PRELIMINARY OFFICIAL STATEMENT DATED MAY 5, 2020

RATINGS: S&P Global Ratings Services "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 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).

$42,775,000*
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM
REVENUE BONDS, SERIES 2020A

Dated: June 1, 2020 **Due: February 15, as shown on page ii**
(Interest accrues from the Delivery Date)

Principal of and interest on the $42,775,000* City of Lubbock, Texas Water and Wastewater System Revenue Bonds, Series 2020A (the "Bonds") issued by the City of Lubbock, Texas (the "City") are payable to the holders of the Bonds by The Bank of New York Mellon Trust Company, National Association, 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.**

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 date of initial delivery (the "Delivery Date"), expected to be on or about June 9, 2020, and is payable on February 15, 2021, 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 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 1371 and 1502, Texas Government Code, as amended, Article VIII of the Charter of the City, and an ordinance adopted by the City Council on May 12, 2020 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager, and the Chief Financial Officer the authority to effect the sale of the Bonds by the execution of a pricing certificate for the Bonds evidencing the final terms of the Bonds (the "Pricing Certificate") (see "THE BONDS – Authority for Issuance"). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance." The Bonds are special obligations of the City, payable, both as to principal and interest together with other Parity Bonds, 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 and (ii) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCE").

The Bonds are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the underwriters named below (the "Underwriters") by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. See "LEGAL MATTERS." Initial delivery of the Bonds through the facilities of DTC is expected to occur on or about June 9, 2020 (the "Delivery Date").

MORGAN STANLEY

HUNTINGTON CAPITAL MARKETS **SIEBERT WILLIAMS SHANK & CO., LLC**

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*Preliminary, subject to change.

CUSIP Prefix: 594233[a]

MATURITY SCHEDULE

$42,775,000* Water and Wastewater System Revenue Bonds, Series 2020A

Maturity	Principal Amount*	Interest Rate	Initial Offering Yield[b]	CUSIP Suffix[a]
2/15/2021	$1,000,000	%	%	
2/15/2022	1,395,000			
2/15/2023	1,455,000			
2/15/2024	1,510,000			
2/15/2025	1,580,000			
2/15/2026	1,665,000			
2/15/2027	1,750,000			
2/15/2028	1,835,000			
2/15/2029	1,930,000			
2/15/2030	2,030,000			
2/15/2031 [c]	2,135,000			
2/15/2032 [c]	2,245,000			
2/15/2033 [c]	2,360,000			
2/15/2034 [c]	2,480,000			
2/15/2035 [c]	2,610,000			
2/15/2036 [c]	2,725,000			
2/15/2037 [c]	2,840,000			
2/15/2038 [c]	2,955,000			
2/15/2039 [c]	3,075,000			
2/15/2040 [c]	3,200,000			

(Interest accrues from Delivery Date)

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*Preliminary, subject to change.

[a] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed on behalf of the American Bankers Association by S&P Global Market Intelligence. 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 Financial 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] The Bonds maturing on and after February 15, 2030 are subject to redemption, at the option of the City, on February 15, 2029 or any date thereafter, at par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption Provisions").

Concurrent Offering…The Bonds are being offered by the City concurrently with its Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") pursuant to a separate offering document. Such separate offering document should be reviewed and analyzed independently, including, without limitation, the types of obligations being offered, the terms for payment, the security for payments, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Certificates through the facilities of DTC is expected to occur on or about June 9, 2020.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE ATTACHED APPENDICES, 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 Financial Advisor, and the Underwriters make no representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system herein, as such information has been provided by DTC.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Lubbock, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas, located in Lubbock County, Texas. The City covers approximately 129.0 square miles and has a current estimated population of 264,385 (see "DESCRIPTION OF THE CITY").

THE BONDS .... The City's $42,775,000* Water and Wastewater System Revenue Bonds, Series 2020A (the "Bonds") are dated June 1, 2020, and mature on February 15 in each of the years 2021 through 2040, inclusive.

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the initial delivery date (the "Delivery Date"), and is payable February 15, 2021 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds").

AUTHORITY FOR ISSUANCE. .... The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapters 1371 and 1502, Texas Government Code, as amended, Article VIII of the Charter of the City, and an ordinance adopted by the City Council on May 12, 2020 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager, and the Chief Financial Officer the authority to effect the sale of the Bonds by the execution of a pricing certificate for the Bonds evidencing the final terms of the Bonds (the "Pricing Certificate") (see "THE BONDS – Authority for Issuance"). The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance."

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 and (ii) paying the costs associated with the issuance of the Bonds (see "PLAN OF FINANCE").

REDEMPTION PROVISIONS .... The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2030, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, 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 Standard and Poor's Financial Services LLC and "AA-" by Fitch Ratings (see "RATINGS").

TAX MATTERS .... In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal 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").

*Preliminary, subject to change.

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

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

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

DELIVERY .... Initial delivery of the Bonds through the facilities of DTC is expected to occur on or about June 9, 2020.

CONCURRENT OFFERING............ The Bonds are being offered by the City concurrently with the City's Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") which are being offered pursuant to a separate offering document. Such separate offering document should be reviewed and analyzed independently, including, without limitation, the types of obligations being offered, the terms for payment, the security for payments, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Certificates through the facilities of DTC is expected to occur on or about June 9, 2020.

For additional information regarding the City, please contact:

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Chief Financial Officer
City of Lubbock
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Lubbock, Texas 79547
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Dallas, Texas 75201
Phone (214) 989-1660
Fax (214) 989-1650

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS OF THE CITY

City Council	Position	Date of Installation of Office	Term Expires	Occupation
Daniel Pope	Mayor	May 2016	May 2020*	Business Owner
Jeff Griffith	Mayor Pro Tem, District 3	June 2014	May 2022	Business Owner
Juan Chadis	Council Member, District 1	June 2016	May 2020*	Retired
Shelia Patterson Harris	Council Member, District 2	June 2016	May 2020*	Retired
Steve Massengale	Council Member, District 4	May 2016	May 2020*	Business Owner
Randy Christian	Council Member, District 5	May 2018	May 2022	Marketing Professional
Latrelle Joy	Council Member, District 6	May 2012	May 2020*	Attorney

*On March 24, 2020, the Lubbock City Council passed an ordinance postponing the City of Lubbock elections scheduled for May 2, 2020 to November 3, 2020. The officials whose terms would have expired in May will continue to serve until a successor is elected or sworn into office.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Date of Employment in Current Position	Date of Initial Employment with City of Lubbock	Total Years of Government Service
W. Jarrett Atkinson	City Manager	December 2016	December 2016	25
Blu Kostelich	Chief Financial Officer	July 2017	July 2017	4
Cheryl Brock	Exec. Dir. of Budget	March 2012	April 1992	28
Bill Howerton	Deputy City Manager	June 2014	August 1998	20
Mark Yearwood	Assistant City Manager	September 2006	July 1993	29
Jesica McEachern	Assistant City Manger	June 2018	June 2018	11
Brooke Witcher	Assistant City Manager	January 2019	January 2003	16
Wood Franklin	Public Works Director	February 2015	August 1999	25
Aubrey Spear	Water Utilities Director	June 2007	June 2007	12
Chad Weaver	City Attorney	May 2014	June 2008	26
Rebecca Garza	City Secretary	January 2001	August 1996	26

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel .... Orrick, Herrington & Sutcliffe LLP
Austin, Texas

Financial Advisor .... RBC Capital Markets, LLC
Dallas, Texas

OFFICIAL STATEMENT
RELATING TO

$42,775,000*
CITY OF LUBBOCK, TEXAS
WATER AND WASTEWATER SYSTEM REVENUE BONDS, SERIES 2020A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of Lubbock, Texas (the "City") of its $42,775,000* Water and Wastewater System Revenue Bonds, Series 2020A (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 May 12, 2020 (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. 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").

See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak – COVID-19" for a discussion of the COVID-19 pandemic and its potential impact on the City.

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 Financial 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 2010 Census population for the City was 229,573 and the current estimated population is 264,385. The City covers approximately 129.0 square miles.

PLAN OF FINANCE

Purpose

The Bonds are being issued 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 and (ii) paying the costs associated with the issuance of the Bonds.

Sources and Uses of Proceeds

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

Sources of Proceeds:	
Principal Amount of the Bonds	$
Net Original Issue Premium (Discount)	
Total Sources of Proceeds	$
Uses of Proceeds:	
Deposit to Project Fund	$
Underwriting Discount	
Cost of Issuance	
Total Uses of Proceeds	$

THE BONDS

Description of the Bonds

The Bonds are dated June 1, 2020 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 payable on February 15, 2021, 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 The Bank of New York Mellon Trust Company, National Association (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 1371 and 1502, Texas Government Code, as amended, Article VIII of the Charter of the City, and the Bond Ordinance. In the Bond Ordinance, the City Council delegated to each of the Mayor, the City Manager and the Chief Financial Officer of the City (each, an "Authorized Officer") the authority to effect the sale of the Bonds by the execution of a pricing certificate evidencing the final terms of the Bonds (the "Pricing Certificate"). The Bond Ordinance and the Pricing Certificate are 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, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof within a stated maturity, on February 15, 2029, 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, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, 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 other customary method that results in a random selection, the Bonds, or portions thereof, within such maturity or maturities to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

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 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, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BONDS OR PORTION THEREOF HAVE NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right, in the case of an optional redemption, 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

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*Preliminary, subject to change.

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 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.

Amendments

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 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 so as to: (i) make any change in the maturity of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal payable on the outstanding Bonds; (iv) modify the terms of payment of principal of or interest on the outstanding Bonds or impose any conditions with respect to such payment; (v) affect the rights of the holders of less than all of the Bonds then outstanding; or (vi) change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

The City may, without the consent of or notice to any owners, amend the Ordinance to (i) add to the covenants and agreements of the City, grant additional rights or remedies to owners or to surrender, restrict or limit any right or power reserved to or conferred upon the City; (ii) to clarify matters or questions arising under the Ordinance or for the purpose of curing any ambiguity, or curing, correcting or supplementing any defective provision contained in the Ordinance (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, discharge or refunding of the Bonds in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to principal, premium, if any, and all interest to accrue on the Bonds to maturity or redemption and/or (ii) by depositing with a paying agent or other authorized escrow agent amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current Texas law, upon the making of a deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment 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 to take any other action amending the terms of the Bonds are extinguished; provided however, 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 current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. In addition, there is no assurance that the rating(s) of securities used to fund a defeasance escrow will be maintained at any particular rating category.

*Preliminary, subject to change.

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas. In the 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.

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 Financial 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 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 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 Financial Advisor, and the Underwriters believe to be reliable, but none of the City, the Financial 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.

Concurrent Offering

The Bonds are being offered by the City concurrently with the City's Combination Tax and Revenue Certificates of Obligation, Series 2020 which are being offered pursuant to a separate offering document. Such separate offering document should be reviewed and analyzed independently, including, without limitation, the types of obligations being offered, the terms for payment, the security for payments, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Certificates through the facilities of DTC is expected to occur on or about June 9, 2020.

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 contractual payments to the extent permitted by law and so characterized on any such contract, which under Texas law are established as operating expenses of the System. The City's payment obligations under such contracts constitute operating expenses of the System (see "THE SYSTEM"). The City also receives from the System annual payments in lieu of taxes ("PILOT") and franchise fees. The payment of the PILOT and the franchise fees are treated as operating expenses of the System, payable prior to the payment of debt service on Parity Obligations, including the Bonds.

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

Previously Issued Bonds

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

Dated Date	Outstanding Principal[(a)]	Issue Description
3/27/2019	$18,650,000	Water and Wastewater System Revenue Bonds, Series 2019
4/30/2019	$15,785,000	Water and Wastewater System Revenue Imp & Ref Bonds, Series 2019A
10/15/2019	$85,950,000	Water and Wastewater System Revenue Ref Bonds, Taxable Series 2019B

[(a)] as of June 1, 2020.

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 Bonds 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 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, 2019 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 Texas Water Development Board (the "TWDB Bonds") as described in APPENDIX C. The Bonds are not TWDB Bonds and are not secured by the TWDB Reserve Fund. The TWDB Reserve Fund will be funded in an amount equal to the TWDB Reserve Requirement, which shall be calculated and predetermined at the time of issuance of each series or installment of TWDB Bonds. The TWDB Reserve Fund Requirement for the TWDB Bonds is, as of the date of this Official Statement $1,075,951. The TWDB Reserve Fund Requirement for the TWDB Bonds is funded from Net Revenues of the System in equal monthly installments, over sixty (60) months, beginning in April 2019.

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) months 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 BONDS 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 City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues (such as the pledged Net Revenues), such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity that has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before the Bankruptcy Court. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and that all opinions relative to the enforceability of the Ordinance and the Bonds are subject to bankruptcy and other laws affecting creditors' rights or remedies generally.

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 266,263 people within the City of Lubbock and three surrounding communities (Shallowater, Ransom Canyon, and Buffalo Spring). The annual average potable water usage by the customer base is approximately 32.26 million gallons per day. The annual average daily flow of wastewater collected and treated by the Department is approximately 18.34 million gallons per day. 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'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 August 2018 and adopted by City Council in January 2019. The Plan includes an emphasis on water conservation strategies and includes diverse strategies for supplying Lubbock 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 water supply needs and various water supply strategies.

The City used a total of 11.542 billion gallons of water in FY 2019. The City's per capita consumption for FY 2019 was 119 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment is 74 million gallons per day, with an average utilization of 32.3 million gallons per day.

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 7.32 billion gallons of its annual water supply from CRMWA in FY 2019. Lake Meredith is at 42% of its capacity. Currently, CRMWA is blending groundwater from the Ogallala Aquifer in Roberts County with some surface water from Lake Meredith to help meet the needs of member cities. CRMWA owns 407,566 acres of ground water rights with an estimated 22 million acre-feet of water within those rights. CRMWA can deliver up to 65,000 acre-feet of water to its member cities each year from the

Roberts County Well Field. They supply additional water from Lake Meredith 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. Therefore, CRMWA is currently securing easements for a new pipeline route so a second transmission line ("CRMWA II") can be constructed from the well field to the aqueduct. This will allow for the full utilization of the aqueduct to the southern cities. The project is estimated to be completed sometime after 2032 when all of the member cities have a need for the additional water.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.13 billion gallons of the City's annual water supply in FY 2019. In October 2011, the City completed the construction of eight additional wells to maintain the well field production rates. The City will add additional wells to the Bailey County Well Field, as needed, to restore some of the well field production capacity.

The City finished construction on Lake Alan Henry in 1993. In 2012, Phase I of the Lake Alan Henry infrastructure project was completed. This project consisted of constructing: two new pump stations, a 51- mile raw water pipeline from the Lake to the City, a new South Water Treatment Plant with membrane technology, and 19 miles of treated water transmission lines. Phase I is capable of providing 11 million gallons of water per day to the City. Lake Alan Henry supplied 2.31 billion gallons of the City's annual water supply in FY 2019. Lake Alan Henry is currently at greater than 98% 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.

As of January 1, 2020, the City provides water service to over 90,516 meters through 1,859 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 classroom, and Lubbock-Cooper ISD. The City is under contract to provide potable water under emergency conditions to the cities of Littlefield and Wolfforth.

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 sue, 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

Wastewater collection and treatment is provided within the City limits to residential, commercial, and industrial customers. As of December 31, 2019, the collection system consisted of approximately 1,212 miles of sanitary sewer lines and 36 lift stations. The Northwest Water Reclamation Plant ("NWWRP") has a permitted capacity of 3 million gallons per day and an average utilization of approximately 1 million gallons per day. The Southeast Water Reclamation Plant ("SEWRP") has a permitted capacity of 31.5 million gallons per day and an average utilization of approximately 17.3 million gallons per day. The peak utilization of the SEWRP is 25 million gallons per day. The treated wastewater is disposed of or reused in various ways. In 2019, approximately 46 percent of the SEWRP wastewater was used to irrigate crops at the Lubbock Land Application Site and at the Hancock Land Application Site. In addition, Xcel Energy's Jones Power Plant used approximately 15 percent of the treated wastewater and 39 percent was discharged into the North Fork of the Double Mountain Fork (North Fork) of the Brazos River. Currently, dewatered solids generated during the wastewater treatment process are hauled and disposed of at the City's regional solid waste landfill in Abernathy, Texas.

As part of the City's Strategic Water Supply Plan, projects are underway to improve the quality of the treated wastewater so it can be reused in beneficial ways. The City has completed Phase I, Phase II, and 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 Digesters 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 removal. Design for rehabilitation of Plant 3 clarifiers and improved aeration capabilities has begun and these efforts will improve the quality of the City's effluent discharge and prepare it for future reuse opportunities. The high quality effluent can be discharged into the North Fork.

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I and II are complete and Phase III is under design. This project consists of engineering design and construction of large diameter sanitary sewer interceptors for the expansion of the existing sanitary sewer system. In addition, the Canyon Lakes Interceptor Rehabilitation project is under construction and will replace deteriorated lines and manholes to improve aging infrastructure. The new Northwest Water Reclamation Plant relieves the surcharge of sewer mains serving north Lubbock. In April 2020 a new wastewater master plan was completed by Freese and Nichols, Inc and presented to the City. The new plan incorporates changes that have occurred in the system over the last decade and includes additional project recommendations.

Capital Improvement Plan

The following discussion contains forward looking information. 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 2019-20 through 2024-25 and includes annual expenditures that range in size from $9.1 million to $71.7 million per year. The Department anticipates that the level of cash funding for all capital projects for a 10-year period between FY 2019-20 and FY 2024-30 is approximately 31 percent. The amount of cash funding averages roughly $7.8 million per year for the next five years, which is greater than the previous five-year average of $5.1 million per year.

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

Elevated Storage Tanks . . . The CIP includes a significant investment in order to purchase land and build five 2-million gallon storage tanks to meet Texas Commission on Environmental Quality ("TCEQ") requirements for the projected population. These storage tanks will also provide an opportunity to optimize pump efficiencies within the City in order to save on power costs and provide for pressure during power outages. These tanks will provide electrical savings opportunities for the City and lower the costs of operations and maintenance for pump stations by allowing the pump stations to run at optimal ranges.

Wastewater Collection Improvements . . . The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I and II are complete and Phase III is under design. This project consists of engineering design and construction of large diameter sanitary sewer interceptors for the expansion of the existing sanitary sewer system. In addition, the Canyon Lakes Interceptor Rehabilitation project is under construction and will replace deteriorated lines and manholes to improve aging infrastructure. The new Northwest Water Reclamation Plant relieves the surcharge of sewer mains serving north Lubbock. An update to the Wastewater Master Plan is complete. This plan will evaluate the existing collection system and provide a new master plan for meeting the City's expected development and growth.

Advanced Metering Infrastructure System ("AMI") . . . AMI will play an important part in making the water utilities distribution system more efficient by improving billing accuracy, early identification of meter malfunctions, timely detection of leaks, reduction in water bill disputes, enhanced water system management, and reduction in meter reading costs. This project includes the installation of approximately 86,000 new and/or retrofitted water meters that will send data to the integrated communication network. The budget for this project reflects a water AMI implementation schedule that is separate from Lubbock Power and Light's electric AMI implementation schedule. The deployment of the Water AMI system was 80% complete at the end of the 2019 calendar year. The project should be completed by the fall of 2020.

Annexation Water Lines for Fire Protection . . . The Annexation and Growth committee of the City identified three areas which have been recently annexed into City limits. The annexation plan allows for two years and six months to have fire coverage through fire hydrants installed in the annexed areas. This project will provide the annexed areas in West, Northwest, and North Lubbock with fire hydrant coverage. These areas have been identified in the 2040 Comprehensive Plan as targeted areas to develop and will also bring the Lubbock Preston Smith International Airport within City limits.

A capital improvement plan 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 Water and Wastewater Utilities 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, 2019. The City will submit the City's 2020 report to GFOA to determine its eligibility for another certificate.

Comprehensive Annual Financial Report (CAFR) . . . Beginning with the year ended September 30, 2002, the City's CAFR 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, 2019".

General Fund Balance . . . The City's objective is to maintain an unreserved/undesignated fund balance of 20% of operating revenues to meet unanticipated contingencies and fluctuations in revenue. The City's General Fund currently has an unreserved/undesignated fund balance that is at 154% of the target established by the City's financial policies.

Water and Wastewater, Storm Water and Airport Enterprise Fund Balances . . . It is the policy of the City to maintain appropriable net position in the Water and Wastewater fund in an amount equal to 25% of operating revenues for unforeseen contingencies. The City's goal of appropriable net position in the Airport and Storm Water funds is an amount equal to 15% of regular operating revenues. The City currently exceeds its policy on appropriable net position and unrestricted net position for its various enterprise funds. According to audited numbers for FY 2019, the target net position by policy and current appropriable net position for the Water and Wastewater, Storm Water, and Airport enterprise funds are as follows:

Enterprise Fund	Target Net Position by Policy	Appropriable Net Position
Water and Wastewater	$31.2 million	$61.5 million
Storm Water	$3.9 million	$13.7 million
Airport	$3.2 million	$15.7 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 fiscal year 2017-18. 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 requires 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. This 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. According to audited numbers for FY 2019, the target general reserve by ordinance and general reserve for LP&L are as follows:

Enterprise Fund	Target General Reserve by Policy	General Reserve
LP & L	$56.9 million	$68.1 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 in order to compensate for unexpected contingencies.

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

1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2) Public hearings are conducted to obtain taxpayer comments.

3) Prior to October 1 the budget is legally enacted through passage of an ordinance.

4) City Council action is required for the approval of any supplemental appropriations.

5) The General Fund budgets major classes of revenue and expenditures to the fund level. The City Manager is authorized to transfer budgeted amounts between accounts below the fund level. Any transfer of funds between funds is presented to the City Council for approval by ordinance before the funds are transferred or expended. Appropriations for the General Fund lapse at fiscal year-end.

6) Certain special revenue funds and the Debt Service Fund are budgeted at the fund level on an annual basis. The Debt Service Fund achieves additional oversight through general obligation bond indenture and other contract provisions.

7) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles with the exception of capital leases and capital outlay.

8) Capital projects and certain grants are also budgeted annually, but their budgets do not lapse at fiscal year-end. These funds have project length budgets which remain in effect until the project is completed and closed.

9) Budgetary comparison is presented for the General Fund, Special Revenue Funds and the Debt Service Fund in the Required Supplementary Information of the Comprehensive Annual Financial Report. The City has received the Distinguished Budget Presentation Award from the GFOA for the following budget years beginning October 1, 1983-88 and 1990-2019.

On September 10, 2019, the City Council approved the budget and set the tax rate for the fiscal year ending September 30, 2020.

Insurance and Risk Management . . . The City is self-insured for public entity liability and health benefits coverage. Risk management purchases an $18 million excess insurance policy for liability claims in excess of $500,000 per occurrence. Airport liability insurance and workers' compensation is insured under guaranteed cost policies. The City maintains insurance policies with large deductibles for fire and extended property coverage and boiler and machinery coverage. The Health Benefits are covered by a self-insured program with a $700,000 individual cap for 2020.

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

At September 30, 2019, the audited total Net Position of these insurance funds was as follows:

Self-insurance – health: $7,506,242

Self-insurance – risk management: $8,403,884

The City obtains an actuarial study of its risk management fund (the "Risk Fund") every year. In FY 2019, an actuarial study was conducted in order to allocate costs to departments. Considered were the types of insurance protection obtained by the City, the loss exposure and loss history, and claims being paid or reserved which are not covered by insurance. For FY 2019, the actuarial review recommended that the liabilities of the Risk Fund be increased to $4,415,370 from $3,797,943 to the minimum expected confidence level of the GASB Statement Number 10 ("GASB 10"), which requires maintenance of risk management assets at a level representing at least a 50% confidence level that all liabilities, if presented for payment immediately, could be paid. The Risk Fund has unrestricted net position for insurance claims of $8,377,477. Given the net position balance, the City exceeds the minimum GASB 10 requirement. For FY 2019, the actuarial review also recommended that the reserve of the Health Fund be decreased to $1,725,240 from $2,085,864 in FY 2018.

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: Chairman, Gregory Taylor, CPA, D Williams & Co., P.C.; Terisa Clark, CPA, Trinity Church; Brad Odell, Attorney, Mullin Hoard & Brown, LLP; Brandon Kidd, Commercial Lender, City Bank; and Keith Mann, President, Diversified Lenders.

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 2020 (Tax Year 2019), the City's total tax rate was set at $0.55802 per $100 taxable assessed valuation. The City's taxable assessed valuation increased approximately $1.2 billion or 5.8% from FY 2019 to FY 2020. The City Council, on June 12, 2003, passed a resolution affirming their support for truth-in-taxation. The goal of this resolution is to allow the citizens to be better informed about the real needs of City government and if the increased revenue from increased appraisal values is truly necessary. The resolution goes on to provide that each year the tax rate should be adopted based on the actual needs of government. The goal was affirmed in April 2004 in a resolution that stated the City Council has supported, as well as taken action, to provide tax relief to property owners within the City. In addition, the City Council recognized the need for the City to be autonomous in its ability to provide the public safety, health, and quality of life for its citizens.

Retirement Plans

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

The total (aggregate for the TMRS and LFPF plans) of the City's net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2019 and the pension expense for the year ended is as follows:

FYE 9-30-19	TMRS	LFPS	Total
Net pension liability	$138,109,970	$100,909,472	$239,019,442
Deferred outflows of resources	45,515,136	26,204,131	71,719,267
Deferred inflows of resources	3,384,809	3,384,809	8,853,941
Pension expense	44,496,321	44,496,321	44,496,321

Texas Municipal Retirement System . . . The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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.

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Employees for the City were required to contribute 7% of their annual gross earnings during fiscal year 2019. The contribution rates for the City were 18.05% and 17.71% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $18,379,276, and were equal to the required contributions.

The City's net pension liability (NPL) was measured as of December 31, 2018, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Lubbock Fire Pension Fund . . . The Board of Trustees of the LFPF is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City as a related organization and is not considered to be a part of the City financial reporting entity. Firefighters in the Lubbock Fire Department are covered by the LFPF.

The LFPF provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The LFPF Plan, most recently amended on September 9, 2015, provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92 percent of final 48-month average salary plus $335.05 per month for each year of service in excess of 20 years.

The contribution provisions of this plan are authorized by the Texas Local Fire Fighters Retirement Act, Article 6243e, Texas Revised Civil Statutes ("TLFFRA"). TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City. While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by LFPF be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age actuarial cost method, LFPF's service cost contribution rate is determined as a percentage of payrolls. The excess of the total contribution rate over the service cost contribution is used to amortize LFPF's net pension liability, if any, and the number of years needed to amortize LFPF's net pension liability, if any is determined using a level percentage of payroll method. The costs of administering the plan are financed by LFPF.

The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the members, the rate elected by the members according to TLFFRA effective September 29, 2018. The immediate prior contribution rate was 12.43%. The City currently contributes according to a long-standing formula. The City's contribution rate to the Fund is related to the percentage of payroll that the city contributes to the Texas Municipal Retirement System for other employees each calendar year. The actual City contribution rate was 21.72% in 2017 and 21.81% in 2018 and 2019. The City's contributions to LFPF for the year ended September 30, 2019 were $7,525,133 and were equal to the 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, 2019 – Note II, Subsection G - 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's annual OPEB expense is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. For further information regarding the City's OPEB obligation, see "APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2019 – Note II, Subsection H".

INVESTMENT CONSIDERATIONS

Environmental Regulations

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

Weather, Storm Activity and Drought Conditions

Revenues and expenses of the System can be impacted by weather. Dry weather generally results in an increase of usage of the System, which can increase both revenues and expenses. Higher than average rainfall amounts generally result in less demand for the System.

Infectious Disease Outbreak – COVID-19

The outbreak of the 2019 novel coronavirus ("COVID-19"), a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, imposing limitations on social gatherings of more than 10 people and temporarily closing school districts throughout the state. In addition to the actions by the state and federal officials, certain local officials, including the City, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues and ad valorem tax revenues within the City. These negative impacts may reduce or negatively affect the level of commercial and economic activity and thereby adversely impact the operations and financial condition of the System and/or the collection of revenues from System operations (see "THE SYSTEM"). The Bonds are secured by Net Revenues from the System, and a reduction in commercial and economic activity in the System's service area may require an increase in System rates required to pay the Bonds as well as the System's operations and maintenance expenses (see "THE SYSTEM").

Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

Potential Impact of COVID-19 . . . A continued spread of COVID-19, and measures taken to prevent or reduce it, could adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition and performance of the City, and the extent of impact could be material.

