OFFICIAL STATEMENT DATED AUGUST 10, 2022

RATINGS: Moody's Investors Service, Inc. "A1" / "A1"
S&P Global Ratings "AA" / "A"
Fitch Ratings NR / "A+"
Kroll Bond Rating Agency, Inc. "AA+" / NR
See "RATINGS" and "BOND INSURANCE" herein)

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. **In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax**. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see "TAX MATTERS" herein).

$56,480,000
CITY OF LUBBOCK, TEXAS
ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, SERIES 2022

Dated: September 1, 2022 **Due: April 15, as shown on page ii**
(Interest accrues from the Delivery Date)

Principal of and interest on the $56,480,000 City of Lubbock, Texas Electric Light and Power System Revenue Bonds, Series 2022 (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, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal 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 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 "BOOK-ENTRY-ONLY SYSTEM" herein). 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"), and is payable on April 15, 2023, and on each October 15 and April 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 to be adopted by the City Council on August 9, 2022 (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 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 and limited obligations of the City, payable, both as to principal and interest, solely from and secured by a first lien on and pledge of the Net Revenues of the City's Electric Light and Power System (the "System"). **The Bonds are not payable from monies raised or to be raised from taxation** (see "THE BONDS – Security and Source of Payment").

Proceeds from the sale of the Bonds will be used for the purposes of (i) funding acquisition, purchasing, construction, improvement, renovation, enlarging and/or equipping of property, buildings, structures, facilities, and/or related infrastructure for Lubbock Power & Light, (ii) funding the reserve fund requirement for the Bonds, if necessary, and (iii) paying the costs of issuing the Bonds (see "THE BONDS – Purpose" and "SOURCES AND USES OF PROCEEDS").

The Bonds maturing on and after April 15, 2033, are subject to redemption at the option of the City, on April 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption Provisions").

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (see "BOND INSURANCE," "BOND INSURANCE RISK FACTORS," and "APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY").

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"). Delivery of the Bonds through the facilities of DTC is expected to occur on or about September 7, 2022.

JEFFERIES **RAYMOND JAMES** **SIEBERT WILLIAMS SHANK & CO., LLC**

CUSIP Prefix: 549203[(a)]

MATURITY SCHEDULE

$56,480,000 Electric Light and Power System Revenue Bonds, Series 2022

Maturity April 15[(c)]	Principal Amount	Interest Rate	Initial Offering Yield[(b)]	CUSIP Suffix[(a)]
2023	$2,730,000	5.00%	1.80%	XQ5
2024	1,770,000	5.00%	1.90%	XR3
2025	1,855,000	5.00%	1.99%	XS1
2026	1,950,000	5.00%	2.08%	XT9
2027	2,045,000	5.00%	2.12%	XU6
2028	2,145,000	5.00%	2.29%	XV4
2029	2,255,000	5.00%	2.41%	XW2
2030	2,365,000	5.00%	2.50%	XX0
2031	2,485,000	5.00%	2.60%	XY8
2032	2,610,000	5.00%	2.70%	XZ5
2033	2,735,000	5.00%	2.87%[(c)(d)]	YA9
2034	2,875,000	5.00%	3.01%[(c)(d)]	YB7
2035	3,020,000	5.00%	3.11%[(c)(d)]	YC5
2036	3,170,000	5.00%	3.19%[(c)(d)]	YD3
2037	3,330,000	4.00%	3.66%[(c)(d)]	YE1
2038	3,465,000	5.00%	3.34%[(c)(d)]	YF8
2039	3,640,000	5.00%	3.42%[(c)(d)]	YG6
2040	3,820,000	5.00%	3.46%[(c)(d)]	YH4
2041	4,010,000	5.00%	3.53%[(c)(d)]	YJ0
2042	4,205,000	5.00%	3.55%[(c)(d)]	YK7

(Interest accrues from Delivery Date)

(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. 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 April 15, 2033 are subject to redemption, at the option of the City, on April 15, 2032 or any date thereafter, at par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Redemption Provisions").

(d) Yield for maturities on and after April 15, 2033 is shown to first call date, April 15, 2032.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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. None of the City, its Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system herein, as such information has been provided by DTC.

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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

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.

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. The current estimated population of the City is 265,609 (see "DESCRIPTION OF THE CITY").

THE BONDS....................................... The City's $56,480,000 Electric Light and Power System Revenue Bonds, Series 2022 (the "Bonds") are dated September 1, 2022 and mature on April 15 in each of the years as shown on page ii hereof.

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the initial delivery date (the "Delivery Date"), and is payable April 15, 2023 and each October 15 and April 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 to be adopted by the City Council on August 9, 2022 (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" evidencing the final terms of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance" (see "THE BONDS – Authority for Issuance").

SECURITY FOR THE BONDS......... The Bonds are special and limited 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 obligations 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 Electric Light and Power System (the "System"). **The Bonds are not payable from monies raised or to be raised from taxation** (see "THE BONDS – Security and Source of Payment").

USE OF PROCEEDS.......................... Proceeds from the sale of the Bonds will be used for the purposes of (i) funding acquisition, purchasing, construction, improvement, renovation, enlarging and/or equipping of property, buildings, structures, facilities, and/or related infrastructure for the System, (ii) funding the reserve fund requirement for the Bonds, if necessary, and (iii) paying the costs of issuing the Bonds (see "THE BONDS – Purpose" and "SOURCES AND USES OF PROCEEDS").

REDEMPTION PROVISIONS.......... The Bonds are subject to optional redemption prior to their scheduled maturities as described herein (see "THE BONDS – Redemption Provisions").

