources of Proceeds:

Principal Amount of the Bonds.....	\$	48,585,000.00
Net Original Issue Premium		3,774,556.55
Issuer Contribution		<u>311,875.00</u>
Total Sources of Proceeds.....	\$	52,671,431.55

Uses of Proceeds:

Deposit to Project Fund	\$	36,400,000.00
Deposit to Escrow Fund.....		15,789,446.56
Underwriters’ Discount.....		245,623.31
Cost of Issuance.....		<u>236,361.68</u>
Total Uses of Proceeds	\$	52,671,431.55

THE BONDS

Description of the Bonds

The Bonds are dated April 1, 2026, 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, 2027, 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, 1371 and 1502, Texas Government Code, as amended, the City Charter, and an ordinance adopted by the City Council on March 10, 2026 (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. An Authorized Officer executed the Pricing Certificate on March 25, 2026. 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, 2037, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, 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.

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 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

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment, or (2) Defeasance Securities scheduled to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds.

The Ordinance defines “Defeasance Securities” as (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (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, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The City has the right, subject to satisfying the requirements of (a) and (b) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the ratings(s) of securities used to fund a defeasance escrow will be maintained at any particular rating category.

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 its General Obligation Improvement and Refunding Bonds, Series 2026 (the “GO Bonds”) and its Combination Tax and Revenue Certificates of Obligation, Series 2026 (the “Certificates”) but pursuant to a separate offering document. The Bonds, the GO Bonds and the Certificates are separate and distinct securities offerings being issued and sold independently, and, while the Bonds, the GO Bonds and the Certificates 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 GO Bonds and the Certificates through the facilities of DTC is expected to occur on or about April 22, 2026.

Book-Entry-Only System

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

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

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and

non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants." DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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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	\$12,740,000	Water and Wastewater System Revenue Bonds, Series 2019 ^(a)
04/30/2019	7,485,000	Water and Wastewater System Revenue Imp & Ref Bonds, Series 2019A
10/15/2019	53,435,000	Water and Wastewater System Revenue Ref Bonds, Taxable Series 2019B
06/01/2020	33,420,000	Water and Wastewater System Revenue Bonds, Series 2020A
12/01/2020	13,315,000	Water and Wastewater System Revenue Ref Bonds, Series 2020B
12/01/2020	13,290,000	Water and Wastewater System Revenue Ref Bonds, Taxable Series 2020C
02/01/2021	5,370,000	Water and Wastewater System Revenue Bonds, Series 2021
10/14/2021	7,820,000	Water and Wastewater System Revenue Bonds, Series 2021A ^(a)
05/01/2022	4,930,000	Water and Wastewater System Revenue Bonds, Series 2022
03/01/2023	12,625,000	Water and Wastewater System Revenue Bonds, Series 2023
12/01/2024	45,400,000	Water and Wastewater System Revenue Refunding Bonds, Series 2024
02/01/2025	57,035,000	Water and Wastewater System Revenue Bonds, Series 2025
Total	\$266,865,000	

^(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 September 30, 2025 will 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") which include: (a) Water and Wastewater System Revenue Bonds, Series 2019 and (b) Water and Wastewater System Revenue Bonds, Series 2021A, as described in APPENDIX C. 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 and annually following each principal payment date or redemption date of TWDB Bonds. As of the date of this Official Statement, the TWDB Reserve Fund Requirement for the outstanding TWDB Bonds listed above is \$1,623,169 (see "SECURITY FOR THE BONDS – Previously Issued Bonds") and is fully funded. The Bonds are not TWDB Bonds and are not secured by the TWDB Reserve Fund.

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 completed in 2025 with an update projected to be finalized by the end of March 2026. 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 treated a total of 13.33 billion gallons of water in calendar year 2025. The City's average per capita consumption for calendar year 2025 was 128 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment is 71.35 million gallons per day, with an average utilization of 36.51 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 December 31, 2025, the water system consisted of 104,042 meters and 2,235 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 8.59 billion gallons of its annual water supply from CRMWA in calendar year 2025. 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 407,666 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 46% 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 2034.

The Bailey County Well Field contains 168 active water wells with 83,305 acres of water rights, providing 1.51 billion gallons of the City's annual water supply in calendar year 2025.

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 3.21 billion gallons of the City's annual water supply in calendar year 2025. Lake Alan Henry is currently at greater than 85% 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 December 31, 2025, the collection system consisted of approximately 1,331 miles of sanitary sewer lines and 41 lift stations.

The 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 21.78 million gallons per day. The treated wastewater is disposed of or reused in various ways. In 2025, approximately 33% 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 23% of the treated wastewater and 44% 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. The City has two outstanding non-compliance settlements in the process of resolution with the TCEQ for non-health violations due to a pump failure. Any fines assessed will be satisfied through supplemental environment projects (which have been funded and completed).

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 0.81 million gallons per day in 2025. 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 was completed in 2022. Final improvements to Plant 3 to accommodate stream quality effluent discharges have been designed and construction is slated to begin within the next few years.

The City has utilized a Wastewater Collection System Master Plan for the last few decades to inform its operational and capital decisions for the wastewater collection system to meet population growth as well as address aging infrastructure replacement needs. The most recent Wastewater Collection System Master Plan was approved in 2020 and the 2026 Wastewater Collection System Master Plan is projected to be finalized by the end of March 2026. The 2020 Wastewater Collection Master Plan identified a need for upgrades to the Northwest Interceptor for anticipated growth and wastewater flow. To address this issue, the recently completed Northwest Sanitary Sewer Interceptor ("NWSS") Rehabilitation Project identified and rehabilitated the failing segments and manholes of the NWSS Interceptor. In addition, Downtown Sanitary Sewer Interceptor Phase 1 was completed in 2024 which reconstructed approximately 2-miles of 21-inch and 30-inch pipeline that runs from the Buddy Holly Performing Art Center to Compress Road. Downtown Sanitary Sewer Interceptor Phase 2 is currently under design and is anticipated to be completed by the end of FY 2027. This will add capacity and improvement to the sewer system in the downtown area. The 2026 Wastewater Collection System Master Plan provides for additional studies of the wastewater collection system and will inform the proposal of future Capital Improvement Projects based on current flows and projected growth.

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 2025-26 through 2030-31 and includes annual expenditures that range in size from \$10.7 million to \$84.2 million per year. The Department anticipates that the level of cash funding for all capital projects for this six-year period will be approximately 35.2 percent. The amount of cash funding averages approximately \$15.2 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 and currently underway. These projects have a combination of funding, including proceeds from outstanding System revenue bonds. Proceeds from the Bonds will contribute to funding for the West Lubbock Water System Expansion.

Lake 7 Design and Land Acquisition . . . The Lake 7 project will be a lake owned by the City and is intended to be a drought resilient water supply project that is part of the City’s long-term water supply plan. The Design and Land Acquisition phase includes the design, construction, land acquisition, and mitigation associated with Lake 7. Design and construction services include a reservoir, intake structure, pipelines, pumping facilities, and an advanced water treatment facility. The City began land acquisition in 2023 and currently estimates that approximately 90% of the parcel easements have been executed. Additionally, the City is in the process of completing a cultural resource survey (with an expected completion of August 2026), with US Army Corp of Engineers approval expected at the end of 2027.

West Lubbock Water System Expansion . . . 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.

Pump Station 11B . . . 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 treated 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.

SEWRP Headworks Improvements . . . This project includes the design, purchase, installation, and/or rehabilitation of existing pumps, grit system, and screening equipment to Headworks at the Southeast Water Reclamation Plant (“SEWRP”). SEWRP Headworks was designed to pump large volumes of influent wastewater into the SEWRP for further treatment. The corrosive environment as well as grit and debris are hard on the grit system and screening equipment. This will replace aged infrastructure to ensure that debris and grit are reduced before the wastewater flows for further treatment. More screening will reduce maintenance in equipment further downstream.

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

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board (“GASB”) and program standards adopted by the Government Finance Officers Association of the United States and Canada (“GFOA”). The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for each of the fiscal years ended September 30, 1984 through September 30, 2002 and September 30, 2004 through September 30, 2024. The City will submit the City’s 2025 report to GFOA to determine its eligibility for another certificate.

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, 2025”.

General Fund Balance . . . The City’s objective is to maintain an unreserved/undesignated fund balance of 20% of operating expenses to meet unanticipated contingencies and fluctuations in expenses. As of fiscal year-end 2025, the City’s General Fund had an unreserved/undesignated fund balance that was at approximately 162% 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 an appropriate net position in the Water and Wastewater fund and in the Airport fund in an amount equal to 25% of operating revenues of each system for unforeseen contingencies. The City’s goal of appropriate net position in Storm Water fund is an amount equal to 20% of regular operating revenues of the system. The City currently exceeds its policy on appropriate net position and unrestricted net position for its various enterprise funds. As of fiscal year-end 2025, Target Net Position by Policy and current Appropriate Net Position for the Water and Wastewater, Storm Water, and Airport enterprise funds are as follows:

<u>Enterprise Fund</u>	<u>Target Net Position by Policy</u>	<u>Appropriate Net Position</u>
Water and Wastewater	\$38.8 million	\$42.6 million
Storm Water	\$4.5 million	\$9.6 million
Airport	\$4.2 million	\$24.8 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, as of fiscal year-end 2025, the Target General Reserve by Policy and the actual General Reserve for LP&L were as follows:

<u>Enterprise Fund</u>	<u>Target General Reserve by Policy</u>	<u>General Reserve</u>
LP & L	\$45.7 million	\$103.5 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 September 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 9, 2025, the City Council approved the budget and set the tax rate for the fiscal year ending September 30, 2026.

Insurance and Risk Management . . . The City is self-insured for public entity liability and health benefits coverage. 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.

The City's self-insurance liability program is funded on a cash flow basis. All self-insurance liability claims are being adjusted and paid through 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. 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.

At September 30, 2025, the net position of these insurance funds was as follows:

Self-insurance – health: \$6,839,937

Self-insurance – risk management: \$15,725,747

See "APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2024 – Note III, Subsection O – Risk Management and Subsection P – Health Insurance".

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, Keith Mann, President, Diversified Lenders; Brandon Kidd, Commercial Lender, Prosperity Bank; Eddie Schulz, President, Lubbock National Bank; and Cooper Cunningham, Portfolio Manager, Western 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 2026 (Tax Year 2025), the City's total tax rate was set at \$0.472191 per \$100 taxable assessed valuation. The City's taxable assessed valuation increased approximately \$674.4 million or 2.9% from FY 2025 to FY 2026. The City has long been committed to truth in taxation and the City Council affirmed this commitment on June 12, 2003, when it 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. 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, 2025 and the pension expense for the year ended is as follows:

<u>FYE 9-30-25</u>	<u>TMRS</u>	<u>LFPF</u>	<u>Total</u>
Net pension liability	95,047,251	96,369,848,	191,417,099
Deferred outflows of resources	43,741,013	24,274,938	38,015,951
Deferred inflows of resources	23,238,322	5,560,256	27,798,578
Pension expense	30,071,313	11,401,897	41,473,210

Texas Municipal Retirement System . . . The City participates as one of 942 plans in the defined benefit cash-balance plan administered by the TMRS. TMRS is the statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for employees of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on 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.

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.

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 17.91% and 18.27% in calendar years 2024 and 2023, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$25,905,981, and were equal to the required contributions.

The City’s net pension liability (“NPL”) was measured as of December 31, 2024, 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, 2025 – Note III, Subsection E – 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, which may be obtained by writing the Lubbock Fire Pension Fund at 611 University Avenue, Suite 200, Lubbock, Texas 79401. See that report for all information about the plan fiduciary net position.

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 contribution policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA effective September 29, 2018. For many years, the City contributed according to a long-standing formula. The City's contribution rate to the Fund had been related to the percentage of payroll that the City contributes to the TMRS for other employees each calendar year. Beginning October 1, 2022, the City decided to discontinue the formula tied to TMRS and agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. The actual City contribution rate was 21.50% in plan year 2023 and 21.75% in plan year 2024. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the December 31, 2024 actuarial valuation includes the assumption that this current 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, 2024, the money-weighted rate of return on pension plan investments was 9.23%. 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.

The City's contributions to LPPF for the year ended September 30, 2025, were \$10,172,796 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, 2025 – Note III, Subsection E – 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, 2025 – Note III, Subsection F".

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 December 31, 2025.

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 “AA” by S&P Global Ratings, a division of S&P Global Inc. and “AA+” 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 a 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 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 owned 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. If a future weather event significantly damages all or part of the properties within the City, operations and revenues of the System may be impacted. Revenues and expenses of the System can be impacted by severe 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, severe weather events, 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 Texas Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session “). The Texas Legislature (the “Legislature “) meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures of issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting

ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 89th Regular Session and the two called special sessions and cannot make any representations regarding the likelihood of future legislative sessions or the full impact of the legislation approved during the 89th Regular Session or the two called special sessions at this time.

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 2026. 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

The Verification Agent, 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.

The Verification Agent, 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, the Verification Agent, has relied on any information provided to it by the City’s retained advisors, consultants or legal counsel. The Verification Agent 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 (“RBCCM”) is engaged 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. RBCCM, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds or the possible impact on the Bonds of any present, pending or future actions taken by any legislature or judicial bodies. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in 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 \$245,623.31.

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.

FORWARD-LOOKING STATEMENTS

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

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

MISCELLANEOUS

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

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

/s/ Joe Jimenez
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 by The Bonds	Principal Amount Being Refunded by The GO Bonds	Unrefunded Bonds Remaining Outstanding	Redemption Date
<u>Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2016</u>								
04/15/2026	\$101,305,000	\$57,225,000	02/15/2027	\$ 4,215,000	\$ 1,395,000	\$ 2,820,000	\$ -	07/10/2026
			02/15/2028	4,410,000	1,460,000	2,950,000	-	07/10/2026
			02/15/2029	4,590,000	1,525,000	3,065,000	-	07/10/2026
			02/15/2030	4,775,000	1,580,000	3,195,000	-	07/10/2026
			02/15/2031	4,970,000	1,650,000	3,320,000	-	07/10/2026
			02/15/2032	5,175,000	1,715,000	3,460,000	-	07/10/2026
			02/15/2033	5,385,000	1,790,000	3,595,000	-	07/10/2026
			02/15/2034	5,605,000	1,855,000	3,750,000	-	07/10/2026
			02/15/2035	5,805,000	1,925,000	-	3,880,000	07/10/2026
			Total	\$ 44,930,000	\$ 14,895,000	\$ 26,155,000	\$ 3,880,000	
<u>General Obligation Refunding Bonds, Series 2016</u>								
04/15/2016	\$ 26,660,000	\$14,345,000	02/15/2027	\$ 3,045,000	\$ 245,000	\$ 2,800,000	\$ -	07/10/2026
			02/15/2028	3,170,000	255,000	2,915,000	-	07/10/2026
			02/15/2029	3,300,000	270,000	3,030,000	-	07/10/2026
			02/15/2030	455,000	-	455,000	-	07/10/2026
			02/15/2031	475,000	-	475,000	-	07/10/2026
			Total	\$ 10,445,000	\$ 770,000	\$ 9,675,000	\$ -	
TOTAL REFUNDED OBLIGATIONS				\$ 55,375,000	\$ 15,665,000	\$ 35,830,000	\$ 3,880,000	

APPENDIX A
FINANCIAL INFORMATION REGARDING THE SYSTEM

**FINANCIAL INFORMATION REGARDING
THE CITY OF LUBBOCK WATER AND WASTEWATER SYSTEM**

TABLE 1 - TOTAL ANNUAL HISTORICAL CUSTOMERS

Calendar Year	Number of Customers	
	Water	Wastewater
2021	92,664	80,986
2022	96,435	90,139
2023	100,014	91,788
2024	102,240	96,494
2025	104,042	105,975

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

TABLE 2 - HISTORICAL WATER CONSUMPTION

Calendar Year	Average Daily Water Consumption (Gallons)	Maximum Daily Water Consumption (Gallons)	Miles of Mains		Number of Meters
			Water	Sewer	
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
2024	36,013,759	51,425,000	2,197.0	1,328.0	102,240
2025	36,510,000	50,189,000	2,235.5	1,331.5	104,042

Maximum water production capacity (from water plant, lakes and wells).....	127.0 MGD
Maximum or Peak Usage to date (July 2016).....	58.4 MGD
Overhead Storage Capacity.....	6.0 MGD
Ground Storage Capacity.....	50.5 MGD

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

TABLE 3 - TEN LARGEST WATER CUSTOMERS (CALENDAR YEAR 2025)

Customer	Avg Monthly Use (Gallons)	% of Sys Avg Monthly
Leprino Foods	37,474,250	3.37%
Texas Tech University	23,767,833	2.14%
Parks Department	19,206,167	1.73%
City of Wolfforth	15,353,917	1.38%
Southwestern Public Service	8,730,833	0.79%
Covenant Health System	8,062,417	0.73%
Lubbock Independent School District	7,105,750	0.64%
X-FAB Texas	7,079,417	0.64%
Town of Ransom Canyon	6,507,917	0.59%
Tropicale	5,090,250	0.46%
Total	138,378,750	12.46%

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.

<u>Calendar Year</u>	<u>Average Treatment</u>
2021	18.50
2022	19.82
2023	20.80
2024	20.20
2025	21.50

TABLE 5 - WATER AND WASTEWATER SYSTEM REVENUE BONDS COVERAGE

	<u>Fiscal Year Ending September 30,</u>				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 151,288,057	\$ 148,349,861	\$ 141,694,678	\$ 143,881,122	\$ 134,824,670
Less: Operating Expenses ^(a)	(120,735,017)	(112,338,092)	(106,166,117)	(96,389,048)	(97,983,361)
Plus: Depreciation	39,618,871	38,531,637	36,955,292	35,246,808	34,837,083
Plus: Interest earnings	13,192,112	17,528,843	12,267,237	-	2,469,860
Plus: Miscellaneous	1,752,483	7,269,773	1,297,328	1,257,544	1,126,416
Less: PILOT/FFE Transfer ^(a)	-	-	-	-	-
P/L: Disposition of Assets	(41,417)	(137,382)	(31,090)	(193,689)	(359,533)
Net Revenue Available for Debt Service ^(a)	\$ 85,075,089	\$ 99,204,640	\$ 86,017,328	\$ 83,802,737	\$ 74,915,135
Customer Count					
Water/Wastewater	210,017	198,734	191,802	186,574	173,650
FY2026 W&WW System Revenue Debt Service ^(b)					\$ 44,417,065
Coverage Ratio based on FY2025 Net Revenue					1.92 x
Average Annual W&WW System Revenue Debt Service (FY2027-FY2046) ^(b)					\$ 22,169,064
Coverage Ratio based on FY2025 Net Revenue					3.84 x
Maximum Annual W&WW System Revenue Debt Service (FY2026) ^(b)					\$ 46,719,148
Coverage Ratio based on FY2025 Net Revenue					1.82 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. 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.

TABLE 6 - MONTHLY WATER RATES

Lubbock City Council last adopted a change to water rates that went into effect on October 1, 2024. Those rates remain in effect currently and are shown below. Rates are designed to cover operating expenses of the water system for the fiscal year and to fully fund the debt service for water supply projects.

<u>Base Rate ^(a)</u>	<u>1-Oct-24</u>				
3/4" meter	\$ 18.75				
1" meter (single family residential)	31.31				
1" meter (other than residential)	31.31				
	Block 1	Block 2	Block 3	Block 4	Block 5
<u>Flow Rate Charge per 1,000 Gallons</u>	<u>(0-1,000)</u>	<u>(1,001-5,000)</u>	<u>(5,001-10,000)</u>	<u>(10,001-30,000)</u>	<u>(30,001) & Up</u>
Single Family Residential	\$ -	\$ 4.10	\$ 7.15	\$ 8.75	\$ 9.25
	Block 1	Block 2	Block 3		
<u>Flow Rate Charge per 1,000 Gallons</u>		<u>(1,001-40,000)</u>	<u>(> Block 2)</u>		
Single Family Residential Irrigation	n/a	\$ 6.67 (based on meter size)	\$ 8.00 (> Block 2)		
Non-Residential Irrigation	n/a	\$ 6.67	\$ 8.00		
	Block 1	Block 2	Block 3		
<u>Flow Rate Charge per 1,000 Gallons</u>	<u>(Up to 100% AWC)</u>	<u>(Block 1 + Up to 50% of AWC)</u>	<u>(Excess of Block 1 and Block 2)</u>		
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 last adopted a change in the wastewater rates that went into effect on October 1, 2024. Those rates remain in effect currently and are shown below.

<u>Residential</u>	<u>1-Oct-24</u>
Base Rate ^(a)	\$ 17.55
Flow Rate (Water Consumption)	3.71
<u>Commercial/Industrial ^(b)</u>	
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		Plus:		Total Debt Service Requirements
	System Revenue Bonds ^(a)		The Bonds		
	Principal ^(b)	Interest	Principal ^(b)	Interest	
2026	\$ 31,935,000	\$ 12,170,190	\$ -	\$ -	\$ 44,417,065 ^(c)
2027	32,235,000	9,586,235	1,785,000	3,112,913	46,719,148
2028	31,700,000	8,353,352	2,655,000	2,247,575	44,955,927
2029	26,230,000	7,269,731	2,795,000	2,111,325	38,406,056
2030	27,095,000	6,310,883	2,650,000	1,975,200	38,031,083
2031	24,285,000	5,404,607	2,795,000	1,839,075	34,323,682
2032	18,175,000	4,649,733	2,930,000	1,695,950	27,450,683
2033	16,250,000	4,009,084	3,085,000	1,545,575	24,889,659
2034	14,810,000	3,407,354	3,235,000	1,387,575	22,839,929
2035	12,880,000	2,835,583	3,410,000	1,221,450	20,347,033
2036	8,645,000	2,389,905	1,625,000	1,095,575	13,755,480
2037	8,980,000	2,041,084	1,710,000	1,012,200	13,743,284
2038	9,320,000	1,675,399	1,800,000	924,450	13,719,849
2039	8,260,000	1,327,925	1,890,000	832,200	12,310,125
2040	7,140,000	1,013,421	1,985,000	735,325	10,873,746
2041	4,260,000	761,660	2,090,000	633,450	7,745,110
2042	3,905,000	585,900	2,195,000	526,325	7,212,225
2043	4,065,000	426,500	2,310,000	413,700	7,215,200
2044	4,230,000	260,600	2,430,000	295,200	7,215,800
2045	4,400,000	88,000	2,545,000	177,188	7,210,188
2046	-	-	2,665,000	59,963	2,724,963
	\$ 298,800,000	\$ 74,567,146	\$ 48,585,000	\$ 23,842,213	\$ 443,381,271

Average Annual Debt Service Requirements (FY2026-FY2046) \$ 22,169,064

Maximum Annual Debt Service Requirement (FY2027) \$ 46,719,148

^(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) Includes a contribution from the City to the refunding portion of the Bonds.

TABLE 9 - ANTICIPATED ISSUANCE OF SYSTEM REVENUE BONDS

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. Beyond the Bonds in the next two years, the System anticipates the issuance of Water and Wastewater System Revenue Bonds to fund approximately \$65,000,000 in fiscal year 2027 and \$50,000,000 in fiscal year 2028. Any future issuance is subject to change as the City and the System review priorities and revise the System's capital plan annually.

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

FY Ending 09/30	Outstanding System Revenue Bonds ^(a)			Outstanding Self-Supporting Ad Valorem Tax Debt Paid From System Revenues ^(c)			Total Requirements ^{(a)(d)}
	Principal ^(b)	Interest	Total	Principal ^(b)	Interest	Total	
2026	\$ 31,935,000	\$ 12,170,190	\$ 44,105,190	\$ 9,418,053	\$ 2,377,612	\$ 11,795,665	\$ 55,900,856
2027	32,235,000	9,586,235	41,821,235	7,380,000	1,677,856	9,057,856	50,879,091
2028	31,700,000	8,353,352	40,053,352	7,715,000	1,331,325	9,046,325	49,099,677
2029	26,230,000	7,269,731	33,499,731	8,110,000	935,700	9,045,700	42,545,431
2030	27,095,000	6,310,883	33,405,883	8,515,000	520,075	9,035,075	42,440,958
2031	24,285,000	5,404,607	29,689,607	785,000	291,500	1,076,500	30,766,107
2032	18,175,000	4,649,733	22,824,733	815,000	259,500	1,074,500	23,899,233
2033	16,250,000	4,009,084	20,259,084	845,000	226,300	1,071,300	21,330,384
2034	14,810,000	3,407,354	18,217,354	880,000	191,800	1,071,800	19,289,154
2035	12,880,000	2,835,583	15,715,583	920,000	155,800	1,075,800	16,791,383
2036	8,645,000	2,389,905	11,034,905	2,935,000	88,600	3,023,600	14,058,505
2037	8,980,000	2,041,084	11,021,084	995,000	19,900	1,014,900	12,035,984
2038	9,320,000	1,675,399	10,995,399	-	-	-	10,995,399
2039	8,260,000	1,327,925	9,587,925	-	-	-	9,587,925
2040	7,140,000	1,013,421	8,153,421	-	-	-	8,153,421
2041	4,260,000	761,660	5,021,660	-	-	-	5,021,660
2042	3,905,000	585,900	4,490,900	-	-	-	4,490,900
2043	4,065,000	426,500	4,491,500	-	-	-	4,491,500
2044	4,230,000	260,600	4,490,600	-	-	-	4,490,600
2045	4,400,000	88,000	4,488,000	-	-	-	4,488,000
2046	-	-	-	-	-	-	-
	\$ 298,800,000	\$ 74,567,146	\$ 373,367,146	\$ 49,313,053	\$ 8,075,969	\$ 57,389,022	\$ 430,756,167

^(a) Includes the Bonds.

^(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 Obligations.