Businesses and individuals appear to be altering their behaviors in a manner that is having negative impacts on global and local economies. Financial assets and crude oil prices, in the U.S. and globally, have seen significant volatility and declines in value attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

Measures taken to prevent or reduce the spread of COVID-19 could limit the growth of or reduce economic activity in the State and the City, which in turn could limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended volatility and reductions in the value of financial assets and other investments could impact employee retirement plans or other funds and could require actions by the State. Due to the recent and unprecedented nature of the spread of COVID-19, the duration and extent of the potential impact of COVID-19 on the Texas economy and the City's revenues, expenses, and cash flow are uncertain and cannot be quantified at this time.

Damage to the System

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

Cyber Security

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

Future Legislation

The Texas Legislature convenes in regular session every two years on odd years. In future sessions the Texas Legislature may consider may consider bills that could have a direct impact on the City and the System. The City can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the System. Changes in the scope and standards for public agencies, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by State regulators. Future compliance with such requirements and order may impose substantial additional costs on the System.

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, 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 imprudent investment activities, 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 owns its Electric Light & Power System, a municipal electric utility that is engaged in the distribution and sale of electric energy. As an owner of a municipal electric utility, the City has the authority under the PFIA to enter into hedging contracts and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. The City has exercised this authority and entered into an options contract with Northern States Power to provide a price ceiling for its energy purchases for a two year period beginning June 2019.

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." Currently, the City does not (i) invest in commercial paper notes with a stated maturity of greater than 270 days, or (ii) engage in hedging transactions described by clause (17) in the first paragraph of "INVESTMENTS – Legal Investments", but reserves the right in the future to amend its investment policy to provide for such investment authority.

See Table 14 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY" for details on the City's investable funds as of March 31, 2020.

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 alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel relating to the Bonds is 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 Certificate, 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 is expected to express 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, parties other than the City and its appointed counsel, including 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.

RATINGS

The Bonds are rated "AA-" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC 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.

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 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.

Beck Steel, Inc. et. al. v. City of Lubbock et. al….The Plaintiff is asserting that the City illegally charged storm water fees to residents as the City used the fees to pay for expenses not related to storm water and not allowed by state law. The City filed a Plea to the Jurisdiction regarding the Plaintiff's claim for recovery of the fees and it was denied by the court. Both parties filed Motions for Summary Judgment in August 2017. Oral arguments were heard by trial court in December 2017 and the trial court granted the City's First Amended Motion for Summary Judgment on January 11, 2018. Plaintiff has appealed the decision to the Court of Appeals.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The Bonds have not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Ordinance has not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor has the Ordinance 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency (see "RATINGS"). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that such 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 approving legal opinions 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, 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" (except for the subsection "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," "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), and in "APPENDIX C – EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE," and such firm is of the opinion that such descriptions present a fair and accurate summary of the provisions of the laws and instruments therein described and with respect to the Bonds such information conforms to the Ordinance.

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.

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 Municipal Securities Rulemaking Board ("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 2020. 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 the Electronic Municipal Market Access System ("EMMA") or filed with 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 date by which the City otherwise would be required to provide financial information 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. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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.

FINANCIAL ADVISOR

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

UNDERWRITING

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

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

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

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. 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 its various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

____
Authorized Officer
City of Lubbock, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING THE SYSTEM

FINANCIAL INFORMATION REGARDING
THE CITY OF LUBBOCK WATER AND WASTEWATER SYSTEM

TABLE 1 - TOTAL ANNUAL HISTORICAL CUSTOMERS

Fiscal Year Ended 30-Sep	Number of Customers	
	Water	Wastewater
2015	72,328	71,782
2016	73,066	72,626
2017	77,242	74,088
2018	78,764	74,714
2019	80,099	76,004

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

TABLE 2 - HISTORICAL WATER CONSUMPTION

Fiscal Year Ended 30-Sep	Average Daily Water Consumption (Gallons)	Maximum Daily Water Consumption (Gallons)	Miles of Mains		Number of Meters
			Water	Sewer	
2014	35,214,103	50,037,000	1,732.0	1,145.0	83,260
2015	31,667,400	49,555,000	1,788.5	1,167.0	84,332
2016	33,178,203	58,372,000	1,727.3	1,152.0	85,761
2017	32,353,126	49,941,000	1,746.9	1,183.6	87,370
2018	34,559,677	52,276,000	1,780.1	1,203.0	88,834
2019	31,621,312	54,200,000	1,859.0	1,212.0	90,046

Maximum water production capacity (from water plant, lakes and wells)………………………… 130.0 MGD
Maximum or Peak Usage to date (August 22, 2018)………………………………………………… 54.2 MGD
Overhead Storage Capacity……………………………………………………………………… 4.0 MGD
Ground Storage Capacity………………………………………………………………………… 50.5 MGD

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

TABLE 3 - TEN LARGEST WATER CUSTOMERS FISCAL YEAR 2019

Customer	Avg Monthly Use (Gallons)	% of Sys Avg Monthly
Parks Department	29,170,250	3.02%
Texas Tech University	22,932,583	2.38%
Southwestern Public Service	9,272,583	0.96%
Lubbock Schools	8,827,833	0.92%
Covenant Health System	8,795,583	0.91%
X-Fab	7,346,166	0.76%
Town of Ransom	6,718,416	0.70%
LPL Electric Production	6,623,083	0.69%
City of Shallowater	5,829,750	0.60%
Texas Department of Criminal Justice	4,234,000	0.44%
Total	109,750,247	11.38%

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

TABLE 4 - HISTORICAL WASTEWATER PLANT TREATMENT

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

Calendar Year	Average Treatment
2015	18.6
2016	19.6
2017	19.3
2018	18.0
2019	18.7

TABLE 5 - WATER AND WASTEWATER SYSTEM REVENUE BONDS COVERAGE

	Fiscal Year Ending September 30,				
	2019	**2018**	**2017**	**2016**	**2015**
Revenues	$124,756,503	$134,393,703	$122,897,934	$118,514,604	$111,728,950
Operating Expenses	(46,671,712)	(44,079,446)	(43,397,015)	(45,665,794)	(40,872,396)
Interest earnings	8,393,779	5,496,888	1,618,257	1,099,459	768,603
Miscellaneous	1,509,439	(1,427,300)	754,507	478,016	322,861
Federal Grants	-	90,000	29,460	120,540	-
Net Revenue Available for Debt Service	$ 87,988,009	$ 94,473,845	$ 81,903,143	$ 74,546,825	$ 71,948,018
Customer Count Water/Wastewater	156,103	153,478	151,330	145,692	144,110
FY2020 Revenue Debt Service[a]					$ 7,091,036
Coverage Ratio based on FY2019 Net Revenue					12.41 x
Average Annual Revenue Debt Service (FY2020-FY2040)[a]					$ 10,161,946
Coverage Ratio based on FY2019 Net Revenue					8.66 x
Maximum Annual Revenue Debt Service (FY2026)[a]					$ 16,014,921
Coverage Ratio based on FY2019 Net Revenue					5.49 x

Source: City's Comprehensive Annual Financial Report.

[a] Includes the Bonds, preliminary subject to change.

TABLE 6 - MONTHLY WATER RATES

Lubbock City Council adopted water rate changes, effective December 1, 2017. Rates are designed to cover water expenses of the fiscal year and to fully fund the debt service for water supply projects.

Base Rate [a]	12/01/17
3/4" meter	$ 18.00
1" meter (single family residential)	30.06
1" meter (other than residential)	30.06

Flow Rate Charge per 1,000 Gallons	Block 1 (0-1000)	Block 2 (1001-5,000)	Block 3 (5001-10,000)	Block 4 (10,001-30,000)	Block 5 (30,001) & Up
Single Family Residential	$ -	$ 4.03	$ 6.97	$ 8.36	$ 8.57

Flow Rate Charge per 1,000 Gallons	Block 1	Block 2 (1001-40,000)	Block 3 (> Block 2)
Single Family Residential Irrigation	n/a	$ 6.50	$ 7.79
		(based on meter size)	(> Block 2)
Non-Residential Irrigation	n/a	$ 6.50	$ 7.79

Flow Rate Charge per 1,000 Gallons	Block 1 (0-AWC)	Block 2 (AWC-AWC*50%)	Block 3 (AWC+(AWC*50%)&UP
Multi-Family Residential, Commercial and Public	$ 4.76	$ 6.50	$ 7.79
Schools	$ 4.76	n/a	n/a
Wholesale	$ 7.140	$ 9.750	$ 11.685

[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".

TABLE 7 - MONTHLY WASTEWATER RATES

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

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

The Lubbock City Council adopted a rate increase for the wastewater rates that went into effect on December 1, 2018. Those rates remain in effect and are shown below.

Residential	12/01/18
Base Rate [a]	$ 16.50
Flow Rate (Water Consumption)	3.71
Commercial/Industrial [b]	
Base Rate [a]	$ 29.07
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 $0.3494/lb. and for T.S.S. is $0.3151/lb. effective October 1, 2018.

TABLE 8 - WATER AND WASTEWATER REVENUE BOND DEBT SERVICE REQUIREMENTS

FY Ending 30-Sep	Outstanding System Revenue Obligations[a]		Plus: The Bonds[c]		Total
	Principal[b]	Interest	Principal[b]	Interest	Requirements
2020	$ 4,380,000	$ 2,711,036	$ -	$ -	$ 7,091,036
2021	3,545,000	2,766,621	1,000,000	2,265,520	9,577,141
2022	7,085,000	2,647,299	1,395,000	1,869,300	12,996,599
2023	8,220,000	2,481,498	1,455,000	1,812,300	13,968,798
2024	8,400,000	2,298,808	1,510,000	1,753,000	13,961,808
2025	8,600,000	2,104,118	1,580,000	1,683,300	13,967,418
2026	10,875,000	1,872,746	1,665,000	1,602,175	16,014,921
2027	11,140,000	1,604,286	1,750,000	1,516,800	16,011,086
2028	11,400,000	1,319,103	1,835,000	1,427,175	15,981,278
2029	10,305,000	1,055,461	1,930,000	1,333,050	14,623,511
2030	10,440,000	815,968	2,030,000	1,234,050	14,520,018
2031	10,685,000	561,012	2,135,000	1,129,925	14,510,937
2032	5,235,000	364,748	2,245,000	1,020,425	8,865,173
2033	3,725,000	255,759	2,360,000	905,300	7,246,059
2034	3,810,000	166,246	2,480,000	784,300	7,240,546
2035	1,360,000	110,775	2,610,000	657,050	4,737,825
2036	1,370,000	88,234	2,725,000	537,300	4,720,534
2037	1,385,000	64,206	2,840,000	426,000	4,715,206
2038	1,395,000	39,166	2,955,000	310,100	4,699,266
2039	1,410,000	13,212	3,075,000	189,500	4,687,712
2040	-	-	3,200,000	64,000	3,264,000
	$ 124,765,000	**$ 23,340,301**	**$ 42,775,000**	**$ 22,520,570**	**$ 213,400,871**

Average Annual Debt Service Requirements (FY2020-FY2040)	$ 10,161,946
Maximum Annual Debt Service Requirement (FY2026)	$ 16,014,921

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[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] Debt service on the Bonds is shown at an All-In-TIC of 3.03% for illustrative purposes. Preliminary, subject to change.

TABLE 9 - ANTICIPATED ISSUANCE OF SYSTEM REVENUE BONDS

The System is currently working with the Texas Water Development Board on the issuance of $10,445,000 Water and Wastewater System Revenue Bonds, Series 2020B (the "Series 2020B Bonds"). The City anticipates the Series 2020B Bonds will deliver in September 2020).

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

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

FY Ending 09/30	Outstanding System Revenue Bonds[a]			Outstanding Self-Supporting General Obligation Debt Paid From System Revenues[c]			Total
	Principal[b]	Interest	Total	Principal[b]	Interest	Total	Requirements[d]
2020	$ 4,380,000	$ 2,711,036	$ 7,091,036	$ 34,638,418	$ 13,939,102	$ 48,577,520	$ 55,668,556
2021	4,545,000	5,032,141	9,577,141	34,653,911	12,511,730	47,165,641	56,742,782
2022	8,480,000	4,516,599	12,996,599	27,910,931	11,160,458	39,071,389	52,067,988
2023	9,675,000	4,293,798	13,968,798	27,008,457	9,926,367	36,934,824	50,903,622
2024	9,910,000	4,051,808	13,961,808	27,902,068	8,667,074	36,569,142	50,530,950
2025	10,180,000	3,787,418	13,967,418	28,250,000	7,372,656	35,622,656	49,590,074
2026	12,540,000	3,474,921	16,014,921	26,370,000	6,131,821	32,501,821	48,516,742
2027	12,890,000	3,121,086	16,011,086	24,435,000	5,017,410	29,452,410	45,463,497
2028	13,235,000	2,746,278	15,981,278	23,730,000	3,961,574	27,691,574	43,672,851
2029	12,235,000	2,388,511	14,623,511	19,275,000	3,013,877	22,288,877	36,912,388
2030	12,470,000	2,050,018	14,520,018	19,820,000	2,184,651	22,004,651	36,524,669
2031	12,820,000	1,690,937	14,510,937	8,470,000	1,603,950	10,073,950	24,584,887
2032	7,480,000	1,385,173	8,865,173	8,805,000	1,258,450	10,063,450	18,928,623
2033	6,085,000	1,161,059	7,246,059	9,165,000	899,050	10,064,050	17,310,109
2034	6,290,000	950,546	7,240,546	7,320,000	569,350	7,889,350	15,129,896
2035	3,970,000	767,825	4,737,825	7,620,000	280,175	7,900,175	12,638,000
2036	4,095,000	625,534	4,720,534	2,935,000	88,600	3,023,600	7,744,134
2037	4,225,000	490,206	4,715,206	995,000	19,900	1,014,900	5,730,106
2038	4,350,000	349,266	4,699,266	-	-	-	4,699,266
2039	4,485,000	202,712	4,687,712	-	-	-	4,687,712
2040	3,200,000	64,000	3,264,000	-	-	-	3,264,000
	$ 167,540,000	**$ 45,860,871**	**$ 213,400,871**	**339,303,785**	**$ 88,606,196**	**$ 427,909,981**	**$ 641,310,851**

(a) Includes the Bonds. Preliminary subject to change.
(b) Principal paid February 15 of each year.
(c) Prior to the City's issuance of System revenue secured Parity Bonds, the City historically issued Tax and Waterworks System Surplus Revenue Certificates of Obligation and Tax Notes secured by an ad valorem tax pledge (collectively, "Self-Supporting General Obligation 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 General Obligation 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 General Obligation Debt shown in these columns from System revenues remaining after payment of Parity Obligations.
(d) Represents combined total of Parity Obligations, which are secured by pledge of Net Revenues of the System, and Self-Supporting General Obligation Debt supported by and paid from System revenues. Does not include Series 2020B Bonds which are anticipated to deliver in September 2020.

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

	Fiscal Years Ended September 30,				
	2019	**2018**	**2017**	**2016**	**2015**
Water & Wastewater					
System in Service	$ 1,347,577,402	$ 1,314,278,971	$ 1,115,978,829	$ 1,088,669,704	$ 1,034,944,529
Reserve for Depreciation	(403,282,420)	(373,541,389)	(348,107,080)	(323,659,734)	(299,273,860)
Net Plant in Service	944,294,982	940,737,582	767,871,749	765,009,970	735,670,669
Construction Funds Net Assets	8,473,115	17,999,425	177,285,344	124,155,825	94,034,012
Net Fixed Asset Value	**$ 952,768,097**	**$ 958,737,007**	**$ 945,157,093**	**$ 889,165,795**	**$ 829,704,681**
Plus Other Assets	11,607,436	10,767,927	10,340,227	12,446,524	10,000,288
Plus Operating Working Capital	69,658,718	53,330,180	70,355,795	122,795,770	151,132,586
Assets Net of Current Liabilities and Debt Reserves	1,034,034,251	1,022,835,114	1,025,853,115	1,024,408,089	990,837,555
Long-Term Debt	497,742,532	518,690,991	563,279,174	595,812,119	600,520,268
Less Debt Reserves	(19,907,604)	(20,481,855)	(21,243,663)	(20,917,128)	(24,856,096)
Net Long-Term Debt	477,834,928	498,209,136	542,035,511	574,894,991	575,664,172
Plus Other Liabilities	29,450,836	26,327,257	21,693,619	21,318,847	16,706,515
Total Obligations	507,285,764	524,536,393	563,729,130	596,213,838	592,370,687
City's Equity in the System	**$ 526,748,487**	**$ 498,298,721**	**$ 462,123,985**	**$ 428,194,251**	**$ 398,466,868**
	50.94%	48.72%	45.05%	41.80%	40.22%

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

	Fiscal Years Ended September 30,				
	2019	**2018**	**2017**	**2016**	**2015**
OPERATING REVENUES					
Charges for services (net)	$ 124,756,503	$ 134,393,703	$ 122,897,934	$ 118,514,604	$ 111,728,950
Total operating revenues	$ 124,756,503	$ 134,393,703	$ 122,897,934	$ 118,514,604	$ 111,728,950
OPERATING EXPENSES					
Personal services	$ 14,104,737	$ 14,544,292	$ 14,764,329	$ 15,137,147	$ 14,358,945
Supplies	3,767,816	3,139,821	2,694,240	2,623,683	2,451,985
Maintenance	4,125,774	4,191,322	4,271,174	4,186,667	4,201,374
Billing office expense	4,477,332	4,089,230	3,867,509	4,008,988	3,809,048
Other services and charges	20,196,053	18,114,781	17,799,763	19,709,309	16,051,044
Depreciation and amortization	32,178,046	26,729,667	26,446,627	25,664,852	24,463,208
Total operating expenses	$ 78,849,758	$ 70,809,113	$ 69,843,642	$ 71,330,646	$ 65,335,604
Operating income (loss)	$ 45,906,745	$ 63,584,590	$ 53,054,292	$ 47,183,958	$ 46,393,346
NONOPERATING REVENUES (EXPENSES)					
Interest earnings	$ 8,393,779	$ 5,496,888	$ 1,618,257	$ 1,099,459	$ 768,603
Federal grants	-	90,000	29,460	120,540	-
Disposition of assets	(317,279)	20,017	(394,640)	237,604	(68,790)
Miscellaneous	1,509,439	(1,427,300)	754,507	478,016	322,861
IRS Build America Bond Subsidy	-	1,076,442	1,532,969	1,534,629	1,526,395
Interest expense	(22,565,715)	(22,334,387)	(14,111,266)	(16,276,160)	(17,781,747)
Net nonoperating revenues (expenses)	$ (12,979,776)	$ (17,078,340)	$ (10,570,713)	$ (12,805,912)	$ (15,232,678)
Income (loss) before contributions & transfers	$ 32,926,969	$ 46,506,250	$ 42,483,579	$ 34,378,046	$ 31,160,668
Capital contributions/grants	13,192,205	12,595,493	6,044,702	9,257,573	18,162,539
Transfers in	626,296	148,832	225,432	201,437	190,826
Transfers out	(18,295,704)	(17,549,851)	(14,823,979)	(14,109,673)	(14,356,632)
Change in net position (deficit)	$ 28,449,766	$ 41,700,724	$ 33,929,734	$ 29,727,383	$ 35,157,401
TOTAL NET POSITION/(DEFICIT)					
Beginning of year (restated)	$ 498,298,721	$ 456,597,997	$ 428,194,251	$ 398,466,868	$ 363,309,467
End of year	$ 526,748,487	$ 498,298,721	$ 462,123,985	$ 428,194,251	$ 398,466,868

TABLE 13 - WATER AND WASTEWATER SYSTEM STATEMENT OF NET POSITION

	Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
ASSETS					
Current assets:					
Cash and cash equivalents	$ 1,404,990	$ 2,100,064	$ 2,767,778	$ 6,063,328	$ 5,261,240
Investments	52,536,205	48,285,984	41,960,048	38,051,134	39,311,465
Accounts receivable, net	16,065,257	17,240,013	13,619,885	13,332,640	13,917,288
Interest receivable	562,814	317,512	223,776	150,415	144,916
Due from others	69,267	28,190	38,428	89,920	55,129
Due from other governments	53,221	308,372	56,747	122,870	49,547
Inventories	116,588	236,530	149,357	237,458	260,379
Total current assets	$ 70,808,342	$ 68,516,665	$ 58,816,019	$ 58,047,765	$ 58,999,964
Noncurrent assets:					
Restricted investments	$ 69,608,390	$ 60,588,704	$ 96,297,992	$ 145,588,273	$ 175,046,846
Total noncurrent assets	$ 69,608,390	$ 60,588,704	$ 96,297,992	$ 145,588,273	$ 175,046,846
Capital assets:					
Land	$ 40,865,761	$ 40,075,639	$ 37,610,970	$ 37,549,354	$ 37,163,292
Construction in progress	8,473,115	17,999,425	177,285,344	124,155,825	94,034,012
Buildings	164,903,321	155,785,840	111,150,801	110,190,700	105,627,565
Improvements other than buildings	1,018,986,629	995,106,673	879,953,359	855,028,970	812,301,887
Machinery and equipment	122,821,691	123,310,819	87,263,699	85,900,680	79,851,785
Less accumulated depreciation	(403,282,420)	(373,541,389)	(348,107,080)	(323,659,734)	(299,273,860)
Total capital assets	$ 952,768,097	$ 958,737,007	$ 945,157,093	$ 889,165,795	$ 829,704,681
Total capital & noncurrent assets	$ 1,022,376,487	$ 1,019,325,711	$ 1,041,455,085	$ 1,034,754,068	$ 1,004,751,527
Total assets	$ 1,093,184,829	$ 1,087,842,376	$ 1,100,271,104	$ 1,092,801,833	$ 1,063,751,491
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	$ 6,663,740	$ 8,434,701	$ 6,410,404	$ 7,621,927	$ 8,096,836
Deferred outflows from pensions	4,074,262	2,333,226	3,929,823	4,824,597	1,903,452
Deferred outflows from pensions	869,434	-	-	-	-
Total deferred outflows of resources	$ 11,607,436	$ 10,767,927	$ 10,340,227	$ 12,446,524	$ 10,000,288
LIABILITIES					
Current liabilities:					
Accounts payable	$ 4,480,067	$ 9,017,881	$ 17,098,693	$ 14,616,648	$ 16,055,453
Accrued liabilities	568,777	575,308	537,872	544,271	428,029
Accrued interest payable	2,647,526	2,565,875	3,025,182	3,429,232	3,500,538
Customer deposits	291,223	285,018	278,838	264,933	246,423
Compensated absences	1,202,585	1,375,061	1,177,756	1,077,517	1,029,138
Leases payable	181,835	333,489	601,430	1,114,397	1,009,637
Bonds payable	40,380,419	41,140,702	40,794,782	38,876,142	35,788,910
Total current liabilities	$ 49,752,432	$ 55,293,334	$ 63,514,553	$ 59,923,140	$ 58,058,128
Noncurrent liabilities:					
Compensated absences	$ 431,259	$ 397,052	$ 529,891	$ 550,545	$ 611,313
Post employment benefits	15,146,174	15,008,586	7,594,125	7,113,579	5,959,783
Net pension liability	13,873,403	9,229,039	13,207,755	13,132,274	9,675,241
Leases payable	864,054	1,528,772	2,987,550	4,580,057	4,264,330
Bonds payable	496,878,478	517,162,219	560,291,624	591,232,062	596,255,938
Total noncurrent liabilities	$ 527,193,368	$ 543,325,668	$ 584,610,945	$ 616,608,517	$ 616,766,605
Total liabilities	$ 576,945,800	$ 598,619,002	$ 648,125,498	$ 676,531,657	$ 674,824,733
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pensions	$ 539,464	$ 1,692,580	$ 361,848	$ 522,449	$ 460,178
Deferred inflows from OPEB	558,514	-	-	-	-
Total deferred inflows of resources	$ 1,097,978	$ 1,692,580	$ 361,848	$ 522,449	$ 460,178
NET POSITION (DEFICIT)					
Net investment in capital assets	$ 469,057,930	$ 442,604,603	$ 407,310,952	$ 372,665,371	$ 336,399,839
Restricted for debt service	19,907,604	20,481,855	21,243,663	20,917,128	24,856,096
Unrestricted	37,782,953	35,212,263	33,569,370	34,611,752	37,210,933
Total net position (deficit)	$ 526,748,487	$ 498,298,721	$ 462,123,985	$ 428,194,251	$ 398,466,868

TABLE 14 - CURRENT INVESTMENTS

As of March 31, 2020, the City's investable funds were invested in the following categories:

Type	Par Value	Book Value: Value	Book Value: % of Total Book Value	Estimated Market Value[a]: Value	Estimated Market Value[a]: % of Total Market Value
Cash	$ 7,384,074	$ 7,384,074	1.31%	$ 7,384,074	1.30%
Money Market Mutual Funds[b]	30,049,560	30,049,560	5.33%	30,049,560	5.30%
Investments	189,295,000	190,499,954	33.79%	193,660,435	34.16%
Local Government Investment Pools[c]	335,854,010	335,854,010	59.57%	335,854,010	59.24%
	$ 562,582,644	**$ 563,787,598**	**100.00%**	**$ 566,948,079**	**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] Money Market Funds are held at The Bank of New York Mellon Trust Company, N.A.
[c] Local government investment pools consist of entities whoses investment objectives are preservation and safety of principal, liquidity, and yield. The pool seeks to maintain a $1.00 net asset value per share as required by the PFIA.

TABLE 15 - SYSTEM SIX-YEAR CAPITAL IMPROVEMENT PLAN

Fiscal Year Ending September 30	Total W&WW Capital Improvements[a][b]
2020	$ 41,910,000
2021	76,830,000
2022	28,350,000
2023	35,180,000
2024	44,660,000
2025	13,140,000
2026	14,170,000
Total	**$ 254,240,000**

[a] FY2020 figures are actual. FY2021-FY2026 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 2019-20 Operating Budget.

APPENDIX B

EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2019

P.O. Box 2000 • 1625 13th Street • Lubbock, Texas 79457
(806) 775-2000 • Fax (806) 775-0001

February 12, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Lubbock, Texas (City) for the fiscal year ended September 30, 2019. The purpose of the CAFR 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 CAFR satisfies Section 103.001 of the Texas Local Government Code requiring annual audits of all municipalities. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the financial position and results of the City. We also believe all disclosures necessary to enable the reader to gain an understanding of the City's financial affairs are included. To provide a reasonable basis for making these representations, City management has an established comprehensive internal control framework that is designed: 1) to protect the City's assets from loss, theft, or misuse; and 2) to compile sufficient, reliable information for the preparation of the City's financial statements, in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.

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

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

The independent accountants concluded that the City's financial statements are in conformity with GAAP, are fairly presented, and there is a reasonable basis for providing an unmodified opinion. The independent auditor's report is presented as the first component of the financial section of this report.

The independent accountants' audit of the City's financial statements is part of a broader, federally mandated "Single Audit," which is designed to meet the special needs of federal granting agencies. These reports are available in the City's CAFR. 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 annexation, which occurs periodically as the City Council deems appropriate. The 2010 Census population for the City was 229,573; the estimated 2019 population is 264,385. The City covers approximately 136 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. West Texas Municipal Power Agency (WTMPA) and the Lubbock Metropolitan Planning Organization are blended component units. Discretely presented component units include Urban Renewal

[1] City of Lubbock GIS Department.

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.

City Services

The City provides a full range of services including public safety (police and fire services), electric, water, wastewater, storm water, solid waste, public transportation (airport and transit), 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 conducting criminal investigations and enforcing laws governing public safety and order. The Public Safety Improvement Project kicked off in FY 2019. The design for the three police substations, a new police headquarters building, and a new property room are underway. This project will take approximately 3 years to complete. As part of an effort to reach the goal of two officers for every 1,000 residents, the Police Department hired 42 new police recruits in FY 2019. As of September 30, 2019, the Police Department was staffed with 409 sworn officers plus an additional 42 Police Academy Recruits. In FY 2019, the Police Department had 372,242 responses to primary and backup dispatched calls for service with an average response time to Priority 1 calls of 6.54 minutes.

Lubbock Fire Rescue is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2019, the Fire Department operated 19 fire stations, the Emergency Operations Center, and the Lubbock Fire Marshal's Office. These facilities were staffed with 404 sworn firefighters and 31 civilians. Two additional civil service positions and one additional civilian position are authorized for FY 2019-20, bringing our total employee count to 438. Improvements continue for fire stations citywide as a result of funding for fire station renovations appropriated in the FY 2019 budget. We will continue to improve and renovate our facilities with $300,000 being allocated for FY 2020. In FY 2019, the Fire Department responded to 19,502 calls, an average of 53 calls per day.