RATINGS .... The Bonds are expected to be assigned a rating of "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"), "AA" (stable outlook) by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P"), and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM") at the time of delivery of the Bonds guaranteeing the payment of principal and interest on the Bonds (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS"). The City has received an underlying rating of "A1" (stable outlook) by Moody's, "A" (negative outlook) by S&P, and "A+" (stable outlook) by Fitch Ratings on the Bonds. The City did not request an underlying rating on the Bonds from KBRA (see "RATINGS").

BOND INSURANCE.......................... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by AGM (see "BOND INSURANCE," "BOND INSURANCE RISK FACTORS," and "APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY").

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 principal 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 "BOOK-ENTRY-ONLY SYSTEM").

TAX MATTERS.................................. In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (see "TAX MATTERS").

CONTINUING DISCLOSURE OF INFORMATION........................... Pursuant to the Ordinance, the City is obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events to the Municipal Securities Rulemaking Board (the "MSRB"). Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org (see "CONTINUING DISCLOSURE OF INFORMATION").

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

LEGAL OPINION .... 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 September 7, 2022.

SELECTED FINANCIAL INFORMATION*

Fiscal Year Ended 9/30	Estimated City Population[a]	Kilowatt Hours (kWh) to System	System Data System Peak Demand kW	Electric Connections	Net System Revenues	Annual Revenue Bond Debt Service Requirement	Annual Debt Service Coverage Ratio
2017	249,042	2,769,986,683	605,046	105,788	$47,830,404	$14,143,294	3.38x
2018	254,565	2,889,478,983	620,434	106,555	53,501,904	14,514,119	3.69x
2019	261,946	2,889,794,087	669,412	107,239	53,206,742	18,848,416	2.82x
2020	264,518	2,765,853,075	668,545	107,899	51,338,965	19,474,894	2.64x
2021	266,859	2,810,330,087	611,459	108,557	48,214,755 [b]	10,364,594 [b][c]	4.65x [b][c]

*Table reflects historic information only. Does not include the Bonds.

[a] Source: Population estimates provided by the City based on U.S. Census Bureau data and used by the City for planning purposes.

[b] See "THE SYSTEM – ERCOT Integration – Transmission Cost of Service Revenue Approval", "THE SYSTEM – Financial Model, Base Rate Adjustments and Power Cost Recovery Factor – Transmission Cost of Service Revenues" and "TABLE 9 – CONDENSED STATEMENT OF OPERATIONS" in APPENDIX A for a discussion of a recently added stream of revenues known as Transmission Cost of Service Revenues or TCOS Revenues.

[c] These figures do not include the Bonds or City's Electric Light & Power System Revenue Bonds, Series 2021, which have substantially increased the debt service requirements for the Bonds Similarly Secured (as defined herein). See "TABLE 7 - SYSTEM REVENUE BOND DEBT SERVICE REQUIREMENTS" and "TABLE 10 - COVERAGE AND FUND BALANCES" within APPENDIX A for additional information regarding debt service requirements.

For additional information regarding the City, please contact:

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City of Lubbock
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Lubbock, Texas 79401
Phone (806) 775-2212
Fax (806) 775-2051

Harvey Hall
Chief Financial Officer
Lubbock Power & Light
1314 Avenue K, 5th Floor
Lubbock, Texas 79401
Phone (806) 775-3529

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

CITY AND SYSTEM OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS OF THE CITY

City Council	Position	Date of Installation of Office	Term Expires	Occupation
Tray Payne	Mayor	May 2022	May 2024	Attorney at Law
Sheila Patterson Harris	Mayor Pro Tem, District 2	June 2016	May 2024	Retired
Christy Martinez-Garcia	Council Member, District 1	May 2022	May 2026	Publisher
Mark W. McBrayer	Council Member, District 3	May 2022	May 2026	Attorney
Steve Massengale	Council Member, District 4	May 2016	May 2024	Business Owner
Dr. Jennifer Wilson	Council Member, District 5	May 2022	May 2026	Physician
Latrelle Joy	Council Member, District 6	May 2012	May 2024	Attorney

BOARD OF DIRECTORS OF LUBBOCK POWER & LIGHT

Board Member	Office	Date of Installation to Office	Term Expires	Occupation/Employer
Daniel L. Odom	Chairman	November 2016	November 2024	Western Bank
Kevin McMahon	Vice Chair	February 2018	November 2026	McMahon Vinson Bennett, LLP
Gwen Stafford	Secretary/Treasurer	January 2018	November 2026	Executive Healthcare Consultant
Lewis Harvill	Member	February 2022	November 2030	Pyco Industries
Edwin E. "Butch" Davis	Member	November 2019	November 2027	Retired
Solomon Fields	Member	October 2020	November 2027	St. John Baptist Church
Jane U. Henry	Member	December 2014	November 2022	J.U. Henry Design
Eddie Schulz	Member	February 2020	November 2027	Lubbock National Bank
Dan Wilson	Member	February 2022	November 2030	Dan Wilson Homes
Mayor Tray Payne	Ex-Officio Member	May 2022	May 2024	Attorney at law

SELECTED STAFF OF THE CITY

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	26
Blu Kostelich	Chief Financial Officer	July 2017	July 2017	7

SELECTED STAFF OF LUBBOCK POWER & LIGHT

Name	Position	Date of Employment in Current Position	Date of Initial Employment with City of Lubbock	Total Years of Government Service
Joel Ivy	Director of Electric Utilities	May 2022	June 2014	11
Jenny Smith	General Counsel	March 2020	March 2019	3
Harvey Hall	Chief Financial Officer	April 2022	April 2022	18
Blair McGinnis	Chief Operating Officer	January 2016	June 2015	6
Chris Sims	Director of Grid Control & Compliance	October 2020	July 1995	26
Matthew Rose	Public Affairs & Government Relations Manager	October 2015	April 2013	9
Joe Jimenez	Financial Planning & Analysis Manager	April 2019	June 2013	15

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

$56,480,000
CITY OF LUBBOCK, TEXAS
ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, SERIES 2022

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 $56,480,000 Electric Light and Power System Revenue Bonds, Series 2022 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (as defined herein) except as otherwise indicated herein (see "SUMMARY OF SELECTED PROVISIONS OF THE 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" for a discussion of the COVID-19 pandemic, recent weather events and cyber security considerations.