^(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,				
	2025	2024	2023	2022	2021
<u>Value of the System</u>					
System in Service	\$ 1,646,272,689	\$ 1,597,101,072	\$ 1,523,501,129	\$ 1,483,905,454	\$ 1,415,943,120
Reserve for Depreciation	<u>(613,262,757)</u>	<u>(574,211,240)</u>	<u>(537,204,729)</u>	<u>(501,255,754)</u>	<u>(466,792,930)</u>
Net Plant in Service	1,033,009,932	1,022,889,832	986,296,400	982,649,700	949,150,190
Construction Funds Net Assets	<u>33,514,506</u>	<u>23,788,397</u>	<u>56,800,298</u>	<u>55,983,347</u>	<u>55,291,307</u>
Net Fixed Asset Value	\$ 1,066,524,438	\$ 1,046,678,229	\$ 1,043,096,698	\$ 1,038,633,047	\$ 1,004,441,497
Restricted Investments	45,719,585	16,287,206	23,734,564	16,202,320	34,253,397
Deferred charge on refunding	-	1,644,724	2,325,105	3,283,996	4,282,975
Deferred outflows for pensions	3,671,642	5,379,888	7,299,053	2,161,000	1,345,455
Deferred outflows from OPEB	1,398,938	1,846,649	1,436,120	1,808,268	2,046,408
Current Assets	53,640,508	39,273,603	44,644,204	53,071,314	61,851,986
Less: Current Liabilities (excluding bonds/leases current)	<u>(14,640,579)</u>	<u>(10,814,448)</u>	<u>(10,710,127)</u>	<u>(11,581,185)</u>	<u>(15,912,441)</u>
Value of the system	\$ 1,156,314,532	\$ 1,100,295,851	\$ 1,111,825,617	\$ 1,103,578,760	\$ 1,092,309,277
<u>Long-Term Obligations</u>					
Long-Term Debt	398,324,454	390,038,483	439,575,438	472,200,883	500,995,826
Less Debt Reserves	<u>(42,516,638)</u>	<u>(47,743,300)</u>	<u>(42,697,558)</u>	<u>(43,479,143)</u>	<u>(38,015,777)</u>
Net long-term debt	355,807,816	342,295,183	396,877,880	428,721,740	462,980,049
Plus:					
Accrued vacation and sick leave	1,345,006	1,273,103	852,911	751,709	690,610
Post employment benefits	12,534,052	11,960,836	11,301,078	16,272,024	17,690,199
Net pension liability	8,415,218	10,520,102	13,030,421	2,938,614	7,911,428
Deferred inflows pensions	2,114,426	1,363,022	496,437	4,644,098	2,522,708
Deferred inflows OPEB	4,051,231	4,609,908	4,709,534	2,727,059	987,709
Total long-term obligations	<u>\$ 384,267,749</u>	<u>\$ 372,022,154</u>	<u>\$ 427,268,261</u>	<u>\$ 456,055,244</u>	<u>\$ 492,782,703</u>
City's equity in the system	<u>\$ 772,046,783</u>	<u>\$ 728,273,697</u>	<u>\$ 684,557,356</u>	<u>\$ 647,523,516</u>	<u>\$ 599,526,574</u>
Equity percentage	66.77%	66.19%	61.57%	58.67%	54.89%

Source: The City's Annual Comprehensive Financial Report.

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

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
OPERATING REVENUES					
Charges for services (net)	\$ 151,288,057	\$ 148,349,861	\$ 141,694,678	\$ 143,881,122	\$ 134,824,670
Total operating revenues	<u>\$ 151,288,057</u>	<u>\$ 148,349,861</u>	<u>\$ 141,694,678</u>	<u>\$ 143,881,122</u>	<u>\$ 134,824,670</u>
OPERATING EXPENSES					
Personnel services	\$ 18,726,707	\$ 18,588,652	\$ 14,052,153	\$ 11,637,849	\$ 13,116,650
Supplies	6,945,541	5,989,331	6,177,120	5,146,402	3,945,663
Maintenance	7,915,936	6,363,628	5,781,230	5,268,279	4,814,377
Billing office expense	4,221,218	2,783,862	3,470,149	3,806,448	3,682,405
Other services and charges	43,306,744	40,080,982	39,730,173	35,283,262	37,587,183
Depreciation and amortization	39,618,871	38,531,637	36,955,292	35,246,808	34,837,083
Total operating expenses	<u>\$ 120,735,017</u>	<u>\$ 112,338,092</u>	<u>\$ 106,166,117</u>	<u>\$ 96,389,048</u>	<u>\$ 97,983,361</u>
Operating income (loss)	<u>\$ 30,553,040</u>	<u>\$ 36,011,769</u>	<u>\$ 35,528,561</u>	<u>\$ 47,492,074</u>	<u>\$ 36,841,309</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	\$ 13,192,112	\$ 17,528,843	\$ 12,267,237	\$ -	\$ 2,469,860
Passenger Charges/Fedl grants	6,523,264	2,242,581	-	-	-
Disposition of assets	(41,417)	(137,382)	(31,090)	(193,689)	(359,533)
Miscellaneous	1,752,483	7,269,773	1,297,328	1,257,544	1,126,416
Interest expense	(19,831,606)	(24,320,552)	(19,813,372)	(13,674,877)	(14,677,461)
Net nonoperating revenues (expenses)	<u>\$ 1,594,836</u>	<u>\$ 2,583,263</u>	<u>\$ (6,279,897)</u>	<u>\$ (12,611,022)</u>	<u>\$ (11,440,718)</u>
Income (loss) before contributions & transfers	\$ 32,147,876	\$ 38,595,032	\$ 29,248,664	\$ 34,881,052	\$ 25,400,591
Capital contributions/grants	15,887,919	10,443,756	12,700,112	16,308,455	14,238,414
Transfers in	2,432,073	107,912	107,916	107,916	136,290
Transfers out	(8,532,255)	(6,039,409)	(5,148,509)	(5,511,104)	(5,795,905)
Change in net position (deficit)	<u>\$ 41,935,613</u>	<u>\$ 43,107,291</u>	<u>\$ 36,908,183</u>	<u>\$ 45,786,319</u>	<u>\$ 33,979,390</u>
TOTAL NET POSITION/(DEFICIT)					
Beginning of year (restated)	\$ 727,421,934	\$ 684,431,699	\$ 647,523,516	\$ 601,737,197	\$ 565,547,184
End of year	\$ 769,357,547	\$ 727,538,990	\$ 684,431,699	\$ 647,523,516	\$ 599,526,574

Source: The City's Annual Comprehensive Financial Report.

TABLE 13 - WATER AND WASTEWATER SYSTEM STATEMENT OF NET POSITION

	Fiscal Years Ended September 30,				
	2025	2024	2023	2022	2021
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 488,062	\$ 119,883	\$ 162,674	\$ 335,894	\$ 342,278
Investments	36,377,175	19,275,752	24,788,371	34,205,005	41,212,913
Accounts receivable, net	15,493,338	18,332,545	18,004,654	17,424,131	19,523,409
Interest receivable	808,106	756,724	572,409	616,527	514,021
Due from others	-	-	-	3,138	-
Due from other governments	190,014	174,869	103,232	50,694	117,713
Inventories	283,813	613,830	1,012,864	435,925	141,652
Total current assets	<u>\$ 53,640,508</u>	<u>\$ 39,273,603</u>	<u>\$ 44,644,204</u>	<u>\$ 53,071,314</u>	<u>\$ 61,851,986</u>
Noncurrent assets:					
Restricted investments	\$ 88,236,223	\$ 64,030,506	\$ 66,432,122	\$ 59,681,463	\$ 72,269,174
Total noncurrent assets	<u>\$ 88,236,223</u>	<u>\$ 64,030,506</u>	<u>\$ 66,432,122</u>	<u>\$ 59,681,463</u>	<u>\$ 72,269,174</u>
Capital assets:					
Land	\$ 45,079,737	\$ 44,206,417	\$ 43,795,532	\$ 43,395,899	\$ 42,043,375
Construction in progress	33,514,506	23,788,397	56,800,298	55,983,347	55,291,307
Buildings	168,267,035	168,218,777	164,648,417	164,648,417	165,004,173
Improvements other than buildings	1,281,648,766	1,237,238,733	1,173,135,061	1,139,630,716	1,085,252,854
Machinery and equipment	151,277,151	147,437,145	141,922,119	136,230,422	123,642,718
Subscription assets, net	-	122,060	305,151	-	-
Less accumulated depreciation	(613,262,757)	(574,211,240)	(537,204,729)	(501,255,754)	(466,792,930)
Total capital assets	<u>\$ 1,066,524,438</u>	<u>\$ 1,046,800,289</u>	<u>\$ 1,043,401,849</u>	<u>\$ 1,038,633,047</u>	<u>\$ 1,004,441,497</u>
Total capital & noncurrent assets	<u>\$ 1,154,760,661</u>	<u>\$ 1,110,830,795</u>	<u>\$ 1,109,833,971</u>	<u>\$ 1,098,314,510</u>	<u>\$ 1,076,710,671</u>
Total assets	<u>\$ 1,208,401,169</u>	<u>\$ 1,150,104,398</u>	<u>\$ 1,154,478,175</u>	<u>\$ 1,151,385,824</u>	<u>\$ 1,138,562,657</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	\$ -	\$ 1,644,724	\$ 2,325,105	\$ 3,283,996	\$ 4,282,975
Deferred outflows from pensions	3,671,642	5,379,888	7,299,053	2,161,000	1,345,455
Deferred outflows from OPEB	1,398,938	1,846,649	1,436,120	1,808,268	2,046,408
Total deferred outflows of resources	<u>\$ 5,070,580</u>	<u>\$ 8,871,261</u>	<u>\$ 11,060,278</u>	<u>\$ 7,253,264</u>	<u>\$ 7,674,838</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 6,159,141	\$ 5,892,777	\$ 6,011,007	\$ 7,403,677	\$ 11,633,957
Accrued liabilities	491,459	426,971	338,905	293,689	753,775
Accrued interest payable	3,286,616	1,706,237	1,994,764	1,976,398	2,183,622
Customer deposits	3,546,484	1,247,887	1,074,393	814,034	346,803
Compensated absences	1,156,879	1,113,592	1,171,963	1,093,387	994,284
Post employment benefits	-	300,775	-	-	-
Subscriptions payable	-	126,209	119,095	-	-
Leases payable	-	-	-	-	-
Bonds payable	44,686,703	44,656,511	44,257,056	42,477,469	40,706,058
Total current liabilities	<u>\$ 59,327,282</u>	<u>\$ 55,470,959</u>	<u>\$ 54,967,183</u>	<u>\$ 54,058,654</u>	<u>\$ 56,618,499</u>
Noncurrent liabilities:					
Compensated absences	\$ 1,345,006	\$ 1,273,103	\$ 852,911	\$ 751,709	\$ 690,610
Post employment benefits	12,534,052	11,960,836	11,301,078	16,272,024	17,690,199
Net pension liability	8,415,218	10,520,102	13,030,421	2,938,614	7,911,428
Rebatable arbitrage	963,622	856,767	304,599	-	-
Subscriptions payable	-	-	126,209	-	-
Bonds payable	353,637,751	345,381,972	395,318,382	429,723,414	460,289,768
Total noncurrent liabilities	<u>\$ 376,895,649</u>	<u>\$ 369,992,780</u>	<u>\$ 420,933,600</u>	<u>\$ 449,685,761</u>	<u>\$ 486,582,005</u>
Total liabilities	<u>\$ 436,222,931</u>	<u>\$ 425,463,739</u>	<u>\$ 475,900,783</u>	<u>\$ 503,744,415</u>	<u>\$ 543,200,504</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	\$ 1,725,614	\$ -	\$ -	\$ -	\$ -
Deferred inflows from pensions	2,114,426	1,363,022	496,437	4,644,098	2,522,708
Deferred inflows from OPEB	4,051,231	4,609,908	4,709,534	2,727,059	987,709
Total deferred inflows of resources	<u>\$ 7,891,271</u>	<u>\$ 5,972,930</u>	<u>\$ 5,205,971</u>	<u>\$ 7,371,157</u>	<u>\$ 3,510,417</u>
NET POSITION (DEFICIT)					
Net investment in capital assets	\$ 711,751,725	\$ 672,586,221	\$ 626,822,776	\$ 584,118,417	\$ 536,338,655
Restricted for debt service	42,516,638	47,743,300	42,697,558	43,479,143	38,015,777
Unrestricted	15,089,184	7,209,469	14,911,365	19,925,956	25,172,142
Total net position (deficit)	<u>\$ 769,357,547</u>	<u>\$ 727,538,990</u>	<u>\$ 684,431,699</u>	<u>\$ 647,523,516</u>	<u>\$ 599,526,574</u>

Source: The City's Annual Comprehensive Financial Report.

TABLE 14 - CURRENT INVESTMENTS

As of December 31, 2025, the City's investable funds were invested in the following categories:

<u>Type</u>	<u>Par Value</u>	<u>Book Value</u>		<u>Estimated Market Value^(a)</u>	
		<u>Value</u>	<u>% of Total Book Value</u>	<u>Value</u>	<u>% of Total Market Value</u>
Cash	\$ 9,171,659	\$ 9,171,659	1.27%	\$ 9,171,659	1.26%
Investments	329,304,000	325,849,863	45.01%	327,284,560	45.12%
Local Government Investment Pools ^{(b)(c)(d)}	342,391,953	342,391,953	47.29%	342,391,953	47.20%
Money Market Mutual Funds ^(e)	46,575,318	46,575,318	6.43%	46,575,318	6.42%
Total	\$ 727,442,929	\$ 723,988,793	100.00%	\$ 725,423,489	100.00%

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

^(b) Local government investment pools consist of entities whose investment objectives are preservation and safety of principal, liquidity, and yield. The pools 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.

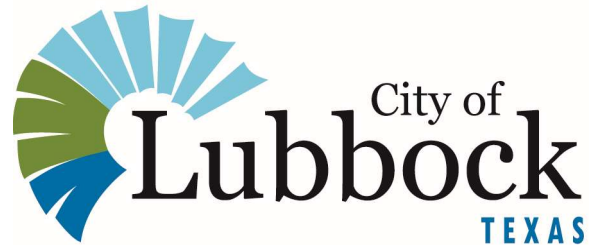
TABLE 15 - SYSTEM SIX-YEAR CAPITAL IMPROVEMENT PLAN

<u>Fiscal Year Ending September 30</u>	<u>Total W&WW Capital Improvements</u> ^{(a)(b)}
2026	\$ 58,375,000
2027	84,233,000
2028	62,580,000
2029	16,990,000
2030	27,185,000
2031	10,730,000
Total	\$ 260,093,000

^(a) FY2026 figures are actual. FY2027-FY2031 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 2025-26 Operating Budget.

APPENDIX B
EXCERPTS FROM THE ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR
THE YEAR ENDED SEPTEMBER 30, 2025



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

February 24, 2026

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 ending September 30, 2025. 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.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

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 2025 population is 272,782. The City covers approximately 145.9 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 blend of 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), electricity, 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 commenced in fiscal year 2019 and is ongoing through fiscal year 2025. The construction of the Police Headquarters facility, as well as the three Division Stations, has been completed and all are now fully operational. Additionally, the construction of a Property and Evidence Warehouse began in 2023 and is expected to be completed in late 2025 with move in shortly after. To address officer vacancies, enhance patrol effectiveness, meet training requirements, and reduce response times, the Police Department Training Academy is currently implementing an enhanced in-service training program and will conduct two recruiting classes in 2026. The Training Academy, as part of the recently adopted Meet and Confer contract, also began a robust lateral hiring program. As of October 1, 2025, the Police Department has a budget for 454 sworn officers and 128 civilian personnel, with a total of 437 officer positions currently filled, including 20 police trainees in the training pipeline. In fiscal year 2025, the Police Department responded to or initiated a total of 198,573 events, achieving an average response time of 5 minutes and 59 seconds for Priority 1 calls.

Lubbock Fire Rescue is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2025, the Fire Department operated 20 fire stations, and the Lubbock Fire Marshal Office. These facilities were staffed with 434 sworn firefighters and 27 civilians. Construction of Fire Station 20 concluded in FY 2024-25, with personnel responding to emergencies from its location at 3210 142nd Street. In FY 2024-25, the Fire Department responded to 27,326 calls, an average of 75 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 provides electric delivery service to the City of Lubbock. As of September 30, 2025, LP&L owns and maintains 112,213 meters, 41 substations, 4,469 total miles of primary and secondary distribution lines, and approximately 195 miles of transmission lines. The average daily electric consumption is roughly 6,937 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.

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)

In March 2018, the PUC approved the integration of the Affected Load to the ERCOT system through an Order in PUC Docket No. 47576.

On May 30, 2021, LP&L completed the integration of the Affected Load with ERCOT.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

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 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 Partial Requirements (PR) purchased power agreement. Under the terms of the Settlement Agreement, LP&L made a one-time lump sum payment, totaling \$65.7 million on January 15, 2024, to SPS as compensation for power and transmission related costs under the PR Agreement. The negotiated lump sum termination payment of \$65.7 million was funded by the 20-year 2023 Series Revenue bond.

On January 5, 2024, LP&L officially opened the shopping window for customers to choose their new Retail Electric Provider (REP). Customers had till February 15, 2024, to select a REP and an energy plan that meets their needs. If no REP had been selected by the closing date, customers were assigned to one of three Default Retail Electric Providers (DREPs) to ensure that their electricity needs were still met.

In April 2024, LP&L officially became a transmission and distribution service provider in the ERCOT market as customers across the city picked their new retail providers. Over 70 percent of customers chose their own REP from over 60 available plans with the remainder being assigned to a DREP. Lubbock is the largest system to migrate into the ERCOT market and the first municipally owned utility in the state to voluntarily deregulate and offer choice to its customers. Moving forward, LP&L will continue to own and maintain the poles, wires, lines, and advanced meters that deliver electricity directly to your doorstep.

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, Wolfforth, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus, and Texas Tech's East Campus – Petroleum Engineering Classroom. As of September 30, 2025, the water system consisted of 103,659 meters and 2,235 miles of distribution lines.

The 2024 updated to the Strategic Water Supply Plan was completed and published in July of 2025. The Plan provides guidance for water supply development and strategy for the City of Lubbock, projecting water usage and availability into the next century. 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 100 years.

The City used a total of 12.88 billion gallons of water in FYE 2025. The City's 5-year average per capita consumption through FYE 2025 was 129 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment was 68 million gallons per day, with an average utilization of 35 million gallons per day. The City's continued commitment to water conservation initiatives have lessened the immediate

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

need for additional water supplies, even as population and service areas grow.

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 8.46 billion gallons of its annual water supply from CRMWA in FY 2024-25. 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. CRMWA supplies water to meet seasonal peak demands from Lake Meredith, which is currently at 47.2 percent capacity.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 1.50 billion gallons of the City's annual water supply in FYE 2025. The City continually assesses the need to add additional wells to the Bailey County Well Field to maintain 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 can provide 16 million gallons of water per day to the City. Lake Alan Henry supplied 3.18 billion gallons of the City's annual water supply in FYE 2025. The lake is currently at 87.1 percent 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.

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, 2025, the collection system consisted of approximately 1,345 miles of sanitary sewer lines and 41 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 21 million gallons per day. The peak utilization of the SEWRP is 27 million gallons per day. The effluent water reclaimed from the wastewater treatment processes is disposed of or reused in several ways. In FYE 2025, approximately 31 percent of the SEWRP wastewater was used to irrigate crops at the Lubbock and Hancock Land Application Sites. In addition, Xcel Energy used approximately 24 percent of the wastewater treated. The remainder, approximately 45 percent, was discharged into the North Fork of the Double Mountain 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 accommodate the growing sewer service demand in the northwest part of Lubbock. Initially, the NWWRP had an average utilization of 0.3 million gallons per day. Over FYE 2025, the NWWRP discharged on average 0.9 million gallons per day of high-quality effluent into the Jim Bertram Lake System. The permitted capacity of the NWWRP is 3.0 million gallons per day. All solids generated at the NWWRP are sent to the SEWRP for processing.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

As part of the City's strategic water supply plan to maximize the reuse of treated wastewater, several coordinated projects spanning two decades have been planned or are already completed. 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 for 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. Design of the aerobic basin upgrades necessary for biological nutrient removal are complete and awaiting funding and construction. These efforts will improve the quality of the City's effluent discharge and prepare it for future reuse opportunities.

A final draft update to the Wastewater Master Plan was completed in late 2025. This latest plan evaluated the sewer collection system for hydraulics and capacity, with additional consideration of planned development based on expected growth and recent trends. The Northwest Interceptor was analyzed and targeted for future sizing and alignment upgrades to accommodate anticipated growth and wastewater flow. The South Lubbock Sanitary Sewer System Expansion Phases I, II, III, and IV extend service to southwest Lubbock. All four phases are complete and have been functioning for over 3 years. The Downtown Sanitary Improvements Phase I and II construction has been completed and are now in service. These large diameter lines will add capacity 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 170 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 Yellow house 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 1,358 miles of paved and unpaved streets, 597.3 linear miles of paved and unpaved alleys, 1,386 storm sewer inlets, 126 miles of subsurface storm sewer pipe, four detention basins, 170 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning, is funded through storm water fees.

During FY 24-25, the focus was maintenance on the overall stormwater network including pipes and drainage channels. In addition, efforts continue to evaluate the canyon lakes system and the associated FEMA floodway mapping to more accurately depict the water course. A large portion of this project is through the Texas Flood Infrastructure Fund (FIF). Efforts continue 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 essential garbage collection and disposal services to approximately 84,919 residential and 2,036 commercial customers. The system includes two landfill sites. The Caliche Canyon Landfill handles construction and demolition debris and features a citizen drop-off area with transfer boxes that transport waste to the City's primary landfill. The primary landfill, the West Texas Regional Disposal Facility, opened in 1999 and spans 1,260 acres. It is one of the largest landfills permitted in Texas and serves a 16-county region with an expected useful life exceeding 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 42 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: Public Health and Social Services: In FY 2025-26, the City of Lubbock Health Department is committed to implementing key initiatives outlined in its strategic plan. These priorities include enhancing access to health care, strengthening collaborations with community partners to address mental health and substance misuse, expanding programs to combat chronic conditions, reducing rates of sexually transmitted infections, and improving the coordination of information services and resources. To achieve these goals, the department is focused on optimizing revenue cycle management, refining medical coding practices, pursuing grant opportunities, and fostering strategic partnerships.

The City of Lubbock Community Development department administers funding received by the City from the U.S. Department of Housing and Urban Development (HUD), which includes the following HUD grants: Community Development Block Grant (CDBG); HOME Investment Partnership Program (HOME); and the Emergency Solutions Grant (ESG). The City also receives funding from the Texas Department of Housing and Community Affairs (TDHCA) for the Comprehensive Energy Assistance Program (CEAP). Funding from both HUD and TDHCA help the City address affordable housing needs, homelessness, and community development objectives, all of which benefit low- to moderate-income (LMI) households and special needs populations.

Program Accomplishments for PY2024-25 include:

- **Public Facilities Improvements:** The Children's Advocacy Center received a new roof for their parking garage which provides for a safe and secure area for clients and staff to enter and exit the building, as well as providing handicapped access to the building. The agency assisted more than 300 children in Lubbock with advocacy services during the year.
- **Public Services:** Supportive services, vital services and public service activities assisted 668 households through various programs including: Employment training from Catholic Charities' Parent Empowerment Program; Skills training and employment opportunities through a Career Launch Program from Love the Hub; Childcare services through the YWCA Childcare Scholarship Program; and Supportive services for abused children navigating the child welfare system from court-appointed special advocates with CASA of the South Plains.
- **Affordable Housing:** Affordable rental housing was made available from the City of Lubbock

Housing Initiative (CLHI) to 17 households, most of which were extremely low income, single-parent households. Community Development provided 91 households with vital home repairs and rehab through its Owner-Occupied Home Rehab Program.

- ***Homeless Housing and Shelter Services:*** Through collaborative efforts with the local Continuum of Care and ECHO West Texas, Family Promise of Lubbock provided homeless services including Homeless Prevention and Rapid Rehousing for permanent and supportive housing to 1,354 individuals and families experiencing homelessness or who were at risk of becoming homeless.
- ***Utility Assistance and Household Crisis:*** The Comprehensive Energy Assistance Program (CEAP) provided 3,412 households with utility assistance and crisis assistance for heating and cooling-systems repairs or replacement. To qualify, households must have an annual household income at or below 150% of the poverty level.

Cultural and Recreation Activities: The City provides cultural and recreation services through 4 libraries and 83 parks with 58 playgrounds. Other recreational facilities include three splash pads, 45 tennis courts, 39 pickleball courts, 50 baseball and softball fields, 53 soccer fields, 44 basketball courts, 15 multi-sport courts, 3-disc golf courses, a 36-hole golf course 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 on the financial statements.

Highways and Streets: The City is responsible for the construction and maintenance of 1,344.1 miles of paved streets, 51.2 miles of unpaved streets, and 720.3 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.

Street improvement projects under design or construction include the following:

- The construction of 114th Street from Quaker Ave to Indiana Ave has been completed.
- Upland Ave, 66th Street to 82nd Street, (Segment 1) is under construction with an anticipated final completion in early Q2 of 2026.
- The design has been completed for Upland Ave, 82nd Street to 98th Street, (Segment 2) and the project will be bid on March of 2026 by TxDOT.
- Upland Ave, 98th Street to 114th Street, (Segment 3) is no longer part of the Gateway Streets Program. This roadway improvement project is now part of the 2024 Bond Road package. Currently the ROW acquisition is ongoing, and construction is slated to begin in Q4 of 2027. The funding here is being utilized to finish the consultant work for Right of Way.

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 2025, 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.

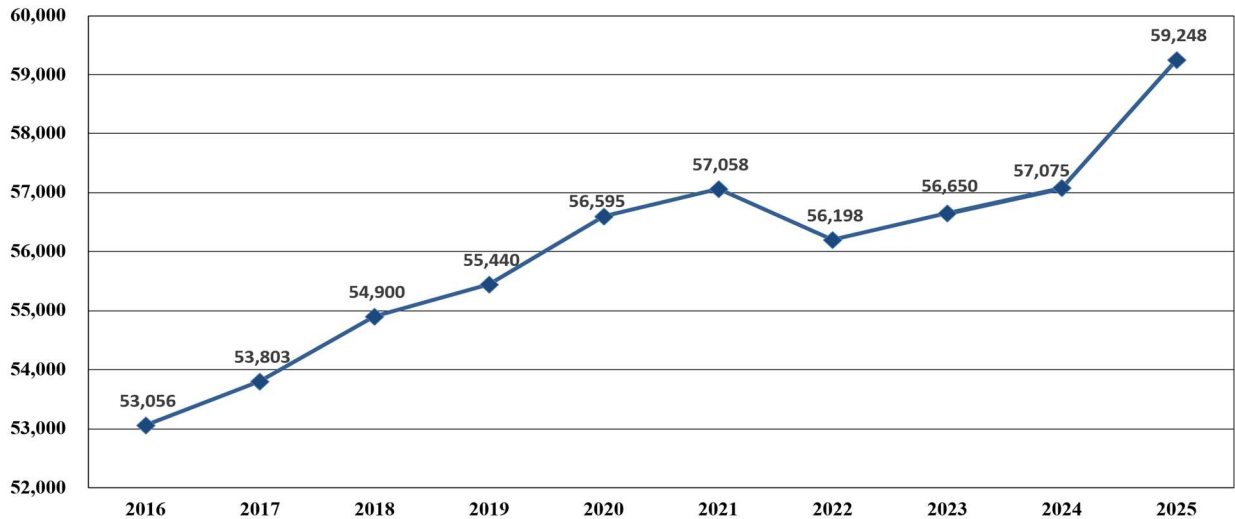
The Lubbock Economic Pulse indicates growth in retail sales year over year but building activity continues to be affected by the interest rate environment. Retail sales are up 5.85 percent year-to-date as of September 2025. New vehicle sales are up with an increase of 7.43 percent compared to September 2024, while used vehicle sales are up 9.86 percent. Tourism statistics remains strong compared to the prior year due to an increase in travel that caused a 26.43 percent increase in Hotel Occupancy tax compared to September 2024. The Lubbock Economic Pulse also indicates that commercial construction continues to lag, while residential has shown a slight improvement. Interest rates have decreased slightly compared to September 2024 which plays a vital role in the increase in the residential housing market. However, overall activity has slowed down compared to prior years. Commercial activity is down 3.5 percent, or \$140.6 million, while residential activity has increased slightly by 1.87 percent or \$70 million.²

² Lubbock Economic Pulse, October 2025, Lubbock National Bank , Lubbock, Texas

Honorable Mayor, City Council,
 And Citizens of the City of Lubbock, Texas
 February 24, 2026

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 2025 enrollment for all higher education institutions in Lubbock was 59,248, an increase of 3.8 percent from fall 2024 enrollment of 57,075. The increase was due to enrollment increases at Texas Tech University and South Plains College. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor.