***Electric Utility**:* The City's municipally owned electric utility system, known as Lubbock Power and Light (LP&L), was established in 1916, and is at present the largest municipal system in the West Texas region and the third largest municipal system in the State of Texas. Electric service in the City is provided by LP&L, South Plains Electric Cooperative, and Southwestern Public Service (SPS). As of September 30, 2019, LP&L owns and maintains 107,240 meters, 38 substations, 4,324 total miles of primary and secondary distribution lines and approximately 112 miles of transmission lines. The average daily electric consumption is roughly 7,105 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.

A Transaction Agreement for Total Requirements Power Service (SPS Power Agreement) between the West Texas Municipal Power Agency (WTMPA) and SPS provided that SPS serve the entire capacity and energy requirements of WTMPA members (of which LP&L was a member during the term of the agreement) through its expiration on May 31, 2019. Beginning on June 1, 2019, LP&L's capacity and energy supply requirements were met through a series of power supply resources. These resources include: a) a 170MW partial requirements contract with SPS, effective through May 31, 2044; b) a 400MW Capacity and Energy Scheduling Contract with SPS, effective through May 31, 2021; c) a 100.8MW power purchase agreement between LP&L and Elk City II Wind, LLC, effective through May 31, 2032; and d) 112 MW of dependable natural gas fired generation.

On September 24, 2015 LP&L announced it's intent to join the Electric Reliability Council of Texas (ERCOT). Shortly after that announcement, on October 20, 2015, LP&L's Electric Utility Board 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. LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT (Unaffected Load). The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUC project to identify issues pertaining to LP&L's proposal to become part of ERCOT, cost-benefit studies, a public interest determination and a Certificate of Convenience and Necessity (CCN) case. ERCOT's integration study determined that a configuration of transmission projects with three connection points between the ERCOT grid and the LP&L system—designated as Option 4ow—would present the lowest societal costs once capital costs and production cost effects were considered.

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

In January 2018, the Lubbock City Council and the Electric Utility Board announced their intent to study the feasibility of opting-in to retail customer choice for the Affected Load. Pending the results of an opt-in study, it was anticipated that LP&L could potentially opt-in to the ERCOT competitive retail market as early as shortly after integration of the Affected Load into ERCOT. The feasibility study is currently underway and is expected to be completed on or before August 1, 2021.

In March 2018, the PUC approved the integration of the Affected Load to the ERCOT system through an Order in PUC Docket No. 47576. With approval by the PUC, LP&L then moved into the next phase of the ERCOT integration project, which was comprised of four CCN cases necessary to identify transmission line routes and substation locations necessary for the ERCOT integration. The four CCN cases have either been approved or are in the final stages of PUC consideration. Following the approval of the CCNs, engineering, right-of-way acquisition and construction may commence. Assuming the timely completion of construction of such transmission assets, the integration of the Affected Load is expected to take place on June 1, 2021.

LP&L currently estimates the cost of additional infrastructure necessary for LP&L to integrate into ERCOT at approximately $400 million, of which approximately one half will be owned by LP&L and the other half to be owned by Oncor Electric Delivery Company, LLC. The LP&L cost to fund the needed additional infrastructure will be funded through short-term financing during the construction phase and converted to long-term financing upon substantial completion. Additionally, capital projects currently included in LP&L's existing long-term capital improvement plan are related to reliability and will cover a portion of system improvements necessary prior to a final transition.

Debt service requirements for the transmission capital projects will be paid from a new transmission cost of service (TCOS) revenue stream. LP&L intends to file a TCOS rate filing with the PUC in 2020 in order to earn a rate of return on its transmission assets. These revenues (to be collected from all load serving entities in ERCOT) are anticipated to approximate at least 1.5x the annual debt service on obligations issued to finance transmission assets that are constructed in or transferred into ERCOT. This new revenue stream will commence upon LP&L's entry to ERCOT.

PUC Docket No. 47576 requires that upon integration to ERCOT on June 1, 2021, LP&L will make a one-time payment totaling $24.0 million to SPS to indemnify SPS and its customers for LP&L's integration into 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 each year for the first five years upon integration into the ERCOT market. The funds will be credited to ERCOT wholesale transmission customers to mitigate integration costs. This amount will be netted against the TCOS revenues received from ERCOT.

West Texas Municipal Power Agency: – In 1983, the cities of Lubbock, Brownfield, Floydada, and Tulia (Cities), created the West Texas Municipal Power Agency (WTMPA) as a joint power agency. WTMPA is a municipal power agency that was created to enhance the negotiating strength of the Cities in obtaining favorable electric power contracts and in coordinating joint planning for additional generation. WTMPA is governed by an eight-member Board of Directors. The board consists of two directors from each of the Cities; however, an affirmative vote of the "majority in interest" is required to approve the operating budget, approve capital projects, approve debt issuance, and approve any amendments to WTMPA rules and regulations. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the Cities. WTMPA may also participate in power exchange of electric energy to the Cities. WTMPA may also participate in power pooling and power exchange agreements with other entities.

Through September 30, 2019, the City maintained the "majority in interest" vote based on kilowatt purchases and consequently had majority voting control. As the City historically purchased over 95 percent of the electricity brokered, WTMPA provided services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

Effective October 1, 2019, at the request of Lubbock and as a result of concurrent ordinances enacted by all members of the WTMPA, Lubbock was deleted as a member public entity of the agency.

Prior to its deletion, the City's percentage of rights and liabilities in WTMPA was 85.21 percent. WTMPA was the contract purchaser of power under (i) a total requirements power purchase agreement with SPS; and (ii) a wind energy power purchase agreement with Elk City Wind II, LLC. The total requirements power purchase contract expired at the end of May 2019. The wind energy power purchase agreement commenced on June 1, 2019 and expires on May 31, 2032; however, Lubbock's portion of the wind energy power purchase agreement (85) was assigned by WTMPA to Lubbock, effective September 30, 2019.

Due to the termination of the total requirements power purchase agreement with SPS and the assignment of the wind energy power purchase agreement with Elk City Wind II, LLC, there were no obligations that impeded the deletion of Lubbock from WTMPA.

Concurrent ordinances enacted by all members of WTMPA were required by law to complete the deletion of Lubbock as a member of WTMPA. The concurrent ordinance presented to the Lubbock City Council for consideration provided (i) for the deletion of Lubbock as a member of WTMPA; and (ii) for several other matters that pertained to the re-creation of the "new" WTMPA (i.e., without Lubbock as a member) and organization of the re-created WTMPA, which were not applicable to Lubbock. The concurrent ordinances were effective on October 1, 2019.

LP&L has worked with WTMPA's accountant and the City's external auditors, to expedite the year-end review and financial audit of WTMPA. The concurrent ordinance contemplated the completion of the external audit on or before ninety days after the effective date of the re-created WTMPA. Upon completion of that audit, the re-created WTMPA is required to remit to the City 85.21 percent of all applicable assets, less any current liability obligations. True-ups to these remittances are expected to occur throughout a prescribed 24-month period after the effective date of the re-created WTMPA.

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, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus, and Texas Tech's East Campus – Petroleum Engineering Classroom. As of January 1, 2019, the water system consisted of 88,953 meters and 1,752 miles of distribution lines.

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

The City used a total of 11.77 billion gallons of water in FY 2019. The City's 5-year average per capita consumption for FY 2019 was 131 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment was 80 million gallons per day, with an average utilization of 32.3 million gallons per day.

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 7.33 billion gallons of its annual water supply from CRMWA in FY 2019. At the beginning of FY 2012, Lake Meredith reached its lowest historical level and was no longer usable. Lake Meredith water levels began rising again about six years ago. It is now at 41.4 percent of its capacity. Since June of 2015, CRMWA has been using water from Lake Meredith. Currently, CRMWA is blending groundwater from the Ogallala Aquifer in Roberts County with some surface water from Lake Meredith to help meet the needs of member cities. CRMWA owns 407,566 acres of ground water rights with an estimated 22 million acre-feet of water within those rights. CRMWA can deliver up to 65,000 acre-feet of water to its member cities each year from the Roberts County Well Field. They supply additional water from Lake Meredith throughout the year to increase peak capacity by 25 million gallons per day. The aqueduct supplying water to the southern cities has additional capacity that cannot be utilized with the existing well field infrastructure and water supplied from Lake Meredith. 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. The additional water from this project will allow for the full utilization of the aqueduct to the southern cities. The project is estimated to be completed sometime after 2030 when all of the member cities have a need for the additional water.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.13 billion gallons of the City's annual water supply in FY 2019. In October 2011, the City completed the construction of eight additional wells to maintain the well field production rates. The City will add additional wells to the Bailey County Well Field as needed to restore some of the well field production capacity.

The City finished construction on Lake Alan Henry in 1993. In 2012, Phase I of the Lake Alan Henry infrastructure project was completed. This project consisted of constructing: two new pump stations, a 51-mile raw water pipeline from the Lake to the City, a new South Water Treatment Plant with membrane technology, and 19 miles of treated water transmission lines. Phase I is capable of providing 11 million gallons of water per day to the City. Lake Alan Henry supplied 2.31 billion gallons of the City's annual water supply in FY 2019. The lake is currently at greater than 94.9 percent 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.

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 January 1, 2019, the collection system consisted of approximately 1,202 miles of sanitary sewer lines and 34 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 18 million gallons per day. The peak utilization of the SEWRP is 25 million gallons per day. The treated wastewater is disposed of or reused in various ways. In 2018, approximately 57 percent of the SEWRP wastewater was used to irrigate crops at the Lubbock Land Application Site and at the Hancock Land Application Site. In addition, Xcel Energy used approximately 13 percent of the treated wastewater and 30 percent was discharged into the North Fork of the Double Mountain Fork (North Fork) of the Brazos River. Currently, dewatered solids generated during the wastewater treatment process are hauled and disposed of at the City's regional solid waste landfill in Abernathy, Texas. In April 2018, the new Northwest Water Reclamation Plant (NWWRP) became operational. This new plant was constructed to handle the growing sewer demand in the northwest part of Lubbock. The NWWRP had an average utilization of 1 million gallons per day. The permitted capacity of the NWWRP is 3 million gallons per day. Effluent from this plant is discharged into the North Fork of the Brazos River. All solids generated at the NWWRP are sent to the SEWRP for processing.

As part of the City's strategic water supply planning, projects are underway to improve the quality of the treated wastewater so it can be reused in more beneficial ways. The City completed Phase I, Phase II, and the Digester Upgrade of Phase III of a four-phase project to upgrade the Southeast Water Reclamation Plant. Phase I included upgrades and improvements to the influent lift station. Phase II included upgrades to Plant 3 for filtration and ultraviolet disinfection, and Plant 4 for biological nutrient removal, filtration, and ultraviolet disinfection. Phase III included design and construction improvements to anaerobic digesters and the solids handling facility. The upgrades included new covers, new mixing system, new heating system, and gas piping to Digester 8 and 9. Upgrades to the solids handling facility included new sludge thickening and dewatering equipment, sludge holding tank upgrades, odor control for the solids handling facility, and new sludge loading facilities. Phase IV will include upgrades to Plant 3 for biological nutrient removal. Construction for rehabilitation of Plant 3 clarifiers and improved aeration capabilities is expected to be bid and construction to begin in the spring of 2020. These efforts will improve the quality of the City's effluent discharge and prepare it for future reuse opportunities.

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I and II are complete and Phase III will begin construction in early 2020. This project consists of construction of large diameter sanitary sewer interceptors for the expansion of the existing sanitary sewer system. In addition, the Canyon Lakes Interceptor Rehabilitation project is under construction and will replace deteriorated lines and manholes to improve aging infrastructure. A new Wastewater Master Plan will be finalized by January 2020. This plan evaluates the existing collection system and provide a new master plan for meeting the City's expected development and growth.

Storm Water Utility: The City's storm water run-off is primarily conveyed through the City's street system that discharges into 146 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets and intake structures, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork of the Double Mountain Fork of the Brazos River.

The City's Municipal Separate Storm Sewer System (MS4) is made up of approximately 1,256 miles of paved and unpaved streets, 628 linear miles of paved and unpaved alleys, 1,250 storm sewer inlets, 105 miles of subsurface storm sewer pipe, six detention basins, 146 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning, is funded through storm water fees.

During FY 2018-19, the focus was on two major projects: Storm Water Master Plan and Northwest Lubbock Drainage Project. The Storm Water Master Plan is a multi-year year project that is providing a comprehensive, holistic approach to storm water management. This project is updating the Drainage Criteria Manual (1997) and the Master Drainage Plan (2010), which are the primary documents that regulate development, guide drainage design and identify improvement projects. When completed with all phases, the Northwest Lubbock Drainage Project will connect six playa lakes to a new drainage system to help reduce the risk of flooding in the northwest region of Lubbock.

Solid Waste Utility: The City provides garbage collection and disposal services to 76,270 residential customers and 2,526 commercial customers. One of the City's two landfill sites is designated as the Caliche Canyon Landfill and includes a citizen transfer station. The second site is the West Texas Regional Disposal Facility located in Abernathy, Texas, which opened in 1999, one of the largest permitted areas for a landfill in the State of Texas. With 1,260 acres, the expected useful life of this landfill exceeds 150 years.

Public Transportation: A key component of Lubbock's transportation system is the Lubbock Preston Smith International Airport, located seven miles north of the City's central business district on 3,000 acres of land adjacent to Interstate 27. The Airport is operated as a department of the City, with the guidance of an advisory board, and includes a 200,000 square foot passenger terminal building. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by three major passenger airlines and two major cargo airlines. It facilitates over 40 commercial flights per day. In 2019, the airport will complete construction of a $17 million Consolidated Rental Car facility. A multi-year project to renovate the terminal building is currently underway.

Citibus provides public transportation for the City of Lubbock and is managed by RATP Dev North America. Transit services provided by Citibus include Fixed Route, CitiAccess (paratransit), Nite Ride (evening demand response service) and other additional special services. There are nine fixed routes that traverse the City. CitiAccess is a curb-to-curb service for passengers in the community who are unable to utilize the regular fixed route service. The Citibus evening service is designed to meet the needs of the citizens of Lubbock who need transportation services outside of Citibus' fixed route and CitiAccess regular hours. A majority of evening service passengers work at night and utilize the service for afterhours transportation to and from their jobs. In addition to the above transportation services, Citibus provides route service to Texas Tech University and surrounding apartment complexes with 3 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.

Health and Social Services: The City has a housing and community development program implemented and administered through funding from the federal Community Development Block Grant (CDBG), HOME Investment Partnership, and Emergency Solutions Grant (ESG). With these programs, the City completed work on 74 houses in FY 2019 with CDBG and HOME funds and assisted 3,035 individuals through the ESG Program with emergency shelter and essential homeless prevention services.

The City also received funding from the Texas Department of Housing and Community Affairs. These funds allow the City to offer additional programs to its citizens. Through these programs in FY 2019, 135 households received assistance in repairing the heating and/or cooling systems in their homes, 76 households received utility assistance and 11 individuals graduated from the Self-Sufficiency Program.

Cultural and Recreation Activities: The City provides **c**ultural and recreation services through 4 libraries and 81 parks with 56 playgrounds. Other recreational facilities include 4 swimming pools, 60 tennis courts, 50 baseball and softball fields, 45 soccer fields, 3 disc golf courses, a cultural arts center, 5 community centers, and 4 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 Wells Fargo Amphitheatre, and the Silent Wings Museum.

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

Highways and Streets: The City is responsible for the construction and maintenance of 1,195 miles of paved streets, 61 miles of unpaved streets, and 628 miles of paved and unpaved alleys.

In 2004, the City Council established the Gateway Streets Program. The program, funded with 40 percent franchise fees, opens areas of the City for development through thoroughfare construction. The Gateway Streets Program consists of the Northwest Passage, City thoroughfare streets and Texas Department of Transportation (TxDOT) improvements in northwest Lubbock, as well as other thoroughfare improvements located in southwest Lubbock.

The City thoroughfare streets that have recently been completed include West 50th Street from Milwaukee to Upland Ave.

Other street improvement projects under design or construction include the following:

- The unimproved roadways projects which have been completed are as follows: Ave N, Ave O, Ave P, Wabash, Guava and 65th Street. Beech Ave, East 16th St, East 17th St, Ute Ave, Salem Ave and 124th and Ave. F from 77th to 82nd St. are currently under construction

- The Upland Ave thoroughfare project is currently in the final design phase from 66th St. to 98thth St. The schematic is completed for 66th to 114th St along with the Environmental Assessment of the project.

- The design of phases 3 and 4 of 34th Street from Slide Avenue to Quaker Avenue and Avenue Q to Interstate 27 is completed and awaiting funding.

- Wausau Ave. from Marsha Sharp Freeway to 82nd St. is currently under design and awaiting survey.

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 2019, 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.

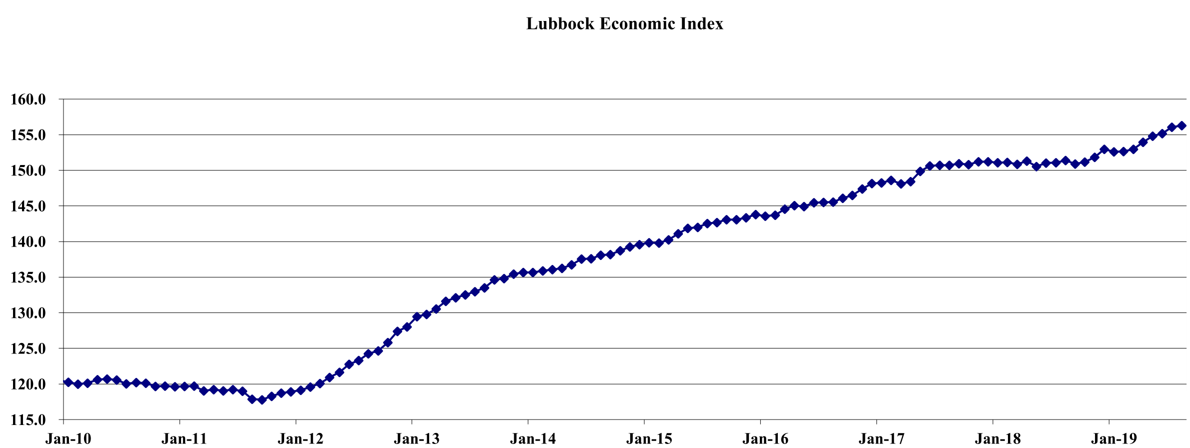
ECONOMIC CONDITION AND OUTLOOK

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 4,800 workers. Our central location and access to transportation contributes to Lubbock's development as a regional warehousing and distribution center. Also due to it's location, Lubbock serves as the major retail trade center for a 26-county retail trade area of more than half a million people.

The current cycle of expansion in the Lubbock economy reached the eight-year mark in September, an impressive milestone by any measure. The index improved to a record 156.6 in September up from 156.3 in August (and 156.1 in July), and up a stout 3.8% from the September 2018 LEI of 150.9.[2]

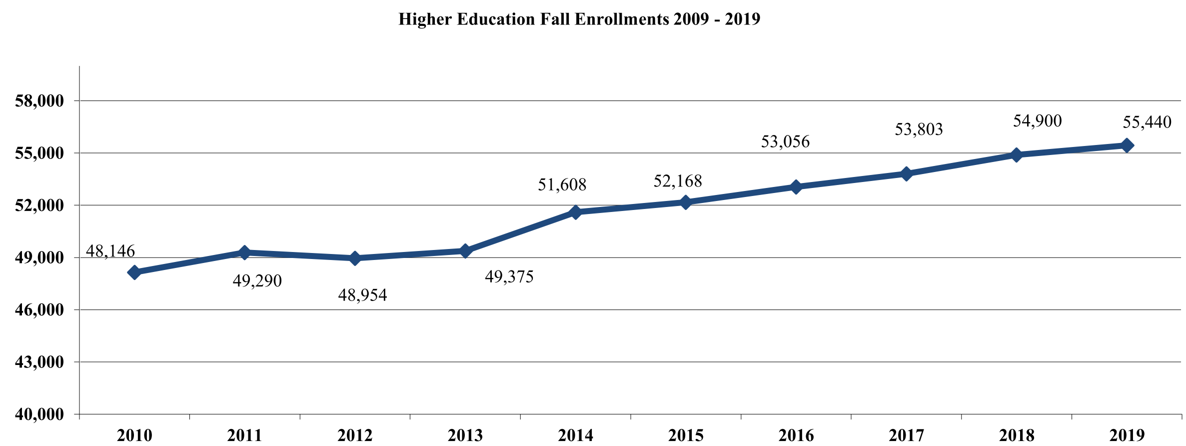


The Southern High Plains District, comprised of 16 counties surrounding Lubbock, is one of the most productive agricultural areas in the United States. In 2019, 12.7 percent of the nation's upland cotton crop and 37.3 percent of the state's upland cotton crop were planted by farmers in the Southern High Plains

[2] Ingham Economic Reporting, September 2019, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham

District. The Southern High Plains production was 2.7 million bales, up 28.9 percent from the 2.1 million bales in 2018. [3]

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 2019 enrollment for all higher education institutions in Lubbock was 55,440, an increase of 1.0 percent from Fall 2018 enrollment of 54,900. The increase was due to enrollment increases at Texas Tech and Texas Tech Health Science Center, offset slight by a decrease experienced at Lubbock Christian University, Wayland Baptist University, and South Plains College. Texas Tech has set a goal to reach enrollment of 40,000 students by 2020. The availability of graduates in the City is an added advantage to local industries as the universities and colleges continue to produce a ready source of qualified labor.

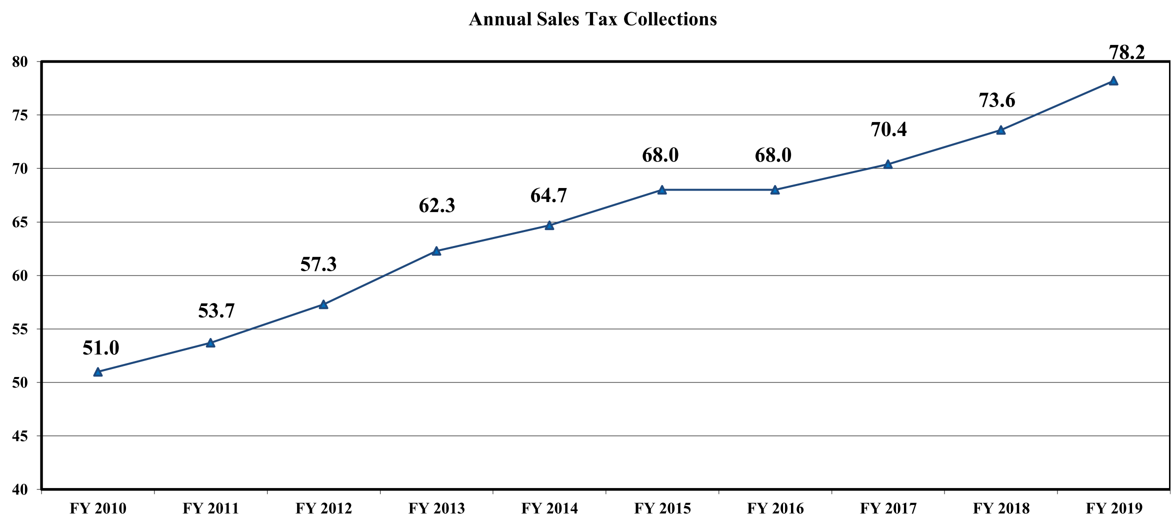


The health care and social assistance sector is also a vital component of the Lubbock economy, with 24,254 employees and payroll exceeding $1 billion.[4] Lubbock is home to several medical facilities including: University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, and Grace Medical Center. The Texas Tech University Health Sciences Center also provides health care, as well as training and research opportunities for health care professionals.

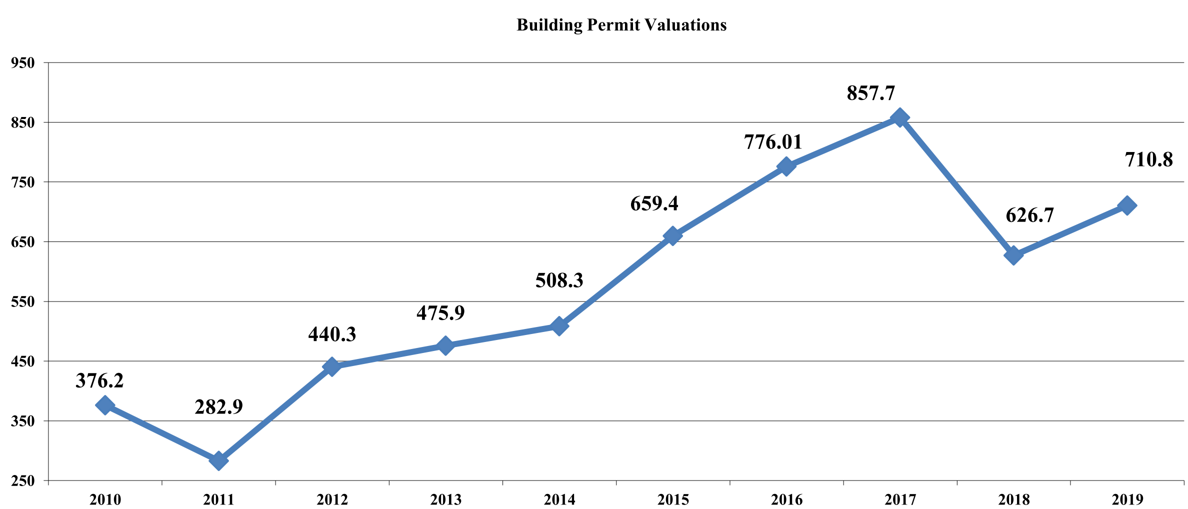
[3] United States Department of Agriculture, National Agriculture Statistics Service, retrieved from http://www.nass.usda.gov/Quick_Stats/. (Figures are preliminary and will be updated as information becomes available.)

[4] U.S. Census Bureau, *2017 County Business Patterns, retrieved from http://censtats.census.gov/cgi-bin/cbpnaic/cbpsect.pl (2-year delay in publication).*

Sales Tax Collections: Sales tax collections in FY 2019 totaled $78.2 million, 6.2 percent higher than collections through the same period in FY 2018.



***Building Permit Valuations**:* Construction activity has expanded significantly in recent years, setting records in 2017. In 2018, building permits slowed down to 2015 levels, but have rebounded for 2019. Building permits through October 2019 are up by 7.7 percent compared to the same period last year. The yearly comparison is below:

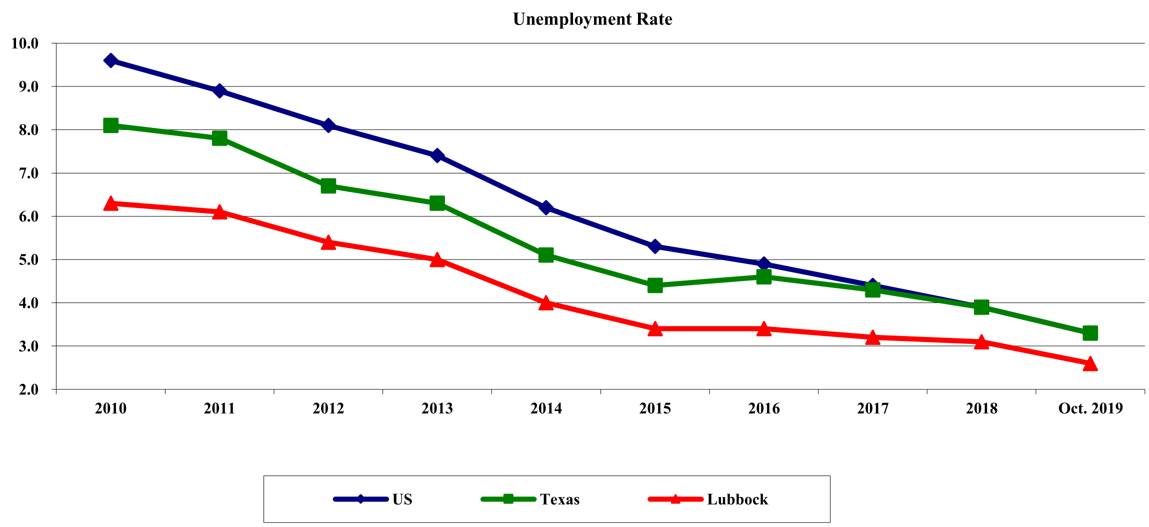


New residential permit totals issued through October 2019 were valued at 314.4 million, 7.1 percent above the same time period in 2018.[5] The preliminary average home sales price in October 2019 was $222,374, an increase of 5.2 percent over October 2018.[6]

[5] City of Lubbock Building Inspection Department, October 2018 and October 2019 *Building Inspection Statistical Report.*

[6] Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report (October 2019)*, retrieved from http://recenter.tamu.edu/data/datahs.html (Figures are preliminary and will be updated as information becomes available.)