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 Lubbock Power & Light System of the City ("LP&L" or 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. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, electric, water and sanitary sewer utilities, airport, sanitation and solid waste disposal, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 257,141 and the current estimated population is 265,609. The City covers approximately 129.0 square miles.

THE BONDS

Description of the Bonds

The Bonds are dated September 1, 2022 and shall bear interest on the unpaid principal amounts from their date of initial delivery (the "Delivery Date"), anticipated to be on or about September 7, 2022, and mature on April 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 April 15, 2023, and on each October 15 and April 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 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("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 "BOOK-ENTRY-ONLY SYSTEM").

Purpose

The Bonds are being issued for the purposes of (i) funding acquisition, purchasing, construction, improvement, renovation, enlarging and/or equipping of property, buildings, structures, facilities, and/or related infrastructure for the System, (ii) funding the reserve fund requirement for the Bonds, if necessary, and (iii) paying the costs of issuing 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 ("Chapter 1371" and "Chapter 1502", respectively), Article VIII of the Charter of the City, and an ordinance to be adopted by the City Council on August 9, 2022, authorizing the issuance of the Bonds (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 Pricing Certificate was executed by an Authorized Officer on August 10, 2022, which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance".

Security and Source of Payment

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 (the "Previously Issued Bonds") and any additional parity obligations which may be issued in the future ("Additional Bonds"), secured by a first lien on and pledge of the Net Revenues of the System after the payment of maintenance and operating expenses which do not include depreciation charges.

Maintenance and operating expenses include contractual payments, including purchased power and energy and fuel purchases, which under Texas law are established as operating expenses of the System. The City has entered into contracts for the purchase of power and energy, and has entered into contracts with various fuel providers for the delivery of gas to the City. The City's payment obligations under such contracts constitute operating expenses of the System (see "THE SYSTEM").

As of July 15, 2022, the City had outstanding $378,785,000 of Previously Issued Bonds secured by and payable from Net Revenues (excluding the Bonds). As of the Delivery Date for the Bonds, the City will have $435,265,000 in aggregate principal amount of Bonds Similarly Secured (defined below) outstanding, including the Bonds and the Previously Issued Bonds. The Bonds will be on parity with the Previously Issued Bonds and any Additional Bonds issued in the future.

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.

As additional security, there is required to be maintained within the Bond Fund a debt service reserve amount not less than the Average Annual Debt Service requirements of all outstanding Previously Issued Bonds, the Bonds and any Additional Bonds issued on a parity with the Bonds (collectively, the "Bonds Similarly Secured"). Upon issuance of Additional Bonds, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis) for all bonds Outstanding, as determined on the date of issuance of each series of Additional Bonds, and annually following each principal payment date or redemption date for the Bonds, the Previously Issued Bonds and any Additional Bonds Outstanding, 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 (see "SOURCES AND USES OF PROCEEDS", "SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE" and Table 10 – COVERAGE AND FUND BALANCES in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM"). As of September 30, 2021, the Reserve Portion of the Bond Fund fully satisfied the Reserve Requirement and had a balance of $21,684,677. As of the Delivery Date for the Bonds, the Reserve Requirement is projected to be $24,445,283.40. Proceeds from the Bonds are projected to increase the Reserve Portion of the Bond Fund to the Reserve Requirement as of September 7, 2022.

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 Bonds Similarly Secured are irrevocably pledged for the payment of the Bonds Similarly Secured and interest thereon. The Bonds Similarly Secured are equally and ratably secured by a first lien upon the Net Revenues of the System (see "SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE").

Rates

The City has covenanted in the Ordinance that it will at all times charge and collect rates for services rendered by the System sufficient to pay all operating, maintenance, repair and improvement expenses, any other costs deductible in determining Net Revenues and to pay interest on and the principal of the Bonds Similarly Secured, and to establish and maintain the funds provided for in the Ordinance. The City has further covenanted that, if the System should become legally liable for any other indebtedness, it will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness.

Redemption Provisions

The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after April 15, 2033, in whole or in part in principal amounts of $5,000 or any integral multiple thereof within a stated maturity, on April 15, 2032, 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 (as defined herein) 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 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. 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 Ordinance provides that from and after the date that all of the Previously Issued Bonds dated on or before August 31, 2021, are no longer outstanding, the provisions described in "— After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall apply to the Bonds and any Additional Bonds, and the provisions described in "— Before All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall be of no force and effect. Prior to such date, the provisions described in "— After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall be of no force or effect.

*Before All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding…*The Ordinance constitutes a contract with the owners, is binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as described below. The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners for consent to any such amendment, addition, or rescission.