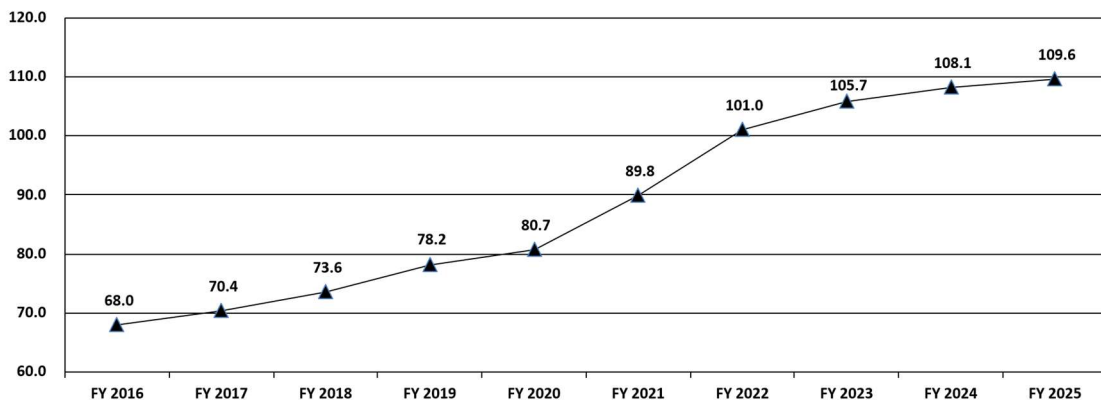
Higher Education Fall Enrollment 2016- 2025



The health care and social assistance sector is also a vital component of the Lubbock economy, with an average of 28,974 employees and payroll exceeding \$1.81 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.

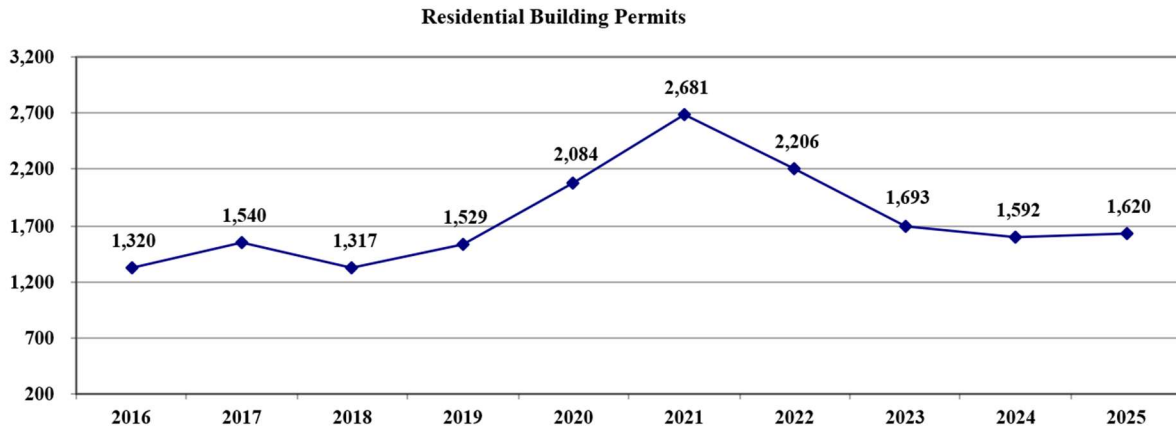
Sales Tax Collections: The total sales collections remitted to the City by the State of Texas in FY 2025 totaled \$109.6, 1.3 percent higher than collections through the same period in FY 2024. Of this amount, one-eighth of a percent of City sales tax is made available to Lubbock Economic Development Alliance (LEDA) for economic development purpose

Annual Sales Tax Collections

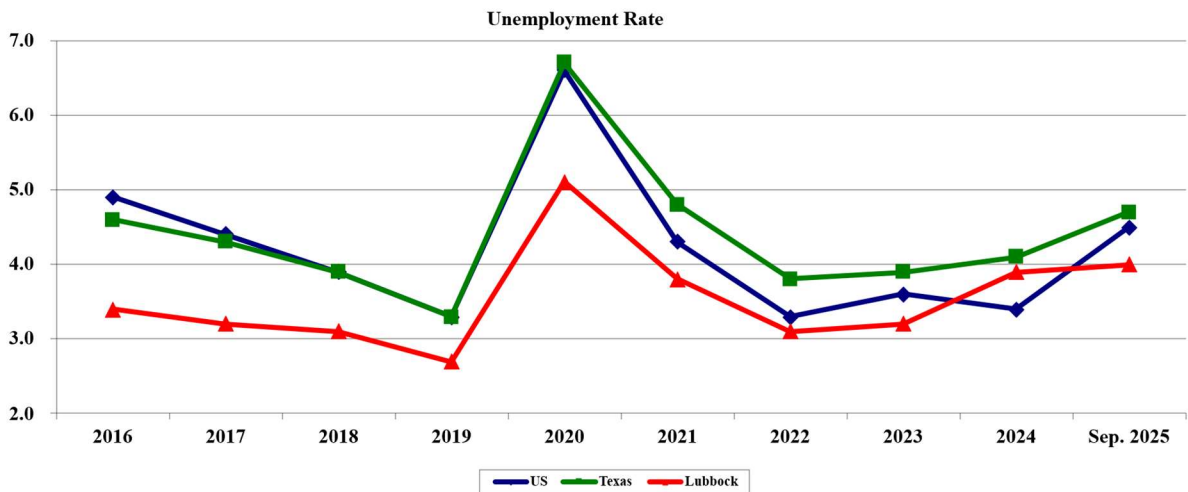


³ Texas Labor Market Information, *Quarterly Census of Employment and Wages (QCEW) Report*, retrieved from texaslmi.com/LMIbyCategory/QCEW.

Building Permits: Construction activity expanded significantly in recent years, setting records for new residential permits in 2020, 2021, and 2022. However, new construction permits issued decreased 1 percent through 2025. In addition, residential permits increased 1.7 percent in 2025 compared to the prior year.⁴ The preliminary average home sales price in September 2025 was \$285,017, a decrease of 2.16 percent over September 2024.⁵



Employment: The total non-agricultural employment estimate for September 2025 was 174,700, an increase of 0.5 percent over the September 2024 estimate. The unemployment rate for the Lubbock Metropolitan Statistical Area (MSA) in September 2025 was 3.7 percent, an increase of 0.2 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 2024 to December 2025 *Building Inspection Statistical Report*.

⁵ Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report (September 2025)*, 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 2025. (Current year numbers are the average through October 2025 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 General Fund revenue. 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 and MLI is funding with a portion of General Fund Property Tax. Total allocated tax revenues for MLI and LEDA for FY 2025 were \$12.6 million.

The City's Finance Department is responsible for tracking and maintaining economic and demographic information for the City, assisting with financial reporting for three Tax Increment Financing Reinvestment Zones, and all Public Improvement Districts. Finance responsible for auditing tax abatement agreements.

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 2025 appraised value of the LBP Zone is \$106 million with a net taxable value of \$99.9 million, which is a \$99.5 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 2025 appraised value of the Overton Zone is \$588.7 million which is a \$561.8 million increase over the 2002 base year value.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

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 has 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 2025 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 2025 appraised value of the CBD Zone is \$288.5 million, a \$182.6 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. General Reserve requirements must maintain between a minimum of 90 days to a maximum of 200 days of budgeted expenses. 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 payment in lieu of property taxes for other utility funds is calculated by applying the property tax rate to the fixed assets of the fund.

Honorable Mayor, City Council,
And Citizens of the City of Lubbock, Texas
February 24, 2026

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, 2024. 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 seventeen 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. Jarett Atkinson
City Manager



Joe Jimenez
Chief Financial Officer



Brack Bullock, CPA
Director of Accounting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

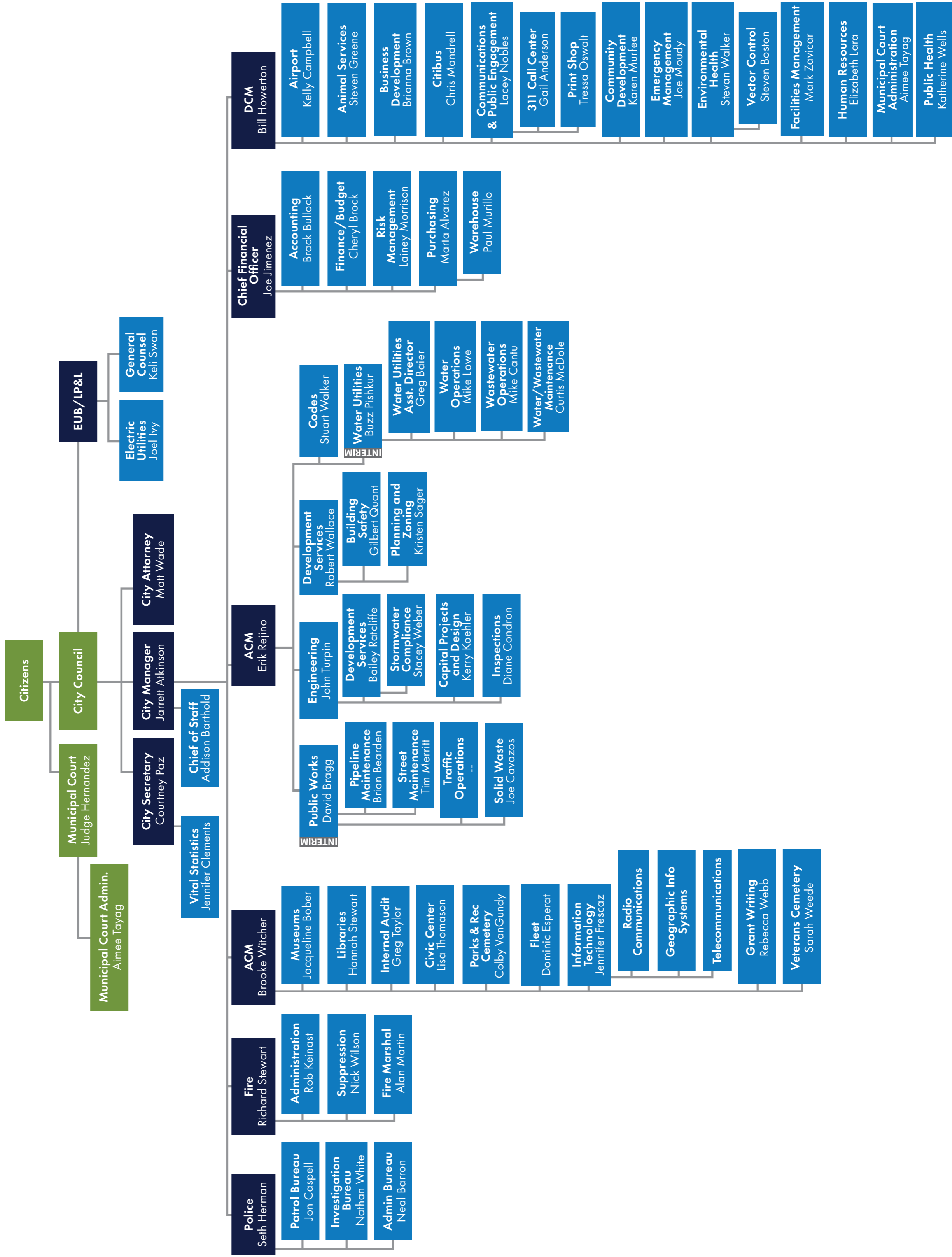
**City of Lubbock
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
of 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, 2025, 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, the accompanying financial statements referred to above 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, 2025, 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 98 percent, 104 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. The financial statements of Civic Lubbock, Inc. were not audited in accordance with *Government Auditing Standards*. 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 I-J and I-K to the basic financial statements, during the year ended September 30, 2025, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

The Honorable Mayor
and Members of the City Council
of 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements.

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

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 schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2026 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 Honorable Mayor
and Members of the City Council
of the City of Lubbock, Texas

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 16, 2026

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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, 2025.

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, 2025, by \$1.7 billion (net position).
- The City's total net position increased by \$136.3 million during the fiscal year.
- The ending unassigned fund balance for the General Fund was \$83.5 million, or 28.9 percent of total General Fund revenues, a decrease of \$10.9 million from the prior year.
- The City's governmental funds reported combined ending fund balances of \$317.9 million, of which \$83.5 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of \$1.3 billion, of which \$132.7 million is available for spending at the City's discretion.
- During FY 2025, the City issued \$223.2 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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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, Golf and Lake Alan Henry Recreation. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

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

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

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

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

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

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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 37 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 34 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, golf and Lake Alan Henry Recreation activities, of which the first three activities are considered to be major funds by the City and are presented separately. The latter five activities are considered non-major funds and are combined into a single aggregated presentation.

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

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

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

City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025

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 \$1.7 billion (*net position*) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by \$1.6 billion (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by \$136.3 million during the period.

City of Lubbock Net Position
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 421,139	\$ 413,760	\$ 400,886	\$ 416,665	\$ 822,025	\$ 830,425
Capital assets	779,038	720,380	2,090,738	2,057,775	2,869,776	2,778,155
Total assets	1,200,177	1,134,140	2,491,624	2,474,440	3,691,801	3,608,580
Total deferred outflows of resources	66,496	86,714	18,656	28,468	85,152	115,182
Current liabilities	35,341	41,123	41,123	158,239	76,464	199,362
Noncurrent liabilities	776,992	1,102,306	1,102,306	1,058,481	1,879,298	2,160,787
Total liabilities	812,333	1,143,429	1,143,429	1,216,720	1,955,762	2,360,149
Total deferred inflows of resources	57,228	51,406	23,977	21,650	81,205	73,056
Net position:						
Net investment in capital assets	478,850	422,576	1,132,639	1,047,324	1,611,489	1,469,900
Restricted	55,375	50,852	85,319	89,834	140,694	140,686
Unrestricted	(137,113)	(134,286)	124,917	127,378	(12,196)	(6,908)
Total net position	\$ 397,112	\$ 339,142	\$ 1,342,875	\$ 1,264,536	\$ 1,739,987	\$ 1,603,678

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

Approximately 92.6 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 \$140.7 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 \$5.2 million from FY 2024.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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

	Governmental Activities		Business- type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for services	\$ 49,230	\$ 46,083	\$ 369,071	\$ 461,716	\$ 418,301	\$ 507,799
Operating grants and contributions	17,418	22,118	29,835	29,450	47,253	51,568
Capital grants and contributions	21,627	26,143	38,025	16,963	59,652	43,106
General Revenues:						
Property taxes	132,115	125,732	-	-	132,115	125,732
Sales taxes	109,611	108,208	-	-	109,611	108,208
Other taxes	12,064	11,995	-	-	12,064	11,995
Franchise fees	34,188	28,846	-	-	34,188	28,846
Investment earnings	17,079	21,004	22,522	33,715	39,601	54,719
Other	18,761	20,338	3,227	10,301	21,988	30,639
Total revenues	<u>412,093</u>	<u>410,467</u>	<u>462,680</u>	<u>552,145</u>	<u>874,773</u>	<u>962,612</u>
Expenses:						
Administrative services/general govt.	28,263	24,948	-	-	28,263	24,948
Community services	8,834	6,581	-	-	8,834	6,581
Cultural and recreation	25,375	23,974	-	-	25,375	23,974
Economic and business development	24,955	24,818	-	-	24,955	24,818
Fire	76,090	72,549	-	-	76,090	72,549
Health	14,883	14,236	-	-	14,883	14,236
Police	103,138	95,429	-	-	103,138	95,429
Other public safety	11,076	10,249	-	-	11,076	10,249
Streets and traffic	40,706	38,055	-	-	40,706	38,055
Solid Waste	26,302	26,434	-	-	26,302	26,434
Interest on long-term debt	13,959	14,845	-	-	13,959	14,845
Electric	-	-	157,153	256,032	157,153	256,032
Water/Wastewater	-	-	140,968	137,259	140,968	137,259
Storm Water	-	-	15,214	15,425	15,214	15,425
Transit	-	-	19,040	18,311	19,040	18,311
Airport	-	-	23,078	23,127	23,078	23,127
Civic Centers	-	-	4,328	4,170	4,328	4,170
Cemetery	-	-	498	706	498	706
Lake Alan Henry	-	-	551	596	551	596
Golf	-	-	2,582	-	2,582	-
Total expenses	<u>373,581</u>	<u>352,118</u>	<u>363,412</u>	<u>455,626</u>	<u>736,993</u>	<u>807,744</u>
Change in net position before transfers	38,512	58,348	99,267	96,518	137,779	154,866
Transfers	7,400	9,494	(7,400)	(9,494)	-	-
Change in net position	45,912	67,842	91,867	87,024	137,779	154,866
Net position - beginning of year restated	351,200	271,300	1,251,008	1,177,512	1,602,208	1,448,812
Net position - end of year	<u>\$ 397,112</u>	<u>\$ 339,142</u>	<u>\$ 1,342,875</u>	<u>\$ 1,264,536</u>	<u>\$ 1,739,987</u>	<u>\$ 1,603,678</u>

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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 \$58.0 million, compared to an increase of \$67.8 million during the prior fiscal year. Key elements of the operational increase compared to prior year include:

- Revenues increased \$1.6 million, from \$410.5 million in FY 2024 to \$412.1 million in FY 2025.
 - Property tax revenue increased from \$125.7 million in FY 2024 to \$132.1 million in FY 2025. The property tax rate decreased slightly from \$0.48016 per \$100 of assessed value in 2024 to \$0.47012 per 100 of assessed value in 2025. Taxable assessed values increased from \$26.3 billion in 2024 to \$28.4 billion in 2025, as real property valuations continued to climb.
 - Investment earnings decreased from \$21.0 million in FY 2024 to \$17.1 million in FY 2025. The decrease is due to lower rate environments in FY 2025.
 - The City experienced a \$6.0 million decrease in total program revenues from FY 2024 to FY 2025. Capital grants and contributions decreased \$4.5 million from FY 2024 to FY 2025, while charges for services increased \$3.2 million in FY 2025 and operating grants and contributions decreased \$4.7 million. Cultural and Recreation capital grants and contributions decreased by \$8.7 million to \$1.4 million in FY 2025, while Streets and Traffic capital grants and contributions increased \$5.3 million due to an increase in capital contributions. General government administration capital grants and contributions decreased from \$1.2 million to \$0.2 million and Police capital grants and contributions decreased by \$0.1 million from FY 2025. Solid Waste charges for services increased \$1.8 million to \$29.0 million in FY 2025 due to an increase in disposal fees, and Building Services charges for services increased by \$0.8 million due to an increase in construction, and Streets and Traffic charges for services increased slightly by \$0.3 million due to an increase in impact fees. Economic and Business Development and Cultural and Recreation charges for services combined increased by \$0.2 million in FY 2025. Operating grants and contributions decreased in FY 2025 by \$4.7 million to \$21.6 million due to Economic and Business Development operating grants and contributions decreasing by \$4.7 million.
 - Sales tax revenue increased from \$108.2 million in FY 2024 to \$109.6 million in FY 2025. Since FY 2015, Lubbock had experienced a steady increase in sales tax revenue averaging an annual increase of 5.5 percent. In FY 2025, Lubbock experienced a 1.3 percent increase in sales tax.
 - In FY 2025, Other revenues decreased by \$1.6 million from \$20.3 million in FY 2024 to \$18.7 million in FY 2025.
 - Franchise fees increased from \$28.9 million in FY 2024 to \$34.2 million in FY 2025. The \$5.3 million increase was due to lower energy costs.
- Total expenses increased \$21.5 million, from \$352.1 million to \$373.6 million in FY 2025.
 - Police department expenses increased \$7.7 million from \$95.4 million in FY 2024 to \$103.1 million in FY 2025. Employee compensation and related benefit expenses increased by \$6.8 million due to a cost-of-living adjustment and overtime worked. In addition, Abandoned Motor Vehicles machinery and equipment expense increased by \$0.6 million and Police supplies increased slightly by \$0.3 million in FY 2025.
 - Fire department expenses increased from \$72.6 million in FY 2024 to \$76.1 million in FY 2025 for a total increase of \$3.5 million. Employee compensation and related benefit expenses increased by \$2.8 million due to a cost-of-living adjustment. Fire pension expense increased by \$1.2 million while supplies went down \$0.4 million and maintenance and other charges decreased slightly.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

- Administrative services/general government department expenses increased from \$25.0 million in FY 2024 to \$28.3 million in FY 2025 for an increase of \$3.3 million. Maintenance and other charges increased by \$2.0 million while governmental capital projects increased by \$1.3 million. Supplies remained consistent for FY 2025.
- Streets and traffic department expenses were \$38.0 million in FY 2024 and \$40.7 million in FY 2025 for an increase of \$2.7 million. Streets and traffic department depreciation expense increased by \$2.1 million, and governmental capital projects increased by \$0.6 million. Maintenance and other charges remained at \$3.2 million.
- Community services department expenses increased from \$6.6 million in FY 2024 to \$8.8 million in FY 2025 for an increase of \$2.2 million. Community Development expenses increased from \$2.8 million in FY 2024 to \$5.5 million in FY 2025 for an increase of \$2.7 million. Community services had decreased expenditures of \$0.8 million while other grant expenditures increased by \$0.3 million.
- Cultural and recreation department expenses increased \$1.4 million to \$25.4 million in FY 2025. Maintenance and other charges increased by \$1.4 million mainly due to mowing and maintenance for parks. Personal Services remained at \$9.8 million for FY 2025 while supplies remained at \$0.8 million for FY 2025.
- Health department expenses increased \$0.7 million to \$14.9 million in FY 2025. Employee compensation and related benefit expenses increased by \$0.4 million due to a cost-of-living adjustment while retirement and pension expense increased by \$0.3million.
- Transfers from business-type activities during FY 2025 increased governmental activities' net position by \$7.4 million. During the prior fiscal year, the transfers increased governmental activities' net position by \$9.5 million. Transfers from Electric to the General Fund decreased slightly in FY 2025 and transfers from Water/Wastewater increased. Transfers from Storm Water to the General Fund increased slightly in FY 2025.
- Net transfers from business-type activities included indirect cost payments of operations for centralized services such as payroll and purchasing to governmental activities.

**City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025**

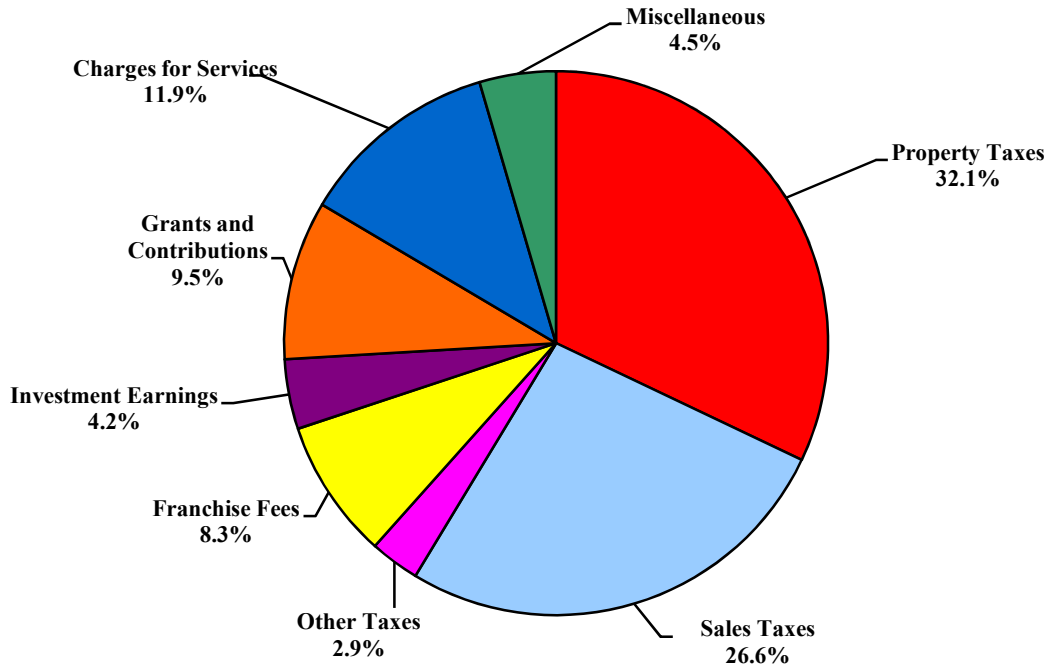
The following graph depicts the expenses and program revenues generated through the City's various governmental activities.