Employment: The total non-agricultural employment estimate for October 2019 was 151,700, an increase of 1.3 percent over the revised October 2018 estimate. The unemployment rate for the Lubbock Metropolitan Statistical Area (MSA) in October 2019 was 2.6 percent. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.[7]



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 .02315 cents of the property tax allocation. In October 2004, the Lubbock Economic Development Alliance (LEDA), an economic development sales tax corporation, assumed responsibility for economic development. LEDA program strategies include business retention, business recruitment, workforce development, foreign trade zone, and the bioscience initiative. LEDA is funded by a 1/8 cent economic development sales tax. Total allocated tax revenues for MLI and LEDA for FY 2019 were $10.4 million.

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

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

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that will assist in funding the public infrastructure necessary to develop the Park.

[7] Texas Workforce Commission, *MSA Employment and Unemployment Data*, October 2019. (Current year numbers are the average through September 2018 and are updated as data becomes available.)

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 2019 appraised value of the LBP Zone is $57.3 million with a net taxable value of $57.3 million, which is a $56.8 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: eleven student-oriented apartment complexes; The Centre, an apartment complex built over upscale retail; City Bank; Super 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 (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 $520 million over the Overton Zone's 30-year life. The 2019 appraised value of the Overton Zone is $500.6 million, which is a $473.7 million increase over the 2002 base year value.

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

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

The past several years have brought a slight increase of single-family residential development and affordable rental units in this area by nonprofit organizations and private developers in addition to rehabilitation of existing homes to provide a safe and sanitary living environment. The funding in the North and East Lubbock Neighborhood and Infrastructure Fund in FY 2019 was used for rehabilitation of owner occupied homes in North and East Lubbock. In FY 2019, thirty four owner occupied homes had minor rehabilitations with the funding available.

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 2019 appraised value of the CBD Zone is $221.3 million, a $115.5 million increase over the 2001 base year value.

FINANCIAL INFORMATION

Long-term financial planning

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2018. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual 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 fifteen consecutive years.

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

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

Respectfully submitted,

W. Jarrett Atkinson
City Manager

D. Blu Kostelich
Chief Financial Officer

Linda Cuellar, CPA
Director of Accounting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lubbock

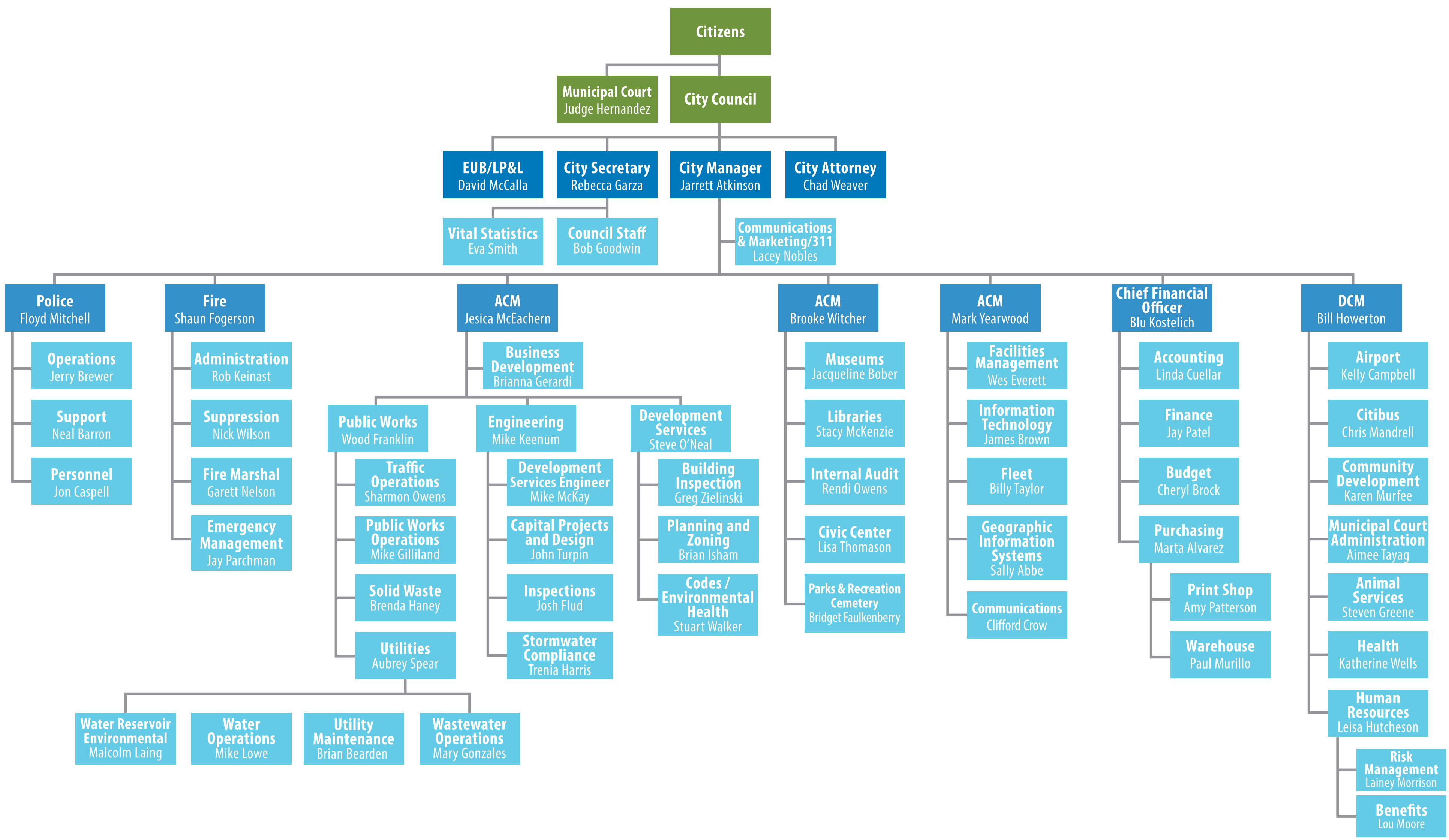
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Executive Director/CEO

Organizational Chart



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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 the City of Lubbock, Texas (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 93 percent, 94 percent and 99 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Civic Lubbock, Inc., a component unit included in the financial statements of the aggregate discretely presented component units, and West Texas Municipal Power Agency, a blended component unit reported as a major fund included in the basic financial statements of the business-type activities, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the 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, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other post-employment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other 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 combining and individual fund statements and schedules, introductory and statistical sections, schedule of expenditures of federal awards and schedule of expenditures of state awards required by *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and State of Texas Uniform Grant Management Standards, issued by the Governor's Office of Budget and Planning, as listed in the table of contents, 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 of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements, schedule of expenditures of federal awards and schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 11, 2020

City of Lubbock
TEXAS

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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, 2019.

Readers of the financial statements are encouraged to consider the information included in the transmittal letter and in the other sections of the Comprehensive Annual Financial Report (CAFR) e.g., 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, 2019 by $1.0 billion (net position).
- The City's total net position increased by $74.0 million resulting from operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was $55.3 million, or 29.8 percent of total General Fund revenues, an increase of $7.3 million from the prior year.
- The City's governmental funds reported combined ending fund balances of $200.7 million, of which $55.3 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of $963.5 million, of which $101.6 million is available for spending at the City's discretion.
- During FY 2019, the City issued $120.3 million in bonded debt. Part of this was used to refund debt, which decreased debt service requirements by $2.3 million.

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 CAFR contains other supplementary information in addition to the BFS.

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

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

The *Statement of Activities* presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include administrative services as well as general government, community services, cultural and recreation, economic and business development, fire, health, police, other public safety, and streets and traffic. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include electric, water, wastewater, storm water, transit, airport, civic centers, cemetery, and Lake Alan Henry Recreation. Electric includes Lubbock Power and Light (LP&L) and West Texas Municipal Power Agency (WTMPA). 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 seven 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 Vintage Township Public Facilities Corporation. West Texas Municipal Agency (WTMPA) and the Lubbock Metropolitan Planning Organization 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 CAFR following the Required Supplementary Information (RSI) and Other Supplementary Information (OSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds.*

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

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 31 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 CAFR. Data for the other 28 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, WTMPA, storm water, transit, airport, civic centers, cemetery, and Lake Alan Henry Recreation activities, of which the first four 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 CAFR.

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 60-109 of the CAFR.

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 111-118 of the CAFR.

Combining Fund Statements and Schedules are included after RSI. This includes Nonmajor Funds and Nonmajor Discretely Presented Component Units. Certain special revenue funds and the debt service fund budgetary comparison schedule 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 $1.0 billion (*net position*) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by $933.9 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by $74.0 million during the period.

City of Lubbock Net Position
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Current and other assets	$ 266,455	$ 209,172	$ 452,840	$ 470,136	$ 719,295	$ 679,308
Capital assets	491,905	468,328	1,577,088	1,521,974	2,068,993	1,990,302
Total assets	758,360	677,500	2,029,928	1,992,110	2,788,288	2,669,610
Total deferred outflows of resources	67,489	39,354	27,247	20,427	94,736	59,781
Current liabilities	77,383	23,488	134,780	61,701	212,163	85,189
Noncurrent liabilities	690,001	664,865	957,813	1,026,589	1,647,814	1,691,454
Total liabilities	767,384	688,353	1,092,593	1,088,290	1,859,977	1,776,643
Total deferred inflows of resources	11,720	12,933	3,491	5,940	15,211	18,873
Net position:						
Net investment in capital assets	186,559	152,999	810,898	764,280	997,457	917,279
Restricted	26,958	22,596	50,997	50,683	77,955	73,279
Unrestricted	(166,772)	(160,027)	99,196	103,343	(67,576)	(56,684)
Total net position	$ 46,745	$ 15,568	$ 961,091	$ 918,306	$ 1,007,836	$ 933,874

Approximately 99.0 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 $78.0 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 $10.9 million from FY 2018.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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

	Governmental Activities		Business-type Activities		Totals	
Revenues:	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Program Revenues:						
Charges for services	$ 36,548	$ 33,491	$ 385,866	$ 426,977	$ 422,414	$ 460,468
Operating grants and contributions	7,411	6,447	8,691	8,297	16,102	14,744
Capital grants and contributions	20,669	15,152	17,576	16,466	38,245	31,618
General Revenues:						
Property taxes	97,440	89,644	-	-	97,440	89,644
Sales taxes	78,160	73,572	-	-	78,160	73,572
Other taxes	9,598	9,018	-	-	9,598	9,018
Franchise fees	9,617	9,332	-	-	9,617	9,332
Investment earnings	6,924	2,675	16,334	8,241	23,258	10,916
Other	7,754	4,255	2,743	1,303	10,497	5,558
Total revenues	274,121	243,586	431,210	461,284	705,331	704,870
Expenses:						
Administrative services/general govt.	16,151	14,855	-	-	16,151	14,855
Community services	6,257	5,065	-	-	6,257	5,065
Cultural and recreation	19,543	18,894	-	-	19,543	18,894
Economic and business development	20,175	18,939	-	-	20,175	18,939
Fire	67,974	61,090	-	-	67,974	61,090
Health	6,718	5,790	-	-	6,718	5,790
Police	73,601	67,835	-	-	73,601	67,835
Other public safety	8,137	8,014	-	-	8,137	8,014
Streets and traffic	35,768	30,656	-	-	35,768	30,656
Solid Waste	19,604	16,820	-	-	19,604	16,820
Interest on long-term debt	11,327	11,858	-	-	11,327	11,858
Electric	-	-	193,325	217,958	193,325	217,958
Water/Wastewater	-	-	101,953	94,691	101,953	94,691
Storm Water	-	-	12,677	11,658	12,677	11,658
Transit	-	-	14,184	13,614	14,184	13,614
Airport	-	-	18,545	17,865	18,545	17,865
Civic Centers	-	-	4,364	4,147	4,364	4,147
Cemetery	-	-	604	606	604	606
Lake Alan Henry	-	-	462	391	462	391
Total expenses	285,255	259,816	346,114	360,930	631,369	620,746
Change in net position before transfers	(11,134)	(16,230)	85,096	100,354	73,962	84,124
Transfers	42,311	40,130	(42,311)	(40,130)	-	-
Change in net position	31,177	23,900	42,785	60,224	73,962	84,124
Net position - beginning as restated*	15,568	(8,332)	918,306	858,082	933,874	849,750
Net position - end of year	$ 46,745	$ 15,568	$ 961,091	$ 918,306	$ 1,007,836	$ 933,874

*The restatement of the beginning net position in FY 2018 is the result of the City implementing GASB Statement No. 75. FY 2019 was not restated.

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

Governmental activities: The City's governmental activities experienced an increase in net position of $31.2 million, compared to an increase of $23.9 million during the prior fiscal year. Key elements of the operational increase compared to prior year include:

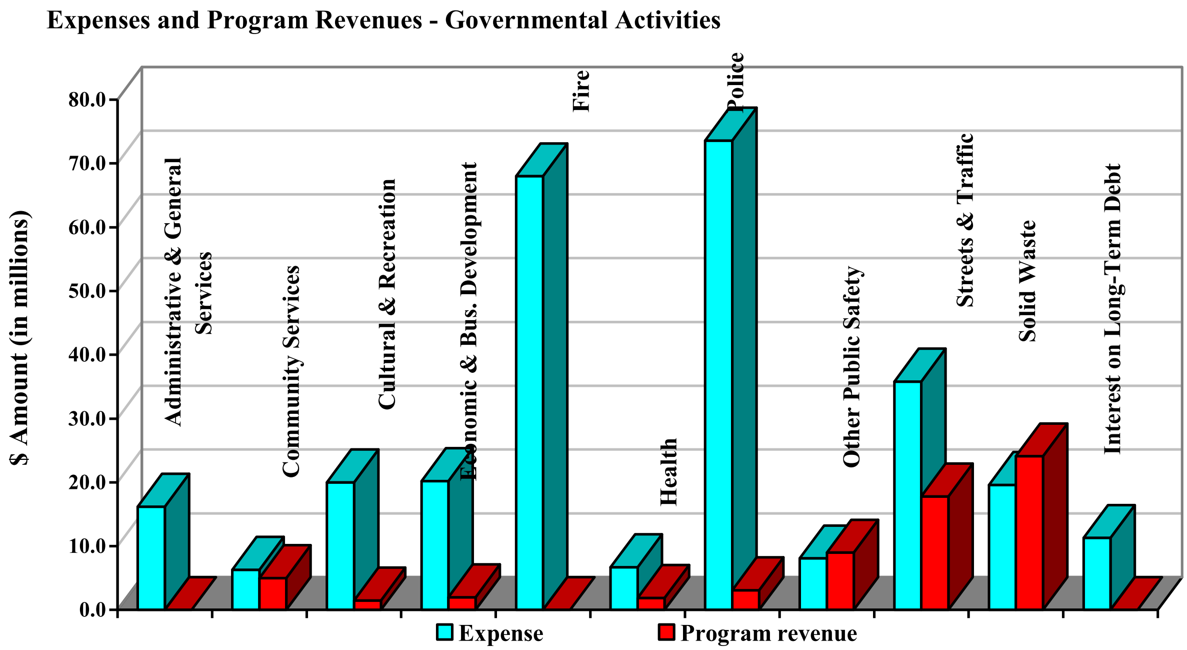
- Revenues increased $30.5 million, from $243.6 million in FY 2018 to $274.1 million in FY 2019.
  - The City experienced a $9.5 million increase in total program revenues from FY 2018 to FY 2019. Charges for services increased $3.0 million from FY 2018 to FY 2019 and operating grants and contributions increased $1.0 million. Capital grants and contributions increased $5.5 million from FY 2018 to FY 2019. Solid Waste increased tipping fees for commercial and residential customers in FY 2019, which increased revenues by $1.4 million. Plumbing and building revenue increased by $1.0 million in FY 2019 increasing the charges for services. Community Development grant revenue increased by $0.9 million. Developers contributed $15.7 million in donated streets in FY2019, a $2.1 million increase from FY 2018.
  - Property tax revenue increased from $89.6 million in FY 2018 to $97.4 million in FY 2019. The property tax rate increased from $0.53802 per $100 of assessed value in 2018 to $0.54802 per 100 of assessed value in 2019. Taxable assessed values increased from $16.8 billion in 2018 to $17.6 billion in 2019, as real property valuations continued to climb.
  - Sales tax revenue increased from $73.6 million in FY 2018 to $78.2 million in FY 2019. Since FY 2010, Lubbock had experienced a steady increase in sales tax revenue averaging an annual increase of 4.9 percent. In FY 2019, Lubbock experienced a 6.2 percent increase in sales tax.
  - Investment earnings increased from $2.7 million in FY 2018 to $6.9 million in FY 2019. The increase is due to a higher rate environment in FY 2019.

- Total expenses increased $25.4 million, from $259.8 million to $285.2 million in FY 2019.
  - Employee compensation increased overall due to a cost of living increase in FY 2019. New positions were also added to critical areas of the General Fund. The Texas Municipal Retirement System (TMRS) contribution rate decreased slightly from 18.05 percent in FY 2018 to 17.80 percent in FY 2019.
  - Streets and traffic expenses increased from $30.7 million in FY 2018 to $35.8 million in FY 2019. The expense increase is due to $5.0 million from the Texas Department of Transportation's State Infrastructure Bank loan to acquire the right of way for Loop 88.
  - Fire Department expenses increased $6.9 million to $68.0 million in FY 2019. The GASB 68 pension expense of the fire department increased by $3.1 million in FY 2019. The salary and benefit cost increased by $2.8 while the maintenance and other charges decreased slightly.
  - Police services increased $5.8 million to $73.6 million in FY 2019. The GASB 68 pension expense of the police department increased by $2.1 million in FY 2019. Police salary and benefit expenses increased by $2.6 million due to overtime expenses. Maintenance operating expenses increased slightly by $0.6 million in FY 2019.
  - Solid Waste increased by $2.8 million to $19.6 million in FY 2019. Solid Waste salary and benefit and pension expenses increased by $1.3 million in FY 2019. Natural deterioration of machinery required additional repair costs as well as overtime requirements. Maintenance and supplies expenses increased by $0.4 million in FY 2019.

- Transfers from business-type activities during FY 2019 increased governmental activities' net position by $42.3 million. During the prior fiscal year, the transfers increased governmental activities' net position by $40.1 million. Transfers from Lubbock Power and Light to the general fund decreased by $2.3 million in FY 2019. Transfers from storm water to the general fund decreased by $0.4 million in FY 2019.

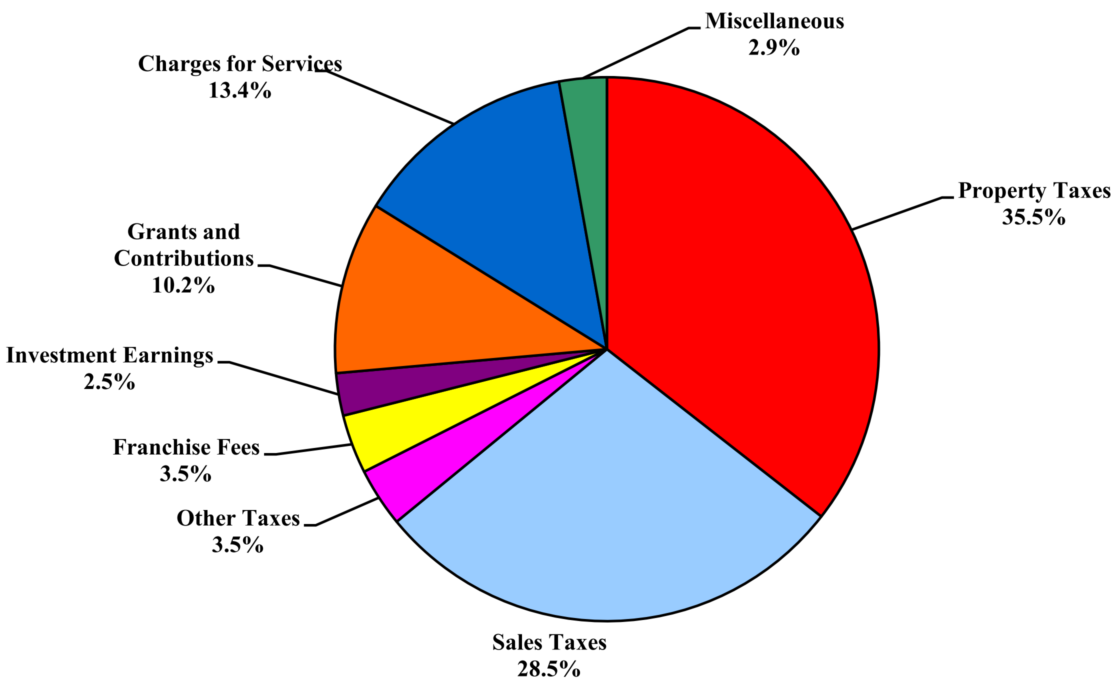
- Net transfers from business-type activities included payments in lieu of taxes, franchise fees, and indirect costs of operations for centralized services such as payroll and purchasing to governmental activities.

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



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

Revenues by Source - Governmental Activities



Business-type activities: Revenues from the City's business-type activities totaled $431.2 million, compared to $461.3 million in FY 2018, a decrease of $30.1 million. Key elements of the revenue decrease from operations include:

- Charges for services for business-type activities totaled $385.9 million in FY 2019, a decrease of $41.1 million from the prior year.
  - Electric operations, which include Lubbock Power & Light and West Texas Municipal Power Authority, totaled $215.5 million in FY 2019, a decrease of $31.4 million. The operating revenue decrease was driven by decrease in general consumers' metered revenue. These revenues were down due to lower PPRF rates related to reduced purchased power costs. Base revenues were down $0.6 million due to lower consumption in FY 2019.
  - Water/Wastewater operations totaled $124.8 million in FY 2019, a decrease of $9.6 million. Average daily water usage was 31.6 million gallons for FY 2019, down from 34.6 million gallons in FY 2018. Water charges for services decreased from $86.5 million in FY 2018 to $78.1 million in FY 2019 in part due to a wet year. Wastewater charges for services decreased from $47.8 million in FY 2018 to $46.7 million in FY 2019.
  - Storm Water Fund operations totaled $25.8 million, a decrease of $0.6 million. The slight decrease is due to the revenue accrual reversal of $1.5 million for FY 2018 while the FY 2019 revenue accrual is $0.9 million.

- Operating grants, capital grants and contributions produced $26.3 million in revenue for business-type activities during FY 2019, an increase of $1.5 million from the prior year. The increase is related to

Airport capital grants and contributions, which increased from $0.4 million in FY 2018 to $1.4 million in FY 2019. Water/Wastewater capital grants and contributions increased $0.6 million in FY 2019 to $13.3 million due to sewer line contributions.

Expenses for business-type activities were $346.1 million in FY 2019, a decrease of $14.8 million.

- Electric operating expenses were $193.3 million, a decrease of $24.6 million from the prior year. The primary operating expenses contributing to the decrease is the purchase of fuel and power. Other services and charges decreased by $1.1 million which was largely a result of an ERCOT phase II study, totaling $1.2 million. Depreciation and amortization expense increased $0.5 million in FY 2019 as a result of increased depreciable capital assets relative to FY 2018. Personnel services increased $1.6 million in FY 2019. Expenses related to pensions increased $1.7 million offset by a slight reduction in payroll-related personnel costs totaling just under $0.1 million.

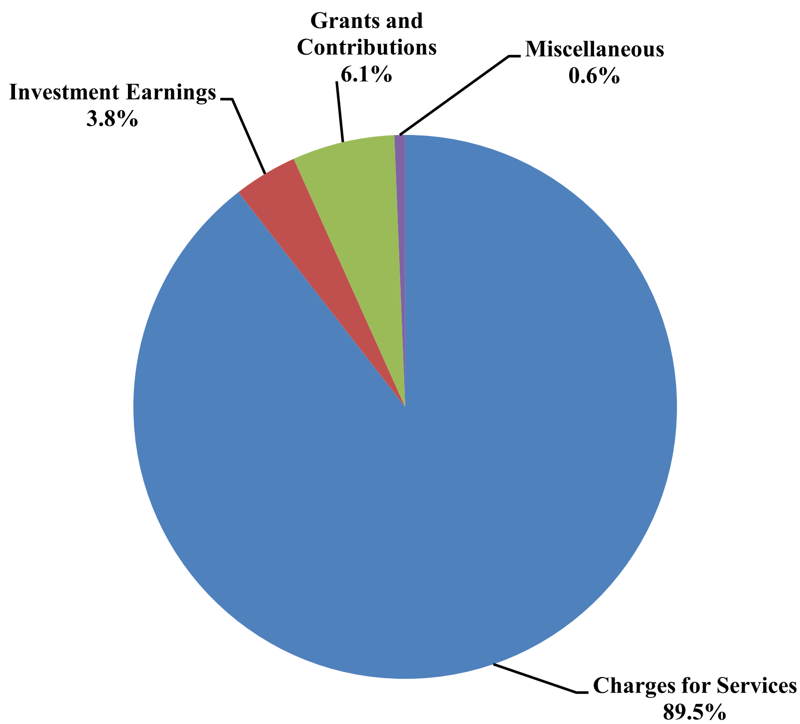
- Expenses in the Water/Wastewater Fund were $102.0 million in FY 2019, up $7.3 million from FY 2018. Water billing office expense and other services and charges increased by $2.6 million in FY 2019 while depreciation expense went up $1.6 million. Water personnel charges decreased $0.5 million in FY 2019. Wastewater billing office expense and supplies charges increased slightly by $0.3 million in FY 2019. A large increase in depreciation was due to added Wastewater assets being in use in FY 2019. As a result, depreciation expense increased from $10.1 million in FY 2018 to $14.4 million in FY 2019. Wastewater other services and charges decreased $0.2 million in FY 2019.

- Expenses in the Storm Water Fund were $12.7 million in FY 2019, an increase of $1.0 million from the prior year. Other services and charges cost increased by $0.4 million in FY 2019 to $1.4 million. The increase was due to engineering services being consolidated in FY 2019 and allocating expenses to departments. Depreciation expense increased $0.5 million in FY 2019 from FY 2018 while Storm Water billing office expense and maintenance had a slight increase in FY 2019.

- Expenses for transit, airport, civic centers, cemetery, and Lake Alan Henry were $38.2 million, a $1.5 million increase from FY 2018. Transit Fund expenses increased by $0.6 million in FY 2019 to $14.2 million. Transit personnel services increased by $0.6 million in FY 2019 and other services and charges increased by $0.2 million as well. Transit maintenance charges decreased by $0.3 million in FY 2019. Airport expenses increased by $0.7 million in FY 2019 to $18.5 million. Airport interest expenses increased $0.7 million in FY 2019. Civic centers expenses increased by $0.2 million in FY 2019 and Lake Alan Henry expenses increased from $0.4 million in FY 2018 to $0.5 million in FY 2019. Cemetery expenses decreased slightly in FY 2019. Civic Center personnel services decreased by $0.3 million due to vacancies while Lake Alan Henry personnel services increased slightly.

The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, the activities include LP&L and WTMPA (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 $200.7 million, compared to $164.7 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 2019, the General Fund had $55.3 million unassigned fund balance compared to $48.0 million unassigned fund balance in FY 2018. This is 27.5 percent of the ending governmental fund balance, compared to 29.1 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 29.8 percent of total General Fund revenues compared to 27.7 percent of total General Fund revenue in the prior year. Total fund balance represented 29.9 percent of total General Fund revenues compared to 30.7 percent of total General Fund revenue in the prior year.

The Governmental Capital Project Fund had an increase in fund balance of $29.9 million in FY 2019. Large outlay expenditures in projects that were financed with previous year debt caused the increase in fund balance to $94.0 million. Long term debt of $49.1 million was issued in FY 2018 to fund projects going forward.

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, 2019 and 2018 are as follows with amounts presented in thousands:

	2019	2018
LP&L	$ 43,610	$ 46,792
Water/Wastewate	37,783	35,212
WTMPA	1,068	1,054
Storm Water	5,120	5,294
	$ 87,581	$ 88,352

The LP&L Fund unrestricted net position decreased by $3.2 million, compared to an increase of $1.5 million in the prior year. FY 2019 net position before contributions and transfers of $29.5 million was $2.2 million lower than in FY 2018. This was due to a $23.8 million decrease in operating expenses and a $28.0 million decrease in operating revenues. The main operating expenses contributing to the $23.8 million decrease included the $25.7 million decrease in the purchase of fuel and power, and a $1.9 million increase in personnel services. The $28.0 million operating revenue decrease was driven by the decrease in general consumers' metered revenues.