After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding…The Ordinance constitutes a contract with the owners, is binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as described below. The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission in the Ordinance. The owners of the Bonds Similarly Secured aggregating a majority in principal amount of then outstanding Bonds Similarly Secured shall have the right from time to time to approve, in writing, any amendment to the Ordinance; provided, however, that without the consent of the owners of all of the Bonds Similarly Secured at the time outstanding, nothing contained in the Ordinance shall permit or be construed to permit the amendment of the terms and conditions in the Ordinance or in the Bonds Similarly Secured so as to:

(i) Make any change in the maturity of the outstanding Bonds Similarly Secured;

(ii) Reduce the rate of interest borne by any of the outstanding Bonds Similarly Secured;

(iii) Reduce the amount of the principal payable on the outstanding Bonds Similarly Secured;

(iv) Modify the terms of payment of principal of or interest on the outstanding Bonds Similarly Secured or impose any conditions with respect to such payment;

(v) Affect the rights of the holders of less than all of the Bonds Similarly Secured then outstanding; or

(vi) Change the minimum percentage of the principal amount of Bonds Similarly Secured necessary for consent to such amendment.

Defeasance

In accordance with limitations contained in the Pricing Certificate, the Bonds may be defeased only with: (1) cash, (2) non-callable direct obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (5) subject to the prior written consent of AGM, pre-refunded municipal obligations rated in the then highest rating category by S&P and Moody's for such obligations, or (6) subject to the prior written consent of AGM, any other type of security or obligation which S&P and Moody's have determined to be permitted defeasance securities, shall be used to effect defeasance of the Bonds unless AGM otherwise approves.

To accomplish defeasance of the Bonds, the City shall cause to be delivered to AGM (i) other than with respect to a current refunding that is gross funded, a report of either a nationally-recognized verification agent or a firm of independent, nationally-recognized certified public accountants as shall be acceptable to AGM verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) other than with respect to a current refunding that is gross funded, an escrow deposit agreement or other irrevocable written instructions (which shall be acceptable in form and substance to AGM), and (iii) an opinion of nationally-recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Ordinance; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the City, the Paying Agent/Registrar and AGM. AGM shall be provided with final drafts of the above-referenced documentation not less than five (5) Business Days prior to the funding of the escrow (or such shorter period acceptable to AGM).

Bonds shall be deemed "Outstanding" under the Ordinance unless and until they are in fact paid and retired or the above criteria are met.

Amounts paid by AGM under the Policy shall not be deemed paid for purposes of the Ordinance and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the City in accordance with the Ordinance. The Ordinance shall not be discharged unless all amounts due or to become due to AGM have been paid in full or duly provided for.

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 City must secure a certificate or opinion from an independent certified public accountant 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 eighteen (18) consecutive months prior to the month of adoption of the ordinance authorizing the Additional Bonds, equal to at least 1.25 times the Average Annual Debt Service requirements of the Bonds Similarly Secured which will be outstanding upon the issuance of the Additional Bonds, and further demonstrating that for the same period as is employed in arriving at the aforementioned test said Net Revenues were equal to at least 1.10 times the maximum annual principal and interest requirements of all Bonds Similarly Secured as will be outstanding upon the issuance of the Additional Bonds. In making a determination of the Net Revenues, the certified public accountant 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 Net 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 his certification or opinion based on such change in charges being in effect for the entire period covered by the certificate or opinion of the certified public accountant. The Bonds are being issued as Additional Bonds under the terms of the ordinances authorizing the issuance of the Previously Issued Bonds. See "SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE – Particular Representations and Covenants – Additional Bonds" for complete terms and conditions to be satisfied for the issuance of Additional Bonds. The City has also reserved the right to issue or incur obligations secured by a lien on all or any portion of the Net Revenues that is junior and subordinate to the lien thereon securing the Bonds Similarly Secured (see "SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE – Particular Representations and Covenants – Further Covenants").

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 "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. In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the Register of the Paying Agent/Registrar. 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 principal 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 registered 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 registered 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. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within forty-five (45) calendar days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance 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., 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 registration books of the Paying Agent/Registrar 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 believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC 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 SEC. 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 bonds 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 bonds 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 bonds 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 pursuant to the Ordinance will be given only to DTC.

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 Bonds may not be able to bring such a suit against the City for breach of the Bonds 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. The Texas Supreme Court has determined that the operation of a municipally owned utility (such as LP&L) is a proprietary function. However, 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 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). The City, in part, is relying on authority granted to the City by Chapter 1371 in effecting the sale of the Bonds. Chapter 1371 permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity in the manner provided by Chapter 1371.

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

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

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

SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Proceeds:		
Principal Amount of the Bonds	$	56,480,000.00
Net Original Issue Premium		7,136,977.10
Total Sources of Proceeds	$	63,616,977.10
Uses of Proceeds:		
Deposit to Project Fund	$	60,005,000.00
Deposit to Debt Service Reserve Fund		2,760,606.40
Underwriting Discount		270,131.07
Cost of Issuance (including rounding amount and insurance premium)		581,239.63
Total Uses of Proceeds	$	63,616,977.10

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings…*On July 8, 2022, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

*Capitalization of AGM…*At June 30, 2022:

- The policyholders' surplus of AGM was approximately $2,779 million.
- The contingency reserve of AGM was approximately $905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,114 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference… Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters…*AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the applicable bond insurer (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may reserve the right to direct and consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to the applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds (see "RATINGS" herein).

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Bond Insurer may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the City, the Financial Advisor or the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

THE SYSTEM

General Information, Electric Utilities Board

The City's municipally owned electric utility system, known as 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.