**City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025**

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 \$462.7 million, compared to \$552.1 million in FY 2024, a decrease of \$89.4 million. Key elements of the revenue decrease from operations include:

- Charges for services for business-type activities totaled \$369.1 million in FY 2025, a decrease of \$92.6 million from the prior year.
 - Electric operations, which is Lubbock Power & Light (LP&L), totaled \$168.1 million in FY 2025, a decrease of \$100.2 million. PCRFB revenues decreased \$101.6 million due to the elimination of the PCRFB in April 2024 as LP&L opted in to retail competition in which these costs shifted to Retail Electric Providers (REPs). Base Rate revenue also decreased \$28.9 million as these revenues were also eliminated due to the transition to retail. Offsetting these decreases was an increase for Distribution System Revenue, totaling \$47.3 million. These revenues began in April 2024 and are designed to help cover the operational costs as a Transmission and Distribution Utility (TDU).
 - Water/Wastewater operations totaled \$151.3 million in FY 2025, an increase of \$3.0 million. The water charges for services increased from \$96.5 million in FY 2024 to \$97.3 million in FY 2025 due to a higher consumption use. Wastewater charges for services increased from \$53.0 million in FY 2025 to \$55.1 million in FY 2024. Water/Wastewater uncollectible accounts increased slightly in FY 2025.
 - Storm Water operations totaled \$22.3 million in FY 2025 which is the same amount from FY 2024. The rates remained the same and consumer use was consistent for residential and commercial customers.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

- Operating grants, capital grants and contributions produced \$67.9 million in revenue for business-type activities during FY 2025, an increase of \$21.5 million from the prior year. The increase is related to Water/Wastewater operating grants and contributions, which increased from \$2.2 million in FY 2024 to \$6.5 million in FY 2025 and capital grants and contributions increased \$5.5 million. Airport operating grants and contributions decreased \$3.4 million in FY 2025 while capital grants and contributions increased \$7.3 million to \$9.5 million in FY 2025. Storm Water capital grants and contributions also increased by \$7.8 million, and Transit had a slight decrease in operating grants and contributions in FY 2025.

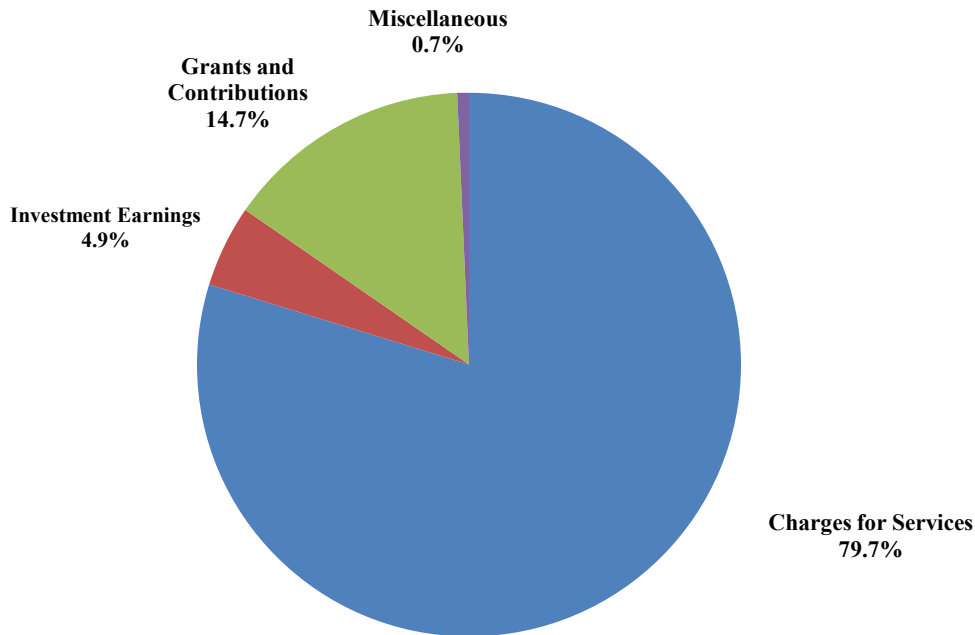
Expenses for business-type activities were \$364.0 million in FY 2025, a decrease of \$91.6 million.

- Electric expenses were \$157.2 million, a decrease of \$98.8 million from the prior year. The primary expense changes were energy and transmission-related costs. Energy costs were fully eliminated in Fiscal Year 2025, decreasing \$72.2 million due to LP&L's transition to the retail market. Miscellaneous expenses decreased \$42.0 million due the one-time settlement payment in FY 2025. Offsetting these decreases were increases in transmission and demand costs of \$6.6 million, driven by higher transmission charges, partially offset by the elimination of capacity payments as LP&L transitioned 100% of its load to ERCOT. Additionally, program expenses increased \$4.4 million, primarily due to higher personnel costs, depreciation and amortization, and maintenance costs.
- Expenses in the Water/Wastewater Fund were \$141.0 million in FY 2025, an increase of \$3.7 million from FY 2024. Water other services and charges increased by \$3.2 million in FY 2025, water billing office expense increased \$1.4 million while Water maintenance and depreciation and amortization also increased by \$0.8 million each from the prior year. Water personnel services increased by \$0.4 million while supplies increased slightly from FY 2024. Water interest expense on bonds decreased slightly by \$0.4 million in FY 2025. Wastewater maintenance expense increased by \$0.9 million in FY 2025, Wastewater supplies increased by \$0.6 million to \$2.5 million in FY 2025, Wastewater personnel services decreased slightly to \$5.6 million in FY 2025 while Wastewater interest expense decreased by \$4.1 million to \$9.4 million in FY 2025.
- Expenses in the Storm Water Fund were \$15.2 million in FY 2025, a decrease of \$0.2 million from the prior year. Personnel expense decreased by \$0.5 million in FY 2025 to \$1.8 million. Maintenance expense increased \$0.1 million in FY 2025 to \$0.8 million from FY 2025 while Storm Water supplies and depreciation and amortization expense also increased by \$0.1 million each in FY 2025.
- Expenses for Transit, Airport, Civic Centers, Cemetery, Lake Alan Henry and Golf were \$50.1 million, a \$3.2 million increase from FY 2024. A new Golf fund was established in FY 2025 so much of the increase from FY 2024 is due to Golf's \$2.6 million in expenses. Airport fund expenses remained at \$23.1 million. Transit fund expenses increased by \$0.8 million in FY 2025 to \$19.1 million. Transit depreciation and amortization increased by \$0.5 million, personnel services expense increased by \$0.4 million, and supplies and maintenance decreased by \$0.1 million in FY 2025. Civic Centers expenses increased by \$0.1 million in FY 2025 while Cemetery expenses decreased slightly to \$0.5 million and Lake Alan Henry expenses changed slightly in FY 2025. Civic Center depreciation and amortization increased by \$0.1 million while other services and charges remained the same. Cemetery personnel services decreased slightly while Lake Alan Henry other services and charges remained consistent.

**City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025**

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 \$317.9 million, compared to \$312.1 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 2025, the General Fund had \$83.5 million unassigned fund balance compared to \$94.3 million unassigned fund balance in FY 2024. This is 26.3 percent of the ending governmental fund balance, compared to 30.2 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 28.9 percent of total General Fund revenues which is slightly lower than the amount of 34.5

**City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025**

percent of total General Fund revenue in the prior year. Total fund balance represented 28.9 percent of total General Fund revenues compared to 34.6 percent of total General Fund revenue in the prior year.

Tax revenues for the year increased primarily due to revenue from property tax and a slight increase in sales tax. Lubbock’s adjusted taxable value including new property added to the tax roll reached \$23.2 billion in 2024, an increase of \$1.5 billion (6.8%) from the prior year’s valuation. The total sales tax collections remitted to the City by the State of Texas increased from \$108.2 million to \$109.6 million. Of this amount, one-eighth of a percent of City sales tax is made available to Lubbock Economic Development Alliance (LEDA) for economic development purposes.

The Debt Service Fund had an increase in fund balance from \$1.0 million in FY 2024 to \$14.9 million in FY 2025. The \$1.0 million increase was due to 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 \$17.2 million in FY 2025. The increase was caused by the issuance of \$46.3 million in bonds and \$36.3 million in transfers in. Some of the increase was offset by capital outlay charges of \$67.3 million.

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, 2025 and 2024 are as follows with amounts presented in thousands:

	2025	2024
LP&L	\$ 74,670	\$ 70,305
Water/Wastewater	15,089	7,209
Storm Water	14,082	15,150
	\$ 103,841	\$ 92,664

The LP&L Fund unrestricted net position increased by \$4.4 million, compared to an increase of \$72.3 million in the prior year, mainly due to the decrease in non-current bonds payable of \$7.2 million for the early payoff of the 2015 Revenue Bond, the decrease in restricted for debt service of \$0.86 million, the increase in deferred inflows of \$0.76 million, and the decrease in prepaid expenses of \$0.68 million for the recognition of the United Spirit Arena amortization offset by the decrease in deferred outflows of \$4.2 million.

The Water/Wastewater Fund unrestricted net position increased by \$7.9 million compared to a decrease of \$7.7 million in the prior year. Revenues increased by \$3.0 million in FY 2025 due to an increase in wastewater base and volume rates and expenses increased to \$141.1 million. An increase in capital contributions of \$5.5 million from \$10.4 million in FY 2024 to \$15.9 million in FY 2025 was mainly due to new capital projects in FY 2025. Water/Wastewater net transfers increased slightly by \$0.1 million from \$6.0 million in FY 2024 to \$6.1 million in FY 2025.

The Storm Water Fund unrestricted net position decreased by \$1.1 million compared to a \$1.4 million increase in the prior fiscal year. Revenues remained the same FY 2025 at \$22.3 million while expenses decreased by \$0.2 million. Transfers out decreased by \$0.6 million to \$2.8 million in FY 2025. Capital contributions increased in FY 2025 to \$12.4 million in FY 2025 from \$4.6 million in FY 2024.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

General Fund Budgetary Highlights

The adopted operating revenue budget for the General Fund, including transfers, totaled \$298.2 million.

The final General Fund revenue budget totaled \$299.6 million. A transfer amendment was passed to assign \$1.2 million from the Streets Capital Fund to the General Fund from the Impact Fee Streets Zone E Fund. Another amendment was made to transfer \$0.2 million from the Streets Capital Project Fund to the General Fund for municipal purposes. Actual revenue was \$298.9 million. Revenue and transfers into the General Fund were under budget by \$0.7 million. The City's sales tax was \$5.2 million under budget due to consumers spending less and property taxes were \$0.7 million under budget. Interest earnings revenue was \$2.0 million over budget mainly due to improved rate environments, and franchise fees revenue was \$1.8 million over due to increases from South Plains Electric Coop and Atmos Energy. Revenue in lieu of property tax was \$1.4 million over budget due to LP&L contributions.

The original operating expenditure budget for the General Fund, including transfers out, totaled \$310.7 million. An amendment was passed to carry forward balances not used in FY 2024 in the amount of \$0.3 million for City elections under contract with Lubbock County, and code supplementation services and online code hosting services. A budget amendment was made to increase the transfer to CIP in the General Fund by \$3.2 million, another budget amendment for \$0.1 million was made to increase the transfer to Streets Capital Fund Project, and a \$2.7 million amendment was made to increase the Public Safety Capital project Fund. The final General Fund expenditure budget totaled \$317.1 million.

The City ended the fiscal year with expenditures and transfers out totaling \$309.9 million, \$7.2 million less than budgeted. A transfer to the Gateway fund was \$0.7 million under budget as franchise fees came in lower than projected. Streets expenditures were under budget by \$1.6 million primarily because of lower than expected tax note and interest expenses and vacant positions. Solid Waste was \$1.4 million below budget due to vacant positions which lowered compensation and related benefits, lower actual fuel costs and less property damage. Public Safety was \$1.0 million under budget in total due to vacant positions in Animal Control, Fire, Police, Municipal Court, and Vector Control which lowered compensation and related benefits. Traffic was \$0.6 million under budget due to personnel vacancies in the year and lower maintenance costs. Facilities Management was \$0.7 under budget due to transitioning to a new energy supplier and lower custodial costs while the Libraries were under budget by \$0.4 million since they did not utilize all of the books and systems management budget. City Secretary was under budget by \$0.3 million due to not utilizing the elections budget but will carry over the budget to the next fiscal year. Finally, City Attorney and Finance were each \$0.2 million below budget due to personnel vacancies while non-departmental expenses were \$0.1 million below budget due to lower utility costs and unspent special projects.

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.

City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025

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, 2025 totaled \$2.87 billion, a \$111.4 million increase over the prior fiscal year’s balance of \$2.67 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

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

	Governmental Activities		Business- type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	\$ 50,103	\$ 48,491	\$ 108,718	\$ 95,407	\$ 158,821	\$ 143,898
Electric non-depreciable Buildings	-	-	51,045	50,838	51,045	50,838
Improvements other than buildings	148,977	129,946	127,978	129,645	276,955	259,591
Machinery and equipment Electric depreciable	392,227	375,763	1,070,078	1,045,093	1,462,305	1,420,856
Lease	74,608	68,280	104,480	98,040	179,088	166,320
SBITA	4,820	2,657	1,980	426	6,800	3,083
Construction in progress	5,186	5,095	29	203	5,215	5,298
Total	103,117	90,148	47,995	42,909	151,112	133,057
	<u>\$ 779,038</u>	<u>\$ 720,380</u>	<u>\$ 2,090,737</u>	<u>\$ 2,057,774</u>	<u>\$ 2,869,775</u>	<u>\$ 2,778,154</u>

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

- Lake 7 land acquisition totaling \$15.2 million. Lake 7 will be located between Buffalo Springs Lake and East 50th Street. The Lake will be a renewable water source and is an integral part of Lubbock’s 100 year water plan.
- Cell Construction at the West Texas Regional Disposal Facility totaled \$6.4 million. The last cell that was constructed for waste disposal capacity .was in 2018.
- Construction of Fire Station #20 totaling \$2.8 million.

At the end of the fiscal year, the City had construction commitments of \$384.9 million. The City has a remaining appropriation of \$9.7 million to purchase and install new substation power transformers in the Erskine substation. The City has a remaining appropriation of \$31.4 million which includes funding of a new pump station, ground storage tank, elevated storage tank and transmission pipelines to service the west Lubbock area in the near future. The Lubbock Preston Smith International Airport has a \$59.0 million construction commitment to extend taxiway L along with a taxiline addition and apron expansion.

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

**City of Lubbock, Texas
Management’s Discussion and Analysis
For the Year Ended September 30, 2025**

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 404,204	\$ 388,689	\$ 190,506	\$ 282,591	\$ 594,710	\$ 671,280
Revenue and contract bonds	-	-	750,698	682,353	750,698	682,353
State infrastructure bank loan	4,545	5,047	-	-	4,545	5,047
Subscription Liability	5,325	5,123	-	214	5,325	5,337
Lease	4,543	2,744	1,970	440	6,513	3,184
Total	\$ 418,617	\$ 401,603	\$ 943,174	\$ 965,598	\$ 1,361,791	\$ 1,367,201

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 2024 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.11266, which is significantly below the maximum allowable tax rate.

As of September 30, 2025, the City’s total outstanding debt has decreased by \$5.4 million, or 0.4 percent from the prior fiscal year. General obligation bond and revenue and contract bond debt decreased by \$8.2 million or 0.6 percent. Total bond additions were \$223.2 million, offset by the payment of scheduled principal payments totaling \$115.8 million and refunded debt of \$115.9 million.

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

- \$57.5 million Water and Wastewater System Revenue Bonds, Series 2025 (Bonds), with a 3.99 percent interest rate. The Bonds were issued at a premium of \$3,788,336 and incurred issuance costs of \$521,172. The \$61,258,336 proceeds from the sale of the Bonds will be used to (i) pay the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the Water and Wastewater System, (ii) fund capitalized interest for the Bonds, if necessary, (iii) fund the reserve fund requirement for the Bonds, if necessary, and (iv) pay the costs of issuing the Bonds.
- \$46.3 million General Obligation Bonds, Series 2025 (Bonds), with a 4.15 percent interest rate. The Bonds were issued at a premium of \$3,161,170 and incurred issuance costs of \$471,170. The \$49,471,170 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.
- \$16.2 million Tax Note, Series 2025 (Note) with a 3.83 percent interest rate. The Tax Notes incurred issuance costs of \$80,000.00. The proceeds will be used to (a) finance (i) renovations, additions, expansions and improvements to the Lubbock Preston Smith International Airport taxiway and (ii) renovations and improvements to the City cemetery, (b) purchase of vehicles (together with (a), the “Project”); and (c) pay the costs incurred in connection with the execution and delivery of the Note.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

- \$45.6 million General Obligation Refunding Bonds, Series 2024 (Bonds), with an interest rate of 3.31 percent. The Bonds were issued at a premium of \$3,060,039 and incurred issuance costs of \$401,340. The \$48,670,039 proceeds from the sale of the Bonds were used to refund a portion of the of City's outstanding indebtedness for the purpose of achieving debt service savings. The Bonds refunded \$47,630,000 of outstanding debt, which resulted in a decrease of \$1,649,494 in total debt service requirements.
- \$57.6 million Water and Wastewater System Revenue Refunding Bonds, Series 2024 (Bonds), with an interest rate of 3.33 percent. The Bonds were issued at a premium of \$4,412,520 and incurred issuance costs of \$494,572. The \$61,972,520 proceeds from the sale of the Bonds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The Bonds refunded \$60,615,000 of outstanding debt, which resulted in a decrease of \$2,812,975 in total debt service requirements.

In March 2025, Standard and Poor's reaffirmed the City's bond rating of AA+ characterizing the City's rating outlook as stable. In March 2025, Fitch Ratings, Inc. reaffirmed the City's bond rating of AA+ characterizing the City's rating outlook as stable.

In January 2025, 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 2025, Fitch Ratings, Inc. reaffirmed the Water & Wastewater System's bond rating of AA+, characterizing the Water & Wastewater System's rating outlook as stable.

In June 2024, Standard and Poor's reaffirmed Lubbock Power & Light's (LP&L) bond rating of A+ characterizing LP&L's outlook as stable. In July 2024, Moody's Investor Service reaffirmed a bond rating of Aa3 characterizing LP&L's outlook as stable. In September 2024, Fitch Ratings, Inc. upgraded LP&L's bond rating to AA- and characterized 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 2025, the average unemployment rate for the Lubbock area was 3.7 percent, up from 3.5 percent in September of the previous year. The State's unemployment rate of 4.4 percent for September 2025 is up from 4.1 percent and the national rate of 4.3 percent for September 2024 is up from 3.9 percent from the previous year.
- Taxable retail sales tax was \$100.4 million in FY 2025 compared to \$99.1 million in FY 2024.
- The total number of new residential permits through September 2025 increased by 1.7 percent from 2024 levels, and total valuation amounts increased by 34.7 percent from the same period in 2024.
- Hotel occupancy tax receipts increased to \$9.9 million in FY 2025 compared to \$9.8 million in FY 2024.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

The following factors were considered in preparing the City's budget for FY 2026.

- The City adopted an increased tax rate of \$0.472191 per \$100 valuation for FY 2026. This is a \$0.002071 increase from FY 2025. The tax rate for debt service decreased from \$0.112664 to \$0.107586 per \$100 valuation. The Maintenance and Operations rate increased from \$0.357456 to \$0.364605 per \$100 valuation. Property tax revenues are expected to increase by \$2.9 million for FY 2026 of which \$1.9 million is new property on the roll.
- Sales tax revenues in FY 2026 are expected to decrease by \$2.6 million compared to the FY 2025 budgeted amount.
- Franchise fees and payments in lieu of franchise fees are expected to decrease by \$684.9 thousand or 2.1 percent. The decrease is due to the forecasted energy prices in FY 2026.
- Licenses and permits revenues are expected to decrease by \$601.1 thousand in FY 2026. Decreases are in payments for building permit-related fees, food establishments, food truck permit, peddler and mixed beverage permits, charitable solicitations, animal licensing, oil and gas permits, and other licenses required by the City. Construction related permits are projected to decrease primarily due to a decline in new property growth.
- Compensation costs are expected to increase to \$145.4 million in FY 2026 due to a 2.5 percent cost of living adjustment as well as increases to retirement and medical and dental benefits. This also includes the pay step increases associated with police and fire civil service.
- Airport revenue increased by \$884.5 thousand associated with the transfer from Passenger Facility Charges to pay the debt for this independent fund managed by the Airport. Many of the airport fees are adjusted every year for CPI by contract including those associated with hangar, terminal and parking. Interest is projected to decrease. Expenses for the fund increased \$2.8 million. This is mainly associated with an increase in cash funding for capital projects of \$1.8 million.
- Water/Wastewater revenue increased \$5.6 million primarily due to interest. No rate changes are proposed. Water metered sales is increasing based on expected consumption. The decrease in wastewater metered sales is due to budgeting too aggressively in the prior year. Expenses for the fund are projected to increase \$8.7 million. The 2.5 percent cost of living adjustment is included. Chemicals, vehicle maintenance, system maintenance, professional services, information technology, and payment to CRMWA are increasing in operations. Cash funding water/wastewater capital increased by \$4.0 million. Overall, there is a \$1.5 million increase to debt, including tax notes. There is also an increase in the payment to LP&L for billing and collection services of \$1.5 million. The largest offset to these increases is the decrease of \$1.5 million in the transfer to fleet capital for the purchase of vehicles.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2025

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, 2025

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 2,662,290	\$ 2,586,270	\$ 5,248,560	\$ 22,166,651
Investments	198,431,014	192,764,775	391,195,789	21,799,282
Receivables (net of allowance for uncollectibles)	29,114,803	49,850,791	78,965,594	3,978,284
Internal balances	13,375,539	(13,375,539)	-	-
Due from other governments	2,644,070	4,315,302	6,959,372	1,148,829
Due from others	3,317,948	1,278,620	4,596,568	-
Inventories	560,797	5,658,316	6,219,113	66,143
Prepaid expenses	-	661,281	661,281	111,946
Restricted assets:				
Cash and cash equivalents	-	-	-	1,190,965
Investments	170,751,378	154,860,181	325,611,559	-
Leases receivable	280,845	2,286,197	2,567,042	-
Investment in property	-	-	-	206,518
Mortgage receivables	-	-	-	908,456
Land Inventory	-	-	-	15,010,188
Capital assets (net of accumulated depreciation/amortization):				
Right of Use Asset-Leases	4,821,451	1,979,056	6,800,507	-
SBITA Assets	5,186,155	29,351	5,215,506	-
Non-depreciable	153,220,640	207,757,629	360,978,269	250,000
Depreciable	615,810,321	1,880,971,778	2,496,782,099	14,389,949
Total assets	<u>1,200,177,251</u>	<u>2,491,624,008</u>	<u>3,691,801,259</u>	<u>81,227,211</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	54,060,291	13,955,660	68,015,951	-
Deferred outflow from OPEB	10,631,862	4,050,013	14,681,875	-
Deferred charge on refunding	1,803,894	650,244	2,454,138	-
Total deferred outflows of resources	<u>66,496,047</u>	<u>18,655,917</u>	<u>85,151,964</u>	<u>-</u>
LIABILITIES				
Accounts payable	21,122,688	18,547,385	39,670,073	2,380,311
Due to other governments	60,581	-	60,581	-
Accrued liabilities	6,704,171	2,261,023	8,965,194	494,552
Accrued interest payable	2,738,700	12,803,040	15,541,740	66,154
Customer deposits	-	4,979,411	4,979,411	-
Unearned revenue	4,715,013	51,352	4,766,365	1,090,102
Noncurrent liabilities due within one year:				
Compensated absences	14,304,916	4,735,088	19,040,004	-
Accrued insurance claims	4,634,743	-	4,634,743	-
Leases payable	1,868,885	527,396	2,396,281	11,453,972
Subscriptions payable	1,418,317	-	1,418,317	-
Bonds and notes payable	37,554,823	77,104,691	114,659,514	61,000
Noncurrent liabilities due in more than one year:				
Compensated absences	33,770,919	4,814,059	38,584,978	-
Post-employment benefits	103,086,178	36,195,271	139,281,449	-
Net pension liability	162,205,427	29,211,672	191,417,099	-
Accrued insurance claims	1,341,790	-	1,341,790	-
Landfill closure and postclosure care	8,274,721	-	8,274,721	-
Rebatable Arbitrage	4,371,462	4,368,205	8,739,667	-
Leases payable	2,674,287	1,442,304	4,116,591	45,167,876
Subscriptions payable	3,906,965	-	3,906,965	-
Bonds and notes payable	397,578,221	946,387,748	1,343,965,969	1,733,000
Total liabilities	<u>812,332,807</u>	<u>1,143,428,645</u>	<u>1,955,761,452</u>	<u>62,446,967</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	21,527,219	7,271,359	28,798,578	-
Deferred inflows from OPEB	35,418,972	12,693,229	48,112,201	-
Deferred inflows from refunding	790	1,726,125	1,726,915	-
Deferred inflows from Leases	280,845	2,286,197	2,567,042	-
Total deferred inflows of resources	<u>57,227,826</u>	<u>23,976,910</u>	<u>81,204,736</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	478,850,479	1,132,638,987	1,611,489,466	13,688,515
Restricted for:				
Passenger facility charges	-	8,595,791	8,595,791	-
Debt service	21,669,020	76,723,016	98,392,036	-
Grants	3,425,007	-	3,425,007	-
Tax Incremental Funds/Public Improvement Dist.	20,359,647	-	20,359,647	-
Hotel/Motel	1,142,666	-	1,142,666	-
Cable Services	3,990,669	-	3,990,669	-
Municipal Court	2,322,682	-	2,322,682	-
Abandoned Motor Vehicle	1,477,943	-	1,477,943	-
Economic Development	241,280	-	241,280	-
Donations	746,022	-	746,022	-
Component Units	-	-	-	2,267,424
Primary government agreement	-	-	-	100,000
Unrestricted	(137,112,750)	124,916,576	(12,196,174)	2,724,305
Total net position (deficit)	<u>\$ 397,112,665</u>	<u>\$ 1,342,874,370</u>	<u>\$ 1,739,987,035</u>	<u>\$ 18,780,244</u>

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2025

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental activities:			
Administrative services and general government	\$ 28,262,534	\$ 167,151	\$ -
Community services	8,833,593	-	6,809,238
Cultural and recreation	25,375,124	1,058,872	211,024
Economic and business development	24,954,874	2,860,236	2,309,304
Fire	76,090,501	152,880	-
Health	14,882,879	977,903	6,043,103
Police	103,138,106	166,256	282,703
Other public safety	11,075,693	10,711,666	1,762,427
Streets and traffic	40,706,048	4,121,332	-
Solid Waste	26,301,631	29,013,262	-
Interest on long-term debt	13,958,888	-	-
Total governmental activities	<u>373,579,871</u>	<u>49,229,558</u>	<u>17,417,799</u>
Business-type activities:			
Electric	157,152,929	168,119,458	-
Water/Wastewater	140,968,006	151,288,057	6,523,264
Storm Water	15,214,005	22,302,986	-
Transit	19,040,643	5,979,120	19,858,961
Airport	23,078,357	17,130,858	3,452,881
Civic Centers	4,328,139	576,969	-
Cemetery	497,655	453,471	-
Lake Alan Henry	550,668	825,574	-
Golf	2,582,149	2,394,750	-
Total business-type activities	<u>363,412,551</u>	<u>369,071,243</u>	<u>29,835,106</u>
Total primary government	<u>\$ 736,992,422</u>	<u>\$ 418,300,801</u>	<u>\$ 47,252,905</u>
Component units:			
Urban Renewal Agency (URA)	\$ 330,511	\$ 3,142	\$ -
Civic Lubbock, Inc.	3,360,800	3,305,898	77,753
Market Lubbock, Inc.	9,704,648	31,625	303,213
Lubbock Economic Development Alliance	7,040,474	-	1,000,000
Vintage Township Public Facilities Corporation	132,308	-	-
Total component units	<u>\$ 20,568,741</u>	<u>\$ 3,340,665</u>	<u>\$ 1,380,966</u>
General revenues:			
Property taxes			
Sales taxes			
Occupancy taxes			
Other taxes			
Franchise taxes			
Investment earnings			
Miscellaneous			
Transfers, net			
Total general revenues and transfers			
Change in net position			
Net position - beginning restated			
Net position - ending			