The Water/Wastewater Fund unrestricted net position increased by $2.6 million compared to an increase of $1.6 million in the prior year. Revenues decreased by $9.6 million in FY 2019 due to a decrease in average daily water consumption from 34.6 million gallons in FY 2018 to 31.6 million gallons in FY 2019. A large increase in depreciation was mainly due to Wastewater assets being added. As a result, depreciation expense increased from $26.7 million in FY 2018 to $32.2 million in FY 2019. Other services and charges expense increased by $2.1 million in FY 2019 due to pump demolitions and additional Sandhills wells being complete.

The WTMPA Fund unrestricted net position increased by $14,000 compared to an increase of $1.3 million during the prior fiscal year. Operating revenue decreased by $72.3 million in FY 2019 to $87.4 million. Operating expenses decreased by $72.1 million in FY 2019 to $87.9 million. The decrease in revenue and expense was related to the decrease in fuel and power cost.

The Storm Water Fund unrestricted net position decreased by $0.2 million compared to a $0.2 million increase in the prior fiscal year. Revenues decreased by $0.6 million in comparison to FY 2018. Personnel cost decreased by $0.4 million in FY 2019 to $1.5 million. The decrease was because of staff turnover in positions.

General Fund Budgetary Highlights

The Adopted Operating Budget for the General Fund, including transfers, totaled $215.3 million.

The final adopted budget revenue for FY 2019, including transfers in, totaled $215.3 million. The only budget amendment made was to increase General Fund cash by $23,000 due an increase in sales tax revenue. Actual revenue was $220.0 million. Revenue and transfers-in in the General Fund were more than budget by $4.7 million. The City's sales tax revenue was $3.1 million over budget. Interest earnings were $1.6 million over budget and property taxes were over budget by $1.0 million. Public works revenue was over budget by $0.8 million while Intergovernmental and licenses and permits were over budget $0.3 million and $0.2 million respectively. These were offset by the transfer from LP&L being $2.5 million less than budget.

The original operating expenditure budget for the General Fund, including transfers out, totaled $221.5 million. An amendment was passed to carry forward balances not used in FY 18 in the amount of $0.1 million for a study of Solid Waste operations. This authorized obligation could not take place in FY 2018 due to staff turnover. A budget amendment was made to increase a transfer to Fleet CIP by $1.0 million while another budget amendment was made to increase Solid Waste cash funded capital projects by $2.3 million. The non-departmental budget was also increased by $23,000 for the LodgingRevs contract. The final General Fund expenditure budget totaled $224.9 million.

The City ended the fiscal year with expenditures and transfers out totaling $220.5 million, $4.4 million less than budgeted. Expenditures were lower across the board due to compensation and benefits being less than anticipated due to authorized but unfilled positions. Parks and Recreation was $1.0 million below budget while Police was $2.2 million below budget. In addition, it did not rain as much this year, which caused mowing expenses for Parks and Recreation to decrease overall. City Secretary was under budget by $0.2 million due to no run-off elections needed in FY 19. The transfer to the Gateway fund was $1.4 million below budget due to LP&L franchise fees and PILOT coming in below projections.

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

Capital Assets and Debt Administration

Capital assets: The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at September 30, 2019 totaled $2.07 billion, a $78.7 million increase over the prior fiscal year's balance of $1.99 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)
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Land	$ 34,738	$ 28,839	$ 64,087	$ 61,329	$ 98,825	$ 90,168
Electric non-depreciable	-	-	18,048	17,069	18,048	17,069
Buildings	37,794	38,956	144,495	140,715	182,289	179,671
Improvements other than buildings	306,782	304,392	961,632	968,388	1,268,414	1,272,780
Machinery and equipment	52,908	58,496	86,983	93,079	139,891	151,575
Electric depreciable	-	-	229,944	191,315	229,944	191,315
Construction in progress	59,683	37,645	71,899	50,079	131,582	87,724
Total	$ 491,905	$ 468,328	$ 1,577,088	$ 1,521,974	$ 2,068,993	$ 1,990,302

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

- New Customer Service Information Systems and Workforce Management System LP&L totaling $11.9 million
- LP&L upgrades to Slaton Substation , totaling $8.2 million
- Airport Construction on a Rental Car Facility $9.6 million
- Water Pump Station #10 located at 82nd/Memphis constructed improvements totaling $1.9 million
- Citizens Tower that will serve as the new city hall, totaling $20.4 million

At the end of the fiscal year, the City had construction commitments of $433.7 million. LP&L has $22.9 million remaining commitments for a new customer information system. The new system will integrate technologies and innovative services such as advanced meters, communication networks, and data management systems. LP&L also has $23.1 million remaining commitments that will provide a 345 kv ERCOT interconnection. Water has $20.5 million committed to automate their metering infrastructure. The Airport has $42.3 committed for a remodel of the terminal. $58.5 million is commited to construct a new Police Headquarters facility, property warehouse/crime lab facility, three new police substations, and a new Municipal Court facility.

Additional information about the City's capital assets can be found on pages 78-82 of the CAFR.

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

City of Lubbock Outstanding Debt
General Obligation and Revenue Bonds
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
General obligation bonds	$ 358,874	$ 344,584	$ 614,021	$ 656,626	$ 972,895	$ 1,001,210
Revenue and contract bonds	-	-	227,710	210,542	227,710	210,542
State infrastructure bank loan	5,000	-	-	-	5,000	-
Notes from direct borrowings	-	-	2,000	-	2,000	-
Capital Lease Obligation	6,311	11,351	1,413	2,653	7,724	14,004
Total	$ 370,185	$ 355,935	$ 845,144	$ 869,821	$ 1,215,329	$ 1,225,756

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 bonds debt service. The FY 2019 interest and sinking fund tax rate per $100 of assessed valuation was $0.13662, which is significantly below the maximum allowable tax rate.

As of September 30, 2019, the City's total outstanding debt has decreased by $10.4 million, or 0.9 percent from the prior fiscal year. The decrease in outstanding debt is attributed to no new capital lease additions, offset by the payment of scheduled principal payments totaling $2.5 million and refunded debt of $3.8 million. In addition, GO bond and revenue and contract bond debt decreased by $11.2 million or 0.9 percent. Total bond additions were for $120.3 million, offset by the payment of scheduled principal payments totaling $105.7 million and refunded debt of $25.8 million.

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

- $19.6 million Water and Wastewater System Surplus Revenue Bonds, Series 2019 (Bonds), with interest rates ranging from 0 percent to 1.40 percent. The Bonds were issued at par and incurred issuance cost of $337,703. The $19,635,000 proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the Water and Wastewater System, (ii) funding capitalized interest, (iii) funding the reserve fund requirement for the Bonds, and (iv) paying the costs of issuing the Bonds. The proceeds of the debt are recorded in the various Capital Projects Funds.

- $6.1 million Water and Wastewater System Surplus Revenue Bonds, Series 2019A (Bonds), with interest rates ranging from 1.5 percent to 3.3 percent. The Bonds were issued at a premium of 454,309 and incurred issuance cost of $82,449. The $6,584,309 proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the Water and Wastewater System, (ii) funding capitalized interest, (iii) funding the reserve fund requirement for the Bonds, and (iv) paying the costs of issuing the Bonds. The proceeds of the debt are recorded in the various Capital Projects Funds.

- $64.6 million Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2019 (Certificates), with interest rates ranging from 2.00 percent to 5.00 percent. The Certificates were issued at a premium of $9,277,592 and incurred issuance cost of $ 626,142. The $73,827,592 proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) construction of a new Police Headquarters facility, Property Warehouse/Crime Lab facility, East Substation facility, North Substation facility, South Substation facility, and a new Municipal Court facility; (ii) construction of automated car wash for light duty vehicles at the Municipal Hill (iii) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates. The proceeds of the debt are recorded in the various Capital Projects Funds.

- $7.1 million Tax Note, Series 2019 - The proceeds were used for the purpose of providing funds to pay contractual obligations incurred or to be incurred (i) for the purchase of the Property, consisting of: materials, supplies, equipment and machinery for the City's Fire and Solid Waste Management departments; and (ii) to pay the costs of issuance related thereto.

- $10.6 million Water and Wastewater System Refunding Bonds, Series 2019 (Bonds) - The proceeds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds refunded $12.1 million in outstanding debt, which resulted in a decrease of $434,556 in total debt service requirements.

- $12.3 million General Obligation Refunding, Series 2019 - The proceeds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The bonds refunded $13.7 million in outstanding debt, which resulted in a decrease of $1.8 million in total debt service requirements.

In March 2019, Fitch Ratings, Inc. and Standard and Poor's each reaffirmed the City's bond rating of AA+ and characterized the City's rating outlook as stable.

In March 2019, Fitch Ratings, Inc. and Standard and Poor's each established the City's Water and Sewer System bond rating of AA- and characterized the City's rating outlook as stable.

Additional information about the City's long-term debt can be found on pages 96-102 of the CAFR.

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

- In September 2019, the average unemployment rate for the Lubbock area was 2.7 percent, down from 3.0 percent in September of the previous year. The rate compares favorably to the State's unemployment rate of 3.3 percent and the national rate of 3.3 percent for September 2019.

- Taxable retail sales tax were $78.2 million in FY 2019 compared to $73.6 million in FY 2018.

- The total number of new residential permits through September 2019 increased 10.3 percent from 2018 levels, and valuation amounts were $284.0 million, which is 24.9 percent higher than the same period in 2018.

- Hotel occupancy tax receipts increased to $7.8 million in FY 2019 compared to $7.4 million in FY 2018.

The following factors were considered in preparing the City's budget for FY 2020.

- The City adopted an increased tax rate of 55.802 cents per $100 valuation for FY 2020. This is a 1.0 cent increase from FY 2019. The tax rate for debt service decreased from 13.662 cents to 13.178 cents per $100 valuation. The Maintenance and Operations rate increased from 38.825 cents to 40.309 cents per $100 valuation. The property tax rate per $100 valuation is broken down as follows: General Fund 40.309 cents; Debt Service Fund 13.178 cents; and Economic Development Fund 2.315 cents. Property tax revenues are expected to increase by $6.9 million for FY 2020 of which $2.2 million is new property on the roll.

- Sales tax revenues in FY 2020 are expected to increase 3.3 percent compared to the FY 2019 re-forecasted amount.

- Payments in lieu of franchise fees are expected to decrease 4.0 percent. The franchise fees for the City of Lubbock utilities have been reclassified to this section and are no longer transfers. Franchise fee payments are based on 5.0 percent of metered revenues for LP&L and 5.0 percent of gross revenues for all other municipal utilities. LP&L is projecting a decrease to revenue based on consumption while Storm Water is proposing $1.50 decrease to the rate. Franchise fees are also impacted negatively due to the telecommunication right of way charges enacted Senate Bill 1152 during the 86th Texas Legislative Session.

- Fees for services are expected to increase by $0.3 million in FY 2020. This is due to an increase in Solid Waste customers and tonnage at the landfill. Other significant changes to fees for services include increases and additions to fire inspection fees as well as adding an animal surrender fee.

- Compensation costs are expected to increase 4.5 percent in FY 2020. Increases in Police and Fire compensation total $3.3 million. Positions in the General Fund increased by 26, with 12 being new sworn police officers positions and two sworn and one non-sworn Fire positions. Eleven additional positions were added to critical areas in the General Fund to address the needs of the City.

- Health insurance is projected to increase $0.6 million or 4.1 percent as a result of the increases to the health insurance plan costs. Both the City and employee side of the plan costs will increase.

- Charges for medical supplies increased 74.9 percent or $0.1 million due to increases to Police Patrol associated with the purchase of nasal narcan kits and nitrile safety gloves and due to additional medical supplies required to facilitate the Lubbock Animal Shelter's current high live release rates.

- Motor vehicle maintenance cost is expected to increase 8.1 percent, or $0.4 million in FY 2020. The increase is due to the City being proactive in maintaining and repairing the City's light duty fleet.

- The transfer to the capital program totals $12.1 million in FY 2020 with twenty-four capital projects, thirteen funded totally with cash and eleven a mixture of cash and available prior year bonds. Five projects are related to the ongoing maintenance on City facilities and are fully cash funded. Several projects solely funded with cash include comprehensive plan implementation, city council initiatives, Berl Huffman parking lot lighting, Davis Park pickle ball courts, and pedestrian and cyclists enhancements. The Adopted Budget also includes partially funded cash projects including park walking trails, garden and arts center exterior renovations, and McAlister park improvements.

- The monthly Storm Water Fund tier 1 residential rate will decrease from $8.80 to $7.30 in FY 2020 with prorated decreases throughout the remaining tiers. Revenue is expected to decrease $3.2 million or 12.1 percent from FY 19.

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, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 3,206,623	$ 5,780,904	$ 8,987,527	$ 19,006,649
Investments	119,904,027	195,628,000	315,532,027	12,401,500
Receivables (net of allowance for uncollectibles)	19,375,375	47,688,436	67,063,811	2,493,417
Internal balances	5,994,280	(5,994,280)	-	-
Due from other governments	2,830,399	3,555,649	6,386,048	444,444
Due from others	2,858,760	157,658	3,016,418	-
Inventories	341,389	3,234,122	3,575,511	67,398
Prepaid expenses	-	1,378,658	1,378,658	28,100
Restricted assets:				
Cash and cash equivalents	-	-	-	1,355,551
Investments	111,588,283	201,411,081	312,999,364	-
Leases receivable	356,163	-	356,163	-
Investment in property	-	-	-	187,028
Mortgage receivables	-	-	-	3,129,373
Land Inventory	-	-	-	3,196,774
Capital assets (net of accumulated depreciation):				
Non-depreciable	94,421,363	154,033,608	248,454,971	4,081,002
Depreciable	397,483,506	1,423,053,723	1,820,537,229	78,725
Total assets	758,360,168	2,029,927,559	2,788,287,727	46,469,961
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	57,210,530	14,508,737	71,719,267	-
Deferred outflow from goodwill	-	265,416	265,416	-
Deferred outflow from OPEB	6,079,086	2,466,419	8,545,505	-
Deferred charge on refunding	4,199,369	10,006,747	14,206,116	-
Total deferred outflows of resources	67,488,985	27,247,319	94,736,304	-
LIABILITIES				
Accounts payable	14,087,958	42,588,260	56,676,218	1,917,659
Accrued liabilities	6,816,527	2,995,578	9,812,105	130,720
Accrued interest payable	2,345,039	6,989,852	9,334,891	75,004
Customer deposits	-	6,285,006	6,285,006	-
Unearned revenue	3,809,698	3,220	3,812,918	405,200
Noncurrent liabilities due within one year:				
Compensated absences	11,257,036	4,324,982	15,582,018	-
Accrued insurance claims	3,254,694	-	3,254,694	-
Leases payable	1,108,888	269,261	1,378,149	16,024,384
Bonds and notes payable	34,703,585	71,323,415	106,027,000	26,000
Noncurrent liabilities due in more than one year:				
Compensated absences	19,456,398	1,400,378	20,856,776	-
Post-employment benefits	100,359,466	42,070,416	142,429,882	-
Net pension liability	193,571,890	45,447,552	239,019,442	-
Accrued insurance claims	2,885,916	-	2,885,916	-
Hold Harmless Payment	-	24,000,000	24,000,000	
Landfill closure and postclosure care	6,140,578	-	6,140,578	-
Rebatable Arbitrage	-	749,791	749,791	-
Leases payable	5,201,716	1,143,456	6,345,172	4,401,800
Bonds and notes payable	362,384,537	843,001,443	1,205,385,980	2,007,000
Total liabilities	767,383,926	1,092,592,610	1,859,976,536	24,987,767
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	7,067,757	1,786,184	8,853,941	-
Deferred inflows from OPEB	4,652,309	1,705,253	6,357,562	-
Total deferred inflows of resources	11,720,066	3,491,437	15,211,503	-
NET POSITION				
Net investment in capital assets	186,558,695	810,897,985	997,456,680	4,159,727
Restricted for:				
Passenger facility charges	-	6,386,221	6,386,221	-
Debt service	11,909,852	44,610,896	56,520,748	-
Special revenue	15,048,402	-	15,048,402	3,316,401
Primary government agreement	-	-	-	100,000
Unrestricted	(166,771,788)	99,195,729	(67,576,059)	13,906,066
Total net position	$ 46,745,161	$ 961,090,831	$ 1,007,835,992	$ 21,482,194

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2019

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Administrative services and general government	$ 16,151,468	22,195	$ -
Community services	6,257,498	-	5,041,515
Cultural and recreation	19,543,417	1,324,648	220,917
Economic and business development	20,174,850	1,649,588	-
Fire	67,973,842	91,245	-
Health	6,717,959	750,119	1,197,527
Police	73,600,529	169,883	213,702
Other public safety	8,136,634	8,236,256	737,114
Streets and traffic	35,768,130	219,317	-
Solid Waste	19,604,313	24,084,828	-
Interest on long-term debt	11,326,682	-	-
Total governmental activities	285,255,322	36,548,079	7,410,775
Business-type activities:			
Electric	193,325,242	215,456,633	-
Water/Wastewater	101,952,908	124,756,503	-
Storm Water	12,676,579	25,797,905	-
Transit	14,184,242	5,901,555	5,410,048
Airport	18,544,972	12,498,983	3,281,289
Civic Centers	4,364,240	534,064	-
Cemetery	604,329	310,796	-
Lake Alan Henry	462,046	609,164	-
Total business-type activities	346,114,558	385,865,603	8,691,337
Total primary government	$ 631,369,880	$ 422,413,682	$ 16,102,112
Component units:			
Urban Renewal Agency (URA)	$ 344,829	$ -	$ -
Civic Lubbock, Inc.	2,277,764	1,775,285	413,371
Market Lubbock, Inc.	6,043,166	48,926	119,959
Lubbock Economic Development Alliance	16,622,196	-	-
Vintage Township Public Facilities Corporation	149,971	-	-
Total component units	$ 25,437,926	$ 1,824,211	$ 533,330

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
Net position - ending

See accompanying Notes to Basic Financial Statements

Capital Grants and Contributions	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
	Net (Expenses) Revenues and Changes in Net Position			
$ -	$ (16,129,273)	$ -	$ (16,129,273)	$ -
-	(1,215,983)	-	(1,215,983)	-
-	(17,997,852)	-	(17,997,852)	-
386,421	(18,138,841)	-	(18,138,841)	-
-	(67,882,597)	-	(67,882,597)	-
-	(4,770,313)	-	(4,770,313)	-
2,746,041	(70,470,903)	-	(70,470,903)	-
-	836,736	-	836,736	-
17,536,278	(18,012,535)	-	(18,012,535)	-
-	4,480,515	-	4,480,515	-
-	(11,326,682)	-	(11,326,682)	-
20,668,740	(220,627,728)	-	(220,627,728)	-
577,624	-	22,709,015	22,709,015	-
13,281,939	-	36,085,534	36,085,534	-
2,333,136	-	15,454,462	15,454,462	-
-	-	(2,872,639)	(2,872,639)	-
1,383,645	-	(1,381,055)	(1,381,055)	-
-	-	(3,830,176)	(3,830,176)	-
-	-	(293,533)	(293,533)	-
-	-	147,118	147,118	-
17,576,344	-	66,018,726	66,018,726	-
$ 38,245,084	(220,627,728)	66,018,726	(154,609,002)	-
$ -	-	-	-	(344,829)
-	-	-	-	(89,108)
-	-	-	-	(5,874,281)
-	-	-	-	(16,622,196)
174,819	-	-	-	24,848
$ 174,819	-	-	-	(22,905,566)
	97,439,994	-	97,439,994	3,318,459
	78,160,193	-	78,160,193	6,513,349
	7,855,116	-	7,855,116	4,384,647
	1,743,275	-	1,743,275	-
	9,617,200	-	9,617,200	-
	6,923,972	16,333,948	23,257,920	692,090
	7,753,533	2,742,846	10,496,379	448,726
	42,311,185	(42,311,185)	-	-
	251,804,468	(23,234,391)	228,570,077	15,357,271
	31,176,740	42,784,335	73,961,075	(7,548,295)
	15,568,421	918,306,496	933,874,917	29,030,489
	$ 46,745,161	$ 961,090,831	$ 1,007,835,992	$ 21,482,194

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,205,615	$ -	$ 334,585	$ 828,685	$ 2,368,885
Investments	45,081,094	-	12,510,997	30,986,749	88,578,840
Taxes receivable (net)	14,395,793	442,544	-	1,213,859	16,052,196
Accounts receivable (net)	3,006,527	-	6,992	-	3,013,519
Interest receivable	154,746	10,149	-	44,215	209,110
Due from other funds	2,600,709	-	-	-	2,600,709
Due from other governments	-	-	-	2,830,399	2,830,399
Due from others	1,970,988	-	-	887,772	2,858,760
Inventory	154,233	-	-	-	154,233
Restricted investments	206,655	7,919,434	85,731,930	13,281,114	107,139,133
Leases receivable	-		-	356,163	356,163
Total assets	$ 68,776,360	$ 8,372,127	$ 98,584,504	$ 50,428,956	$ 226,161,947
LIABILITIES					
Accounts payable	$ 4,587,494	$ -	$ 4,307,328	$ 3,262,335	$ 12,157,157
Accrued liabilities	6,485,780	-	939	98,851	6,585,570
Due to other funds	-	-	-	240,816	240,816
Unearned revenue	254,656	-	266,317	3,288,725	3,809,698
Total liabilities	11,327,930	-	4,574,584	6,890,727	22,793,241
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	1,822,082	409,483	-	425,548	2,657,113
Total deferred inflows of resources	1,822,082	409,483	-	425,548	2,657,113
FUND BALANCES					
Nonspendable	154,233	-	-	-	154,233
Restricted	206,655	7,962,644	81,911,677	28,294,029	118,375,005
Committed	-	-	12,098,243	14,818,652	26,916,895
Unassigned	55,265,460	-	-	-	55,265,460
Total fund balances	55,626,348	7,962,644	94,009,920	43,112,681	200,711,593
Total liabilities, deferred inflows of resources, and fund balances	$ 68,776,360	$ 8,372,127	$ 98,584,504	$ 50,428,956	$ 226,161,947

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, 2019

Total fund balance - governmental funds	$ 200,711,593
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	491,904,869
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	19,493,224
General obligation bonds	17,408,493
Net book value of capital assets	(17,887,158)
Compensated absences	764,670
Post employment benefits	4,811,526
Net pension Liability	5,656,764
Deferred Inflows of Pensions	222,622
Deferred Outflows of Pensions	(1,875,540)
Deferred Inflows of OPEB	202,017
Deferred Outflows from OPEB	(284,419)
Amounts due from business-type ISF's for amounts undercharged	3,634,388
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	(358,873,908)
SIB Loan	(5,000,000)
Capital leases payable	(6,310,604)
Closure/Post Closure	(6,140,578)
Compensated absences	(30,713,434)
Post employment benefits	(100,359,466)
Net pension liability	(193,571,890)
Accrued interest on general obligation bonds	(2,259,826)
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 $33,214,214 and deferred charges on refunding $4,199,369.	(29,014,845)
Deferred Inflows of Pensions	(7,067,757)
Deferred Outflows of Pensions	57,210,530
Deferred Inflows from OPEB	(4,652,309)
Deferred Outflow from OPEB	6,079,086
Revenue earned but unavailable in the funds is deferred.	2,657,113
Net Position of governmental activities	$ 46,745,161

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$137,818,250	$ 22,673,458	$ -	$ 24,581,971	$ 185,073,679
Franchise taxes	9,091,216	-	-	525,984	9,617,200
Special assessments	-	-	-	1,427,669	1,427,669
Fees and fines	2,877,675	-	-	329,178	3,206,853
Licenses and permits	4,176,891	-	-	-	4,176,891
Intergovernmental	849,957	-	805,019	7,878,091	9,533,067
Charges for services	27,477,895	-	-	215,707	27,693,602
Interest	1,991,408	347,585	2,488,716	985,561	5,813,270
Miscellaneous	1,473,260		2,496,985	3,619,408	7,589,653
Total revenues	185,756,552	23,021,043	5,790,720	39,563,569	254,131,884
EXPENDITURES					
Current:					
Administrative services and general government	14,597,985	-	9,565	23,433	14,630,983
Community services	-	-	-	5,736,399	5,736,399
Cultural and recreation	14,458,745	-	228,246	68,815	14,755,806
Economic and business development	711,910	-	181,232	16,283,761	17,176,903
Health	4,550,080	-	-	1,397,707	5,947,787
Fire	51,749,080	-	83,620	10,542	51,843,242
Police	66,057,169	-	-	971,797	67,028,966
Other public safety	7,113,059	-	39,494	367,650	7,520,203
Streets and traffic	6,443,164	-	5,118,707	-	11,561,871
Solid waste	14,111,737	-	115,697	-	14,227,434
Intergovernmental	-	-	-	194,959	194,959
Debt service:					
Principal	10,221,874	28,782,095	-	3,437	39,007,406
Interest and other charges	497,362	13,593,449	425,818	8,219	14,524,848
Capital outlay	529,150	-	35,529,097	5,999,612	42,057,859
Total expenditures	191,041,315	42,375,544	41,731,476	31,066,331	306,214,666
Revenues under expenditures	(5,284,763)	(19,354,501)	(35,940,756)	8,497,238	(52,082,782)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	3,103,627	7,035,000	49,105,000	-	59,243,627
Bond premium	-	901,222	6,339,089	-	7,240,311
Payment to the refunded bond escrow agent	-	(7,856,803)	-	-	(7,856,803)
Transfers in	34,278,932	23,047,873	12,882,612	8,780,549	78,989,966
Transfers out	(29,564,461)	(459,087)	(2,490,296)	(16,993,063)	(49,506,907)
Net other financing sources	7,818,098	22,668,205	65,836,405	(8,212,514)	88,110,194
Net change in fund balances	2,533,335	3,313,704	29,895,649	284,724	36,027,412
Fund balances - beginning of year	53,093,013	4,648,940	64,114,271	42,827,957	164,684,181
Fund balances - end of year	$ 55,626,348	$ 7,962,644	$ 94,009,920	$ 43,112,681	$ 200,711,593

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, 2019

Net change in fund balances - total governmental funds	$	36,027,412
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 $42,057,859 exceeded depreciation of $38,797,039 in the current period.		3,260,820
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 $59,243,627 exceeded debt repayments of $33,966,758, and debt defeasance of $7,856,315.		(17,420,554)
Capital lease transactions provide current financial resources to governmental funds and repayment of principal is an expenditure. There were no proceeds and the amount of repayment was $5,040,648.		5,040,648
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 $7,240,311 exceeded deferred refunding charges of $488 and amortization of $4,022,720.		(3,217,103)
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		(1,458,828)
Post retirement benefits		(5,869,656)
Net pension liability		(15,834,183)
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.		167,961
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.		4,491,163
Current Amount overcharged by Internal Service Fund Business Type Activities-Lookback		139,610
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.		(430,423)
Capital assets transactions include $18,546,450 developer donated streets plus $597,615 capital asset transfers in from business-type activities and less $51,964 disposition of assets and use of property.		19,092,101
Transfer Risk Management Net Position to Governmental Activities		7,492,920
Landfill closure and postclosure adjustment in FY 18		(261,236)
Capital lease revenue earned, but not available, is deferred in the governmental funds, but recognized in the Statement of Activities. This is the change in capital lease unavailable revenue for the year.		(43,912)
Change in net position of governmental activities	$	31,176,740

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2019

	Enterprise Funds			
	LP&L	**Water/Waste Water**	**WTMPA**	**Storm Water**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 3,001,695	1,404,990	$ 560,522	$ 199,376
Investments	112,241,171	52,536,205	424,383	7,455,173
Accounts receivable, net	26,379,590	16,065,257	205,352	2,498,759
Interest receivable	174,038	562,814	-	66,809
Due from others	-	69,267	-	-
Due from other funds	-	-	1,256,754	-
Due from other governments	-	53,221	-	-
Prepaid expenses	25,000	-	-	-
Inventories	1,917,349	116,588	-	-
Total current assets	143,738,843	70,808,342	2,447,011	10,220,117
Noncurrent assets:				
Restricted investments	81,667,434	69,608,390	-	18,409,386
Prepaid expenses	1,344,442	-	-	-
	83,011,876	69,608,390	-	18,409,386
Capital assets:				
Land	-	40,865,761	-	18,406,195
Electric non-depreciable	18,047,692	-	-	-
Construction in progress	43,818,507	8,473,115	-	665,303
Buildings	-	164,903,321	-	64,580
Improvements other than buildings	-	1,018,986,629	-	194,211,804
Machinery and equipment	-	122,821,691	25,200	5,881,835
Electric depreciable	492,319,639	-	-	-
Less accumulated depreciation	(262,375,454)	(403,282,420)	(25,200)	(43,278,525)
Total capital assets	291,810,384	952,768,097	-	175,951,192
Total noncurrent assets	374,822,260	1,022,376,487	-	194,360,578
Total assets	$ 518,561,103	$ 1,093,184,829	$ 2,447,011	$ 204,580,695
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	607,903	6,663,740	-	2,566,785
Deferred outflow from Goodwill	265,416	-	-	-
Deferred outflows from pensions	8,685,534	4,074,262	-	344,926
Deferred outflows from OPEB	1,171,780	869,434	-	124,791
Total deferred outflows of resources	10,730,633	11,607,436	-	3,036,502