On November 2, 2004, the citizens of the City approved an amendment to the City Charter establishing a nine member board of directors (the "Electric Utility Board") to govern, manage and operate LP&L, and which gave the City Council the authority to appoint the directors to the Electric Utility Board. Under the amendment, the City Council retained the authority to approve LP&L's budget, set LP&L's rates, exercise the power of eminent domain on behalf of LP&L, and issue debt on behalf of LP&L ("City Council Charter Responsibilities"). In response to the charter amendment approved by the voters, on December 16, 2004 and later amended on April 10, 2012, the City Council adopted an ordinance (the "LP&L Governance Ordinance"), which provided for, among other things, the following: (1) reserving City Council Charter Responsibilities in addition to requiring from LP&L the payment of an annual franchise fee equivalent and payment in lieu of taxes to the City; and (2) mandating the creation of certain reserve accounts by LP&L and restricting the transfer of revenues from LP&L until such reserves have been funded. In addition, the City initiated a solicitation to the holders of LP&L's senior revenue debt and from bond insurers who issued policies in support of the senior lien debt seeking approval to amend each LP&L bond ordinance to provide for the governance of LP&L by the Electric Utility Board and, upon obtaining the necessary consents, amended the bond ordinances to provide for the governance of LP&L by the Electric Utility Board in January 2005.

The LP&L Governance Ordinance provides that the City Council consider extensive business and/or financial experience as the primary qualification for serving on the Electric Utility Board. Electric Utility Board members serve without compensation. Terms of the Members of the Electric Utility Board were updated by City Council ordinance on December 3, 2019 to increase the number of terms that may be served. The change increased the maximum number of terms from no more than three two-year terms to no more than four consecutive two-year terms. In addition, the Mayor serves as an ex-officio member of the Electric Utility Board (see "CITY AND SYSTEM OFFICIALS, STAFF AND CONSULTANTS – Board of Directors of Lubbock Power & Light").

Under the LP&L Governance Ordinance, the Electric Utility Board is given the authority, duties, and responsibility to: (1) approve recommendations to the City Council regarding LP&L's annual budget and electric rate schedule and, from time to time, submit recommendations to the City Council regarding amendments to the budget and/or the electric rate schedule; (2) oversee the audit of the electric fund, and engage an accounting firm for that purpose; and (3) subject to applicable law, including the City Charter and Code of Ordinances, govern, manage, administer and operate the System, including contracting for legal and other services separate and apart from those provided by the City. The Electric Utility Board hires the Director of Electric Utilities of LP&L and LP&L's General Counsel. Under the terms of the LP&L Governance Ordinance, the Director of Electric Utilities and General Counsel of LP&L report to the Electric Utility Board. While the City Council retains substantial powers over the System, an additional goal of the City in establishing the Electric Utility Board was to develop local expertise in a pool of individuals who can provide a sharper focus by the City on the operation of LP&L.

Service Territory

Currently, LP&L is the primary supplier of retail electric service within the municipal limits of the City. LP&L's service area is certified by the Public Utility Commission of Texas ("PUC" or "Commission"). The LP&L certificated service area consists of most of the area within the City's current boundaries and a few small areas just outside of the City's current boundaries. Two small portions in the northwest portion of LP&L's certificated service area are dually certificated with both LP&L and South Plains Electric Cooperative ("SPEC"), and an approximate one square mile area in north Lubbock is dually certificated with both LP&L and Southwestern Public Service Company ("SPS"), a subsidiary of a large investor-owned energy company, Xcel Energy Inc ("Xcel"). A portion of south and southwest Lubbock is served solely by SPEC.

For the past ten years, the City has been characterized by growing population (population has increased by 15.7% from 2012 to 2022), increasing taxable assessed valuation (TAV increased by 23.9% from FY2018 – FY2022) and low unemployment (in 2021, Lubbock's reported unemployment was 4.6% compared to the State's unemployment of 5.7%). Economic growth and employment opportunities benefit from the institutional presence of Texas Tech University and a number of other higher education institutions.

The Lubbock Economic Development Alliance ("LEDA") is dedicated to strengthening Lubbock's business community to ensure economic development and growth in the City of Lubbock. LEDA works to recruit new company locations, encourage expansions and encourage redevelopment of locations in the LP&L service territory and has worked to increase the diversity of Lubbock's business sectors and workforce. The businesses located in Lubbock are made up of a variety of industries including biomedical, food processing, agriculture and more. Some of the new and expanding companies include: Amazon, Bandera Ventures, X-Fab Manufacturing, Inc., MTBC Ltd., and WL Plastics. For the 2019/2020 year, LEDA reports attracting 25 locations to Lubbock which were projected to bring 1,090 jobs and represented total capital investment of $36.3 million. Additionally, in October 2021, LEDA announced Leprino Foods, a global leader in mozzarella, whey protein and other dairy ingredients, will invest $870 million to build a state-of-the-art manufacturing plant located on 258 acres in East Lubbock. In addition to the new and expanding companies Lubbock is home to Covenant Health, the region's largest health system, offering the most comprehensive health care services available between Dallas and Phoenix. Lubbock's health care hub serves a population of more than 1.2 million people and contributes $735.6 million in economic impact to the area. Finally, the Texas Tech University System continues to experience growth and anticipates capital improvements in both academic facilities and student residential space. Through 2024, there is planned growth of more than 1.5 million gross square feet with an investment portfolio of more than $1.1 billion on multiple campuses and academic sites across the state of Texas, including the campuses in Lubbock (source: www.texastech.edu/fpc).

See "APPENDIX B - EXCERPTS FROM CITY'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021" for additional information on the service territory.

LP&L's annual peak load has averaged 650 megawatts ("MW") over the last three years, with LP&L's record peak load of 669 MW occurring in August 2019. LP&L reviews its load forecast on a continuous basis throughout the year. LP&L's customer base is diversified and heavily residential. In fiscal year 2021, residential meters composed 86% of total LP&L meters, and 41.0% of retail sales. Commercial meters made up 12.7% of total LP&L meters, and 53.2% of retail sales. Municipal and school sales make-up the remainder. The ten largest customers made up 26.7% of retail sales, and 17.4% of revenue (see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM, Table 3 – STATISTICAL DATA" for additional information).