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

Capital Grants and Contributions	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
\$ 170,288	\$ (27,925,095)	\$ -	\$ (27,925,095)	\$ -
-	(2,024,355)	-	(2,024,355)	-
1,402,638	(22,702,590)	-	(22,702,590)	-
-	(19,785,334)	-	(19,785,334)	-
-	(75,937,621)	-	(75,937,621)	-
-	(7,861,873)	-	(7,861,873)	-
1,779,913	(100,909,234)	-	(100,909,234)	-
-	1,398,400	-	1,398,400	-
18,274,400	(18,310,316)	-	(18,310,316)	-
-	2,711,631	-	2,711,631	-
-	(13,958,888)	-	(13,958,888)	-
<u>21,627,239</u>	<u>(285,305,275)</u>	<u>-</u>	<u>(285,305,275)</u>	<u>-</u>
206,819	-	11,173,348	11,173,348	-
15,887,919	-	32,731,234	32,731,234	-
12,437,075	-	19,526,056	19,526,056	-
-	-	6,797,438	6,797,438	-
9,493,288	-	6,998,670	6,998,670	-
-	-	(3,751,170)	(3,751,170)	-
-	-	(44,184)	(44,184)	-
-	-	274,906	274,906	-
-	-	(187,399)	(187,399)	-
<u>38,025,101</u>	<u>-</u>	<u>73,518,899</u>	<u>73,518,899</u>	<u>-</u>
<u>\$ 59,652,340</u>	<u>(285,305,275)</u>	<u>73,518,899</u>	<u>(211,786,376)</u>	<u>-</u>
\$ -	-	-	-	(327,369)
-	-	-	-	22,851
-	-	-	-	(9,369,810)
1,877,061	-	-	-	(4,163,413)
188,299	-	-	-	55,991
<u>\$ 2,065,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,781,750)</u>
	132,115,189	-	132,115,189	3,500,298
	109,610,972	-	109,610,972	9,134,437
	9,929,153	-	9,929,153	4,902,779
	2,135,046	-	2,135,046	-
	34,188,162	-	34,188,162	-
	17,079,134	22,520,228	39,599,362	1,581,204
	18,760,915	3,227,043	21,987,958	3,480,809
	7,399,683	(7,399,683)	-	-
	<u>331,218,254</u>	<u>18,347,588</u>	<u>349,565,842</u>	<u>22,599,527</u>
	45,912,979	91,866,487	137,779,466	8,817,777
	351,199,686	1,251,007,883	1,602,207,569	9,962,467
	<u>\$ 397,112,665</u>	<u>\$ 1,342,874,370</u>	<u>\$ 1,739,987,035</u>	<u>\$ 18,780,244</u>

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 894,279	\$ -	\$ 521,177	\$ 612,136	\$ 2,027,592
Investments	66,654,096	-	38,845,357	45,625,110	151,124,563
Taxes receivable (net)	20,625,012	754,820	-	1,720,830	23,100,662
Accounts receivable (net)	5,007,011	-	-	-	5,007,011
Interest receivable	391,954	36,404	-	92,643	521,001
Due from other funds	4,740,669	-	-	-	4,740,669
Due from other governments	-	-	-	3,317,948	3,317,948
Due from others	1,136,825	-	-	1,507,245	2,644,070
Prepaid expense	-	-	-	-	-
Inventory	148,657	-	-	-	148,657
Restricted investments	270,592	14,771,365	134,052,774	8,309,558	157,404,289
Leases receivable	-	-	-	247,683	247,683
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 99,869,095</u>	<u>\$ 15,562,589</u>	<u>\$ 173,419,308</u>	<u>\$ 61,433,153</u>	<u>\$ 350,284,145</u>
LIABILITIES					
Accounts payable	\$ 5,994,545	\$ -	\$ 6,021,903	\$ 4,363,783	\$ 16,380,231
Accrued liabilities	6,219,860	-	12,635	224,995	6,457,490
Due to other funds	-	-	-	356,131	356,131
Due to other governments	-	-	-	2,973	2,973
Due to others	46,203	-	-	11,405	57,608
Unearned revenue	385,053	-	700,291	3,629,668	4,715,012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>12,645,661</u>	<u>-</u>	<u>6,734,829</u>	<u>8,588,955</u>	<u>27,969,445</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from leases	-	-	-	247,683	247,683
Unavailable revenue	3,344,794	693,843	-	82,099	4,120,736
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>3,344,794</u>	<u>693,843</u>	<u>-</u>	<u>329,782</u>	<u>4,368,419</u>
FUND BALANCES					
Nonspendable	148,657	-	-	-	148,657
Restricted	270,592	14,868,746	130,507,461	41,966,891	187,613,690
Committed	-	-	36,177,018	10,513,033	46,690,051
Unassigned	83,459,391	-	-	34,492	83,493,883
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>83,878,640</u>	<u>14,868,746</u>	<u>166,684,479</u>	<u>52,514,416</u>	<u>317,946,281</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 99,869,095</u>	<u>\$ 15,562,589</u>	<u>\$ 173,419,308</u>	<u>\$ 61,433,153</u>	<u>\$ 350,284,145</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2025

Total fund balance - governmental funds \$ 317,946,281

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. 779,038,567

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	72,871,297
General obligation bonds	23,333,713
Net book value of capital assets	(65,167,303)
Compensated absences	1,316,896
Post employment benefits	5,115,939
Net pension Liability	4,178,689
Lease	3,498,128
Subscription Liability	5,105,241
Arbitrage Liability	341,955
Deferred Inflows of Pensions	1,530,591
Deferred Outflows of Pensions	(2,141,116)
Deferred Inflows of OPEB	1,546,383
Deferred Outflows from OPEB	(497,994)
Deferred Inflow on Refunding	790
Amounts due from business-type ISF's for amounts undercharged	8,991,001

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	(404,203,956)
SIB Loan	(4,544,642)
Leases	(4,543,172)
Subscription Liabilities	(5,325,282)
Arbitrage Liability	(4,371,462)
Closure/Post Closure	(8,274,721)
Compensated absences	(48,075,835)
Post employment benefits	(103,086,178)
Net pension liability	(162,205,427)
Accrued interest on general obligation bonds	(2,551,073)

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 \$26,384,446 and deferred charges on refunding \$1,803,104. (24,581,343)

Deferred Inflows of Pensions	(21,527,219)
Deferred Outflows of Pensions	54,060,291
Deferred Inflows from OPEB	(35,418,972)
Deferred Outflow from OPEB	10,631,862

Revenue earned but unavailable in the funds is deferred. 4,120,736

Net Position of governmental activities \$ 397,112,665

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$192,840,206	\$ 29,541,841	\$ -	\$ 30,991,725	\$ 253,373,772
Franchise taxes	33,961,563	-	-	226,599	34,188,162
Special assessments	-	-	-	2,655,556	2,655,556
Fees and fines	3,448,420	-	4,007,907	722,429	8,178,756
Licenses and permits	5,523,306	-	-	-	5,523,306
Intergovernmental	939,633	-	3,824,274	14,771,469	19,535,376
Charges for services	32,598,501	-	-	359,450	32,957,951
Interest	4,652,947	703,235	6,980,980	2,269,961	14,607,123
Miscellaneous	14,662,626	-	1,030,114	2,778,908	18,471,648
Total revenues	<u>288,627,202</u>	<u>30,245,076</u>	<u>15,843,275</u>	<u>54,776,097</u>	<u>389,491,650</u>
EXPENDITURES					
Current:					
Administrative services and general government	22,139,268	-	2,915,830	35,101	25,090,199
Community services	-	-	-	8,343,646	8,343,646
Cultural and recreation	19,013,441	-	1,177,193	108,818	20,299,452
Economic and business development	1,174,961	-	-	21,201,361	22,376,322
Health	7,338,010	-	-	6,468,434	13,806,444
Fire	71,456,715	-	-	899	71,457,614
Police	95,360,126	-	-	2,684,858	98,044,984
Other public safety	8,998,260	-	21,206	1,176,776	10,196,242
Streets and traffic	8,253,895	-	806,137	-	9,060,032
Solid waste	22,057,162	-	-	-	22,057,162
Debt service:					
Principal	2,234,935	32,447,122	-	662,297	35,344,354
Interest and other charges	82,746	15,467,422	464,539	384,365	16,399,072
Capital outlay	381,304	-	67,261,961	5,018,210	72,661,475
Total expenditures	<u>258,490,823</u>	<u>47,914,544</u>	<u>72,646,866</u>	<u>46,084,765</u>	<u>425,136,998</u>
Revenues under expenditures	<u>30,136,379</u>	<u>(17,669,468)</u>	<u>(56,803,591)</u>	<u>8,691,332</u>	<u>(35,645,348)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt - bonds	-	24,605,000	46,310,000	-	70,915,000
Retirement of refunded debt	-	(26,043,245)	-	-	(26,043,245)
Bond premium	-	1,652,729	3,161,170	-	4,813,899
Issuance of debt - SBITA	84,189	-	-	-	84,189
Transfers in	10,282,485	18,781,826	36,323,017	12,916,270	78,303,598
Transfers out	(51,423,994)	(442,206)	(11,843,748)	(22,954,928)	(86,664,876)
Net other financing sources	<u>(41,057,320)</u>	<u>18,554,104</u>	<u>73,950,439</u>	<u>(10,038,658)</u>	<u>41,408,565</u>
Net change in fund balances	<u>(10,920,941)</u>	<u>884,636</u>	<u>17,146,848</u>	<u>(1,347,326)</u>	<u>5,763,217</u>
Fund balances - beginning of year	<u>94,799,581</u>	<u>13,984,110</u>	<u>149,537,631</u>	<u>53,861,742</u>	<u>312,183,064</u>
Fund balances - end of year	<u>\$ 83,878,640</u>	<u>\$ 14,868,746</u>	<u>\$ 166,684,479</u>	<u>\$ 52,514,416</u>	<u>\$ 317,946,281</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances - total governmental funds	\$ 5,763,217
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 \$72,661,475 exceeded depreciation of \$46,414,982 and Right to Use Assets amortization \$440,562 and Subscription Asset amortization of \$257,494 in the current period.	25,548,437
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 \$70,915,000 was more than debt repayments of \$34,917,568 and debt defeasance of \$25,725,000.	(10,272,432)
Lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. The proceed amount of \$0 was less than the amount of repayment \$426,786	426,786
Subscription Based IT transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. The proceed amount of \$84,189 was less than the amount of repayment \$230,791.	146,602
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 \$4,813,899 was less than deferred refunding charges of \$318,245 and amortization of \$4,607,312.	111,658
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	(4,420,004)
Post retirement benefits	15,542
Net pension liability	(4,000,160)
Arbitrage Liability	(1,012,623)
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.	330,576
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.	14,411,044
Current Amount undercharged by Internal Service Fund Business Type Activities-Lookback	756,881
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.	(91,186)
Capital assets transactions include \$17,968,960 donated assets plus \$630,851 capital asset transfers in from business-type activities and less \$88,801 disposition of assets and use of property.	18,511,010
Landfill closure and postclosure adjustment in FY 25	<u>(312,369)</u>
Change in net position of governmental activities	<u>\$ 45,912,979</u>

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,371,183	488,062	\$ 201,227
Investments	102,199,587	36,377,175	14,998,205
Accounts receivable, net	27,949,705	15,493,338	2,491,940
Interest receivable	703,562	808,106	75,127
Due from others	-	-	-
Due from other funds	-	-	-
Due from other governments	-	190,014	-
Prepaid expenses	25,000	-	-
Inventories	3,478,707	283,813	-
Total current assets	<u>135,727,744</u>	<u>53,640,508</u>	<u>17,766,499</u>
Noncurrent assets:			
Restricted investments	45,253,859	88,236,223	6,418,430
Prepaid expenses	-	-	-
Lease Receivable	-	-	-
	<u>45,253,859</u>	<u>88,236,223</u>	<u>6,418,430</u>
Capital assets:			
Land	-	45,079,737	58,822,730
Electric non-depreciable	51,044,808	-	-
Construction in progress	4,151,515	33,514,506	5,216,720
Buildings	-	168,267,035	-
Improvements other than buildings	-	1,281,648,766	212,946,647
Machinery and equipment	-	151,277,151	4,756,153
Lease right-of-use assets, net	388,890	-	-
Subscription assets, net	29,351	-	-
Electric depreciable	903,775,444	-	-
Less accumulated depreciation	<u>(325,340,730)</u>	<u>(613,262,757)</u>	<u>(67,824,493)</u>
Total capital assets	<u>634,049,278</u>	<u>1,066,524,438</u>	<u>213,917,757</u>
Total noncurrent assets	<u>679,303,137</u>	<u>1,154,760,661</u>	<u>220,336,187</u>
Total assets	<u>\$ 815,030,881</u>	<u>\$ 1,208,401,169</u>	<u>\$ 238,102,686</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	854,133
Deferred outflows from pensions	8,520,647	3,671,642	327,033
Deferred outflows from OPEB	1,916,331	1,398,938	209,328
Total deferred outflows of resources	<u>10,436,978</u>	<u>5,070,580</u>	<u>1,390,494</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 512,796	\$ 2,573,268	\$ 647,700
38,220,747	191,795,714	48,275,512
2,172,437	48,107,420	283,425
155,118	1,741,913	204,162
1,264,035	1,264,035	14,585
131,956	131,956	-
4,125,288	4,315,302	-
636,281	661,281	-
902,704	4,665,224	1,405,232
<u>48,121,362</u>	<u>255,256,113</u>	<u>50,830,616</u>
14,951,669	154,860,181	13,347,089
-	-	-
2,286,197	2,286,197	-
<u>17,237,866</u>	<u>157,146,378</u>	<u>13,347,089</u>
4,815,267	108,717,734	-
-	51,044,808	-
5,112,346	47,995,087	6,290,423
68,622,682	236,889,717	1,691,882
257,028,882	1,751,624,295	10,886,144
89,008,593	245,041,897	88,906,364
1,590,166	1,979,056	3,839,260
-	29,351	4,963,734
-	903,775,444	-
<u>(249,990,338)</u>	<u>(1,256,418,318)</u>	<u>(51,351,761)</u>
<u>176,187,598</u>	<u>2,090,679,071</u>	<u>65,226,046</u>
<u>193,425,464</u>	<u>2,247,825,449</u>	<u>78,573,135</u>
\$ 241,546,826	\$ 2,503,081,562	\$129,403,751
(203,889)	650,244	-
1,341,026	13,860,348	2,236,428
479,249	4,003,846	544,161
<u>1,616,386</u>	<u>18,514,438</u>	<u>2,780,589</u>

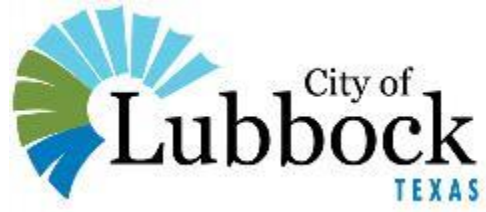
City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,761,527	6,159,141	\$ 913,729
Accrued liabilities	1,064,285	491,459	50,203
Accrued interest payable	9,021,412	3,286,616	252,166
Due to other funds	-	-	-
Customer deposits	1,316,360	3,546,484	-
Unearned revenue - other	-	-	-
Compensated absences	2,503,513	1,156,879	54,964
Accrued insurance claims	-	-	-
Subscriptions payable	-	-	-
Leases payable	37,404	-	-
Bonds payable	20,135,000	44,686,703	9,045,000
Total current liabilities	<u>40,839,501</u>	<u>59,327,282</u>	<u>10,316,062</u>
Noncurrent liabilities:			
Accrued insurance claims	-	-	-
Compensated absences	2,910,624	1,345,006	63,901
Post employment benefits	17,138,397	12,534,052	1,534,782
Net pension liability	17,063,369	8,415,218	850,469
Rebatable arbitrage	3,245,524	963,622	4,703
Leases payable	366,495	-	-
Subscriptions payable	-	-	-
Bonds payable	482,332,989	353,637,751	70,622,706
Total noncurrent liabilities	<u>523,057,398</u>	<u>376,895,649</u>	<u>73,076,561</u>
Total liabilities	<u>563,896,899</u>	<u>436,222,931</u>	<u>83,392,623</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred charge on refunding	511	1,725,614	-
Deferred inflows from pensions	4,225,632	2,114,426	216,782
Deferred inflows from OPEB	6,385,232	4,051,231	520,601
Deferred inflows from leases	-	-	-
Total deferred inflows of resources	<u>10,611,375</u>	<u>7,891,271</u>	<u>737,383</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	148,637,490	711,751,725	136,880,060
Restricted for:			
Passenger facility charges	-	-	-
Debt service	27,722,446	42,516,638	4,401,600
Unrestricted	74,599,649	15,089,184	14,081,514
Total net position (deficit)	<u>\$ 250,959,585</u>	<u>\$ 769,357,547</u>	<u>\$ 155,363,174</u>

See accompanying Notes to Basic Financial Statements

Enterprise Funds

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 4,633,878	\$ 18,468,275	\$ 4,821,567
642,916	2,248,863	258,841
242,844	12,803,038	187,629
4,516,494	4,516,494	-
116,567	4,979,411	-
51,352	51,352	-
994,629	4,709,985	416,944
-	-	4,634,743
-	-	1,232,549
489,992	527,396	1,369,142
3,235,000	77,101,703	4,777,988
<u>14,923,672</u>	<u>125,406,517</u>	<u>17,699,403</u>
-	-	1,341,790
465,344	4,784,875	954,239
4,604,345	35,811,576	5,499,634
2,716,993	29,046,049	4,344,312
154,356	4,368,205	341,955
1,075,809	1,442,304	2,128,986
-	-	3,872,692
39,794,302	946,387,748	18,558,713
<u>48,811,149</u>	<u>1,021,840,757</u>	<u>37,042,321</u>
<u>63,734,821</u>	<u>1,147,247,274</u>	<u>54,741,724</u>
-	1,726,125	790
668,177	7,225,017	1,576,933
1,608,135	12,565,199	1,674,413
2,286,197	2,286,197	-
<u>4,562,509</u>	<u>23,802,538</u>	<u>3,252,136</u>
135,313,957	1,132,583,232	42,745,532
8,595,791	8,595,791	-
2,082,332	76,723,016	2,880,361
28,873,802	132,644,149	28,564,587
<u>\$ 174,865,882</u>	<u>\$ 1,350,546,188</u>	<u>\$ 74,190,480</u>



City of Lubbock, Texas
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2025

Total net position - proprietary funds	\$ 1,350,546,188
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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	1,319,183
Amounts due to governmental ISF's for amounts overcharged	<u>(8,991,001)</u>
Net position of business-type activities	<u>\$ 1,342,874,370</u>

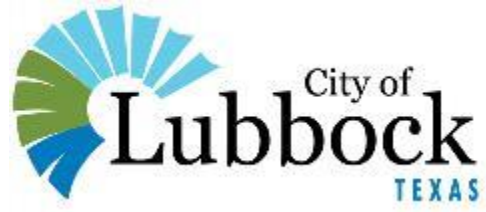
City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended September 30, 2025

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
OPERATING REVENUES			
Charges for services (net)	\$ 168,119,458	\$ 151,288,057	\$ 22,302,986
Total operating revenues	<u>168,119,458</u>	<u>151,288,057</u>	<u>22,302,986</u>
OPERATING EXPENSES			
Personnel services	31,422,026	18,726,707	1,828,121
Insurance and claims	-	-	-
Supplies	1,450,652	6,945,541	125,574
Materials	-	-	-
Maintenance	4,387,814	7,915,936	765,229
Purchase of fuel and power	41,784,183	-	-
Billing office expense	-	4,221,218	738,054
Other services and charges	14,848,162	43,306,744	5,179,663
Depreciation and amortization	25,292,122	39,618,871	4,740,417
Total operating expenses	<u>119,184,959</u>	<u>120,735,017</u>	<u>13,377,058</u>
Operating income (loss)	<u>48,934,499</u>	<u>30,553,040</u>	<u>8,925,928</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings	6,262,737	13,192,112	970,578
Passenger facility charges/Federal grants	-	6,523,264	-
Disposition of assets	(7,905,977)	(41,417)	-
Miscellaneous	(13,575,446)	1,752,483	551,360
Interest expense	(16,168,930)	(19,831,606)	(1,676,498)
Net nonoperating revenues (expenses)	<u>(31,387,616)</u>	<u>1,594,836</u>	<u>(154,560)</u>
Income (loss) before contributions and transfers	17,546,883	32,147,876	8,771,368
Capital contributions/grants	206,819	15,887,919	12,437,075
Transfers in	1,084,932	2,432,073	-
Transfers out	(3,159,341)	(8,532,255)	(2,809,222)
Change in net position (deficit)	15,679,293	41,935,613	18,399,221
Total net position - beginning of year	<u>235,280,292</u>	<u>727,421,934</u>	<u>136,963,953</u>
Total net position (deficit) - end of year	<u>\$ 250,959,585</u>	<u>\$ 769,357,547</u>	<u>\$ 155,363,174</u>

See accompanying Notes to Basic Financial Statements.

Enterprise Funds

Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 27,360,742	\$ 369,071,243	\$ 100,212,862
<u>27,360,742</u>	<u>369,071,243</u>	<u>100,212,862</u>
17,259,663	69,236,517	10,054,196
-	-	51,604,057
2,168,546	10,690,313	303,311
-	-	11,621,190
2,904,107	15,973,086	15,351,449
-	41,784,183	-
-	4,959,272	-
10,414,969	73,749,538	4,482,203
15,295,835	84,947,245	10,823,563
<u>48,043,120</u>	<u>301,340,154</u>	<u>104,239,969</u>
<u>(20,682,378)</u>	<u>67,731,089</u>	<u>(4,027,107)</u>
2,056,628	22,482,055	2,508,697
23,311,842	29,835,106	1,540,703
12,224	(7,935,170)	174,452
(225,361)	(11,496,964)	205,105
<u>(1,629,456)</u>	<u>(39,306,490)</u>	<u>(1,063,443)</u>
<u>23,525,877</u>	<u>(6,421,463)</u>	<u>3,365,514</u>
2,843,499	61,309,626	(661,593)
9,493,288	38,025,101	-
7,434,332	10,951,337	16,102,537
<u>(3,219,351)</u>	<u>(17,720,169)</u>	<u>(972,427)</u>
16,551,768	92,565,895	14,468,517
<u>158,314,114</u>	<u>1,257,980,293</u>	<u>59,721,963</u>
<u>\$ 174,865,882</u>	<u>\$ 1,350,546,188</u>	<u>\$ 74,190,480</u>



City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in
Fund Net Position - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund net position - total enterprise funds \$ 92,565,895

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.

(699,408)

Change in net position of business-type activities

\$ 91,866,487

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Enterprise Funds		
	LP&L	Water/ Wastewater	Storm Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 174,627,196	\$ 154,127,264	\$ 22,333,978
Receipts from interfund services	-	-	-
Payments to suppliers	(101,831,302)	(58,565,491)	(6,763,239)
Payments to employees	(31,422,026)	(19,218,169)	(1,878,324)
Other receipts (payments)	<u>(13,575,446)</u>	<u>8,275,747</u>	<u>551,360</u>
Net cash provided (used) by operating activities	<u>27,798,422</u>	<u>84,619,351</u>	<u>14,243,775</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in from other funds	1,084,932	2,432,073	-
Transfers out to other funds	(3,159,341)	(8,532,255)	(2,809,222)
Short-term interfund borrowings	-	-	-
Federal grants	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital and related financing activities	<u>(2,074,409)</u>	<u>(6,100,182)</u>	<u>(2,809,222)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(16,602,494)	(44,908,030)	(7,156,493)
Sale of capital assets	1,841,581	-	-
Principal paid on leases	(35,896)	-	-
Principal paid on bonds	(31,381,645)	(45,275,262)	(9,045,000)
Issuance of leases	-	-	-
Issuance of bonds	3,575,000	61,562,893	125,140
Bond issuance costs	(88,103)	-	(258)
Interest paid on bonds and leases	(21,415,839)	(22,882,549)	(2,011,418)
Payment/proceeds of rebatable arbitrage	765,180	106,855	(234,682)
Capital grants and contributions	<u>206,819</u>	<u>1,411,512</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(63,135,397)</u>	<u>(49,984,581)</u>	<u>(18,322,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	94,001,652	11,385,328	15,075,363
Purchase of investments	(62,350,325)	(52,692,466)	(9,055,971)
Interest earnings (expenses) on cash and investments	<u>6,314,807</u>	<u>13,140,730</u>	<u>971,149</u>
Net cash provided (used) by investing activities	<u>37,966,134</u>	<u>(28,166,408)</u>	<u>6,990,541</u>
Net increase (decrease) in cash and cash equivalents	554,750	368,180	102,383
Cash and cash equivalents - beginning of year	816,433	119,882	98,844
Cash and cash equivalents - end of year	<u>\$ 1,371,183</u>	<u>\$ 488,062</u>	<u>\$ 201,227</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 48,934,499	\$ 30,553,040	\$ 8,925,928
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	25,292,122	39,618,871	4,740,417
Other income (expense)	(13,575,446)	8,275,747	551,360
Change in current assets and liabilities:			
Accounts receivable	6,507,738	2,839,207	30,992
Inventory	145,059	330,017	-
Prepaid expenses	-	-	-
Due from other governments	-	-	-
Accounts payable	(41,938,178)	266,363	105,576
Due to/from other funds	-	(15,145)	-
Other accrued expenses	26,803	64,488	6,758
Customer deposits	(65,276)	2,298,597	-
Subscription liability	(88,144)	(126,209)	-
Change in compensated absences and retirement benefits	<u>2,559,245</u>	<u>514,375</u>	<u>(117,256)</u>
Net cash provided (used) by operating activities	<u>\$ 27,798,422</u>	<u>\$ 84,619,351</u>	<u>\$ 14,243,775</u>
Supplemental cash flow information:			
Noncash capital contributions and other charges	\$ -	\$ 14,795,068	\$ 12,437,075

See accompanying Notes to Basic Financial Statements.