See accompanying Notes to Basic Financial Statements

Enterprise Funds		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 575,364	$ 5,741,947	$ 876,695
21,514,357	194,171,289	32,781,898
1,669,685	46,818,643	25,504
65,817	869,478	75,361
88,391	157,658	-
-	1,256,754	-
3,502,428	3,555,649	-
9,216	34,216	-
810,177	2,844,114	577,164
28,235,435	255,449,748	34,336,622
31,725,871	201,411,081	4,449,150
-	1,344,442	-
31,725,871	202,755,523	4,449,150
4,815,267	64,087,223	-
-	18,047,692	-
18,941,768	71,898,693	455,735
58,634,832	223,602,733	1,691,882
203,246,889	1,416,445,322	6,045,976
52,182,786	180,911,512	29,477,102
-	492,319,639	-
(181,286,904)	(890,248,503)	(19,760,517)
156,534,638	1,577,064,311	17,910,178
188,260,509	1,779,819,834	22,359,328
$ 216,495,944	$ 2,035,269,582	$ 56,695,950
168,319	10,006,747	-
-	265,416	-
1,315,945	14,420,667	1,963,610
277,957	2,443,962	306,876
1,762,221	27,136,792	2,270,486

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2019

	Enterprise Funds			
	LP&L	**Water/Waste Water**	**WTMPA**	**Storm Water**
LIABILITIES				
Current liabilities:				
Accounts payable	$ 33,070,620	4,480,067	$ 1,378,670	$ 289,921
Accrued liabilities	1,836,502	568,777	-	49,625
Accrued interest payable	3,441,090	2,647,526	-	434,338
Due to other funds	1,256,754	-	-	-
Customer deposits	5,806,225	291,223	-	-
Unearned revenue - other	-	-	-	-
Compensated absences	2,221,995	1,202,585	-	65,163
Accrued insurance claims	-	-	-	-
Notes payable	2,000,000	-	-	-
Leases payable	-	181,835	-	73,183
Bonds payable	18,540,000	40,380,419	-	7,506,564
Total current liabilities	68,173,186	49,752,432	1,378,670	8,418,794
Noncurrent liabilities:				
Accrued insurance claims	-	-	-	-
Hold harmless payment	24,000,000	-	-	-
Compensated absences	796,829	431,259	-	23,368
Post employment benefits	19,562,120	15,146,174	-	2,305,835
Net pension liability	25,524,306	13,873,403	-	1,536,196
Rebatable arbitrage	-	-	-	749,791
Leases payable	-	864,054	-	226,456
Bonds payable	177,281,406	496,878,478	-	115,425,338
Total noncurrent liabilities	247,164,661	527,193,368	-	120,266,984
Total liabilities	315,337,847	576,945,800	1,378,670	128,685,778
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	1,019,082	539,464	-	53,105
Deferred inflows from OPEB	867,480	558,514	-	62,387
Total deferred inflows of resources	1,886,562	1,097,978	-	115,492
NET POSITION (DEFICIT)				
Net investment in capital assets	150,712,020	469,057,930	-	68,550,504
Restricted for:				
Passenger facility charges	-	-	-	-
Debt service	17,745,364	19,907,604	-	5,145,318
Unrestricted	43,609,943	37,782,953	1,068,341	5,120,105
Total net position (deficit)	$ 212,067,327	$ 526,748,487	$ 1,068,341	$ 78,815,927

See accompanying Notes to Basic Financial Statements

Enterprise Funds		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 3,328,277	$ 42,547,555	$ 1,971,506
526,393	2,981,297	245,238
466,854	6,989,808	85,258
2,359,892	3,616,646	-
187,558	6,285,006	-
3,220	3,220	-
827,653	4,317,396	287,852
-	-	3,254,694
-	2,000,000	-
11,544	266,562	2,699
2,896,432	69,323,415	2,226,761
10,607,823	138,330,905	8,074,008
-	-	2,885,916
-	24,000,000	-
146,202	1,397,658	487,124
4,690,243	41,704,372	5,177,570
4,237,785	45,171,690	5,932,626
-	749,791	-
35,720	1,126,230	17,226
53,416,221	843,001,443	15,181,732
62,526,171	957,151,184	29,682,194
73,133,994	1,095,482,089	37,756,202
163,718	1,775,369	233,437
199,046	1,687,427	219,843
362,764	3,462,796	453,280
122,574,436	810,894,890	4,205,064
6,386,221	6,386,221	-
1,812,610	44,610,896	725,846
13,988,140	101,569,482	15,826,044
$ 144,761,407	$ 963,461,489	$ 20,756,954

City of Lubbock
TEXAS

City of Lubbock, Texas
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2019

Total net position - proprietary funds	$ 963,461,489
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	1,263,730
Amounts due to governmental ISF's for amounts overcharged	(3,634,388)
Net position of business-type activities	$ 961,090,831

See accompanying Notes to Basic Financial Statements.

City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended September 30, 2019

	Enterprise Funds			
	LP&L	Water/Waste Water	WTMPA	Storm Water
OPERATING REVENUES				
Charges for services (net)	$ 211,188,949	$ 124,756,503	$ 87,392,075	$ 25,797,905
Total operating revenues	211,188,949	124,756,503	87,392,075	25,797,905
OPERATING EXPENSES				
Personnel services	21,246,554	14,104,737	-	1,497,252
Insurance and claims	-	-	-	-
Supplies	1,199,646	3,767,816	-	116,113
Materials	-	-	-	-
Maintenance	2,972,963	4,125,774	-	347,547
Purchase of fuel and power	129,268,969	-	87,321,793	-
Billing office expense	-	4,477,332	-	934,308
Other services and charges	9,239,464	20,196,053	557,625	1,361,685
Depreciation and amortization	18,162,939	32,178,046	-	4,460,426
Total operating expenses	182,090,535	78,849,758	87,879,418	8,717,331
Operating income (loss)	29,098,414	45,906,745	(487,343)	17,080,574
NONOPERATING REVENUES (EXPENSES)				
Interest earnings	5,963,641	8,393,779	15,277	683,600
Passenger facility charges/Federal grants	-	-	-	-
Disposition of assets	(896,400)	(317,279)	-	-
Miscellaneous	878,148	1,509,439	81,534	13,435
Interest expense	(5,526,080)	(22,565,715)	-	(3,899,900)
Net nonoperating revenues (expenses)	419,309	(12,979,776)	96,811	(3,202,865)
Income (loss) before contributions and transfers	29,517,723	32,926,969	(390,532)	13,877,709
Capital contributions/grants	174,130	13,192,205	-	2,333,136
Transfers in	1,315,028	626,296	404,918	-
Transfers out	(14,973,092)	(18,295,704)	-	(7,496,784)
Change in net position (deficit)	16,033,789	28,449,766	14,386	8,714,061
Total net position - beginning of year	196,033,538	498,298,721	1,053,955	70,101,866
Total net position (deficit) - end of year	$ 212,067,327	$ 526,748,487	$ 1,068,341	$ 78,815,927

See accompanying Notes to Basic Financial Statements.

Enterprise Funds		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 19,854,562	$ 468,989,994	$ 65,539,919
19,854,562	468,989,994	65,539,919
13,992,683	50,841,226	7,059,114
-	-	34,579,034
1,861,356	6,944,931	267,383
-	-	8,114,837
2,200,240	9,646,524	9,274,045
-	216,590,762	-
-	5,411,640	-
6,227,394	37,582,221	3,994,327
11,403,407	66,204,818	3,685,646
35,685,080	393,222,122	66,974,386
(15,830,518)	75,767,872	(1,434,467)
1,223,596	16,279,893	1,164,757
8,691,337	8,691,337	-
(811,639)	(2,025,318)	13,767
216,529	2,699,085	141,608
(1,604,351)	(33,596,046)	(394,516)
7,715,472	(7,951,049)	925,616
(8,115,046)	67,816,823	(508,851)
1,383,645	17,083,116	-
6,467,767	8,814,009	6,041,052
(2,373,466)	(43,139,046)	(1,199,075)
(2,637,100)	50,574,902	4,333,126
147,398,507	912,886,587	16,423,828
$ 144,761,407	$ 963,461,489	$ 20,756,954

City of
Lubbock
TEXAS

City of Lubbock, Texas
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds
To the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund net position - total enterprise funds	$ 50,574,902
Amounts reported for business-type activities in the statement of activities are different because:	
Transfer Risk Management Net Position to Governmental Activities	(7,492,920)
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.	(297,647)
Change in net position of business-type activities	$ 42,784,335

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2019

	Enterprise Funds			
	LP&L	Water/ Wastewater	WTMPA	Storm Water
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ 237,779,327	$ 125,931,259	$ 102,710,362	$ 26,440,315
Receipts from interfund services	-	-	-	-
Payments to suppliers	(135,068,775)	(34,816,797)	(103,146,209)	(3,911,609)
Payments to employees	(21,246,554)	(14,620,433)	-	(1,546,591)
Other receipts (payments)	878,148	1,509,439	81,534	13,435
Net cash provided (used) by operating activities	82,342,146	78,003,468	(354,313)	20,995,550
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers in from other funds	1,315,028	626,296	404,918	-
Transfers out to other funds	(14,973,092)	(18,295,704)	-	(7,496,784)
Short-term interfund borrowings	-	-	-	-
Operating grants	-	-	-	-
Net cash provided (used) by noncapital and related financing activities	(13,658,064)	(17,669,408)	404,918	(7,496,784)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(77,398,115)	(16,069,726)	-	(1,686,857)
Sale of capital assets	87,181	113,101	-	-
Principal paid on capital leases	-	(816,372)	-	(214,372)
Principal paid on bonds	(18,555,000)	(41,140,703)	-	(7,662,161)
Issuance of bonds	1,841,827	26,721,444	-	102,610
Bond issuance costs	206,001	225,649	-	9,402
Interest paid on bonds and capital leases	(6,975,699)	(27,563,517)	-	(4,354,955)
Payment of rebatable arbitrage	-	-	-	698,874
Capital grants and contributions	-	2,622,420	-	-
Net cash provided (used) by capital and related financing activities	(100,793,805)	(55,907,704)	-	(13,107,459)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	54,147,103	4,708,687	52,785	2,700,471
Purchase of investments	(28,541,616)	(17,978,594)	(62,465)	(3,807,032)
Interest earnings on cash and investments	5,861,443	8,148,477	15,277	650,092
Net cash provided (used) by investing activities	31,466,930	(5,121,430)	5,597	(456,469)
Net increase (decrease) in cash and cash equivalents	(642,793)	(695,074)	56,202	(65,162)
Cash and cash equivalents - beginning of year	3,644,488	2,100,064	504,320	264,538
Cash and cash equivalents - end of year	$ 3,001,695	$ 1,404,990	$ 560,522	$ 199,376
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ 29,098,414	$ 45,906,745	$ (487,343)	$ 17,080,574
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	18,162,939	32,178,046	-	4,460,426
Other income (expense)	878,148	1,509,439	81,534	13,435
Change in current assets and liabilities:				
Accounts receivable	4,092,204	1,174,756	397,008	642,410
Inventory	66,714	119,942	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	11,401	-	-
Accounts payable	15,610,333	(4,537,820)	(10,575,661)	(1,345,391)
Deferred revenues	22,498,174	-	-	-
Due to/from other funds	(10,230,150)	202,673	10,230,149	11,097
Other accrued expenses	(1,785,810)	(6,531)	-	(11,252)
Customer deposits	1,253,761	6,205	-	-
Change in compensated absences and retirement benefits	2,697,419	1,438,612	-	144,251
Net cash provided (used) by operating activities	$ 82,342,146	$ 78,003,468	$ (354,313)	$ 20,995,550
Supplemental cash flow information:				
Noncash capital contributions and other charges	$ 174,130	$ 10,569,785	$ -	$ 2,333,136

See accompanying Notes to Basic Financial Statements.

	Enterprise Funds		
	Nonmajor Enterprise Funds	Totals	Internal Service Funds
	$ 19,515,279	$ 512,376,542	$ 63,750,691
	-	-	2,284,971
	(11,290,874)	(288,234,264)	(55,339,597)
	(14,187,467)	(51,601,045)	(6,763,201)
	260,671	2,743,227	245,995
	(5,702,391)	175,284,460	4,178,859
	6,467,767	8,814,009	6,041,052
	(2,373,466)	(43,139,046)	(1,199,075)
	1,760,532	1,760,532	-
	8,691,338	8,691,338	-
	14,546,171	(23,873,167)	4,841,977
	(14,960,347)	(110,115,045)	(4,990,208)
	800	201,082	36,534
	(192,752)	(1,223,496)	(16,854)
	(2,271,446)	(69,629,310)	(2,065,928)
	22,770,577	51,436,458	3,935,772
	-	441,052	90,548
	(1,707,969)	(40,602,140)	(703,573)
	-	698,874	-
	1,383,645	4,006,065	-
	5,022,508	(164,786,460)	(3,713,709)
	1,520,959	63,130,005	2,266,109
	(16,678,546)	(67,068,253)	(9,109,442)
	1,193,373	15,868,662	1,130,666
	(13,964,214)	11,930,414	(5,712,667)
	(97,926)	(1,444,753)	(405,540)
	673,290	7,186,700	1,282,234
	$ 575,364	$ 5,741,947	$ 876,694
	$ (15,830,518)	$ 75,767,872	$ (1,434,467)
	11,403,407	66,204,818	3,685,646
	216,530	2,699,086	245,995
	(339,289)	5,967,089	-
	8	186,664	(23,822)
	137,806	137,806	471,930
	(2,121,394)	(2,109,993)	-
	(1,014,958)	(1,863,497)	489,741
	-	-	-
	1,386,735	1,600,504	(2,220)
	(175,515)	(1,979,108)	270,246
	25,849	1,285,815	-
	608,948	4,889,230	475,810
	$ (5,702,391)	$ 175,284,460	$ 4,178,859
	$ -	$ 13,077,051	$ -

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 136.0 square miles and serves a population approximating 264,385. 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.

BLENDED COMPONENT UNIT

West Texas Municipal Power Agency (WTMPA) is a legally separate municipal corporation, a political subdivision of Texas, and body politic and corporate, formed in 1983, governed by an eight-member Board of Directors. The board consists of two directors from each participating city. One member is elected as the president who presides over monthly meetings. Directors serve without compensation. WTMPA has no employees and instead contracts for services to meet its general operating needs. WTMPA may engage in the business of generation, transmission, sale, and exchange of electric energy to the four participating public entities: Lubbock, Tulia, Brownfield, and Floydada. WTMPA may also participate in power pooling and power exchange agreements with other entities. WTMPA provides electricity to its four member cities with the City having a 95.3 percent interest in its operations. Each member city appoints two members to the WTMPA board; however, an affirmative vote of the "majority in interest" is required to approve the operating budget, capital projects, debt issuance, and any amendments to WTMPA rules and regulations. The "majority in interest" relates to the following items: 1) WTMPA's operating budget or any budget amendment(s); 2) capital projects; 3) certain energy sales or sale or exchange of property with a value in excess of $20,000; and 4) any amendments to WTMPA rules and regulations requiring a quorum of seven voting board members, an affirmative vote of six voting board members, and an affirmative vote of the "majority in interest". The "majority in interest" weighted vote is assigned according to kilowatt purchases by each city during the previous year. Lubbock has a 95.3 percent "majority in interest" vote since it accounts for 95.3 percent of WTMPA's electrical sales. WTMPA provides services almost exclusively to the City and is therefore presented as a blended enterprise fund. Separate audited financial statements may be obtained through the City.

Effective October 1, 2019, at the request of Lubbock and as a result of concurrent ordinances enacted by all members of the WTMPA, Lubbock was deleted as a member public entity of the agency.

Prior to its deletion, the City's percentage of rights and liabilities in WTMPA was 85.21%. WTMPA was the contract purchaser of power under (i) a total requirements power purchase agreement with SPS; and (ii) a wind energy power purchase agreement with Elk City Wind II, LLC. The total requirements power purchase contract expired at the end of May 2019. The wind energy power purchase agreement commenced on June 1, 2019 and expires on May 31, 2032; however, Lubbock's portion of the wind energy power purchase agreement (85%) was assigned by WTMPA to Lubbock, effective September 30, 2019.

Due to the termination of the total requirements power purchase agreement with SPS and the assignment of the wind energy power purchase agreement with Elk City Wind II, LLC, there were no obligations that impeded the deletion of Lubbock from WTMPA.

Concurrent ordinances enacted by all members of WTMPA were required by law to complete the deletion of as a member of WTMPA. The concurrent ordinance presented to the Lubbock City Council for consideration provided (i) for the deletion of Lubbock as a member of WTMPA; and (ii) for several other matters that pertained to the recreation of the new WTMPA (i.e., without Lubbock as a member) and organization of the recreated WTMPA, which were not applicable to Lubbock. The concurrent ordinances were effective on October 1, 2019.

LP&L worked with WTMPA's accountant and the City's external auditors to expedite the year-end review and financial audit of WTMPA. The concurrent ordinance contemplated the completion of the external audit on or before ninety days after the effective date of the recreated WTMPA. Upon completion of that audit, the recreated WTMPA is required to remit to the City 85.21% of all applicable assets, less any current liability obligations. True-ups to these remittances are expected to occur throughout a prescribed 24-month period after the effective date of the recreated WTMPA.

Lubbock Metropolitan Planning Organization (the "MPO"). The Federal-Aid Highway Act of 1962 mandated that as a condition attached to federal transportation financial assistance, that transportation projects in urbanized areas of 50,000 or more in population be based on a continuing, comprehensive, urban transportation planning process undertaken cooperatively by the states and local governments. The law also designates additional responsibilities once you reach a 200,000 population threshold.

The MPO is governed by a nine-member Board of Directors. The Board consists the City Manager, the Mayor of Lubbock, two City of Lubbock Council members, two Lubbock County elected officials, the Mayor of Wolfforth, a Texas Department of Transportation district engineer, and the General Manager from Citibus.

The City of Lubbock acts as the fiscal agent for the MPO, per an operating agreement between the City, the MPO, and the Texas Department of Transportation. The agreement is to develop transportation plans and programs for urbanized areas of the State of Texas and to expend federal funds and to provide state matching funds for allowable costs necessary for the improvement of roads not in the state highway system.

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

RELATED ORGANIZATIONS

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. For instance, 95.3 percent of the operations of WTMPA representing transactions between WTMPA and Lubbock Power & Light (LP&L) have been eliminated for the GWFS presentation and for the electric business-type activities (BTA). Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's electric, water, and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

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

Fund Accounting

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

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

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

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

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

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

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

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

The **WTMPA Fund** accounts for the activities of power generation and power brokering to member cities. Member cities include Lubbock with 95.3 percent of power usage, Tulia, Brownfield, and Floydada comprising the remaining 4.7 percent of power usage.

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

The City also reports the following non-major funds:

Governmental Funds

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

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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, Debt Service, 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, and Bell Farms PID.

Capital budgets and grant budgets 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 2019, management approved reappropriation of $776,925 in funds as follows: Abandoned Motor Vehicle - $235,000, Cable Services - $425,000, Central Business District - $109,925 and General Fund - $7,000. 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, Certificates of Deposit, and Money Markets. Investments also include state investment pools. Restricted investments include investments that have been restricted for bond financed capital projects, funds that have been restricted by bond covenants for debt service requirements, and funds accumulated for passenger facility charges and customer facility charges.

Property Tax Receivable - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October

1 on those assessed values and the taxes are due on receipt of the tax bill. On the following January 1, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The taxes are considered delinquent if not paid before February 1. Therefore, at fiscal year-end, all property taxes receivable are delinquent but are secured by a tax lien.

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

Enterprise Funds Receivables - Within the LP&L, Water/Wastewater, Storm Water, and WTMPA 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.

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

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

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

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

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

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

Interest Capitalization – For FY 2019, 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, 2989 FASB and AICPA Pronouncements. Therefore, the City capitalized $1,201,386 related to LP&L, a regulated operation.

Deferred Outflows/Inflows of Resources – Deferred outflows of resources represent a consumption of net position 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 position 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 and for other post-employment benefits related to difference in expected and actual experience, and changes in actuarial assumptions.

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

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

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

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

The City Council has approved goals for the General Fund unrestricted fund balance, which is set at a minimum of an amount equal to twenty percent of operating revenues in order to meet unanticipated contingencies and fluctuations in revenue. Enterprise funds also have appropriable net position reserve policies, ranging from 10 to 25 percent of operating revenue. The LP&L Fund maintains general reserves equal to three months gross revenue from all retail electric sales as determined by taking the average monthly retail electric sales from the previous 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 discreetly presented component unit.

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

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

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

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

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

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

Post-Employment Benefits for retirees of the City include the option to purchase health and life insurance with health insurance benefits at a subsidized premium. However, employees that retire with 15 or more years of service or Civil Service employees that retire who have a sick-leave balance in excess of 90 days will be able to elect to continue receiving medical coverage in full 30-day periods for the term of the balance of their sick leave. Retirees are required to pay a prorated premium for the days of coverage that are not funded by their excess sick leave. Amounts to cover premiums and administrative costs, with an incremental charge for reserve funding, are determined by the City's health care administrator. Employer contributions are funded on a pay-as-you-go basis and approximated at $5.3 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 November 2016, GASB issued Statement No. 83 ("GASB 83"), Certain Asset Retirement Obligations (ARO). GASB 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations, defined as a legally enforceable liability associated with the retirement of a tangible capital asset. An ARO is recognized when the liability is incurred, which is manifested by the occurrence of both an external obligating event (such as a legally binding contract or a court judgment) and an internal obligating event (such as placing a tangible capital asset into service). A government also recognizes a deferred outflow of resources when it recognizes an ARO liability. The ARO is measured at the best estimate of the current value of outlays expected to be incurred. Additional note disclosures are required. GASB 83 was effective for the fiscal period ending September 30, 2019. The City (LP&L Fund) has one ARO, but the amount is immaterial to financial statement users.

In January 2017, GASB issued Statement No. 84 ("GASB 84"), Fiduciary Activities. GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. GASB 84 is effective for the fiscal period ending September 30, 2020; however, implementation will have no impact on the City.

In June 2017, GASB issued Statement No. 87 ("GASB 87"), Leases. GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for the fiscal period ending September 30, 2021. The City has not determined the impact of this statement.

In June 2018, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements ("GASB 88"). GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. This statement had no impact on the City.

In December 2019, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period ("GASB 89"). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The City early implemented GASB 89, as discussed in Note I. F. Interest Capitalization.

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 2019 amended budgeted expenditures and transfers out were $224,863,435, while actual budgetary basis expenditures and transfers out were $220,512,495; a difference of $4,350,940.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2019, the bank balance of the City's deposits was $8,491,386 and the carrying value was $8,987,527. 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 market value of principal and accrued interest.

On September 30, 2019, bank balances were not exposed to custodial credit risk as follows:

Insured	$ 750,000
Uninsured and collateral held by a third party financial institution in the City's name	7,741,386
	$ 8,491,386

On September 30, 2019, the City had the following investments and maturities:

	September 30, 2019		
		Maturities in Years	
Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Farm Credit Bank (FFCB)	$ 16,608,282	$ 9,569,801	$ 7,038,482
Farmer Mac (FAMCA)	3,022,980	998,120	2,024,860
Federal Home Loan Bank (FHLB)	15,056,898	4,018,526	11,038,373
Federal Home Loan Mortgage Corporation (FHLMC)	10,496,260	3,493,430	7,002,830
Federal National Mortgage Association (FNMA)	14,803,243	4,991,900	9,811,343
Municipal Bonds	111,853,027	23,639,784	88,213,243
Commercial Paper	6,471,335	6,471,335	-
Money Market	24,849,343	24,849,343	-
State Investment Pools *	425,370,023	425,370,023	-
	$ 628,531,391	$ 503,402,262	$ 125,129,129

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

Investment in State Investment Pools

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

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.

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, andconstant dollar investment pools authorized by the City Council. On September 30, 2019, 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 - 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, 2019, the City's investments constituted the following percentages of total investments:

Investment	Percentage
State Investment Pools	67.68
Municipal Bonds	17.80
Money Market	3.95
FFCB	2.64
FHLB	2.40
FNMA	2.35
FHLMC	1.67
Commercial Paper	1.03
FAMCA	0.48

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

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 following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

September 30, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Federal Farm Credit Bank (FFCB)	$ 16,608,282	$ -	$ 16,608,282	$ -
Farmer Mac (FAMCA)	3,022,980	-	3,022,980	-
Federal Home Loan Bank (FHLB)	15,056,898	-	15,056,898	-
Federal Home Loan Mortgage Corporation (FHLMC)	10,496,260	-	10,496,260	-
Federal National Mortgage Association (FNMA)	14,803,243	-	14,803,243	-
Municipal Bonds	111,853,027	-	111,853,027	-
Commercial Paper	6,471,335	-	6,471,335	-
Total investments by fair value level	$ 178,312,025	$ -	$ 178,312,025	$ -
Investments measured at the net asset value				
TexStar	$ 196,685,260			
LOGIC	102,186,324			
Texas Class	123,531,795			
Total investments measured at the NAV	$ 422,403,379			
Investments measured at amortized cost				
TexPool	$ 2,966,644			
Money Markets	24,849,343			
Investments measured at amortized cost	$ 27,815,987			
Total Investments	$ 628,531,391			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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, 2019, the City had $3,857,463 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 General	Nonmajor Governmental	Proprietary Funds WTMPA	Nonmajor Enterprise	Totals
Governmental Funds:					
Nonmajor Governmental	$ 241	$ -	$ -	$ -	$ 241
Proprietary Funds:					
LP&L	-	-	1,257	-	1,257
Nonmajor Enterprise	2,360	-	-	-	2,360
Totals	$ 2,601	$ -	$ 1,257	$ -	$ 3,858

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, payments in lieu of taxes (PILOT), and franchise fees to the general fund or other funds as appropriate.

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

Interfund Transfers Out: (in Thousands)	Interfund Transfers In: (in Thousands) Governmental Funds General	Govt. Capital	Nonmajor Govt.	Proprietary Funds Electric	Water/Waste-water	WTMPA	Nonmajor Enterprise	Internal Service	Totals
Governmental Funds:									
General Fund	$ -	$12,581	$ 9,525	$ 190	$ -	$ -	$ 3,224	$ 4,044	$ 29,564
Govt. Capital Projects	-	-	2,490	-	-	-	-	-	2,490
Nonmajor Govt.	-	-	14,289	-	-	-	3,163	-	17,452
Proprietary Funds:									
LP&L	12,938	-	1,140	-	490	405	-	-	14,973
Water/Wastewater	16,487	-	147	908	-	-	-	754	18,296
Stormwater	2,998	-	4,237	190	-	-	-	72	7,497
Nonmajor Enterprise	1,856	302	-	-	136	-	81	-	2,375
Internal Service	-	-	-	27	-	-	-	1,172	1,199
Totals	$34,279	$12,883	$ 31,828	$1,315	$ 626	$ 405	$ 6,468	$ 6,042	$ 93,846

Net transfers on the GWFS amounted to $42,311,185 from business activities to governmental-type activities.

C. PREPAID EXPENSES

The total prepaid expenses (noncurrent assets) of $1,344,442 in the LP&L Enterprise Fund represents an advertising contract with the United Supermarket Arena. The advertising (and amortization) began with the opening of the sports arena in FY 2000 and will continue for 30 years.

D. GOODWILL

The deferred outflow from goodwill of $265,416 in the LP&L Enterprise Fund represents the unamortized excess purchase price over the estimated value of capital assets related to the purchase of Southwestern Public Service Company (SPS) in 2011. The goodwill is being amortized over a 10-year period.