Strategic Plan

As stated in the System's Fiscal Year ("FY") 2021-22 Adopted Budget and Capital Program document, LP&L's stated goals are to provide:

- Four nines uptime – setting a measurable standard of excellence for reliability; power is up 99.99% of the time
- Consistently low rates and efficiency – operating an effective utility with low rates and supporting customers by helping them save
- Friends and neighbors resolution – customer service interactions are simple, efficient and solved in one phone call; no transfer or customer follow-up calls needed
- Public stakeholder engagement – leadership presence in the community engaging with influencers and visionaries interested in Lubbock's future
- Long-term financial sustainability and strong credit ratings
- First-class service to customers while operating with the highest code of ethics
- Safe environment for all employees and customers

A major effort has been underway since 2013 to meet the above goals and to ensure LP&L has long-term access to reliable energy supplies at the best prices for its customers. In 2014, LP&L completed a thorough review of its operations and finances, focusing on its future after the impending 2019 termination of a total requirements purchased power agreement with SPS ("SPS Power Agreement"), which was contracted through the West Texas Municipal Power Agency ("WTMPA"), of which the City was a member. Based on its studies, LP&L anticipated that the City would require approximately 640 MW of total generation to supply its projected load.

After a thorough examination of all options, LP&L announced on September 24, 2015, its intent to join the Electric Reliability Council of Texas ("ERCOT"). Then on October 20, 2015, the 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. At that time, LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT ("Unaffected Load"). From its examination, LP&L believed that such a decision would reduce customer bills by up to 8% versus remaining in the Southwest Power Pool ("SPP"). Furthermore, such a decision would allow LP&L to avoid building any significant generation resources, avoiding estimated debt costs ranging from $350 million to $700 million, while availing LP&L customers of access to Texas power plants and over 1,800 active market participants that generate, sell, or transmit wholesale electricity in the ERCOT market. The significant cost of adding generation in SPP would have been solely born by the customers of LP&L, whereas transmission costs associated with the move to ERCOT are uplifted and socialized among load serving entities within ERCOT.

The efforts to interconnect the Affected Load began in earnest after the Board and City Council authorized that move. Before that could occur, a series of purchased power agreements ("PPAs") were needed as a bridge between the SPS Power Agreement and the ERCOT integration. The portfolio of PPAs necessary for that bridge period are briefly described, as follows:

- *SPS Capacity Agreement*…A 400 MW Capacity and Energy Scheduling Contract with SPS was approved by the Electric Utility Board, City Council, and SPS in March 2017, providing LP&L with 400 MW of capacity and energy scheduling that was in place from June 1, 2019 through May 31, 2021.
- *Heat Rate Call Option ("HRCO")*…A separate, but related agreement provided a price ceiling for energy purchases by implementing a 16 HRCO should SPP Integrated Market ("IM") prices exceed a 16 heat rate price when market prices exceeded the call option. The HRCO was exercised during Winter Storm Uri in February 2021, which provided price protection to LP&L during that event (see "INVESTMENT CONSIDERATIONS - Recent Winter Weather Event").
- *SPS Partial Requirements ("PR") Agreement*…In conjunction with the purchase of the SPS distribution system by LP&L in 2010, LP&L and SPS entered into an agreement under which LP&L agreed to purchase from SPS, beginning in 2019 and running through 2044, 170 MW of wholesale power at an average fuel cost determined on the basis of a Federal Energy Regulatory Commission ("FERC") approved formula base rate. The projected amount of power purchased through this

agreement roughly corresponds to the load LP&L took over from SPS as a result of the purchase by LP&L of the SPS distribution system in the City (see "THE SYSTEM - History of, and Future Plans for Competition").

- *Renewable Energy Resource*… The City of Lubbock has an agreement with Elk City II Wind, LLC for the purchase of energy from the 106.9 MW aggregate nameplate wind generation facility located in Roger Mills and Beckham Counties, Oklahoma. LP&L's receives 85% of the output from this resource. The initial term of this agreement is from June 1, 2019 through May 31, 2032, unless extended (see also "Purchased Power Agreement, Generating Assets, and Renewable Energy Resources").
- *LP&L Generating Assets*… LP&L has approximately 106.2 MW of dependable natural gas fired generation and used that generation to serve its load in SPP (see Table 1 in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE SYSTEM" for additional information).

At the conclusion of the bridge period in May 2021, LP&L integrated the Affected Load into ERCOT on May 29-30, 2021. The integration of that portion of the load into ERCOT culminated almost seven years of planning, regulatory work and construction activities at the utility. A brief history of that work follows in the next section.

ERCOT Integration

On October 20, 2015, the Electric Utility Board and the City Council both took action to authorize LP&L to seek interconnection of the Affected Load with ERCOT. At that time, LP&L began the work to gain regulatory approval to move the Affected Load from SPP to ERCOT.

The Electric Reliability Council of Texas…Founded in 1970, ERCOT became the primary overseer of Texas' power grid and the independent system operator ("ISO") for a region that serves approximately 90% of the state's electric load, or approximately 26 million customers. Since not all of Texas is deregulated, including the City of Lubbock, ERCOT manages the areas both where residents have the power to choose a retail electric provider ("REP"), and other areas that are not open to retail electric choice, including areas served by municipalities and cooperatives that retain the local option to deregulate. ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and more than 710 generating units. Governed by a board of directors and subject to oversight by the PUC and the Texas Legislature, ERCOT is a membership-based 501(c)(4) nonprofit corporation that manages and ensures the reliability of electric service to its customers. Under Senate Bill 2, effective June 8, 2021, the ERCOT Board of Directors consists of (1) the Chairman of the PUC; (2) the Counsellor for the Office of Public Utility Counsel; (3) the ERCOT CEO; and (4) eight members selected by a "selection committee" who have executive level experience in finance, business, engineering, trading, risk management, law, or electric market design (see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND THE SYSTEM – 2021 Legislation and Electric Utility Reform"). All members of the ERCOT Board must be Texas residents. In 2021, loads within the ERCOT region used 393 billion kilowatt-hours ("kW") worth of energy, which is a 2.87% increase from 2020.