Enterprise Funds			
Nonmajor Enterprise Funds	Totals	Internal Service Funds	
\$ 27,203,962	\$ 378,292,400	\$ 97,725,816	
-	-	2,416,339	
(10,967,452)	(178,127,484)	(81,697,865)	
(17,451,736)	(69,970,255)	(10,136,195)	
292,471	(4,455,868)	205,105	
<u>(922,755)</u>	<u>125,738,793</u>	<u>8,513,200</u>	
7,434,332	10,951,337	16,102,537	
(3,219,351)	(17,720,169)	(972,427)	
(1,821,416)	(1,821,416)	-	
-	-	1,540,703	
<u>23,311,842</u>	<u>23,311,842</u>	<u>-</u>	
25,705,407	14,721,594	16,670,813	
(32,150,291)	(100,817,308)	(19,839,596)	
26,530	1,868,111	174,453	
-	(35,896)	(2,990,189)	
(2,501,513)	(88,203,420)	(3,862,988)	
1,565,801	1,565,801	-	
7,093,280	72,356,313	8,600,000	
-	(88,361)	-	
(1,867,429)	(48,177,235)	(1,140,429)	
133,216	770,569	102,310	
<u>9,493,288</u>	<u>11,111,619</u>	<u>-</u>	
<u>(18,207,118)</u>	<u>(149,649,807)</u>	<u>(18,956,439)</u>	
14,870,388	135,332,731	18,115,837	
(23,175,209)	(147,273,971)	(26,428,698)	
<u>2,023,828</u>	<u>22,450,514</u>	<u>2,466,461</u>	
<u>(6,280,993)</u>	<u>10,509,274</u>	<u>(5,846,400)</u>	
294,541	1,319,854	381,174	
218,255	1,253,414	266,526	
<u>\$ 512,796</u>	<u>\$ 2,573,268</u>	<u>\$ 647,700</u>	
\$ (20,693,027)	\$ 67,720,440	\$ (4,027,107)	
15,295,835	84,947,245	10,823,563	
(225,361)	(4,973,700)	205,105	
(156,780)	9,221,157	(70,707)	
79,513	554,589	(62,406)	
(486,605)	(486,605)	-	
2,319,549	2,319,549	-	
1,759,217	(39,807,022)	605,047	
1,011,052	995,907	(135,535)	
289,190	387,239	721,002	
(16,839)	2,216,482	-	
-	(214,353)	-	
(98,499)	2,857,865	454,238	
<u>\$ (922,755)</u>	<u>\$ 125,738,793</u>	<u>\$ 8,513,200</u>	
\$ -	27,232,143	\$ -	

City of Lubbock, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2025

	Police Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 439,642
Receivables:	
Contribution	-
Total assets	<u>\$ 439,642</u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
Total liabilities	-
NET POSITION (DEFICIT)	
Restricted for Police Evidence and Found Property	<u>439,642</u>
Total Net Position	<u>\$ 439,642</u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2025

	Police Custodial Fund
ADDITIONS	
Police funds received into custody	\$ 156,774
Total additions	<u>156,774</u>
DEDUCTIONS	
Police funds released from custody	<u>115,346</u>
Total deductions	<u>115,346</u>
Change in net position	41,428
Total net position - beginning of year	<u>398,214</u>
Total net position (deficit) - end of year	<u><u>\$ 439,642</u></u>

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 272,782. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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), Golf, 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 use the economic resource measurement focus and the full accrual basis of accounting. 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 reports police custodial funds as fiduciary funds. These are seized funds that are held until a court order is received that directs where the funds should be distributed.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 2025, management approved re-appropriation of \$661,425 in funds as follows: General Fund - \$299,442, Water/Wastewater Fund - \$62,488, Upland Crossing Pid \$6,445 and Abandoned Vehicles - \$293,070. 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 \$2,567,042 remaining in lease receivables and \$2,567,042 remaining in deferred inflows as of September 30, 2025. The City recorded lease revenue including interest of \$308,737 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 \$723 related to LP&L, a regulated operation in FY 2025.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

- 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 Balance - 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 for Civil Service employees. All other employees may carry over all vacation leave. 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. At termination, the City provides for a partial payout of unused portions of sick leave for non-civil service personnel with less than 15 years of continuous full-time service. 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 \$4.2 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 April of 2024, GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement is effective for fiscal years beginning after June 15, 2025. The City is currently evaluating the effect of this statement on their financial statements.

In September of 2024, GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The Statement also requires additional disclosures for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. The City is currently evaluating this statement.

J. IMPLEMENTATION OF NEW PRONOUNCEMENT

In FY25, The City implemented GASB Statement No. 101, ("GASB101"), Compensated Absences. GASB 101 deals with liabilities related to sick and vacation time. GASB 101 requires recognition of liabilities that are "more likely than not" to be used or paid out, even if not immediately payable. GASB 101 resulted in a restatement of beginning net position of \$1,471,369 for a cumulative change in accounting principle.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

K. RESTATEMENT OF NET POSITION

The Change within the accounting entity was the reclassification of the Internal Service Risk Fund in FY25 from business type activity to governmental type activity.

	September 30, 2024 as previously reported	Change within the accounting entity	Change in Accounting Principle	September 30, 2024 as restated
Net Position:Government-Wide Statements				
Governmental Activities	\$ 339,142,482	\$ 12,989,499	\$ (932,295)	\$ 351,199,686
Business-type Activities	1,264,536,456	(12,989,499)	(539,074)	1,251,007,883
Total Primary Government	<u>\$ 1,603,678,938</u>	<u>-</u>	<u>\$ (1,471,369)</u>	<u>\$ 1,602,207,569</u>
Fund Balance:Governmental Funds				
Major Funds	\$ 258,321,322	-	-	\$ 258,321,322
Nonmajor Funds	53,861,742	-	-	53,861,742
Total Governmental Funds	<u>\$ 312,183,064</u>	<u>-</u>	<u>-</u>	<u>\$ 312,183,064</u>
Fund Net Position:Enterprise Funds				
Major Funds	\$ 1,100,103,614	-	\$ (437,435)	\$ 1,099,666,179
Nonmajor Funds	158,412,247	-	(98,133)	158,314,114
Total Enterprise Funds	<u>\$ 1,258,515,861</u>	<u>-</u>	<u>\$ (535,568)</u>	<u>\$ 1,257,980,293</u>
Fund Net Position:Internal Service Funds				
Governmental Activities	\$ 45,550,181	\$ 12,989,499	\$ (79,427)	\$ 58,460,253
Business-type Activities	14,254,715	(12,989,499)	(3,506)	1,261,710
Total Internal Service Funds	<u>\$ 59,804,896</u>	<u>\$ -</u>	<u>\$ (82,933)</u>	<u>\$ 59,721,963</u>

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 2025 amended budgeted expenditures and transfers out were \$317,102,036, while actual budgetary basis expenditures and transfers out were \$309,914,817; a difference of \$7,187,219.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2025, the bank balance of the City’s deposits was \$6,674,337. 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, 2025 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	6,174,337
	\$ 6,674,337

On September 30, 2025, the City had the following investments and maturities:

<u>Type</u>	September 30, 2025		
	Fair Value	Maturities in Years	
		Less Than 1	1-5
Federal Farm Credit Bank (FFCB)	\$ 47,725,212	\$ 12,551,770	\$35,173,442
Farmer Mac (FAMCA)	-	-	-
Federal Home Loan Bank (FHLB)	59,434,232	17,001,172	42,433,060
Federal Home Loan Mortgage Corporation (FHLMC)	20,048,645	-	20,048,645
Federal National Mortgage Association (FNMA)	-	-	-
Municipal Bonds	177,173,914	57,274,119	119,899,795
Commercial Paper	34,685,410	34,685,410	-
Treasury Bills	1,596,061	1,596,061	-
Money Market	29,782,008	29,782,008	-
State Investment Pools *	346,361,866	346,361,866	-
	\$716,807,348	\$499,252,406	\$217,554,942

*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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2025, 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, 2025, the City’s investments constituted the following percentages of total investments:

<u>Investment</u>	<u>Percentage</u>	<u>WAM (Days)</u>	<u>Rating</u>	<u>Rating Agency</u>
State Investment Pools	47.6%	1	AAAm	S&P
Municipal Bonds	25.1%	608	AA/Aa2	S&P/Moody’s
Money Market	4.2%	1	AAAm/Aaa-mf	S&P/Moody’s
FFCB	6.7%	926	AA+/Aaa	S&P/Moody’s
FHLB	8.5%	471	AA+/Aaa	S&P/Moody’s
FNMA	0.0%	0	AA+/Aaa	S&P/Moody’s
FHLMC	2.8%	1193	AA+/Aaa	S&P/Moody’s
Commercial Paper	4.9%	79	A-1+/P-1	S&P/Moody’s
Treasury Bills	0.2%	23	AA+/Aaa	S&P/Moody’s
FAMCA	0.0%	0	AA+/Aaa	S&P/Moody’s

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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

<u>Authorized Investment</u>	<u>Policy Limitation</u>
U.S. Treasury Obligations	100%
Agency Bonds	80%
Municipal Bonds	50%
Investment Pools	100%
Certificates of Deposit	30%
No Load Mutual Fund	30%
Commercial Paper	30%
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, 2025:

September 30, 2025	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)	\$ 47,725,212	\$ -	\$ 47,725,212	\$ -
Farmer Mac (FAMCA)	-	-	-	-
Federal Home Loan Bank (FHLB)	59,434,232	-	59,434,232	-
Federal Home Loan Mortgage Corporation (FHLMC)	20,048,645	-	20,048,645	-
Federal National Mortgage Association (FNMA)	-	-	-	-
Municipal Bonds	177,173,914	-	177,173,914	-
Commercial Paper	34,685,410	-	34,685,410	-
Treasury Bills	1,596,061	-	1,596,061	-
Total investments by fair value level	\$340,663,474	\$ -	\$340,663,474	\$ -

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Investments measured at the net asset value	
TexStar	\$ 104,939,484
LOGIC	41,370,478
Texas Class	199,520,901
Total investments measured at the NAV	<u>\$345,830,863</u>

Investments measured at amortized cost	
TexPool	\$ 531,003
Money Markets	29,782,008
Investments measured at amortized cost	<u>30,313,011</u>
Total Investments	<u>\$716,807,348</u>

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

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, 2024, the City had \$4,872,625 of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

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

Interfund Payables: (in Thousands)	Interfund Receivables: (in Thousands)			
	Governmental Funds		Proprietary Funds	
	General	Governmental Capital Projects	Nonmajor Enterprise	Totals
Governmental Funds:				
Nonmajor Governmental	\$ 224	\$ -	\$ 132	\$ 356
Proprietary Funds:				
Nonmajor Enterprise	4,516	-	-	4,516
Totals	<u>\$ 4,740</u>	<u>\$ -</u>	<u>\$ 132</u>	<u>\$ 4,872</u>

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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

Interfund Transfers Out: (in Thousands)	Governmental Funds					Proprietary Funds			Totals
	General	Debt Service	Govt. Capital	Nonmajor Govt.	Internal Service	Water/Waste-		Nonmajor Enterprise	
						Electric	water		
Governmental Funds:									
General Fund	\$ -	\$ 4,661	\$26,021	\$ 8,745	\$ 8,912	\$ 127	\$ -	\$ 2,958	\$ 51,424
Debt Service	-	-	-	-	-	-	-	442	442
Govt. Capital Projects	1,816	-	8,922	1,106	-	-	-	-	11,844
Nonmajor Govt.	-	12,730	1,348	3,065	-	-	2,324	3,487	22,954
Proprietary Funds:									
LP&L	2,018	1,141	-	-	-	-	-	-	3,159
Water/Wastewater	3,097	147	-	-	4,446	842	-	-	8,532
Stormwater	632	103	32	-	1,926	116	-	-	2,809
Nonmajor Enterprise	2,502	-	-	-	62	-	108	547	3,219
Internal Service	216	-	-	-	756	-	-	-	972
Totals	<u>\$10,281</u>	<u>\$18,782</u>	<u>\$36,323</u>	<u>\$ 12,916</u>	<u>\$ 16,102</u>	<u>\$1,085</u>	<u>\$ 2,432</u>	<u>\$ 7,434</u>	<u>\$105,355</u>

Net transfers on the GWFS amounted to \$7,399,683 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Primary Government:

Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 48,491,403	\$ 1,696,763	\$ 84,747	\$ 50,103,419
Construction in Progress	90,148,415	91,602,337	78,633,531	103,117,221
Total Capital Assets Not Depreciated	<u>138,639,818</u>	<u>93,299,100</u>	<u>78,718,278</u>	<u>153,220,640</u>
Capital Assets Depreciated:				
Buildings	174,088,430	23,372,825	296,691	197,164,564
Improvements Other than Buildings	891,463,227	54,055,308	597,296	944,921,239
Machinery and Equipment	206,565,371	19,154,304	3,239,426	222,480,249
Total Capital Assets Depreciated	<u>1,272,117,028</u>	<u>96,582,437</u>	<u>4,133,413</u>	<u>1,364,566,052</u>
Less Accumulated Depreciation:				
Buildings	44,142,457	4,341,896	296,691	48,187,662
Improvements Other than Buildings	515,699,745	37,589,169	593,244	552,695,670
Machinery and Equipment	138,279,557	12,832,268	3,239,426	147,872,399
Total Accumulated Depreciation	<u>698,121,759</u>	<u>54,763,333</u>	<u>4,129,361</u>	<u>748,755,731</u>
Total Capital Assets Depreciated, Net	<u>573,995,269</u>	<u>41,819,104</u>	<u>4,052</u>	<u>615,810,321</u>
Capital Assets Amortized:				
Lease Buildings	3,081,076	1,497,105	-	4,578,181
Lease Equipment	1,857,287	1,904,115	-	3,761,402
Subscription Based Information Technology Arrangements	7,411,058	2,247,919	-	9,658,977
Total Capital Assets Amortized	<u>12,349,421</u>	<u>5,649,139</u>	<u>-</u>	<u>17,998,560</u>
Less Accumulated Amortization:				
Lease Buildings	1,359,696	494,857	-	1,854,553
Lease Equipment	921,597	741,982	-	1,663,579
Subscription Based Information Technology Arrangements	2,316,485	2,156,337	-	4,472,822
Total Accumulated Amortization	<u>4,597,778</u>	<u>3,393,176</u>	<u>-</u>	<u>7,990,954</u>
Total Capital Assets Amortized, Net	<u>7,751,643</u>	<u>2,255,963</u>	<u>-</u>	<u>10,007,606</u>
Governmental Activities Capital Assets, Net	<u>\$ 720,386,730</u>	<u>\$ 137,374,167</u>	<u>\$ 78,722,330</u>	<u>\$ 779,038,567</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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

Governmental activities:	
Administrative Services and General Government	\$ 2,208,256
Community Services	253,456
Cultural and Recreation Services	4,353,573
Economic and Business Development	1,973,144
Fire	2,142,766
Health	637,147
Other Public Safety	681,370
Police	2,244,935
Streets and Traffic	31,145,455
Solid Waste	1,551,068
Internal Service Funds	<u>10,734,025</u>
Total Depreciation Expense - Governmental Activities	57,925,195
Transfer in of Accumulated Depreciation - Business-Type Activities	<u>231,314</u>
Increase in Accumulated Depreciation - Governmental Activities	<u><u>\$ 58,156,509</u></u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	\$ 95,407,338	\$ 13,310,396	\$ -	\$ 108,717,734
Construction in Progress	42,909,338	82,918,281	77,832,532	47,995,087
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	31,916,759	-	-	31,916,759
Electric Distribution Plant	18,527,867	206,819	-	18,734,686
Electric General Plant	317,953	-	-	317,953
Total Capital Assets Not Depreciated	<u>189,154,665</u>	<u>96,435,496</u>	<u>77,832,532</u>	<u>207,757,629</u>
Capital Assets Depreciated:				
Buildings	233,632,745	3,419,089	-	237,051,834
Improvements Other than Buildings	1,684,764,022	67,273,948	413,675	1,751,624,295
Machinery and Equipment	228,101,766	18,218,775	1,083,115	245,237,426
Electric Production Plant	89,132,114	-	37,309,756	51,822,358
Electric Transmission Plant	311,270,886	931,769	19,440	312,183,215
Electric Distribution Plant	443,605,407	12,382,387	845,062	455,142,732
Electric Regional Trans Mkt Oper Plant	2,767,781	-	-	2,767,781
Electric General Plant	80,864,141	4,857,795	3,862,578	81,859,358
Total Capital Assets Depreciated	<u>3,074,138,862</u>	<u>107,083,763</u>	<u>43,533,626</u>	<u>3,137,688,999</u>
Less Accumulated Depreciation:				
Buildings	103,987,769	5,086,468	-	109,074,237
Improvements Other than Buildings	639,671,476	42,254,486	380,254	681,545,708
Machinery and Equipment	130,067,743	11,748,150	1,059,342	140,756,551
Electric Production Plant	67,127,351	2,177,623	27,546,437	41,758,537
Electric Transmission Plant	31,425,498	6,523,211	19,440	37,929,269
Electric Distribution Plant	199,558,983	9,976,857	844,497	208,691,343
Electric Regional Trans Mkt Oper Plant	2,743,026	1,800	-	2,744,826
Electric General Plant	31,572,603	5,845,278	3,201,131	34,216,750
Total Accumulated Depreciation	<u>1,206,154,449</u>	<u>83,613,873</u>	<u>33,051,101</u>	<u>1,256,717,221</u>
Total Capital Assets Depreciated, Net	<u>1,867,984,413</u>	<u>23,469,890</u>	<u>10,482,525</u>	<u>1,880,971,778</u>
Capital Assets Amortized:				
Lease Buildings	393,213	-	-	393,213
Lease Equipment	305,268	2,045,531	-	2,350,799
Subscription Based Information Technology Arrangements	2,451,318	-	-	2,451,318
Total Capital Assets Amortized	<u>3,149,799</u>	<u>2,045,531</u>	<u>-</u>	<u>5,195,330</u>
Less Accumulated Amortization:				
Lease Buildings	25,099	8,366	-	33,465
Lease Equipment	246,984	484,507	-	731,491
Subscription Based Information Technology Arrangements	2,247,838	174,129	-	2,421,967
Total Accumulated Amortization	<u>2,519,921</u>	<u>667,002</u>	<u>-</u>	<u>3,186,923</u>
Total Capital Assets Amortized, Net	<u>629,878</u>	<u>1,378,529</u>	<u>-</u>	<u>2,008,407</u>
Business Type Activities Capital Assets, Net	<u>\$ 2,057,768,956</u>	<u>\$ 121,283,915</u>	<u>\$ 88,315,057</u>	<u>\$ 2,090,737,814</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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

Business-Type Activities:	
LP&L	\$ 24,614,346
Water/Wastewater	39,618,871
Storm Water	4,740,417
Airport	10,792,894
Transit	3,260,820
Civic Centers	747,574
Cemetery	35,452
Lake Alan Henry	3,732
Golf	455,363
Internal Service	11,406
Total Depreciation Expense - Business-Type Activities	<u>84,280,875</u>
Transfer in of Accumulated Depreciation - Governmental Activities	-
Increase in Accumulated Depreciation - Business-Type Activities	<u><u>\$ 84,280,875</u></u>

Construction Commitments

The City has active construction projects at fiscal year end.

<u>Projects</u>	<u>Original Commitments</u>	<u>Spent-to-Date</u>	<u>Remaining Commitments</u>
Governmental Capital Projects	\$ 368,995,505	\$ 209,647,302	\$ 159,348,203
TIF Capital Projects	20,682,486	14,762,098	5,920,388
Gateway Street Projects	19,790,311	18,335,027	1,455,284
LP&L	130,494,426	94,076,589	36,417,837
Water/Wastewater	218,727,335	126,070,311	92,657,024
Storm Water	22,222,000	15,075,593	7,146,407
Airport	124,352,631	60,804,044	63,548,587
Civic Center	4,336,143	2,423,863	1,912,280
Cemetery	2,423,491	451,076	1,972,415
Internal Service Fund	41,945,914	27,409,517	14,536,397
Total	<u>\$ 953,970,242</u>	<u>\$ 569,055,420</u>	<u>\$ 384,914,822</u>

Water has an \$41.3 million appropriation to provide major infrastructure upgrades to maintain an appropriate level of water service to West Lubbock.

Airport has an \$62.3 million appropriation for the extension of Taxiway L. This will help reduce taxi time and maximize airfield system efficiency.

One of the many ongoing Governmental Capital Projects is a \$32.7 million appropriation to construct a Solid Waste transfer station. The Transfer Station will provide a substantial savings in fuel, vehicle and equipment maintenance going forward.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Another Governmental Capital Project is an \$8 million appropriation to make multiple improvements to the Tom Martin Sports Complex. Included in the improvements are the additions of new sports fields, upgrading existing facilities, and improving overall amenities to support an increased volume of events and participants.

D. 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 ranging from 1.97% to 4.17%. The City has \$2,567,042 remaining in lease receivables and \$2,567,043 remaining in deferred inflows as of September 30, 2025.

Fiscal Year	Leases			
	Governmental Activities		Business- Type Activities	
	Principal	Interest	Principal	Interest
2026	65,167	6,167	195,450	43,256
2027	66,760	4,764	187,950	39,488
2028	68,399	3,321	189,893	35,777
2029	70,086	1,836	193,668	32,002
2030	6,823	306	197,518	28,152
2031-2035	3,610	44	884,326	83,746
2036-2040	-	-	437,392	13,045
Totals	\$ 280,845	\$ 16,438	\$ 2,286,197	\$ 275,466

E. 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, 2025 and the pension expense for the year ended is as follows:

	TMRS	LFPF	Total
Net pension liability	\$ 95,047,251	\$ 96,369,848	\$ 191,417,099
Deferred outflows of resources	43,741,013	24,274,938	68,015,951
Deferred inflows of resources	23,238,322	5,560,256	28,798,578
Pension expense (income)	30,071,313	11,401,897	41,473,210

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

The City participates as one of 942 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, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on 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 2024
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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,634
Inactive employees entitled to but not yet receiving benefits	1,197
Active employees	1,879
Total	4,710

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 17.91% and 18.27% in calendar years 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$25,905,981, and were equal to the required contributions.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2024, 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, 2024 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 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent scale MP-2021 to account for future mortality improvements subject to the 3.5% and 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is 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 by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2025 are summarized in the following table:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.1%
Core Fixed Income	6.0%	5.0%
Non-Core Fixed Income	6.0%	6.8%
Hedge Funds	5.0%	6.4%
Private Equity	13.0%	8.5%
Private Debt	13.0%	8.2%
Real Estate	12.0%	6.7%
Infrastructure	6.0%	6.0%
Other Private Markets	4.0%	7.3%
Total	<u>100.0%</u>	

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 Member 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 Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability

	Plan		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at September 30, 2024	\$ 899,289,673	\$ 780,655,975	\$ 118,633,698
Changes for the year			
Service Cost	23,829,538	-	23,829,538
Interest	59,798,452	-	59,798,452
Difference between expected and actual experience	7,241,886	-	7,241,886
Contributions - employer	-	24,485,759	(24,485,759)
Contributions - employee	-	9,570,096	(9,570,096)
Changes in assumptions	-	-	-
Net investment income	-	80,932,848	(80,932,848)
Benefit payments, including refunds of employee contributions	(50,602,893)	(50,602,893)	-
Administrative expenses	-	(520,213)	520,213
Other Charges	-	(12,167)	12,167
Net changes	<u>\$ 40,266,983</u>	<u>\$ 63,853,430</u>	<u>\$ (23,586,447)</u>
Balance at September 30, 2025	\$ 939,556,656	\$ 844,509,405	\$ 95,047,251

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 6.75, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$218,469,964	\$95,047,251	(\$6,860,880)

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, 2025 the City recognized pension expense of \$30,071,313.

At September 30, 2025, 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	\$ 29,946,098	\$ 18,144,514
Changes in actuarial assumptions	1,865,864	5,093,808
Difference between projected and actual investment earnings	-7,962,074	-
Contributions subsequent to the measurement date	19,891,125	-
Total	\$ 43,741,013	\$ 23,238,322

\$19,891,125 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, 2025. 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:	
2026	\$ 5,936,390
2027	11,641,762
2028	(11,318,872)
2028	(5,647,714)
Total	\$ 611,566

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 611 University Avenue, Suite 200, Lubbock, Texas 79401. 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, 2024 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	324	
Inactive employees entitled to but not yet receiving benefits	5	
Active employees	442	
Total	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 0 10px;">771</td> </tr> </table>	771
771		

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Funding Policy

The contribution provisions of the Fund are authorized by TLFRA. TLFRA 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 firefighters, the rate elected by the firefighters according to TLFRA effective September 29, 2018. For many years, the city contributed according to a long-standing formula. The city's contribution rate to the Fund had been related to the percentage of payroll that the city contributes to the Texas Municipal Retirement System (TMRS) for other employees each calendar year. Beginning October 1, 2022, the city decided to discontinue the formula tied to TMRS and agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. The actual city contribution rate was 21.50% in plan year 2023 and 21.75% in plan year 2024. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the December 31, 2024 actuarial valuation includes the assumption that this current 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, 2024, the money-weighted rate of return on pension plan investments was 9.23%. 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, 2025 were \$10,172,796 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, 2024, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2024.

Total pension liability	\$	374,217,092
Plan fiduciary net position		<u>277,847,244</u>
City's net pension liability	\$	96,369,848
Plan fiduciary net position as a percentage of the total pension liability		74.2%

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Actuarial assumptions

The total pension liability in the December 31, 2024 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-2016 (public safety) total dataset mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2021.