E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

Primary Government:

Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	$ 28,839,114	$ 5,898,811	$ -	$ 34,737,925
Construction in Progress	37,645,029	44,200,501	22,162,092	59,683,438
Total Capital Assets Not Depreciated	66,484,143	50,099,312	22,162,092	94,421,363
Capital Assets Depreciated:				
Buildings	74,042,582	838,088	57,276	74,823,394
Improvements Other than Buildings	639,324,193	31,893,605	1,252,406	669,965,392
Machinery and Equipment	154,362,259	6,279,554	4,452,125	156,189,688
Total Capital Assets Depreciated	867,729,034	39,011,247	5,761,807	900,978,474
Less Accumulated Depreciation:				
Buildings	35,087,202	1,999,689	57,276	37,029,615
Improvements Other than Buildings	334,931,773	29,448,303	1,196,416	363,183,660
Machinery and Equipment	95,822,542	11,460,101	4,000,950	103,281,693
Total Accumulated Depreciation	465,841,517	42,908,093	5,254,642	503,494,968
Total Capital Assets Depreciated, Net	401,887,517	(3,896,846)	507,165	397,483,506
Governmental Activities Capital Assets, Net	$ 468,371,660	$ 46,202,466	$ 22,669,257	$ 491,904,869

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

Governmental activities:	
Administrative Services and General Government	$ 526,313
Community Services	159,247
Cultural and Recreation Services	3,810,897
Economic and Business Development	1,916,107
Fire	2,830,434
Health	383,368
Other Public Safety	148,751
Police	1,953,576
Streets and Traffic	23,410,631
Solid Waste	3,657,715
Internal Service Funds	3,682,766
Total Depreciation Expense - Governmental Activities	42,479,805
Transfer in of Accumulated Depreciation - Business-Type Activities	428,288
Increase in Accumulated Depreciation - Governmental Activities	$ 42,908,093

Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	$ 61,328,569	$ 3,123,258	$ 364,604	$ 64,087,223
Construction in Progress	50,078,591	105,970,231	84,150,129	71,898,693
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	35,046	386,015	-	421,061
Electric Distribution Plant	16,655,745	577,523	-	17,233,268
Electric General Plant	302,521	15,432	-	317,953
Total Capital Assets Not Depreciated	128,475,882	110,072,459	84,514,733	154,033,608
Capital Assets Depreciated:				
Buildings	222,990,589	9,117,481	8,343,220	223,764,850
Improvements Other than Buildings	1,392,378,744	27,412,483	3,345,905	1,416,445,322
Machinery and Equipment	180,964,285	3,450,755	3,357,373	181,057,667
Electric Production Plant	89,510,465	2,150,245	-	91,660,710
Electric Transmission Plant	44,027,556	17,000,509	3,928,955	57,099,110
Electric Distribution Plant	277,606,211	34,368,853	6,398,142	305,576,922
Electric Regional Trans Mkt Oper Plant	1,383,386	1,384,395	-	2,767,781
Electric General Plant	32,928,812	2,898,216	611,912	35,215,116
Total Capital Assets Depreciated	2,241,790,048	97,782,937	25,985,507	2,313,587,478
Less Accumulated Depreciation:				
Buildings	82,275,872	4,984,545	7,990,554	79,269,863
Improvements Other than Buildings	423,989,690	33,992,133	3,168,799	454,813,024
Machinery and Equipment	87,929,469	9,154,880	3,008,934	94,075,415
Electric Production Plant	58,929,018	3,563,638	-	62,492,656
Electric Transmission Plant	16,060,554	675,441	3,563,225	13,172,770
Electric Distribution Plant	157,649,211	11,298,668	5,839,528	163,108,351
Electric Regional Trans Mkt Oper Plant	406,222	386,845	-	793,067
Electric General Plant	21,095,602	1,839,315	126,308	22,808,609
Total Accumulated Depreciation	848,335,638	65,895,465	23,697,348	890,533,755
Total Capital Assets Depreciated, Net	1,393,454,410	31,887,472	2,288,159	1,423,053,723
Business Type Activities Capital Assets, Net	$ 1,521,930,292	$ 141,959,931	$ 86,802,892	$ 1,577,087,331

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

Business-Type Activities:	
LP&L	$ 17,763,907
Water/Wastewater	32,178,046
Storm Water	4,460,426
Airport	8,998,394
Transit	1,387,515
Civic Centers	966,243
Cemetery	48,121
Lake Alan Henry	3,134
Internal Service	2,880
Total Depreciation Expense - Business-Type Activities	65,808,666
Transfer in of Accumulated Depreciation - Governmental Activities	86,799
Increase in Accumulated Depreciation - Business-Type Activities	$ 65,895,465

Construction Commitments

The City has active construction projects at fiscal year end.

Projects	Original Commitments	Spent-to-Date	Remaining Commitments
Governmental Capital Projects	$ 209,193,596	$ 117,647,944	$ 91,545,652
TIF Capital Projects	10,607,031	2,672,154	7,934,877
Gateway Street Projects	9,900,372	7,434,097	2,466,275
LP&L	305,032,377	101,901,675	203,130,702
Water/Wastewater	291,812,750	226,600,237	65,212,513
Storm Water	79,800,000	70,096,823	9,703,177
Airport	64,194,616	17,706,431	46,488,185
Civic Center	9,975,549	9,772,832	202,717
Cemetery	80,000	-	80,000
Internal Service Fund	31,957,236	24,974,993	6,982,243
Total	$ 1,012,553,527	$ 578,807,186	$ 433,746,341

LP&L has numerous non-routine capital projects that are in their early stages, one of which is a $26.9 million appropriation related to costs for ERCOT interconnection transmission facilities. Another project in its early stages is the construction of a new 115 kV transmission line from the Northwest Substation to the X-Fab Substation. The appropriation for this project is $11.2 million. A project with a $15.8 million appropriation has begun to construct a new 115kV transmission line from the existing Chalker Substation to the new Oliver Substation. The $35.9 million project for a Customer Information System (CSIS), which will integrate technologies and innovative services such as advanced meters, communication networks, and data management systems is in progress.

Water began a $20.6 million project to automate metering infrastructure throughout its service area. Benefits from this project include improved billing accuracy, timely detection of leaks, and reduced meter reading costs.

The Airport has a $45.7 million appropriation to remodel the terminal building. The remodel includes internal and external enhancements, modifications to the screening and exit points, the CCTV access control system, plumbing system, and the public address system.

$60 million is appropriated in the governmental capital projects to construct numerous buildings. The buildings include a new police headquarters facility, a property warehouse with a crime lab, three new police substations, and a new municipal court facility.

F. CAPITAL LEASES

In FY 2009, the City constructed a $23,662,637 conference center that is joined to the Overton Hotel and Conference Center. The City is the lessor of the conference center to the developer of the North Overton Hotel in a sales-type lease agreement in which the conference center has an estimated life of 50 years and was leased for a term of 40 years with two optional 20-year renewals. The City expects the lessee to lease the entire 80-year term; therefore, there is no expected residual value of the conference center to the City. Lease terms include the greater of $65,000 per year or 15 percent of the excess of the net annual project cash flow, and one percent of the total daily collected net hotel room revenue. In FY 2019, the City received $100,038 in contingent hotel revenue. For years 2030 through 2050, there will be no lease payments.

The minimum lease payments (included in leases receivable on GWFS) are estimated as follows:

Year	Fixed Lease
2020	42,223
2021	40,599
2022	39,037
2023-2027	173,787
2028-2029	60,517
Total	**$356,163**

G. 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, 2019 and the pension expense for the year ended is as follows:

	TMRS	LFPF	Total
Net pension liability	$138,109,970	$100,909,472	$239,019,442
Deferred outflows of resources	45,515,136	26,204,131	71,719,267
Deferred inflows of resources	5,469,132	3,384,809	8,853,941
Pension expense	25,607,803	18,888,518	44,496,321

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits 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 2019
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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,377
Inactive employees entitled to but not yet receiving benefits	795
Active employees	1,758
Total	3,930

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

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 18.05% and 17.71% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $18,379,276, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 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, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive plan 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 the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at September 30, 2018	**$ 706,514,233**	**$ 620,063,982**	**$ 86,450,251**
Changes for the year:			
Service cost	16,842,100	-	16,842,100
Interest	47,036,685	-	47,036,685
Difference between expected and actual experience	(6,213,444)	-	(6,213,444)
Contributions – employer	-	17,977,519	(17,977,519)
Contributions - employee	-	6,972,627	(6,972,627)
Net investment income	-	(18,566,799)	18,566,799
Benefit payments, including refunds of employee contributions	(36,191,022)	(36,191,022)	-
Administrative expense	-	(358,970)	358,970
Other changes	-	(18,755)	18,755
Net changes	$ 21,474,319	$ (30,185,400)	51,659,719
Balance at September 30, 2019	**$727,988,552**	**$ 589,878,582**	**$138,109,970**

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

The following represents the net pension liability of the City, calculated using the discount rate of 6.75, as well as what the City's net pension liability would be if it were calculated using a discount rate that is1-percentage-point lower (5.75) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75)
City's net pension liability	$236,017,841	$138,109,970	$57,562,798

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019 the City recognized pension expense of $25,607,803.

At September 30, 2019, 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	$ -	$ 5,469,132
Difference in assumption changes	124,652	-
Difference between projected and actual investment earnings	32,014,465	-
Contributions subsequent to the measurement date	13,376,019	-
Total	$ 45,515,136	$ 5,469,132

$13,376,019 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, 2019. 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:	
2020	$ 9,776,831
2021	2,581,852
2022	2,700,620
2023	11,610,682
Total	$26,669,985

LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

The city contributes to the retirement plan for firefighters and eligible civilian employees in the Lubbock Fire Department known as the Lubbock Fire Pension Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Lubbock Fire Pension Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Lubbock Fire Pension Fund at 4223 85th Street, Lubbock, Texas 79423. See that report for all information about the plan fiduciary net position.

Benefits Provided

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

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.

At the December 31, 2018 measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	312
Inactive employees entitled to but not yet receiving benefits	3
Active employees	419
Total	734

Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the city.

The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the members, the rate elected by the members according to TLFFRA effective September 29, 2018. The immediate prior contribution rate was 12.43%. The City currently contributes according to a long-standing formula. The City's contribution rate to the Fund is related to the percentage of payroll that the city contributes to the Texas Municipal Retirement System for other employees each calendar year. The actual City contribution rate was 21.72% in 2017 and 21.81% in 2018 and 2019. The December 31, 2018 actuarial valuation includes the assumption that if the current City funding policy continues, then the city contribution rate will average 20% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding 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. The Board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2018, the money-weighted rate of return on pension plan investments was -1.18%. 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, 2019 were $7,525,133 and were equal to the statutorily required contributions.

Net Pension Liability

The City of Lubbock's net pension liability was measured as December 31, 2018, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2018.

Actuarial assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Overall payroll growth	3.0%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%, net of pension plan investment experience, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.24%) and by adding expected inflation (2.75%). In addition, the final 7.75% 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	19.0%	6.49%
World large cap	10.0	6.10
International developed	12.5	6.87
Emerging markets	10.0	7.21
Alternatives		
Real estate	12.0	4.40
Private equity	6.5	7.27
Long/short equity	5.0	5.08
Fixed income		
Domestic core plus	15.0	2.19
Floating rate	10.0	2.37
Cash	0.0	0.30
Total	100.0%	
Weighted Average		5.24%

Discount rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 53 years. Because of the 53-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 7.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the Net Pension Liability	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2018	**$ 279,206,404**	**$ 194,854,312**	**$ 84,352,092**
Changes for the year:			
Service cost	6,633,905	-	6,633,905
Interest	21,482,849	-	21,482,849
Difference between expected and actual experience	35,696	-	35,696
Contributions – employer	-	7,214,819	(7,214,819)
Contributions – employee	-	4,312,808	(4,312,808)
Net investment income	-	(2,831,237)	2,831,237
Benefit payments, including refunds of employee Contributions	(17,284,513)	(17,284,513)	-
Administrative expense	-	(351,995)	351,995
Assumption changes	(2,680,334)	-	(2,680,334)
Other changes	-	570,341	(570,341)
Net changes	$ 8,187,603	$ (8,369,777)	$(16,557,380)
Balance at September 30, 2019	**$287,394,007**	**$ 186,484,535**	**$100,909,472**

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's net pension liability	$136,153,438	$100,909,472	$71,469,017

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. That report can be obtained by contacting the Board of Trustees, LFPF, 4223 85th Street, Lubbock, TX 79423 or at www.lubbockfirepensionfund.com.

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.

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

For the year ended September 30, 2019, the City recognized pension expense of $18,888,518.

At September 30, 2019, 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 expected and actual economic experience	$ 941,949	$ 990,225
Changes in actuarial assumptions	5,496,020	2,394,584
Difference between projected and actual investment earnings	13,959,804	-
Contributions subsequent to the measurement date	5,806,358	-
Total	**$ 26,204,131**	**$ 3,384,809**

$5,806,358 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, 2020. 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:	
2020	$ 6,993,149
2021	3,174,267
2022	2,063,736
2023	3,990,552
2024	565,475
Thereafter	225,785
Total	$17,012,964

H. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Benefits Provided

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

Normal Retirement Benefits

Texas Municipal Retirement System (TMRS)

- Completion of 20 years of service, regardless of age; or
- Upon attaining age 60 provided the employee has at least five (5) years of service.

Lubbock Fire Pension Fund (LFPF)

- Upon attaining age 50 provided the employee has at least twenty (20) years of service.

Retiree medical/dental coverage levels for retirees is the same as coverage provided to active City employees in accordance with the terms and conditions of the current City Benefit Plan.

Employees who retire with 15 or more years of service or Civil Service employees that retire who have a balance in excess of 90 days sick leave shall be eligible to elect to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. Retirees are required to pay a prorated premium for the days of coverage not funded by their excess sick leave.

Retirees may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense. Insured dependents of a deceased insured retiree shall remain eligible for insurance or the Medicare stipend.

The City will provide a $150 per month Health Retirement Account (HRA) contribution or stipend for Medicare eligible retiree/spouses. Medicare eligible retirees/dependents may not continue coverage on the City's plan.

The following table provides a summary of the number of participants in the plan as of December 31, 2017:

Inactive plan members or beneficiaries currently receiving benefits	749
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	2,147
Total	2,896

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 $380/$23 (medical/dental) for single coverage and $868/$51 (medical/dental) for family coverage, pre-65.

Total OPEB Liability

The actuarial valuation was performed as of December 31, 2017. Update procedures were used to roll forward the total OPEB liability to December 31, 2018.

Actuarial assumptions

The total OPEB liability in the December 31, 2017 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 7.5% declining to an ultimate rate of 4.75% after 13 years
Discount rate	3.71% as of December 31, 2018
Salary increases	TMRS: 3.5% to 10.5%, including inflation
	LFPF: 4.0% to 11.28%

Demographic assumptions were based on the experience study covering the four-year period ending December 31, 2014 as conducted for TMRS, and assumptions utilized by the LFPF.

Mortality rates for TMRS: for healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

Mortality rates for LFPF: for healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables are used, projected to 2024 using scale AA to account for future mortality improvements.

Discount rate

For plans that do not have formal assets, 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 this valuation, the municipal bond rate is 3.71% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”).

Changes in the Total OPEB Liability	**Total OPEB Liability**
Balance at September 30, 2018	**$ 140,863,715**
Changes for the year:	
Service cost	7,851,201
Interest	4,731,705
Difference between expected and actual experience	(1,162,564)
Changes of assumptions	(6,179,217)
Benefit payments	(3,674,958)
Net changes	$ 1,566,167
Balance at September 30, 2019	**$ 142,429,882**

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 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	**Discount Rate (3.71%)**	**1% Increase in Discount Rate (4.71%)**
City's Total OPEB Liability	$158,088,455	$142,429,882	$127,944,077

Sensitivity of the Total OPEB Liability to changes in the healthcare cost trend rate

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 healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	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	$128,375,775	$142,429,882	$158,301,365

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

For the year ended September 30, 2019, the City recognized total OPEB expense of $12,581,615.

At September 30, 2019, 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	$ -	$ 1,006,714
Changes in assumptions	5,366,290	5,350,848
Contributions subsequent to the measurement date	3,179,215	-
Total	$ 8,545,505	$ 6,357,562

$3,179,215 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, 2019. 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:	
2020	$ (1,292)
2021	(1,292)
2022	(1,292)
2023	(1,292)
2024	(1,292)
Thereafter	(984,812)
Total	$(991,272)

I. DEFERRED COMPENSATION

The City offers its employees five 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.

J. 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, 2019, the Board was comprised of 18 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.

K. HOLD HARMLESS PAYMENT

PUC Docket No. 47576, *Application of the City of Lubbock through Lubbock Power and Light for Authority to Connect a Portion of Its System with the Electric Reliability Council of Texas,* requires that upon integration to ERCOT on June 1, 2021, LP&L will make a one-time payment totaling $24.0 million to SPS to indemnify SPS and its customers for LP&L's integration to ERCOT. LP&L utilized the energy and capacity savings afforded by very low natural gas prices and the Capacity agreement and reserved $24.0 million from this savings prior to the end of FY 19. This is recorded as a noncurrent liability in the LP&L fund as a hold harmless payment.

L. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

Interest Rate%	Dated	Maturity Date	Amount Issued	Outstanding 09/30/19
2.16	01/01/10	02/15/30	19,945,000	12,420,000
1.93	10/05/10	02/15/30	41,000,000	25,290,000
3.85	03/15/11	02/15/22	16,320,000	2,350,000
3.85	03/15/11	02/15/31	14,135,000	9,785,000
3.94	03/15/11	02/15/31	112,230,000	70,155,000
3.35	04/01/12	02/15/32	12,395,000	9,045,000
3.43	04/01/12	02/15/32	66,075,000	44,710,000
3.28	04/01/12	02/15/31	15,200,000	9,105,000
1.61	05/21/13	02/15/21	39,705,000	11,765,000
2.05	05/21/13	02/15/33	42,075,000	26,715,000
2.80	05/21/13	02/15/33	49,440,000	33,990,000
2.64	05/01/14	02/15/26	44,920,000	35,395,000
3.25	05/01/14	02/15/34	62,900,000	49,240,000
3.11	04/15/15	02/15/35	102,490,000	88,035,000
2.42	04/15/15	02/15/28	129,665,000	98,475,000
3.21	05/01/15	02/15/31	28,305,000	25,825,000
2.41	04/15/16	02/15/34	26,660,000	26,325,000
2.72	04/15/16	02/15/36	101,305,000	89,615,000
2.47	11/1/2016	02/15/34	36,780,000	29,615,000
0.00	02/16/17	02/15/37	35,000,000	31,500,000
3.20	04/15/17	02/15/37	23,290,000	21,260,000
2.92	04/04/18	02/15/38	18,535,000	17,240,000
3.86	04/04/18	02/15/38	14,675,000	14,285,000
2.76	04/04/18	02/15/30	96,160,000	89,315,000
3.07	04/04/19	02/15/39	64,550,000	64,550,000
2.13	04/04/19	02/15/30	12,270,000	12,270,000
Total			$ 1,129,865,000	$ 948,275,000

(A) Excludes net bond premiums and discounts – ($48,787,650) business-type and ($33,214,214) governmental. Additionally, this amount includes $609,153,944 of bonds used to finance enterprise fund activities.

At September 30, 2019, 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, 2019

LP&L REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/19
2.45	10/15/10	04/15/20	73,295,000	8,655,000
1.90	04/15/13	04/15/24	16,570,000	6,910,000
3.09	05/01/14	04/15/34	16,245,000	11,635,000
3.41	04/15/15	04/15/35	11,865,000	10,185,000
3.04	04/15/16	04/15/46	7,535,000	6,585,000
3.60	08/15/17	02/15/47	17,760,000	17,200,000
3.64	07/12/18	04/15/48	93,925,000	90,380,000
Total			237,195,000	$ 151,550,000 *

* Balance outstanding excludes ($16,613,153) 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 $83.9 million.

The general purpose for the debt is for acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities and/or related infrastructure for the Electric Light and Power System. Net revenue available for debt service is 2.2 times the debt service requirements in FY19.

WATER/WASTEWATER REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/19
0.92	4/4/2019	2/15/2039	19,635,000	19,635,000
2.47	4/4/2019	2/15/2039	16,725,000	16,725,000
Total			36,360,000	$ 36,360,000 *

* Balance outstanding excludes ($1,930,120) 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 13.7 times the debt service requirements in FY19.

CONTRACT BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/19
4.00 to 5.00	12/22/11	01/15/31	30,594,108	21,368,027
2.00 to 5.00	01/20/13	02/15/25	10,970,000	6,402,083
2.00 to 5.00	12/02/14	02/15/27	11,078,489	8,085,901
2.00 to 5.00	10/01/17	02/15/29	4,723,042	3,944,206
Total			52,642,597	39,800,217*

* Balance outstanding excludes ($3,262,629) of bond premiums.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2019

TAX NOTE

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/19
1.78	07/11/17	02/15/24	$ 18,220,000	$ 8,954,997
2.50	08/01/18	02/15/25	13,290,000	8,535,000
1.99	8/1/2019	02/15/26	7,130,000	7,130,000
Total			$ 38,640,000	$ 24,619,997

The annual requirements to amortize all outstanding debt of the City as of September 30, 2019 are as follows:

Governmental Activities

Fiscal Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Tax Notes Principal	Tax Notes Interest		SIB Loan Principal	SIB Loan Interest
2020	$ 29,689,652	$ 15,287,207	$ 4,688,933	$ 360,532		$ 325,000	$ 168,226
2021	29,731,901	13,346,777	4,116,366	268,301		450,715	180,890
2022	29,446,614	11,982,020	3,700,126	186,229		463,051	168,555
2023	29,015,895	10,629,115	3,125,776	115,743		475,725	155,881
2024	28,054,225	9,280,129	2,678,166	57,359		488,745	142,861
2025-2029	108,330,589	29,015,764	1,443,485	25,469		2,651,849	506,179
2030-2034	57,372,180	10,630,437	-	-		2,394,915	131,507
2035-2039	27,480,000	2,042,600	-	-		-	-
Totals	$ 339,121,056	$ 102,214,049	$ 19,752,852	$ 1,013,633	*	$ 7,250,000	$ 1,454,099

*The annual requirements on the State Infrastructure Bank Loan exceed the debt amount shown on page 100 by $2,250,000. The City of Lubbock will receive this amount prior to February 15, 2020.

Business-Type Activities

Fiscal Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Tax Notes Principal	Tax Notes Interest	Revenue/Contract Bonds Principal	Revenue/Contract Bonds Interest
2020	$ 46,795,348	$ 24,856,659	$ 1,361,065	$ 90,225	$ 21,167,002	$ 10,199,515
2021	47,298,099	22,709,099	1,168,634	62,484	13,247,391	8,962,883
2022	44,478,386	20,795,387	959,874	39,393	14,625,556	8,389,027
2023	45,289,105	18,862,665	694,224	21,459	15,274,810	7,750,836
2024	45,970,775	16,850,761	546,834	8,804	15,294,026	7,049,772
2025-2029	224,739,411	53,604,271	136,514	1,706	60,698,183	25,687,438
2030-2034	126,517,820	14,495,091	-	-	31,878,249	15,668,809
2035-2039	28,065,000	1,431,840	-	-	24,690,000	10,075,431
2040-2044	-	-	-	-	16,090,000	5,942,738
2045-2049	-	-	-	-	14,745,000	1,750,800
Totals	$ 609,153,944	$ 173,605,773	$ 4,867,145	$ 224,071	$ 227,710,217	$ 101,477,249

Capital leases were used to acquire equipment and vehicles. The lessor holds title to the equipment and vehicles until the lease is paid. The interest rate on the leases ranged from 1.6 percent to 2.1 percent. The requirements on capital leases of the City as of September 30, 2019, including interest payments totaling $444,672, are as follows:

Fiscal Year	Governmental Capital Lease Minimum Payment	Business-type Capital Lease Minimum Payment	Total Capital Lease Minimum Payment
2020	$1,219,328	$292,606	$1,511,934
2021	1,219,328	292,606	1,511,934
2022	1,219,328	292,606	1,511,934
2023	1,219,328	292,606	1,511,934
2024	759,893	124,853	884,746
2025-2029	1,043,515	191,995	1,235,510
Less Interest	(370,116)	(74,555)	(444,671)
Total	$6,310,604	$1,412,717	$7,723,321

The carrying values on the leased assets of the City as of September 30, 2019 are as follows:

	Gross Value	Accumulated Depreciation	Net Book Value
Governmental Activities	$ 9,977,735	$ 3,903,999	$ 6,073,736
Business-Type Activities	1,817,103	701,329	1,115,774
Total Leased Assets	$ 11,794,838	$ 4,605,328	$ 7,189,510

Long-term obligations for governmental and business-type activities for the year ended September 30, 2019 are as follows:

	Debt Payable 9/30/2018*	Additions	Deletions	Debt Payable 09/30/19	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	$ 344,583,509	$ 58,179,400	$ 43,889,001	$ 358,873,908	$ 34,378,585
Bond Premiums	31,413,569	7,330,859	5,530,214	33,214,214	-
SIB Loan	-	5,000,000	-	5,000,000	325,000
Capital Leases	11,365,454	-	5,054,850	6,310,604	1,108,888
Closure/Post Closure	5,879,342	261,236	-	6,140,578	-
Compensated Absences	29,328,890	13,194,529	11,809,985	30,713,434	11,257,036
Total OPEB Liability**	99,213,382	9,207,866	8,061,782	100,359,466	-
Net Pension Liability	141,954,040	87,546,288	35,928,438	193,571,890	-
Insurance Claims Payable	5,883,807	34,579,034	34,322,231	6,140,610	3,254,694
Total Governmental activities	$ 669,621,993	$ 215,299,212	$ 144,596,501	$ 740,324,704	$ 50,324,203
Business-type activities:					
Self-Supported -					
Obligation Bonds	$ 656,626,491	$ 25,770,601	$ 68,376,003	$ 614,021,089	$ 48,156,413
Revenue and Contract Bonds	210,542,208	36,360,000	19,191,991	227,710,217	21,167,002
Bond Premiums	75,810,144	5,550,598	10,767,190	70,593,552	-
Capital Leases	2,638,865	-	1,226,148	1,412,717	269,261
Compensated Absences	5,664,396	3,075,720	3,014,756	5,725,360	4,324,982
Total OPEB Liability	41,650,333	3,375,041	2,954,958	42,070,416	-
Net Pension Liability	28,848,303	26,612,703	10,013,454	45,447,552	-
Total Business-type activities	$ 1,021,780,740	$ 100,744,663	$ 115,544,500	$ 1,006,980,903	$ 73,917,658

*Beginning balances have been adjusted due to the Risk Internal Service Fund changing from a business-type activity to a governmental activity for FY 2019.

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 2019, the City did had $749,791 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 capital 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	$ 740,324,704	
Long-Term Debt - Business-Type Activities	1,006,980,903	
Interest	379,988,874	
Total Amount of Debt		$ 2,127,294,481
Less: Bond Discounts/Premiums	(103,807,766)	
Less: Capital Leases	(7,723,321)	
Less: Closure/Post Closure	(6,140,578)	
Less: Compensated Absenses	(36,438,794)	
Less: Post Employment Benefits	(142,429,882)	
Less: Net Pension Liability	(239,019,442)	
Less: Insurance Claims Payable	(6,140,610)	
Plus: SIB Loan Annual Requirement vs Debt	2,250,000	
Total Other Debt		(539,450,393)
Total Future Bonded Debt Requirements		$ 1,587,844,088

New Bond Issuance

In March 2019, the City issued $19,635,000 Water and Wastewater System Surplus Revenue Bonds, Series 2019 (Bonds), with interest rates ranging from 0 percent to 1.40 percent. The Bonds were issued at par and incurred issuance cost of $337,703.00. The $19,635,000 proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the Water and Wastewater System, (ii) funding capitalized interest, (iii) funding the reserve fund requirement for the Bonds, and (iv) paying the costs of issuing the Bonds.

In April 2019, the City issued $6,130,000 Water and Wastewater System Surplus Revenue Bonds, Series 2019A (Bonds), with interest rates ranging from 1.5 percent to 3.3 percent. The Bonds were issued at a premium of 454,309 and incurred issuance cost of $82,449. The $6,584,309 proceeds from the sale of the Bonds will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging, and/or equipping property, buildings, structures, facilities, and/or related infrastructure for the Water and Wastewater System, (ii) funding capitalized interest, (iii) funding the reserve fund requirement for the Bonds, and (iv) paying the costs of issuing the Bonds.

In April 2019, the City issued $64,550,000 Tax and Waterworks System Surplus Revenue Certificates of Obligation, Series 2019 (Certificates), with interest rates ranging from 2.00 percent to 5.00 percent. The Certificates were issued at a premium of $9,277,592 and incurred issuance cost of $ 626,142. The $73,827,592 proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for various public improvements and renovations including: (i) construction of a new Police Headquarters facility, Property Warehouse/Crime Lab facility, East Substation facility, North Substation facility, South Substation facility, and a new Municipal Court facility; (ii) construction of automated car wash for light duty vehicles at the Municipal Hill (iii) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates. The proceeds of the debt are recorded in the various Capital Projects Funds.