ERCOT Integration Request Process… The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUCT 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 PUCT 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 PUCT 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 March 2018, the PUCT approved the integration of the Affected Load to the ERCOT system through an Order in PUCT Docket No. 47576. With approval by the PUCT, 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.

ERCOT Transmission Assets and Approval Process…New transmission line routes and substation locations necessary for the ERCOT integration were identified in the CCN cases that were presented to the PUC. There were four different CCNs and five orders associated with the ERCOT interconnection:

- PUC Docket No. 48625 - Ogallala to Abernathy–final order signed on September 26, 2019
- PUC Docket No. 48668 - Abernathy to Wadsworth–final order signed on December 13, 2019
- PUC Docket No. 48909 - Wadsworth to Farmland–final order signed on January 23, 2020
- PUC Docket No. 48909 - Southeast to Oliver–final order signed on January 23, 2020
- PUC Docket No. 49151 - Abernathy to North– final order signed on March 12, 2020

After approval of the CCNs, all the easements were secured in a timely manner. This allowed LP&L to complete the engineering, right-of-way acquisition and construction prior to the targeted integration date of June 1, 2021.

Participation Agreement…One of the findings within the PUC Order stated that Sharyland Utilities, L.P. ("Sharyland") and LP&L were the only utilities that own the endpoints included in Option 4ow, and therefore it was appropriate that LP&L and Sharyland provide the Option 4ow transmission facilities. On August 21, 2018, LP&L and Sharyland entered into a Participation Agreement, as amended, that set forth the rights, responsibilities, and expectations of Sharyland and LP&L in connection with the LP&L integration to ERCOT and memorialized the terms and conditions regarding: (i) the ownership allocation between LP&L and Sharyland, (ii) the CCN applications, (iii) the engineering, design, and construction of the facilities, (iv) LP&L's payment obligations to Sharyland for its services for the construction of LP&L's transmission assets and the LP&L integration to ERCOT, (v) the coordination necessary to ensure successful completion of the LP&L integration, and (vi) the subsequent transfer of LP&L's transmission assets and, to the extent applicable, the LP&L CCN rights from Sharyland to LP&L. Through an Agreement and Plan of Merger, dated October 18, 2018, Oncor became the successor, by merger and acquisition of Sharyland, to the Participation Agreement. As a result, Oncor acquired real property interests and completed construction activities necessary for the ERCOT integration of the Affected Load and transferred those assets to LP&L on May 25, 2021.

ERCOT Infrastructure Cost and Financing…The approximate cost of the infrastructure necessary for LP&L to integrate into ERCOT was $381.1 million, of which approximately one half is owned by LP&L and the other half is owned by Oncor. LP&L's cost to fund the needed additional infrastructure during the construction phase was funded through a short-term revolving note program with Bank of America, N.A. which had an aggregate principal amount not to exceed $300 million outstanding at any one time (the "2019 Note Program"). The 2019 Note Program was utilized to provide interim financing for the majority of LP&L's capital program, including the transition costs of entering ERCOT and including capitalized interest during and after the period of construction of the facilities. The 2019 Note Program was converted to long-term financing with the issuance of the System's Electric Light and Power System Revenue Bonds, Series 2021.

The City amended and extended the 2019 Note Program with Bank of America, N.A. in 2021 ("the 2021 Note Program") to again provide interim financing for LP&L's capital program, including the costs of moving the Unaffected Load into ERCOT. The 2021 Note Program has a three-year term with a maximum program size of $60 million, provided that the City is permitted to request an expansion of the maximum program size to $75 million, which Bank of America, N.A. may grant or deny at its discretion (see "Table 7 of "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM"). The 2021 Note Program was intended to provide interim financing for LP&L's capital program, including the transition costs of the Unaffected Load from SPP to ERCOT. The City has determined instead to proceed with the issuance of the Bonds to fund those capital improvements. The City authorized termination of the 2021 Note Program at a City Council meeting on August 9, 2022, and such termination is expected to take effect on August 30, 2022.

Integration...The integration of the Affected Load took place over the 2021 Memorial Day weekend, on May 29 – 30, 2021. LP&L received its certification as a Transmission System Operator and subsequently energized all six 345/115kV autotransformers. On May 30, 2021, the LP&L integration with ERCOT was completed. LP&L owns three 345 kV transmission lines that total sixty-nine miles in length. LP&L owns 115,000 Volt ("115 kV") and 69,000 Volt ("69 kV") transmission loop systems, with eighty-one miles operated at 115 kV and twenty miles operated at 69 kV. LP&L owns two 345/115 kV switching stations (*Dunbar, Posey*), one 345/115 kV substation (*Yellow House Canyon*), one 115/69 kV switching station (*Holly*), three 115/69 kV substations (*McKenzie, Vicksburg, Co-op*), nine 115 kV substations (*Thompson, Chalker, Oliver, Southeast, Slaton, Wadsworth, Northeast, Northwest, McDonald*), and four 69 kV substations (*Erskine, Brandon, Red Raider, McCullough*). LP&L also owns distribution assets at eighteen substations acquired from SPS in 2010 and also has four distribution delivery points from SPS. The LP&L distribution system includes over 4,314 miles of distribution lines, with approximately 39% being underground. Upon LP&L's acquisition of SPS's distribution assets within the City, both distribution systems have been utilized to ensure adequate capacity for the total load and for enhancing system reliability.