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%	6.50%
World large cap	40.00%	6.14%
Alternatives		
Real estate	15.00%	4.37%
Private equity	10.00%	7.08%
Fixed income		
Domestic core plus	15.00%	1.80%
Floating rate	5.00%	2.41%
Private credit	5.00%	3.82%
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, 2024 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 18 years. Because of the 18-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2024	\$361,453,536	\$258,961,847	\$ 102,491,689
Changes for the year:			
Service cost	8,751,021	-	8,751,021
Interest	26,978,844	-	26,978,844
Changes of benefit provisions	-	-	-
Difference between expected and actual experience	(5,471,682)	-	(5,471,682)
Contributions – employer	-	9,714,939	(9,714,939)
Contributions – employee	-	6,691,027	(6,691,027)
Net investment income	-	23,486,083	(23,486,083)
Benefit payments, including refunds of employee contributions	(20,973,278)	(20,973,278)	-
Administrative expense	-	(220,426)	220,426
Assumption changes	3,478,651	-	3,478,651
Other changes	-	187,052	(187,052)
Net changes	<u>\$ 12,763,556</u>	<u>\$ 18,885,397</u>	<u>\$ (6,121,841)</u>
Balance at September 30, 2025	<u>\$374,217,092</u>	<u>\$277,847,244</u>	<u>\$ 96,369,848</u>

Sensitivity of the net pension liability to changes in the discount rate

The following represents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's net pension liability	\$142,807,843	\$96,369,848	\$57,550,678

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. Revenues 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, 611 University Avenue, Suite 200, Lubbock, TX 79401 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, 2025, the City recognized pension expense of \$11,401,897. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

At September 30, 2025, 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	\$ 9,198,870	\$ 4,880,172
Changes in actuarial assumptions	7,094,711	680,084
Difference between projected and actual investment earnings	99,876	-
Contributions subsequent to the measurement date	7,881,481	
Total	\$ 24,274,938	\$ 5,560,256

\$7,881,481 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, 2026. 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:	
2026	\$1,656,522
2027	5,845,345
2028	(174,769)
2029	1,340,828
2030	1,414,890
Thereafter	750,385
Total	\$10,833,201

F. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population of 25,000 or more and that receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the person and the person’s dependents unless the person is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The City does not issue stand-alone financial statements for the health/dental plan. However, all required information is presented in this report.

Benefits Provided

Permanent full-time employees of the City are eligible to participate in the retiree health/dental care plan provided they meet the criteria for retirement. To be recognized as a “service retiree” and be eligible for group medical/dental coverage, an employee must have worked for the City for five consecutive years immediately preceding the date of retirement and satisfy the retirement eligibility criteria listed below. Employees who retire or are eligible to retire when they leave employment must make an irrevocable decision to accept or deny retiree insurance at the time they terminate their employment with the City.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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, 2023:

Inactive plan members or beneficiaries currently receiving benefits	998
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	2,207
Total	3,205

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 \$478/\$27 (medical/dental) for single coverage and \$1,092/\$60 (medical/dental) for family coverage, pre-65.

Total OPEB Liability

The City's OPEB liability was measured as of December 31, 2023.

Actuarial assumptions

The total OPEB liability in the December 31, 2023 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 7.2% declining to an ultimate rate of 4.25% after 15 years
Discount rate	4.08% as of December 31, 2024
Salary increases	<u>TMRS</u> : 3.6% to 11.85%, including inflation
	<u>LFPF</u> : 2.75% to 7.89%

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Demographic assumptions were updated to reflect the 2023 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, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table 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 4.08% (based on the daily rate closest to but not later than the measurement date of the Bond Buyer “20-Bond GO Index”). The discount rate was 3.77% as of the prior measurement date.

Changes in the Total OPEB Liability	Total OPEB Liability
Balance at September 30, 2024	\$137,020,521
Changes for the year:	
Service cost	7,578,199
Interest	5,247,875
Difference between expected and actual experience	(2,990,897)
Changes of assumptions	(4,356,849)
Benefit Payments	(3,217,400)
Net Changes	<u>\$2,260,928</u>
Balance at September 30, 2025	<u><u>\$139,281,449</u></u>

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 4.08%, 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 (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
City's Total OPEB Liability	\$154,011,656	\$139,281,449	\$126,383,424

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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	\$126,880,782	\$139,281,449	\$154,112,049

OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized total OPEB expense of \$4,326,650.

At September 30, 2025, 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	\$ -	\$ 20,701,190
Changes in assumptions	12,286,067	27,411,011
Contributions subsequent to the measurement date	2,395,808	-
Total	\$ 14,681,875	\$ 48,112,201

\$2,395,808 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, 2025. 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:	
2026	(\$8,379,804)
2027	(8,153,482)
2028	(9,588,147)
2029	(5,644,431)
2030	(3,052,733)
Thereafter	(1,007,537)
Total	\$(35,826,134)

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

G. 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.

H. 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, 2025, 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

I. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

<u>Interest Rate%</u>	<u>Dated</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Outstanding 09/30/25</u>
3.21	05/01/15	02/15/31	28,305,000	1,820,000
2.41	04/15/16	02/15/34	26,660,000	14,345,000
2.72	04/15/16	02/15/36	101,305,000	57,225,000
2.47	11/01/16	02/15/34	36,780,000	12,800,000
0.00	02/16/17	02/15/37	35,000,000	21,000,000
3.20	04/15/17	02/15/37	23,290,000	13,770,000
2.92	04/04/18	02/15/38	18,535,000	8,410,000
3.86	04/04/18	02/15/38	14,675,000	10,740,000
2.76	04/04/18	02/15/30	96,160,000	46,245,000
3.07	04/04/19	02/15/39	64,550,000	51,745,000
2.13	04/04/19	02/15/30	12,270,000	5,415,000
2.31	10/08/19	02/15/32	44,875,000	27,935,000
2.51	05/13/20	02/15/40	7,045,000	5,880,000
1.57	12/17/20	02/15/34	32,690,000	22,100,000
0.83	02/18/21	02/15/31	6,010,000	4,055,000
1.97	07/28/21	02/15/41	24,420,000	20,990,000
3.61	03/23/23	02/15/38	15,470,000	14,285,000
3.92	03/23/23	02/15/43	46,085,000	43,990,000
4.02	06/27/24	02/15/44	28,365,000	27,695,000
4.02	06/27/24	02/15/44	58,905,000	57,520,000
3.31	12/12/24	02/15/35	45,610,000	45,070,000
4.15	04/30/25	02/15/45	46,310,000	46,310,000
			<u>\$ 813,315,000</u>	<u>\$ 559,345,000</u>

(A) Excludes net bond premiums and discounts – (\$14,214,091) business-type and (\$26,384,446) governmental. Additionally, this amount includes \$182,800,000 of bonds used to finance enterprise fund activities.

At September 30, 2025, management of the City believes the City complied with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, tax notes, electric revenue bonded debt, and water contract bonded debt.

Amounts classified as restricted investment in other governmental funds represent amounts restricted by bond ordinances to cover next year’s debt service payments for certain general obligations that will be transferred to the debt service fund next year.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

LP&L REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding * 09/30/2025
3.09	05/01/2014	04/15/2034	16,245,000	5,480,000
3.04	04/15/2016	04/15/2046	7,535,000	4,250,000
3.60	08/15/2017	02/15/2047	17,760,000	14,065,000
3.64	07/12/2018	04/15/2048	93,925,000	66,115,000
2.73	09/09/2021	04/15/2051	266,870,000	242,290,000
3.61	09/07/2022	04/15/2042	56,480,000	50,125,000
3.81	12/28/2023	09/30/2043	62,880,000	56,595,000
Total			521,695,000	438,920,000

* Balance outstanding excludes (\$56,065,747) 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 \$243.8 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 1.9 times the debt service requirements in FY25.

WATER/WASTEWATER REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding* 09/30/2025
2.47	04/04/2109	02/15/2039	16,725,000	9,045,000
2.45	10/08/2019	02/15/2034	88,405,000	61,765,000
2.51	05/14/2020	02/15/2040	42,085,000	35,110,000
0.74	12/17/2020	02/15/2030	27,220,000	16,220,000
1.71	12/17/2020	02/15/2033	22,135,000	15,070,000
0.86	02/18/2021	02/15/2031	9,630,000	6,305,000
1.00	10/14/2021	02/15/2041	10,445,000	8,345,000
2.64	05/12/2022	02/15/2032	7,435,000	5,620,000
3.69	03/23/2023	02/15/2038	14,485,000	13,375,000
3.33	12/12/2024	02/15/2035	57,560,000	56,750,000
3.99	02/13/2025	02/15/2045	57,470,000	57,470,000
Total			353,595,000	285,075,000

* Balance outstanding excludes (\$10,780,780) 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 2.3 times the debt service requirements in FY25.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

CONTRACT BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding* 09/30/2025
2.44	10/01/2017	02/15/2029	4,723,042	1,468,115
1.31	11/19/2020	02/15/2031	16,526,365	9,796,386
3.42	06/01/2023	02/15/2027	4,569,251	1,711,925
Total			25,818,658	12,976,426

*Balance outstanding excludes (\$1,228,120) of bond premiums.

TAX NOTE

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2025
1.99	08/01/2019	02/15/2026	7,130,000	500,000
1.11	07/27/2020	02/15/2027	8,705,000	1,270,000
1.11	08/24/2021	02/15/2028	3,000,000	920,000
2.80	06/14/2022	02/15/2029	5,150,000	3,080,000
4.17	06/21/2023	02/15/2030	4,815,000	3,590,000
4.76	12/05/2023	11/15/2030	10,930,000	9,765,000
3.83	05/15/2025	02/15/2032	16,240,000	16,240,000
Total			55,970,000	35,365,000

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:

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

LEASES

Interest Rate (%)	Final Maturity Date	Initial Liability	Balance Outstanding 09/30/2025
1.97	03/01/2030	572,038	330,465
4.17	08/01/2027	522,407	350,168
1.97	03/01/2030	740,795	427,859
1.97	12/01/2026	768,750	193,502
1.97	09/01/2026	143,182	31,848
1.97	09/01/2068	382,483	372,052
2.80	03/01/2026	1,497,104	581,127
4.17	03/01/2026	34,482	7,422
4.02	10/01/2028	1,030,751	815,300
4.02	02/01/2028	1,014,778	750,501
4.02	11/13/2026	2,206,237	1,457,645
4.02	11/01/2029	1,194,983	1,194,983
Total		\$ 10,107,990	\$ 6,512,872

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.

SBITAS

Subscription Based Information Technology Arrangements

Interest Rate (%)	Final Maturity Date	Initial Liability	Balance Outstanding 09/30/2025
4.17	09/01/2033	3,636,123	3,031,381
4.17	09/01/2026	498,887	153,960
4.02	10/01/2026	760,411	517,042
4.02	09/01/2027	400,474	297,944
4.02	09/01/2026	250,543	127,740
4.02	09/01/2027	666,064	464,055
4.02	07/16/2027	84,189	66,082
4.02	07/10/2029	846,650	667,078
Total		\$ 7,143,341	\$ 5,325,282

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

The annual requirements to amortize all outstanding debt of the City as of September 30, 2025 are as follows:

Fiscal Year	Governmental Activities					
	General Obligation Bonds		Tax Notes		SIB Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 31,545,000	\$ 16,526,757	\$ 5,493,959	\$ 993,478	\$ 515,864	\$ 115,742
2027	29,470,000	14,499,288	4,945,000	764,992	529,983	101,623
2028	28,450,000	13,213,204	4,465,000	596,469	544,489	87,117
2029	26,115,000	12,042,982	4,440,000	426,065	559,391	72,214
2030	24,575,000	10,988,491	3,790,000	261,413	574,701	56,904
2031-2035	103,725,000	41,061,397	4,524,997	142,368	1,820,214	74,603
2036-2040	82,130,000	20,124,769	-	-	-	-
2041-2045	50,535,000	4,923,922	-	-	-	-
Totals	\$ 376,545,000	\$ 133,380,810	\$ 27,658,956	\$ 3,184,785	\$ 4,544,642	\$ 508,203

Fiscal Year	Business-Type Activities					
	General Obligation Bonds		Tax Notes		Revenue/Contract Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 23,195,000	\$ 6,369,621	\$ 996,041	\$ 316,453	\$ 52,913,648	\$ 32,353,053
2027	22,295,000	5,441,104	1,020,000	229,090	53,117,094	28,733,437
2028	21,745,000	4,561,626	1,055,000	190,754	52,373,226	26,474,417
2029	21,830,000	3,675,491	1,095,000	151,033	43,470,816	24,373,864
2030	21,490,000	2,796,784	1,140,000	109,742	44,910,754	22,563,826
2031-2035	50,965,000	7,292,119	2,400,001	89,419	175,237,121	88,838,739
2036-2040	18,665,000	1,747,250	-	-	141,085,000	56,369,084
2041-2045	2,615,000	269,875	-	-	105,275,000	29,072,123
2046-2050	-	-	-	-	69,240,000	10,823,525
2051-2055	-	-	-	-	13,075,000	523,000
Totals	\$ 182,800,000	\$ 32,153,870	\$ 7,706,042	\$ 1,086,491	\$ 750,697,659	\$ 320,125,068

Fiscal Year	Leases			
	Governmental Activities		Business- Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,868,885	\$ 70,249	\$ 527,396	\$ 67,555
2027	1,524,279	83,956	515,723	47,328
2028	399,871	36,441	536,722	26,329
2029	412,678	23,633	40,702	6,943
2030	337,459	10,735	6,011	6,709
2031-2035	-	-	31,894	31,706
2036-2040	-	-	35,193	28,407
2041-2045	-	-	38,833	24,767
2046-2050	-	-	42,849	20,751
2051-2055	-	-	47,281	16,319
2056-2060	-	-	52,171	11,429
2061-2065	-	-	57,567	6,033
2066-2070	-	-	37,358	800
Totals	\$ 4,543,172	\$ 225,014	\$ 1,969,700	\$ 295,076

The value of right-to-use assets at the end of the current fiscal year was \$11,083,593 and had accumulated amortization of \$4,283,086.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Fiscal Year	Subscription Based Information Technology Arrangements			
	Governmental Activities		Business- Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 1,418,317	\$ 209,826	\$ -	\$ -
2027	1,196,306	151,781	-	-
2028	524,821	112,774	-	-
2029	546,579	91,017	-	-
20230	385,053	68,357	-	-
2031-2033	1,254,206	106,025	-	-
Totals	\$ 5,325,282	\$ 739,780	\$ -	\$ -

The value of Gross Subscription Assets at the end of the current fiscal year was \$12,110,296 and had accumulated amortization of \$6,894,790.

Long-term obligations for governmental and business-type activities for the year ended September 30, 2025 are as follows:

	Debt Payable		Debt Payable		Due in
	09/30/24	Additions	Deletions	09/30/25	one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	\$ 388,689,405	\$ 79,515,000	\$ 64,000,449	\$ 404,203,956	\$37,038,959
Bond Premiums	27,177,737	4,813,899	5,607,190	26,384,446	-
SIB Loan	5,046,764	-	502,122	4,544,642	515,864
Leases	2,744,268	3,401,219	1,602,315	4,543,172	1,868,885
Subscription Liability	5,122,813	2,247,919	2,045,450	5,325,282	1,418,317
Closure/Post Closure	7,962,352	312,369	-	8,274,721	-
Compensated Absences	42,524,101	20,753,902	15,202,168	48,075,835	14,304,916
Total OPEB Liability	101,902,314	9,003,430	7,819,566	103,086,178	-
Net Pension Liability	183,763,016	102,739,771	124,297,360	162,205,427	-
Insurance Claims Payable	5,302,467	51,604,057	50,929,991	5,976,533	4,634,743
Total Governmental activities	\$ 770,235,237	\$274,391,566	\$272,006,611	\$ 772,620,192	\$59,781,684
Business-type activities:					
Self-Supported -					
Obligation Bonds	\$ 282,590,594	\$ 28,645,000	\$ 120,729,552	\$ 190,506,042	\$24,191,041
Revenue and Contract Bon	682,352,882	115,030,000	46,685,223	750,697,659	52,913,650
Bond Premiums	88,210,043	9,608,165	15,529,470	82,288,738	-
Leases	439,795	2,045,528	515,623	1,969,700	527,396
Subscription Liability	214,353	-	214,353	-	-
Compensated Absences	8,891,581	4,855,482	4,197,916	9,549,147	4,735,088
Total OPEB Liability	35,118,207	3,822,644	2,745,580	36,195,271	-
Net Pension Liability	37,362,371	28,091,425	36,242,124	29,211,672	-
Insurance Claims Payable	-	-	-	-	-
Total Business-type activities	\$1,135,179,826	\$192,098,244	\$226,859,841	\$1,100,418,229	\$82,367,175

*Beginning balances have been adjusted due to the Risk Internal Service Fund changing from a business-type activity to a governmental activity in FY 25.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 2025, the City had \$8,739,667 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	\$	772,620,193	
Long-Term Debt - Business-Type Activities		1,100,418,230	
Interest		491,699,097	
Total Amount of Debt	\$		2,364,737,520
Less: Bond Discounts/Premiums		(108,673,184)	
Less: Closure/Post Closure		(8,274,721)	
Less: Compensated Absences		(57,624,982)	
Less: Post Employment Benefits		(139,281,449)	
Less: Net Pension Liability		(191,417,099)	
Less: Insurance Claims Payable		(5,976,533)	
Total Other Debt			(511,247,968)
Total Future Bonded Debt Requirements	\$		1,853,489,552

New Bond Issuance

In February 2025, the City issued \$57,470,000 Water and Wastewater System Revenue Bonds, Series 2025 (Bonds), with a 3.99 percent interest rate. The Bonds were issued at a premium of \$3,788,336 and incurred issuance costs of \$521,172. The \$61,258,336 proceeds from the sale of the Bonds will be used to (i) pay the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the Water and Wastewater System, (ii) fund capitalized interest for the Bonds, if necessary, (iii) fund the reserve fund requirement for the Bonds, if necessary, and (iv) pay the costs of issuing the Bonds.

In April 2025, the City issued \$46,310,000 General Obligation Bonds, Series 2025 (Bonds), with a 4.15 percent interest rate. The Bonds were issued at a premium of \$3,161,170 and incurred issuance costs of \$471,170. The \$49,471,170 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 June 2025, the City issued \$16,240,000 Tax Note, Series 2025, with a 3.83 percent interest rate. The Tax Notes incurred issuance costs of \$80,000. The \$16,160,000 proceeds from the sale of Tax Notes will be used to (a) finance (i) renovations, additions, expansions and improvements to the Lubbock Preston Smith

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

International Airport taxiway and (ii) renovations and improvements to the City cemetery, (b) purchase of vehicles (together with (a), the “Project”); and (c) pay the costs incurred in connection with the execution and delivery of the Note.

Refunding

In December 2024, the City issued \$45,610,000 General Obligation Refunding Bonds, Series 2024 (Bonds), with an interest rate of 3.31 percent. The Bonds were issued at a premium of \$3,060,039 and incurred issuance costs of \$401,340. The \$48,670,039 proceeds from the sale of the Bonds were used to refund a portion of the City’s outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the Refunded Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunded Bonds. The bonds refunded \$47,630,000 of outstanding debt. Because of the refunding, the City decreased debt service requirements by \$1,649,494, which resulted in net present value savings of \$1,462,758, or 3.07 percent savings on refunded bonds.

In December 2024, the City issued \$57,560,000 Water and Wastewater System Revenue Refunding Bonds, Series 2024 (Bonds), with an interest rate of 3.33 percent. The Bonds were issued at a premium of \$4,412,520 and incurred issuance costs of \$494,572. The \$61,972,520 proceeds from the sale of the Bonds were used to refund a portion of the City’s outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the Refunded Bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunded Bonds. The bonds refunded \$60,615,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by \$2,812,975, which resulted in net present value savings of \$2,443,580, or 4.03 percent savings on refunded bonds.

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, 2025, the City had no outstanding defeased debt.

J. CONDUIT DEBT

In the past, the City has approved the issuance of 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, 2025, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of \$14,465,000. The bonds were issued in 2007 and refunded in FY 2016.

K. 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 \$1,794,000 outstanding special assessment debt as of September 30, 2025. 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

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

completes construction of certain public facilities, the assets are donated to the City. As of September 30, 2025, \$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.

L. STATE INFRASTRUCTURE BANK LOAN (SIB LOAN)

In 2017, the State of Texas agreed to issue a \$7.25 million State Infrastructure Bank Loan to the City of Lubbock for the purposes of purchasing right of way and to adjust utilities for FM 1585 widening in relation to the project for a new outer loop. Planning for the Lubbock Loop 88 project began nearly a decade ago. The Loop will be approximately 12.4 miles long and is located West of US 84. The goal of the project is to improve mobility and reduce congestion in the area as many goods are transported within the region. The loan is scheduled to be paid back in FY 2033.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

M. FUND BALANCE

The City classified governmental fund balances as follows:

Fund Balances	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ 148,657	\$ -	\$ -	\$ -	\$ 148,657
Restricted:					
Debt service	-	14,868,746	-	5,919,383	20,788,129
Tax note purchases	270,592	-	-	-	270,592
Economic and business development	-	-	-	241,280	241,280
Tourism, convention centers, arts	-	-	-	1,142,666	1,142,666
Animal assistance	-	-	-	556,338	556,338
Tax improvement financing areas	-	-	-	14,479,955	14,479,955
Public improvement districts	-	-	-	5,879,692	5,879,692
Cable services to community public buildings	-	-	-	3,990,669	3,990,669
Community services grants	-	-	-	2,108,320	2,108,320
Heath grants	-	-	-	367,428	367,428
Police grants	-	-	-	38,251	38,251
Law enforcement purposes	-	-	-	1,832,613	1,832,613
Court technology	-	-	-	2,322,682	2,322,682
Donations for community services	-	-	-	67,181	67,181
Donations for animal services	-	-	-	179,649	179,649
Donations for museums	-	-	-	273,936	273,936
Donations for parks and recreational	-	-	-	148,482	148,482
Donations for fire services	-	-	-	6,231	6,231
Donations for police services	-	-	-	6,159	6,159
Donations for cultural	-	-	-	5,731	5,731
Donations for other programs	-	-	-	56,253	56,253
Street capital projects	-	-	108,065,104	-	108,065,104
General facility capital projects	-	-	22,442,155	-	22,442,155
Public safety capital projects	-	-	202	-	202
Parks capital projects	-	-	-	-	-
TIF capital projects	-	-	-	1,719,876	1,719,876
Committed:					
Gateway street capital projects	-	-	-	3,815,279	3,815,279
TIF capital projects	-	-	-	6,646,193	6,646,193
Infrastructure and neighborhood dev	-	-	-	721,860	721,860
Street capital projects	-	-	20,873,258	-	20,873,258
General facility capital projects	-	-	7,392,432	-	7,392,432
Public safety capital projects	-	-	394,149	-	394,149
Parks capital projects	-	-	7,427,086	-	7,427,086
Tourism, convention centers, arts	-	-	90,093	-	90,093
Unassigned	83,459,391	-	-	(11,691)	83,447,700
Total Fund Balances	\$ 83,878,640	\$ 14,868,746	\$ 166,684,479	\$ 52,514,416	\$ 317,946,281

The restricted special revenue fund balances are also restricted for GWFS net position.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

N. 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. As of April 1, 2025 the City once again self-insures our workers' compensation program. We hired TRISTAR as our third-party administrator.

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 \$750,000 self-insured retention per claim.

For self-insured coverage, the Risk Management Fund establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on complex factors such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for liability coverage. Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claim liabilities are charged or credited to an expense account in the period in which they are incurred.

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. In FY 2018, the City of Lubbock separated Lubbock Power and Light's (LP&L) property and boiler and machinery as a cost savings measure. The City's property insurance policy, excluding LP&L, was purchased from an outside insurance carrier. The policy has a 3% of total values wind/hail deductible per occurrence and a \$250,000 deductible for all other forms of loss. The City's boiler and machinery insurance policy, excluding LP&L, was purchased from an outside insurance carrier. The policy has a \$25,000 deductible. Lubbock Power and Light purchases package property and boiler and machinery coverage from an outside carrier. The policy has various deductibles for both property and boiler and machinery ranging from \$250,000 to 2.5% of location values. Premiums are charged to funds based upon estimated premiums for the upcoming year. Departments that sustain property damage in excess of \$1,000 are eligible to request assistance from the Risk Management Fund for payment of those damages up to the policy deductible.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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.

O. HEALTH INSURANCE

The City provides medical and dental insurance for all full-time employees and accounts for these activities in the Health Benefits Fund. Revenue for the health insurance program is generated from each cost center, based upon the number of full-time employees. The City's plan is self-insured under an Administrative Services Only (ASO) Agreement. The City purchases excess coverage of \$700,000 per covered individual annually. Beginning on January 1, 2012, the City discontinued coverage that included an aggregate cap. The insurance vendor, based on medical trend, claims history, and utilization assists in the determination of the individual deductible. The actuarially determined IBNR calculations of Active/COBRA employees, Pre-65 Retirees and Disabled Retirees for the claim reserve liability estimate was \$2.47 million at September 30, 2025 for all health coverages including medical, prescription drugs and dental 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:

	<u>FY 2025</u>	<u>FY 2024</u>
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	\$ 2,982,648	\$ 2,655,524
Claims Expenses	8,995,238	11,778,123
Claims Payments	<u>(8,528,333)</u>	<u>(11,450,999)</u>
Workers' Compensation and Liability Reserves at End of Fiscal Year	<u>3,449,553</u>	<u>2,982,648</u>
Medical and Dental Claims Liability at Beginning of Fiscal Year	2,319,819	2,002,759
Claims Expenses	42,608,819	39,083,231
Claims Payments	<u>(42,401,658)</u>	<u>(38,766,171)</u>
Medical and Dental Claims Liability at End of Fiscal Year	<u>2,526,980</u>	<u>2,319,819</u>
Total Self-Insurance Liability at End of Fiscal Year	<u>\$ 5,976,533</u>	<u>\$ 5,302,467</u>
Total Assets to Pay Claims at End of Fiscal Year	<u>\$ 32,297,635</u>	<u>\$ 29,238,150</u>
Accrued Insurance Claims Payable - Current	\$ 4,634,743	\$ 3,628,442
Accrued Insurance Claims Payable - Noncurrent	<u>1,341,790</u>	<u>1,674,025</u>
Total Accrued Insurance Claims	<u>\$ 5,976,533</u>	<u>\$ 5,302,467</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

P. 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 \$8,274,721 included in landfill closure and post closure care liability at September 30, 2025, 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 99.4 percent of the estimated capacity of Landfill 69 has been used, with \$591,689 remaining to be recognized over the remaining closure period. Approximately 10.4 percent of the estimated capacity of Landfill 2252 has been used to date, with \$23,498,697 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.