Refunding

In March 2019, the City issued $10,595,000 Water and Wastewater System Refunding Bonds, Series 2019 (Bonds), with interest rates ranging from 1.50 percent to 3.30 percent. The Bonds were issued at a premium of $1,578,560 and incurred issuance cost of $155,254. The $12,343,560 bond proceeds 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 Refund Bonds. The bonds refunded $12,100,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by $434,556, which resulted in net present value savings of $394,483, or 3.26 percent savings on refunded bonds.

In April 2019, the City issued $12,270,000 GO Refunding Bonds, Series 2019 (Bonds), with interest rates ranging from 2.00 percent to 5.00 percent. The Bonds were issued at a premium of $1,570,996 and incurred issuance cost of $140,483. The $13,990,996 bond proceeds 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 Refund Bonds. The bonds refunded $13,695,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by $1,818,284, which resulted in net present value savings of $1,605,316, or 11.72 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, 2019, the City has no outstanding defeased debt.

M. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2019, there was one series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of $59,585,000. The bonds were issued in 2008. Also as of September 30, 2019, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of $19,800,000. The bonds were issued in 2007 and refunded in FY 2016.

N. 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 $2,033,000 outstanding special assessment debt as of September 30, 2019. The City collects assessments and forwards the collections to the bondholders. The City is not obligated in any manner for special assessment debt and is not liable for repayment of the debt. As the PFC completes construction of certain public facilities, the assets are donated to the City. As of September 30, 2019, $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.

O. FUND BALANCE

The City classified governmental fund balances as follows:

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Inventory	$ 154,233	$ -	$ -	$ -	$ 154,233
Restricted:					
Debt service	-	7,962,644	-	5,156,918	13,119,562
Tax note purchases	206,655	-	-	-	206,655
Economic and business development	-	-	-	152,181	152,181
Tourism, convention centers, arts	-	-	-	577,220	577,220
Animal assistance	-	-	-	396,027	396,027
Tax improvement financing areas	-	-	-	5,729,435	5,729,435
Public improvement districts	-	-	-	2,134,217	2,134,217
Cable services to community public buildings	-	-	-	3,344,912	3,344,912
Community services grants	-	-	-	276,669	276,669
Heath grants	-	-	-	38,002	38,002
Police grants	-	-	-	57,991	57,991
Law enforcement purposes	-	-	-	1,056,482	1,056,482
Court technology	-	-	-	882,350	882,350
Donations for community services	-	-	-	53,756	53,756
Donations for animal services	-	-	-	64,213	64,213
Donations for museums	-	-	-	203,136	203,136
Donations for parks and recreational	-	-	-	123,595	123,595
Donations for fire services	-	-	-	5,739	5,739
Donations for police services	-	-	-	10,026	10,026
Donations for cultural	-	-	-	19,222	19,222
Donations for other programs	-	-	-	391	391
Street capital projects	-	-	3,924,345	2,005,138	5,929,483
General facility capital projects	-	-	3,895,684	-	3,895,684
Public safety capital projects	-	-	73,038,802	-	73,038,802
Parks capital projects	-		1,052,847		1,052,847
TIF capital projects	-	-	-	6,006,408	6,006,408
Committed:					
Gateway street capital projects	-	-	-	11,004,991	11,004,991
TIF capital projects	-	-	-	3,183,568	3,183,568
Infrastructure and neighborhood dev	-	-	-	630,094	630,094
Street capital projects	-	-	6,705,342	-	6,705,342
General facility capital projects	-	-	2,373,537	-	2,373,537
Public safety capital projects	-	-	2,452,169	-	2,452,169
Parks capital projects	-	-	567,194	-	567,194
Unassigned	55,265,460	-	-	-	55,265,460
Total Fund Balances	**$ 55,626,348**	**$ 7,962,644**	**$ 94,009,920**	**$ 43,112,681**	**$ 200,711,593**

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

P. 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. Prior to April 1999, the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program was funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City until October 1, 2017. After October 1, 2017 all self-insurance liability claims are being adjusted and paid through the use of an in-house claims adjuster who, with the assistance of the Risk Manager, sets reserves. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with an $18 million annual aggregate limit and is subject to a $500,000 self-insured retention per claim.

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

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. In FY 2018, the City of Lubbock separated Lubbock Power and Light's (LP&L) property and boiler and machinery as a cost savings measure. The City's property insurance policy, excluding LP&L, was purchased from an outside insurance carrier. The policy has a $500,000 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 $100,000 to 2.5% of location values. Premiums are charged to funds based upon estimated premiums for the upcoming year. Departments that sustain property damage in excess of $1,000 are eligible to request assistance from the Risk Management Fund for payment of those damages up to the policy deductible.

Other small insurance policies, such as surety bond coverage and miscellaneous floaters, are also accounted for in the Risk Management Fund. Funds are charged based on premium amounts and administrative charges.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2019

The City accounts for all insurance activity in the Internal Service Funds.

Q. 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 active 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 calculation of the claim liability was $1.76 million at September 30, 2019 for all health coverages including medical, prescription drugs, and dental.

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. The Health Fund paid for employee only dental coverage from January 1, 2013 through October 15, 2015. After October 15, 2015 employee only coverage was charged to departments. Employees may elect to purchase dental insurance for eligible dependents. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as vision insurance, voluntary life, and accident insurance.

The Risk Management and Health Benefits Funds established a liability for self-insurance for both reported and unreported insured events, which included estimates of future payments of losses and related claim adjustment expenses.

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

	FY 2019	FY 2018
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	$ 3,797,943	$ 2,911,858
Claims Expenses	4,675,408	5,313,246
Claims Payments	(4,057,981)	(4,427,161)
Workers' Compensation and Liability Reserves at End of Fiscal Year	4,415,370	3,797,943
Medical and Dental Claims Liability at Beginning of Fiscal Year	2,085,864	1,708,169
Claims Expenses	29,903,626	29,441,716
Claims Payments	(30,264,250)	(29,064,021)
Medical and Dental Claims Liability at End of Fiscal Year	1,725,240	2,085,864
Total Self-Insurance Liability at End of Fiscal Year	$ 6,140,610	$ 5,883,807
Total Assets to Pay Claims at End of Fiscal Year	$ 24,567,448	$ 23,148,358
Accrued Insurance Claims Payable - Current	$ 3,254,694	$ 3,313,832
Accrued Insurance Claims Payable - Noncurrent	2,885,916	2,569,975
Total Accrued Insurance Claims	$ 6,140,610	$ 5,883,807

R. 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 $6,140,578 included in landfill closure and post closure care liability at September 30, 2019, 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 97.1 percent of the estimated capacity of Landfill 69 has been used, with $591,661 remaining to be recognized over the remaining closure period. Approximately 7.8 percent of the estimated capacity of Landfill 2252 has been used to date, with $19,853,188 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.

S. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	Accounts Receivable Summary					
	Court Fines	Consumer Metered	Property Damage	Paving	Misc.	Balance at 09/30/19
Governmental Funds:						
General Fund	$ 4,654,644	$ 2,632,066	$ 456,827	$ 221,417	$ 3,009	$ 7,967,963
Capital Projects	-	-	-	-	6,992	6,992
Total	$ 4,654,644	$ 2,632,066	$ 456,827	$ 221,417	$ 10,001	$ 7,974,955

	Accounts Receivable Summary		
	General Consumer	Misc.	Balance at 09/30/19
Proprietary Funds:			
LP&L	$ 28,280,462	$ 1,190,090	$ 29,470,552
Water/Wastewater	17,266,156	758,097	18,024,253
WTMPA	205,352	-	205,352
Storm Water	2,836,903	-	2,836,903
Nonmajor	1,606,861	76,205	1,683,066
Total	$ 50,195,734	$ 2,024,392	$ 52,220,126

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2019

Allowance for Doubtful Accounts Summary

		Balance at 09/30/19
Governmental Funds:		
General Fund	$	4,961,436
Proprietary Funds:		
LP&L		3,090,962
Water/Wastewater		1,958,996
Storm Water		338,144
Nonmajor		13,381
Total	$	10,362,919

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 09/30/19
Governmental Funds:				
General Fund	$ 1,046,004	$ 3,541,490	$ -	$ 4,587,494
Govt. Capital Projects	2,096,168	188,155	2,023,005	4,307,328
Nonmajor	2,320,967	36,643	904,725	3,262,335
Proprietary Funds:				
LP&L	18,176,014	539,310	14,355,296	33,070,620
Water/Wastewater	2,177,092	1,821,336	481,639	4,480,067
WTMPA	-	1,378,670	-	1,378,670
Storm Water	121,542	168,379	-	289,921
Nonmajor	1,538,706	128,648	1,660,923	3,328,277
Internal Service	1,496,091	309,872	165,543	1,971,506
Total	$ 28,972,584	$ 8,112,503	$ 19,591,131	$ 56,676,218

T. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				
	Accounts Receivable	Interest Receivable	Taxes Receivable	Internal Service Receivables	Balance at 09/30/19
Governmental Activities	$ 3,013,519	$ 209,110	$ 16,052,196	$ 100,550	$ 19,375,375
Business-Type Activities	46,818,643	869,478	-	315	47,688,436
Total	$ 49,832,162	$ 1,078,588	$ 16,052,196	$ 100,865	$ 67,063,811

	Accounts Payable		
	Accounts Payable	Internal Service Payables	Balance at 09/30/19
Governmental Activities	$ 12,157,157	$ 1,930,801	$ 14,087,958
Business-Type Activities	42,547,555	40,705	42,588,260
Total	$ 54,704,712	$ 1,971,506	$ 56,676,218

U. FUND CLOSURES

As discussed in Note I. A, effective October 1, 2019, at the request of Lubbock and as a result of concurrent ordinances enacted by all members of the WTMPA, Lubbock was deleted as a member public entity of the agency. Please refer to Note I. A for further details.

NOTE IV. CONTINGENT LIABILITIES

A. FEDERAL GRANTS

In the normal course of operations, the City receives grant funds from state and federal agencies. The grant programs are subject to audits by agents of the granting authority to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grants is not believed to be significant.

B. LITIGATION

The City is involved in various legal proceedings related to alleged personal and property damages, breach of contract and civil rights cases, some of which involve claims against the City that exceed $500,000. State law limits municipal liability for personal injury to $250,000 per person/$500,000 per occurrence and property damage to $100,000 per claim for activities arising out of its governmental functions. This limit is not applicable to claims pertaining to the City's electric utility.

The City's insurance coverage, if available, contains a $500,000 self-insured retention. As of September 30, 2019, the City has $1,684,784 reserved on general liability claims, as determined by an actuarial calculation.

The following represents the significant litigation against the City at this time.

Beck Steel, Inc. et al. v. City of Lubbock et al.

The Plaintiff is asserting that the City illegally charged storm water fees to residents as the City used the fees to pay for expenses not related to storm water and not allowed by state law. The City filed a Plea to the Jurisdiction regarding the Plaintiff's claim for recovery of the fees and it was denied by the court. Both parties filed Motions for Summary Judgment in August 2017. Oral arguments were heard by trial court in December 2017 and the trial court granted the City's First Amended Motion for Summary Judgment on January 11, 2018. Plaintiff has appealed decision to the Court of Appeals. The Amarillo Court of Appeals recused themselves and the case has been transferred to the 14th Court of Appeals in Houston.

Alexa Jarpe and Jeremy Leech v. City of Lubbock

The Plaintiffs were injured in an auto accident with a City police vehicle that was responding to an armed robbery and are claiming negligence for speeding and responding to an emergency without use of lights and siren. Trial court ruled in the City's favor holding that the officer was entitled to official immunity. Plaintiff appealed to the Court of Appeals and they reversed the trial court's decision. The City has appealed the case to the Texas Supreme Court.

Eligah Williams and Gloria Garcia v. City of Lubbock

The Plaintiffs were injured in an auto accident with a City Solid Waste truck when the truck was making a turn into the alley. The City is attempting to obtain all medical bills and mediate the dispute.

Delfine Mazzamuto and Anastasio Madrid v. City of Lubbock

Ms. Delfine Mazzamuto was injured when her vehicle was rear-ended in an auto accident with a City police vehicle. Parties will attempt to mediate and reach a settlement.

Jeff Headrick et al. v. City of Lubbock

On July 23, 2019, a bumper pull trailer being pulled by a Ford Expedition was struck by an LP&L truck, resulting in a fatality, multiple personal injuries and property damage. At the time the trailer was struck, it, along with the Expedition, were located in the outside through lane of traffic. Although multiple claims have been filed, a suit has not yet been filed.

The claimants have been in negotiations for approximately two months and agreed upon on a resolution of this matter, completed after the conclusion of FY 19. The resolution includes all parties and all claims that could be brought related to the vehicle collision. The amount of the settlement is $10,000,000, said amount being within the City's retained self-insurance amount, and the City's excess liability insurance limits.

NOTE V. SUBSEQUENT EVENTS

On October 8, 2019 the City of Lubbock called and redeemed $44,875,000 in bond obligations and $88,405,000 in Water and Wastewater revenue bond obligations.

City of Lubbock TEXAS

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

	2019	2018	2017	2016	2015
Total pension liability					
Service Cost	$ 16,842,100	$ 16,420,981	$ 15,823,941	$ 15,646,134	$ 13,880,535
Interest (on the total pension liability)	47,036,685	45,317,091	43,569,660	43,381,064	41,941,717
Difference between expected and actual experience	(6,213,444)	(709,626)	(116,124)	(2,308,849)	(5,561,662)
Change of assumptions	-	-	-	1,083,512	-
Benefit payments, including refunds of employee contributions	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)	(28,915,142)
Net Change in Total Pension Liability	21,474,319	25,692,379	27,237,278	25,554,440	21,345,448
Total Pension Liability - Beginning	706,514,233	680,821,854	653,584,576	628,030,136	606,684,688
Total Pension Liability - Ending (a)	$ 727,988,552	$ 706,514,233	$ 680,821,854	$ 653,584,576	$ 628,030,136
Plan Fiduciary Net Position					
Contributions - Employer	$ 17,977,519	$ 17,388,324	$ 16,727,368	$ 17,455,926	$ 16,809,722
Contributions - Employee	6,972,627	6,781,947	6,519,575	6,580,584	6,187,966
Net Investment Income	(18,566,799)	76,875,125	35,696,237	791,199	29,351,843
Benefit payments, including refunds of employee contributions	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)	(28,915,142)
Administrative Expense	(358,970)	(398,475)	(403,223)	(481,936)	(306,464)
Other	(18,755)	(20,194)	(21,725)	(23,803)	(25,196)
Net Change in Plan Fiduciary Net Position	(30,185,400)	65,290,660	26,478,033	(7,925,451)	23,102,729
Plan Fiduciary Net Position - Beginning	620,063,982	554,773,322	528,295,289	536,220,740	513,118,011
Plan Fiduciary Net Position - Ending (b)	$ 589,878,582	$ 620,063,982	$ 554,773,322	$ 528,295,289	$ 536,220,740
City's Net Pension Liability - Ending (a) - (b)	$ 138,109,970	$ 86,450,251	$ 126,048,532	$ 125,289,287	$ 91,809,396
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.03%	87.76%	81.49%	80.83%	85.38%
Covered Payroll	99,598,464	96,821,824	93,136,791	93,914,371	88,287,852
City's Net Pension Liability as a Percentage of Covered Payroll	138.67%	89.29%	135.34%	133.41%	103.99%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

Changes in assumptions: 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

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 18,379,276	$ 17,788,537	$ 17,128,597	$ 16,819,070	$ 16,822,154
Contributions in relation to the actuarially determined contribution	18,379,276	17,788,537	17,128,597	16,819,070	16,822,154
Covered payroll	103,246,935	98,700,040	95,409,809	92,797,625	90,076,485
Contributions as a percentage of covered payroll	17.80%	18.02%	17.95%	18.12%	18.68%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2018
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 12 months and one day 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	27 years
Asset Valuation Method	10 Year smoothed market, 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30) and will ultimately contain information for ten years.

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

	2019	2018	2017	2016	2015
Total pension liability					
Service Cost	$ 6,633,905	$ 6,378,755	$ 6,133,418	$ 5,897,517	$ 5,670,689
Interest (on the total pension liability)	21,482,849	20,651,840	19,752,539	18,983,849	18,188,061
Difference between expected and actual experience	35,696	-	1,284,558	-	(1,634,184)
Change of assumptions	(2,680,334)	-	-	-	9,070,157
Benefit payments, including refunds of employee contributions	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)	(13,429,152)
Net Change in Total Pension Liability	8,187,603	11,189,026	11,388,134	10,266,396	17,865,571
Total Pension Liability - Beginning	279,206,404	268,017,378	256,629,244	246,362,848	228,497,277
Total Pension Liability - Ending (a)	$ 287,394,007	$ 279,206,404	$ 268,017,378	$ 256,629,244	$ 246,362,848
Plan Fiduciary Net Position					
Contributions - Employer	$ 7,214,819	$ 6,897,164	$ 6,598,900	$ 6,652,094	$ 6,234,058
Contributions - Employee	4,312,808	3,947,134	3,774,706	3,716,202	3,424,188
Net Investment Income	(2,831,237)	23,109,838	7,668,252	(5,133,050)	991,921
Benefit payments, including refunds of employee contributions	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)	(13,429,152)
Administrative Expense	(351,995)	(290,549)	(322,882)	(244,762)	(205,266)
Other	570,341	1,015,473	1,244,040	136,500	53,411
Net Change in Plan Fiduciary Net Position	(8,369,777)	18,837,491	3,180,635	(9,487,986)	(2,930,840)
Plan Fiduciary Net Position - Beginning	194,854,312	176,016,821	172,836,186	182,324,172	185,255,012
Plan Fiduciary Net Position - Ending (b)	**$** 186,484,535	**$** 194,854,312	**$** 176,016,821	$ 172,836,186	$ 182,324,172
City's Net Pension Liability - Ending (a) - (b)	**$** 100,909,472	**$** 84,352,092	**$** 92,000,557	$ 83,793,058	$ 64,038,676
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.89%	69.79%	65.67%	67.35%	74.01%
Covered Payroll	33,080,326	31,754,899	30,367,707	29,897,052	27,547,772
City's Net Pension Liability as a Percentage of Covered Payroll	305.04%	265.63%	302.96%	280.27%	232.46%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability and will ultimately contain information for ten years.

Changes in assumptions: In 2015, the discount rate was lowered from 8.0% to 7.75%.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Contributions
Lubbock Fire Pension Fund (LFPF)

	2019	2018	2017	2016	2015
Statutorily Determined Contribution	$ 7,525,133	$ 7,111,376	$ 7,071,721	$ 6,591,298	$ 6,316,139
Contributions in relation to the contractually determined contribution	7,525,133	7,111,376	7,071,721	6,591,298	6,316,139
Covered payroll	34,502,908	32,636,722	32,554,784	30,141,037	28,277,981
Contributions as a percentage of covered payroll	21.81%	21.79%	21.72%	21.87%	22.34%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2018
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	53 years
Inflation	2.75%
Salary Increases	3.00%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%
Mortality	PubS-2010 total dataset mortality tables, projected for mortality improvement generationally using the projection scale MP-2018.

Other Information

Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30) and will ultimately contain information for ten years.

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

	2019	2018
Total OPEB liability		
Service Cost	7,851,201	$ 6,889,393
Interest (on the total OPEB liability)	4,731,705	4,871,975
Changes of benefit terms	-	-
Difference between expected and actual experience	(1,162,564)	
Change of assumptions	(6,179,217)	7,332,144
Benefit payments	(3,674,958)	(5,316,929)
Net Change in Total OPEB Liability	1,566,167	13,776,583
Total OPEB Liability - Beginning	140,863,715	127,087,132
Total OPEB Liability - Ending (a)	142,429,882	$ 140,863,715
Covered Payroll	123,461,642	120,830,434
City's Total OPEB Liability as a Percentage of Covered Payroll	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 and will ultimately contain information for ten years.

Changes in assumptions: reflects a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

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, 2019

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property Tax	$ 62,614,582	$ 62,614,582	$ 63,597,746	$ 983,164
Delinquent Taxes	732,000	732,000	830,384	98,384
Sales Tax	68,544,414	68,567,413	71,646,845	3,079,432
Mixed Beverage Tax	1,415,000	1,415,000	1,494,476	79,476
Bingo Tax	268,000	268,000	248,800	(19,200)
Suddenlink	1,901,918	1,901,918	1,915,170	13,252
Xcel	68,024	68,024	243,175	175,151
South Plains Electric Cooperative	1,237,086	1,237,086	1,667,782	430,696
Atmos	2,544,237	2,544,237	2,459,370	(84,867)
West Texas Gas Company	25,710	25,710	19,862	(5,848)
Telecom Right of Way	3,207,502	3,207,502	2,785,856	(421,646)
Development Services	227,040	227,040	241,019	13,979
General Government	172,608	172,608	247,679	75,071
City Secretary	336,360	336,360	420,355	83,995
Public Safety	875,550	873,550	882,423	8,873
Public Works	23,676,939	23,678,939	24,457,925	778,986
Health	85,090	85,090	76,099	(8,991)
Animal Shelter	123,800	123,800	77,057	(46,743)
Cultural/Recreational	1,029,920	1,029,920	950,735	(79,185)
Museum	310,870	310,870	282,761	(28,109)
Licenses and Permits	3,994,481	3,994,481	4,178,306	183,825
Intergovernmental	363,326	363,326	649,418	286,092
Fines and Forfeitures	2,807,000	2,807,000	2,849,108	42,108
Interest Earnings	426,828	426,828	1,991,407	1,564,579
Rental	6,600	6,600	5,573	(1,027)
Recoveries of Expenditures	844,220	844,220	755,512	(88,708)
Oil and Gas Royalties	456,098	456,098	346,525	(109,573)
Other	188,200	188,200	435,184	246,984
Transfers from Electric Fund	15,475,372	15,475,372	12,937,976	(2,537,396)
Transfers from Water/Wastewater Fund	16,486,926	16,486,926	16,486,944	18
Transfers from Airport Fund	1,855,620	1,855,620	1,855,620	-
Transfers from Stormwater	2,998,401	2,998,402	2,998,392	(10)
Total Revenue	$ 215,299,722	$ 215,322,722	$ 220,035,484	$ 4,712,762
EXPENDITURES				
Administrative Services				
City Attorney	$ 2,112,887	$ 2,112,887	$ 2,102,516	$ 10,371
City Council	621,240	621,240	559,005	62,235
City Manager	1,599,596	1,599,596	1,640,482	(40,886)
City Secretary	1,323,600	1,323,600	1,104,801	218,799
Facilities Management	3,460,599	3,460,599	3,295,819	164,780
Finance	3,003,658	3,003,658	2,898,465	105,193
Human Resources	597,430	597,430	575,264	22,166
Internal Audit	325,491	325,491	291,957	33,534
Non-departmental	1,539,100	1,562,100	4,558,571	(2,996,471)
Communications and Marketing and Call Center	662,403	662,403	615,680	46,723
Total Administrative Services	15,246,004	15,269,004	17,642,560	(2,373,556)

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Development Services*				
Building Safety	$ 2,482,186	$ 2,482,186	$ 2,367,205	$ 114,981
Codes and Environmental Health	3,064,441	3,064,441	3,103,424	(38,983)
Planning	869,149	869,149	711,910	157,239
Total Development Services	6,415,776	6,415,776	6,182,539	233,237
Cultural and Recreation Services				
Library	3,832,133	3,832,133	3,561,033	271,100
Cultural Arts	1,290,922	1,290,922	1,165,212	125,710
Parks and Recreation	11,452,942	11,452,942	10,438,416	1,014,526
Total Cultural and Recreation Services	16,575,996	16,575,996	15,164,661	1,411,335
Public Works				
Solid Waste	15,612,949	15,746,249	16,030,105	(283,856)
Engineering	833,777	1,097,449	1,055,590	41,859
Streets	4,841,360	4,577,688	3,709,575	868,113
Traffic	3,705,119	3,705,119	3,504,570	200,549
Total Public Works	24,993,204	25,126,505	24,299,840	826,665
Public Safety and Health Services				
Animal Services	2,181,569	2,181,569	2,311,037	(129,468)
Fire	54,149,059	54,149,059	54,624,050	(474,991)
Municipal Court	1,981,501	1,981,501	1,866,208	115,293
Police	69,626,853	69,566,086	67,341,293	2,224,793
Public Health	1,574,604	1,574,604	1,515,846	58,758
Total Public Safety and Health Services	129,513,586	129,452,820	127,658,434	1,794,386
Transfers	28,726,672	32,023,335	29,564,461	2,458,874
Payroll Accrual/Other Adjustments	-	-	-	-
Total Expenditures	$ 221,471,238	$ 224,863,435	$ 220,512,495	$ 4,350,940
Revenues less expenditures	$ (6,171,516)	$ (9,540,713)	$ (477,011)	$ 9,063,702

*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, 2019

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	$220,035,484
Adjustments:	
Proceeds from the issuance of debt are classified as other financing sources for GAAP reporting, but are not included in total revenue on the budget basis	3,103,627
Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$223,139,111
Expenditures and Other Financing Uses	
Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule	$220,512,495
Adjustments:	
Capital outlay that has or will be purchased from tax note proceeds are classified as expenditures for GAAP reporting, but are not included in total expenditures on the budget basis	93,281
Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$220,605,776

APPENDIX C

EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE

EXCERPTS OF SELECTED PROVISIONS OF THE BOND ORDINANCE

Definitions.

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

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

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

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

"Bond" means any of the Bonds.

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

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

"Bonds" means the 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 1208" means Chapter 1208, 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.

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

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

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

"EMMA" means the Electronic Municipal Market Access System.

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

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

"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.

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

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

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

"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.

"Rebate Amount" has the meaning stated in Section 1.148-3 of the Regulations.

"Record Date" means the date specified in the 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.

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

"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.

"Tax-Exempt Bonds" shall mean Bonds, the interest on which is excludable from gross income for federal income tax purposes, as determined and set forth in the Pricing Certificate therefor.

"Taxable Bonds" shall mean Bonds the interest on which is not excludable from gross income for federal income tax purposes, 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.

"Yield of"

(i) any Investment shall be computed in accordance with Section 1.148-5 of the Regulations, and

(ii) the Bonds shall be computed in accordance with Section 1.148-4 of the Regulations.

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 remain Outstanding. Furthermore, the City affirms that the following special funds have been created and established and such funds shall continue to be maintained by the City while any Parity Obligations (including the Bonds) remain Outstanding: the "Special Water and Wastewater System Revenue Bond Fund" (hereinafter referred to as the "Bond Fund"), the "Special Water and Wastewater System Revenue Bond General Reserve Fund" (hereinafter referred to as the "General Reserve Fund") and the "Special Water and Wastewater System Revenue Bond TWDB Reserve Fund" (herein after referred to as the "TWDB Reserve Fund" and, together with the General Reserve Fund, the "Reserve Funds"). The Bond Fund, the General Reserve Fund and the TWDB Reserve Fund shall continue to be kept and maintained at the City's official depository bank, and moneys deposited therein shall be used for no purpose other than for the payment, redemption and retirement of Parity Obligations, as herein provided. The City may provide for the creation of any special Accounts deemed necessary or appropriate for the efficient administration of the System and payment of Parity Obligations.

System Fund.

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

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

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

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

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

Bond Fund.

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

General Reserve Fund.

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

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

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

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

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

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

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

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

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

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

TWDB Reserve Fund.

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

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

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

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

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

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

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

(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.

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.

(c) 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.

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

Remedies Not Exclusive.

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

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

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

Discharge.

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

Amendment of Ordinance.

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF BOND COUNSEL OPINION

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________, 2020

We have acted as Bond Counsel for the City of Lubbock, Texas (the "City"), in connection with the issuance of its Water and Wastewater System Revenue Bonds, Series 2020A (the "Bonds"), dated June 1, 2020, in the aggregate principal amount of $________. The Bonds are issuable in fully-registered form only, in denominations of $5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds, in the ordinance adopted by the City Council of the City on May 12, 2020 (the "Bond Ordinance") authorizing the issuance of the Bonds, and in the pricing certificate dated as of ________, 2020 (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance").

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

We have not been requested to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds. 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 such examination, it is our opinion as follows:

(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 valid and legally binding obligations of the City enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

(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.

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 Parity Bonds by a first lien on and pledge of the Net Revenues.

Also based on our examination as described above, it is our further opinion that, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not a specific preference item for purposes of the federal 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 opinion set forth in the first sentence of this paragraph is subject to the condition that the City comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Bond Ordinance to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinions of Bond Counsel are based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Bonds in gross income of the owners thereof for federal income tax purposes.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.