Q. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	<u>Accounts Receivable Summary</u>				Balance at 09/30/25
	Court Fines	Consumer Metered	Property Damage	Paving	
Governmental Funds:					
General Fund	\$ 11,974,066	\$ 4,709,790	\$ 482,464	\$ 221,417	\$ 17,387,737
Capital Projects	-	-	-	-	-
Total	<u>\$ 11,974,066</u>	<u>\$ 4,709,790</u>	<u>\$ 482,464</u>	<u>\$ 221,417</u>	<u>\$ 17,387,737</u>

	<u>Accounts Receivable Summary</u>		Balance at 09/30/25
	General Consumer	Misc.	
Proprietary Funds:			
LP&L	\$ 31,284,885	\$ 1,264,075	\$ 32,548,960
Water/Wastewater	20,062,905	15,824	20,078,729
Storm Water	3,388,536	-	3,388,536
Nonmajor	1,961,782	221,202	2,182,984
Total	<u>\$ 56,698,108</u>	<u>\$ 1,501,101</u>	<u>\$ 58,199,209</u>

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

Allowance for Doubtful Accounts Summary

	Balance at 09/30/25
Governmental Funds:	
General Fund	\$ 12,380,726
Proprietary Funds:	
LP&L	4,599,255
Water/Wastewater	4,585,391
Storm Water	896,596
Nonmajor	10,547
Total	\$ 22,472,515

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 09/30/25
Governmental Funds:				
General Fund	\$ 1,510,098	\$ 649,594	\$ 3,834,853	\$ 5,994,545
Govt. Capital Projects	3,239,545	2,364,057	418,301	6,021,903
Nonmajor	282,729	2,511,897	1,569,157	4,363,783
Proprietary Funds:				
LP&L	1,123,488	3,669	5,634,370	6,761,527
Water/Wastewater	3,133,594	1,338,595	1,686,952	6,159,141
Storm Water	184,678	487,434	241,617	913,729
Nonmajor	2,098,542	2,140,700	394,636	4,633,878
Internal Service	3,923,503	443,942	454,122	4,821,567
Total	\$ 15,496,177	\$ 9,939,888	\$ 14,234,008	\$ 39,670,073

R. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				Balance at 09/30/25
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	
Governmental Activities	\$ 5,007,011	\$ 521,001	\$ 23,100,662	\$ 486,129	\$ 29,114,803
Business-Type Activities	48,107,420	1,741,913	-	1,458	49,850,791
Total	\$ 53,114,431	\$ 2,262,914	\$ 23,100,662	\$ 487,587	\$ 78,965,594

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 09/30/25
Governmental Activities	\$ 16,380,231	\$ 4,742,457	\$ 21,122,688
Business-Type Activities	18,468,275	79,110	18,547,385
Total	\$ 34,848,506	\$ 4,821,567	\$ 39,670,073

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 \$750,000 self-insured retention per claim. As of September 30, 2025, the City has \$873,400 reserved on general liability claims, as determined by an actuarial calculation.

LP&L is involved in various legal and regulatory proceedings. Those lawsuits and claims which are considered probable and estimable are accrued as a liability, while those claims and judgments which are considered reasonably possible are disclosed but not accrued. On September 30, 2025, LP&L has not accrued any liabilities for pending material claims and lawsuits considered to be probable.

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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 \$10 million in Real Property improvements or new Personal Property, or combination of the two, and 25 new permanent jobs if the facility is a new company to Lubbock.
- The project will add at least \$10 million in Real Property improvements or new Personal Property, or combination of the two, and 25 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

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 casualty 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 properly follow the legal procedures for their protest or contest, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.
- In the event that the applicant or owner, who has executed a Tax Abatement Agreement with the City, relocates the business, for which tax abatement has been granted, to a location outside of the designated Reinvestment Zone, then in such event, the Tax Abatement Agreement shall terminate after sixty (60) days written notice by the City to the applicant or owner. Taxes abated during the calendar year in which termination, under this section takes place shall be payable to the City by no later than January 31st of the following year. Taxes abated in years prior to the year of termination shall be payable to the City within sixty (60) days of the date of termination.
- The date of termination as the term is used in this Section IX shall, in every instance, be the 60th day after the day the City sends notice of default, in the mail to the address shown in the Tax Abatement Agreement to the applicant or owner. Should the default be cured by the applicant or owner within the sixty (60) day notice period, the applicant or owner shall be responsible for so advising in the City and obtaining a release from the notice of default from the City, failing in which, the abatement remains terminated and the abated taxes must be paid.
- In event case of termination set forth in Paragraphs 1, 2, 3, 4, and 5 above, the City shall determine whether default has occurred by applicant or owner in the terms and conditions of the Tax Abatement Agreement and shall so notify all other affected jurisdictions.
- In the event that a Tax Abatement Agreement is terminated for any reason whatsoever, and taxes are not paid within the time period herein specified, then in such event, the provisions of V.T.C.A., Tax Code, Section 33.01 will apply.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2025

No other commitments are included in tax abatement agreements. The gross dollar amount by which the City's tax revenues were reduced, was \$513,565.

Industrial Tax Abatement Program	Amount of Taxes Abated During the Fiscal Year
Monsanto	\$ 493,017
United/Safeway	20,548
	\$ 513,565

NOTE VI. SUBSEQUENT EVENTS

On March 19, 2026, the City of Lubbock plans to price General Obligation Bonds in the amount of \$105,000,000, Certificates of Obligation in the amount of \$15,000,000, and Water and Wastewater System Revenue Bonds in the amount of \$60,000,000. The planned closing date for all issuances is April 22, 2026.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service Cost	\$ 23,829,538	22,018,861	20,783,149	\$ 18,751,672	\$ 18,540,809	\$ 17,744,764	\$ 16,842,100	\$ 16,420,981	\$ 15,823,941	\$ 15,646,134
Interest (on the total pension liability)	59,798,452	57,555,986	54,430,194	51,719,509	50,306,547	48,499,961	47,036,685	45,317,091	43,569,660	43,381,064
Difference between expected and actual experience	7,241,886	7,425,516	14,653,185	11,312,485	(7,266,289)	(3,365,549)	(6,213,444)	(709,626)	(116,124)	(2,308,849)
Change of assumptions	-	(6,959,672)	-	-	-	1,696,165	-	-	-	1,083,512
Benefit payments, including refunds of employee contributions	(50,602,893)	(44,845,733)	(43,506,972)	(41,775,241)	(39,732,225)	(36,686,001)	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)
Net Change in Total Pension Liability	40,266,983	35,194,958	46,359,556	40,008,425	21,848,842	27,889,340	21,474,319	25,692,379	27,237,278	25,554,440
Total Pension Liability - Beginning	899,289,673	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
Total Pension Liability - Ending (a)	<u>\$ 939,556,656</u>	<u>899,289,673</u>	<u>864,094,715</u>	<u>817,735,159</u>	<u>777,726,734</u>	<u>755,877,892</u>	<u>727,988,552</u>	<u>706,514,233</u>	<u>680,821,854</u>	<u>653,584,576</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 24,485,759	22,135,983	20,355,513	\$ 19,270,118	\$ 19,151,231	\$ 18,573,283	\$ 17,977,519	\$ 17,388,324	\$ 16,727,368	\$ 17,455,926
Contributions - Employee	9,570,096	9,109,458	8,553,456	7,721,277	7,630,862	7,341,830	6,972,627	6,781,947	6,519,575	6,580,584
Net Investment Income	80,932,848	82,313,890	(57,169,662)	92,125,932	50,799,016	91,140,108	(18,566,799)	76,875,125	35,696,237	791,199
Benefit payments, including refunds of employee contributions	(50,602,893)	(44,845,733)	(43,506,972)	(41,775,241)	(39,732,225)	(36,686,001)	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)
Administrative Expense	(520,213)	(524,594)	(495,317)	(426,591)	(328,945)	(515,289)	(358,970)	(398,475)	(403,223)	(481,936)
Other	(12,167)	(3,665)	591,061	2,922	(12,833)	(15,479)	(18,755)	(20,194)	(21,725)	(23,803)
Net Change in Plan Fiduciary Net Position	63,853,430	68,185,339	(71,671,921)	76,918,417	37,507,106	79,838,452	(30,185,400)	65,290,660	26,478,033	(7,925,451)
Plan Fiduciary Net Position - Beginning	780,655,975	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
Plan Fiduciary Net Position - Ending (b)	<u>\$ 844,509,405</u>	<u>780,655,975</u>	<u>712,470,636</u>	<u>784,142,557</u>	<u>707,224,140</u>	<u>669,717,034</u>	<u>589,878,582</u>	<u>620,063,982</u>	<u>554,773,322</u>	<u>528,295,289</u>
City's Net Pension Liability - Ending (a) - (b)	\$ 95,047,251	118,633,698	151,624,079	\$ 33,592,602	\$ 70,502,594	\$ 86,160,858	\$ 138,109,970	\$ 86,450,251	\$ 126,048,532	\$ 125,289,287
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.88%	86.81%	82.45%	95.89%	90.93%	88.60%	81.03%	87.76%	81.49%	80.83%
Covered Payroll	136,715,653	130,135,114	122,181,946	110,303,954	108,999,463	104,874,493	99,598,464	96,821,824	93,136,791	93,914,371
City's Net Pension Liability as a Percentage of Covered Payroll	69.52%	91.16%	124.10%	30.45%	64.68%	82.16%	138.67%	89.29%	135.34%	133.41%

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 25,905,981	\$ 23,827,846	\$ 21,799,011	\$ 20,802,453	\$ 18,970,523	\$ 19,163,541	\$ 18,379,276	\$ 17,788,537	\$ 17,128,597	\$ 16,819,070
Contributions in relation to the actuarially determined contribution	25,905,981	23,827,846	21,799,011	20,802,453	18,970,523	19,163,541	18,379,276	17,788,537	17,128,597	16,819,070
Covered payroll	142,456,936	134,624,689	128,774,138	123,343,099	108,423,015	108,835,832	103,246,935	98,700,040	95,409,809	92,797,625
Contributions as a percentage of covered payroll	18.19%	17.70%	16.93%	16.87%	17.50%	17.61%	17.80%	18.02%	17.95%	18.12%

Notes to Schedule of Contributions

Valuation Date: December 31, 2023
 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	22 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB (10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information

Notes: There were no benefit changes during the year.

**City of Lubbock, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Lubbock Fire Pension Fund**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service Cost	\$ 8,751,021	8,475,565 \$	7,586,703	7,347,896	6,968,616 \$	6,732,962 \$	6,633,905 \$	6,378,755 \$	6,133,418 \$	5,897,517
Interest (on total pension liability)	26,978,844	25,940,134	24,049,453	23,206,562	22,472,953	21,681,080	21,482,849	20,651,840	19,752,539	18,983,849
Changes of benefit provisions	-	-	-	-	-	(5,954,023)	-	-	-	-
Difference between expected and actual experience	(5,471,682)	-	12,896,584	-	996,773	-	35,696	-	1,284,558	-
Change of assumptions	3,478,651	-	-	-	8,341,782	-	(2,680,334)	-	-	-
Benefit payments, including refunds of employee contributions	(20,973,278)	(20,710,099)	(19,714,938)	(19,394,522)	(20,029,797)	(16,834,155)	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)
Net Change in Total Pension Liability	12,763,556	13,705,600	24,817,802	11,159,936	18,750,327	5,625,864	8,187,603	11,189,026	11,388,134	10,266,396
Total Pension Liability - Beginning	361,453,536	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
Total Pension Liability - Ending (a)	\$ 374,217,092	\$ 361,453,536	\$ 347,747,936	\$ 322,930,134	\$ 311,770,198	\$ 293,019,871	\$ 287,394,007	\$ 279,206,404	\$ 268,017,378	\$ 256,629,244
Plan Fiduciary Net Position										
Contributions - Employer	\$ 9,714,939	9,130,120 \$	8,439,910	8,063,879	7,661,634 \$	7,555,031 \$	7,214,819 \$	6,897,164 \$	6,598,900 \$	6,652,094
Contributions - Employee	6,691,027	6,361,358	5,806,171	5,445,830	5,363,142	5,189,023	4,312,808	3,947,134	3,774,706	3,716,202
Net Investment Income	23,486,083	24,807,547	(11,730,635)	38,837,083	19,792,987	29,245,480	(2,831,237)	23,109,838	7,668,252	(5,133,050)
Benefit payments, including refunds of employee contributions	(20,973,278)	(20,710,099)	(19,714,938)	(19,394,522)	(20,029,797)	(16,834,155)	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)
Administrative Expense	(220,426)	(215,310)	(262,048)	(375,072)	(303,578)	(316,533)	(351,995)	(290,549)	(322,882)	(244,762)
Other	187,052	69	941	1,929	436,792	225,073	570,341	1,015,473	1,244,040	136,500
Net Change in Plan Fiduciary Net Position	18,885,397	19,373,685	(17,460,599)	32,579,127	12,921,180	25,063,919	(8,369,777)	18,837,491	3,180,635	(9,487,986)
Plan Fiduciary Net Position - Beginning	258,961,847	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
Plan Fiduciary Net Position - Ending (b)	\$ 277,847,244	\$ 258,961,847	\$ 239,588,162	\$ 257,048,761	\$ 224,469,634	\$ 211,548,454	\$ 186,484,535	\$ 194,854,312	\$ 176,016,821	\$ 172,836,186
City's Net Pension Liability - Ending (a) - (b)	\$ 96,369,848	102,491,689 \$	108,159,774	65,881,373	87,300,564 \$	81,471,417 \$	100,909,472 \$	84,352,092 \$	92,000,557 \$	83,793,058
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.25%	71.64%	68.90%	79.60%	72.00%	72.20%	64.89%	69.79%	65.67%	67.35%
Covered Payroll	44,666,402	42,465,674	38,759,486	36,354,005	35,802,016	34,639,673	33,080,326	31,754,899	30,367,707	29,897,052
City's Net Pension Liability as a Percentage of Covered Payroll	215.75%	241.35%	279.05%	181.22%	243.84%	235.20%	305.04%	265.63%	302.96%	280.27%

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)**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily Determined Contribution	\$ 10,172,796	\$ 9,592,201	\$ 9,081,090	\$ 8,221,494	\$ 8,021,424	\$ 7,551,705	\$ 7,525,133	\$ 7,111,376	\$ 7,071,721	\$ 6,591,298
Contributions in relation to the contractually determined contribution	10,172,796	9,592,201	9,081,090	8,221,494	8,021,424	7,551,705	7,525,133	7,111,376	7,071,721	6,591,298
Covered payroll	46,771,478	44,218,360	42,112,792	37,756,575	36,308,606	35,134,173	34,502,908	32,636,722	32,554,784	30,141,037
Contributions as a percentage of covered payroll	21.75%	21.69%	21.56%	21.77%	22.09%	21.49%	21.81%	21.79%	21.72%	21.87%

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.

City of Lubbock, Texas
 Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service Cost	\$ 7,578,199	6,844,157	\$ 10,103,936	\$ 10,509,230	\$ 8,633,091	\$ 8,904,939	\$ 7,851,201	\$ 6,889,393
Interest (on the total OPEB liability)	5,247,875	5,299,115	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	(2,990,897)	(11,385,117)	(205,595)	(19,857,298)	(761,751)	(8,855,483)	(1,162,564)	-
Change of assumptions	(4,356,849)	10,949,561	(33,405,883)	(7,915,478)	13,543,540	7,232,469	(6,179,217)	7,332,144
Benefit payments	(3,217,400)	(4,214,935)	(4,810,834)	(3,708,212)	(4,155,820)	(4,153,211)	(3,674,958)	(5,316,929)
Net Change in Total OPEB Liability	2,260,928	7,492,781	(25,418,666)	(17,455,706)	21,471,222	8,501,008	1,566,167	13,776,583
Total OPEB Liability - Beginning	137,020,521	129,527,740	154,946,406	172,402,112	150,930,890	142,429,882	140,863,715	127,087,132
Total OPEB Liability - Ending (a)	\$ 139,281,449	137,020,521	\$ 129,527,740	\$ 154,946,406	\$ 172,402,112	\$ 150,930,890	\$ 142,429,882	\$ 140,863,715
Covered-Employee Payroll	164,849,057	152,176,690	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	84.49%	90.04%	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 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS Experience Study and the health care trend rates were updated to reflect the plan's anticipated experience.

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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes				
Property Tax	\$ 89,351,424	\$ 89,351,424	\$ 88,683,045	\$ (668,379)
Delinquent Taxes	1,025,000	1,025,000	1,545,391	520,391
Sales Tax	105,648,634	105,648,634	100,476,724	(5,171,910)
Mixed Beverage Tax	2,000,000	2,000,000	1,925,542	(74,458)
Bingo Tax	200,000	200,000	209,505	9,505
Suddenlink	1,535,000	1,535,000	938,945	(596,055)
Xcel	1,000	1,000	781	(219)
Atmos	3,778,000	3,778,000	3,480,154	(297,846)
South Plains Electric Cooperative	2,175,000	2,175,000	2,599,939	424,939
West Texas Gas Company	75,000	75,000	66,251	(8,749)
Franchise Fee	24,158,803	24,158,803	25,936,154	1,777,351
Telecom Right of Way	1,576,000	1,576,000	939,338	(636,662)
Development Services	320,900	320,900	214,635	(106,265)
General Government	276,950	276,950	262,453	(14,497)
City Secretary	500,150	500,150	522,888	22,738
Public Safety	975,665	912,165	1,054,348	142,183
Public Works	29,614,228	29,678,128	29,489,419	(188,709)
Health	134,100	134,100	23,305	(110,795)
Animal Shelter	94,500	94,500	115,110	20,610
Cultural/Recreational	629,684	629,684	794,983	165,299
Museum	349,350	273,592	241,691	(31,901)
Licenses and Permits	5,882,279	5,882,279	5,513,224	(369,055)
Intergovernmental	546,561	543,551	746,525	202,974
Fines and Forfeitures	2,867,475	2,867,475	3,419,622	552,147
Interest Earnings	2,630,000	2,630,000	4,652,947	2,022,947
In Lieu of Property Tax	11,015,679	11,015,679	12,455,324	1,439,645
Rental	68,000	68,000	22,147	(45,853)
Recoveries of Expenditures	1,035,080	1,037,690	818,840	(218,850)
Oil and Gas Royalties	400,000	400,000	320,754	(79,246)
Other	532,400	532,400	1,157,218	624,818
Transfers from Street Improvement Fund	-	1,524,850	1,524,850	-
Transfers from Solid Waste CIP	290,900	290,900	290,900	-
Transfers from Electric Fund	2,017,848	2,017,848	2,017,848	-
Transfers from Water/Wastewater Fund	3,097,316	3,097,316	3,097,316	-
Transfers from Airport Fund	2,502,392	2,502,392	2,502,392	-
Transfer from Risk Fund	216,295	216,295	216,295	-
Transfers from Stormwater	632,884	632,884	632,884	-
Total Revenue	<u>\$ 298,154,497</u>	<u>\$ 299,603,589</u>	<u>\$ 298,909,687</u>	<u>\$ (693,902)</u>
EXPENDITURES				
<u>Administrative Services</u>				
City Attorney	\$ 2,617,904	\$ 2,699,687	\$ 2,493,845	\$ 205,842
City Council	604,742	613,325	535,191	78,134
City Manager	1,852,421	1,911,128	1,930,817	(19,689)
City Secretary	1,747,041	2,171,131	1,833,753	337,378
Facilities Management	5,508,382	5,559,449	4,861,768	697,681
Finance	3,852,551	3,960,600	3,743,397	217,203
Human Resources	1,317,432	1,353,300	1,243,898	109,402
Internal Audit	300,072	307,914	218,952	88,962
Non-departmental	4,282,015	4,282,015	4,133,423	148,592
Communications and Marketing and Call Center	1,061,846	1,085,793	1,039,726	46,067
Total Administrative Services	<u>23,144,406</u>	<u>23,944,342</u>	<u>22,034,770</u>	<u>1,909,572</u>

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
EXPENDITURES (Continued)				
<u>Development Services*</u>				
Building Safety	\$ 3,020,984	\$ 3,103,534	\$ 2,925,260	\$ 178,274
Codes and Environmental Health	5,302,458	4,780,743	4,824,505	(43,762)
Planning	1,192,409	1,224,452	1,174,961	49,491
Total Development Services	<u>9,515,851</u>	<u>9,108,729</u>	<u>8,924,726</u>	<u>184,003</u>
<u>Cultural and Recreation Services</u>				
Library	4,410,917	4,488,133	4,106,419	381,714
Cultural Arts	1,378,512	1,401,703	1,329,930	71,773
Parks and Recreation	13,848,816	14,006,323	14,220,613	(214,290)
Total Cultural and Recreation Services	<u>19,638,245</u>	<u>19,896,159</u>	<u>19,656,962</u>	<u>239,197</u>
<u>Public Works</u>				
Solid Waste	28,305,627	22,017,087	20,651,293	1,365,794
Engineering	790,637	1,135,722	1,332,761	(197,039)
Streets	6,695,908	6,546,070	5,002,817	1,543,253
Traffic	4,563,611	4,649,355	4,077,600	571,755
Total Public Works	<u>40,355,783</u>	<u>34,348,234</u>	<u>31,064,471</u>	<u>3,283,763</u>
<u>Public Safety and Health Services</u>				
Animal Services	4,699,459	3,766,543	3,585,023	181,520
Fire	71,400,961	73,818,439	73,663,867	154,572
Municipal Court	1,955,010	2,000,222	1,771,349	228,873
Police	92,765,166	95,607,816	95,416,126	191,690
Public Health	1,804,628	2,468,842	2,289,340	179,502
Total Public Safety and Health Services	<u>172,625,224</u>	<u>177,661,862</u>	<u>176,725,705</u>	<u>936,157</u>
Transfers	38,958,365	52,142,710	51,423,994	718,716
Payroll Accrual/Other Adjustments	6,435,719	-	84,189	(84,189)
Total Expenditures	<u>\$ 310,673,593</u>	<u>\$ 317,102,036</u>	<u>\$ 309,914,817</u>	<u>\$ 7,187,219</u>
Revenues less expenditures	<u>\$ (12,519,096)</u>	<u>\$ (17,498,447)</u>	<u>\$ (11,005,130)</u>	<u>\$ 6,493,317</u>

*Building Inspection and Codes & Environmental Health are included in "Other public safety" and Planning is included in "Economic and business development" on the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budget Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2025

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	\$298,909,687
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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	<u>84,189</u>
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Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$298,993,876</u>
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Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule	\$309,914,817
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Adjustments:

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Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$309,914,817</u>
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City of Lubbock, Texas
Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Property Tax	\$ 29,404,282	\$ 29,404,282	\$ 29,541,841	\$ 137,559
Interest Earnings	100,000	100,000	703,235	603,235
Transfers from Solid Waste	4,661,378	4,661,378	4,661,378	-
Transfers from North Overton TIF	2,919,557	2,919,557	2,919,557	-
Transfers from CBD TIF	940,954	940,954	940,954	-
Transfers from Hotel Tax Fund	90,500	90,500	90,500	-
Transfers from Gateway	8,778,479	8,778,479	8,778,479	-
Transfers from LP&L	1,141,493	1,141,493	1,141,493	-
Transfers from Water	146,744	146,744	146,744	-
Transfers from Storm Water	102,721	102,721	102,721	-
Transfers from General Capital Projects	-	-	-	-
Total Revenue	<u>48,286,108</u>	<u>48,286,108</u>	<u>49,026,902</u>	<u>740,794</u>
EXPENDITURES				
Principal	32,107,122	32,107,122	32,447,122	(340,000)
Interest and other charges	15,743,100	15,743,100	15,467,422	275,678
Transfer to Civic Center	442,206	442,206	442,206	-
Total Expenditures	<u>48,292,428</u>	<u>48,292,428</u>	<u>48,356,750</u>	<u>(64,322)</u>
Revenues less expenditures	<u>\$ (6,320)</u>	<u>\$ (6,320)</u>	<u>\$ 670,152</u>	<u>\$ 805,116</u>

City of Lubbock, Texas
Budget Comparison Schedule (Continued)
Debt Service Fund
For the Year Ended September 30, 2025

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	\$49,026,902
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Adjustments:	_____ -
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Total debt service fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$49,026,902</u>
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Expenditures and Other Financing Uses

Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule	\$48,356,750
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Adjustments:	_____ -
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Total debt service fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	<u>\$48,356,750</u>
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APPENDIX C
EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE

**APPENDIX C
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 City’s 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” means (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; or (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, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The City has the right, subject to satisfying the requirements of (a) and (b) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

“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.

“Escrow Agreement” means an agreement referred to in Section 15.02 of this Ordinance.

“Event of Default” means any event of default as described in Section 11.01 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:

- (1) Water and Wastewater System Revenue Bonds, Series 2019;
- (2) Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2019A;
- (3) Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2019B;

- (4) Water and Wastewater System Revenue Bonds, Series 2020A;
- (5) Water and Wastewater System Revenue Refunding Bonds, Series 2020B;
- (6) Water and Wastewater System Revenue Refunding Bonds, Taxable Series 2020C;
- (7) Water and Wastewater System Revenue Bonds, Series 2021;
- (8) Water and Wastewater System Revenue Bonds, Series 2021A;
- (9) Water and Wastewater System Revenue Bonds, Series 2022;
- (10) Water and Wastewater System Revenue Bonds, Series 2023;
- (11) Water and Wastewater System Revenue Refunding Bonds, Series 2024; and.
- (12) Water and Wastewater System Revenue Bonds, Series 2025.

“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.

(a) 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.

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

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

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

(e) 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.

(f) 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 and Refunding Bond Fund” (hereinafter referred to as the “Bond Fund”), the “Special Water and Wastewater System Revenue and Refunding 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.

Construction Fund.

There is hereby created and there shall be established and maintained on the books of the City and accounted for separate and apart from all other funds of the City, a separate fund designated as the "City of Lubbock, Texas, Water and Wastewater System Revenue and Refunding Bonds Series 2026 Construction Fund" (hereinafter called the "Construction Fund"). A portion of the proceeds from the sale of the Bonds in the amount prescribed in the Pricing Certificate shall be deposited to the credit of the Construction Fund for use by the City for payment of all lawful costs associated with acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System, as provided herein.

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.

(a) The City may defease the provisions of this Ordinance and discharge its obligations to pay the principal of and interest on any or all of the Bonds (a "Defeased Bond") by depositing with the Paying Agent/Registrar, a trust company or commercial bank other than the Paying Agent/Registrar, or with the Comptroller of Public Accounts of the State of Texas either:

(i) cash in an amount equal to the principal amount of such Bonds and premium, if any, and interest thereon to the date of maturity or redemption; or

(ii) pursuant to an escrow or trust agreement, cash and/or Defeasance Securities, which (in the case of Defeasance Securities) may be in book-entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption;

provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall have been made for giving notice of redemption as provided in this Ordinance.

Upon such deposit, such Bonds shall no longer be regarded to be Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall be returned to the City or deposited as directed in writing by the City.

(b) Any agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a) above. All income from such Defeasance Securities which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(d) In the event that the City elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

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 remainder 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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FORM OF OPINION

_____, 2026

We have acted as bond counsel to the City of Lubbock, Texas (the “City”), in connection with the issuance of \$48,585,000 aggregate principal amount of Water and Wastewater System Revenue Improvement and Refunding Bonds, Series 2026 (the “Bonds”). The Bonds are authorized by an ordinance adopted by the City Council of the City on March 10, 2026 (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,