The construction of an outer 115 kV loop surrounding an inner 69 kV LP&L loop was completed in April 2021. These upgrades represent the most cost-effective approach to ensure a reliable and robust internal LP&L system to fully leverage the benefits of the ERCOT integration.

ERCOT 2021 Power Supply…LP&L has secured services to facilitate its power supply upon its entry to ERCOT. In addition to power supply, LP&L has secured Qualified Scheduling Entity ("QSE") and Load Serving Entity ("LSE") services, which are explained below:

- QSE Services: A QSE is required to submit offers to sell and/or bid to buy energy in the Day Ahead and Real-Time Markets in ERCOT. The QSE is also responsible for submitting a Current Operating Plan for all resources it represents and offering or procuring Ancillary Services as needed to serve its represented load.
- LSE Services: An LSE manages physical, financial, and commercial transactions for scheduling Energy, Capacity, and Ancillary Services through the bilateral wholesale market and the markets operated by ERCOT.

ERCOT current energy purchases are transacted through blocks of Firm LD power, Day-Ahead and Real-Time market purchases dependent on market conditions (See ERCOT Energy Procurement).

Transmission Cost of Service Revenue Approval…On August 18, 2020, LP&L filed an application in PUC Docket No. 51100 ("TCOS Rate Case") to establish an initial wholesale transmission rate that would be effective upon the date that the Affected Load was integrated into ERCOT.

On March 30, 2021, LP&L filed a joint motion on behalf of itself, the PUC staff, the Office of Public Utility Counsel ("OPUC"), and Texas Industrial Energy Consumers ("TIEC") (collectively, "Movants") to admit evidence and remand the proceeding to the PUC, and LP&L's unopposed motion to set interim rates. Movants entered into a Stipulation and Settlement Agreement that resolved all issues in the TCOS Rate Case. Movants jointly requested that the Administrative Law Judges admit certain exhibits into evidence and remand the TCOS Rate Case to the Commission for final disposition consistent with the Agreement. Both motions were granted on March 31, 2021 and the new TCOS revenue stream commenced on June 2021 totaling roughly $15.9 million on an annualized basis.

On September 1, 2021, LP&L filed its Interim TCOS Update. The PUCT Order issued January 31, 2022, which resolved all issues in the proceeding, included terms in which LP&L will:

- increase the TCOS revenue stream from $15.9M to $40.9M and rates will be based on the ERCOT 2021 Matrix using the 2020 four coincident peak calculation ("4CP") load;
- receive a good cause exception to allow for the recovery of general plant allocated to transmission plant which is not typically included in an interim filing;
- begin paying the $22 million hold harmless payment aligned with the new interim rate implementation (see " – Hold Harmless Payments" below); and
- continue earning a rate of return of 8.27 percent.

Hold Harmless Payments…PUC Docket No. 47576 required that, upon integration to ERCOT on June 1, 2021, LP&L would 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 Contract and reserved $24.0 million from these savings prior to the end of FY 2018-19. The payment was made to SPS on June 1, 2021.

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 Transmission Cost of Service ("TCOS") revenues received from ERCOT. In the final Stipulation and Settlement Agreement, LP&L was not required to begin paying the $22 million until all ERCOT-related integration assets are included in an interim TCOS filing. The PUCT Order issued on January 31, 2022 approved the Interim TCOS filing from September 1, 2021, increasing the TCOS revenue stream on an annualized basis, while also beginning application of the $22 million hold harmless payment (see "THE SYSTEM – "ERCOT Integration – Transmission Cost of Service Revenue Approval").

Purchased Power Agreements, Generating Assets, and Renewable Energy Resources

ERCOT Energy Procurement…Prior to the expiration of the SPS Capacity Agreement and HRCO on May 31, 2021, LP&L began structuring an energy procurement process in anticipation of the June 1, 2021 entry into ERCOT. This process included the development of a hedge program, in coordination with a third-party power marketing company ("PMC").

The PMC developed hourly load forecasts for planning and financial analysis. The load forecast models both Lubbock temperatures and the corresponding hourly load, based on several years of observed data, and use inputs provided by LP&L's weather forecasting consultant for overall seasonality and long-term growth rates. It allows for differences in temperature and load relationships across different seasons, days of the week, and times of day. In this way, the load is modeled with the appropriate potential hourly variation in different months, and across numerous simulations consistent with 30-year normal weather conditions. The load forecast is one part of a larger stochastic portfolio model that LP&L's PMC completed with 2,000+ simulations of how future load, generation, and prices for LP&L may vary, in order to understand the most probable range of outcomes and the potential for unusual events.

Once the models were built, risk strategies identified and load forecasts complete, LP&L began to purchase blocks of Firm LD power to manage price exposure. The PMC assisted and continues to assist LP&L by running hundreds of simulations in the load forecast models to project necessary block purchases to cover loads based on low- and medium-risk hedging strategies. For the summer months of June through August, LP&L adheres to a low-risk strategy with the intention of covering 100% of its load in ERCOT with Firm LD power hedges or Day-Ahead purchases to manage the summer month's volatile energy prices and to fully protect the utility from market price exposure. For the winter months, LP&L adheres to a medium-risk strategy, with hedges covering a percentage of the load. This strategy allows LP&L the opportunity to purchase energy in the day-ahead or real-time markets for the unhedged load when favorable pricing occurs. Winter energy pricing is typically less volatile, and the medium-risk strategy allows LP&L to take advantage of current market conditions to cover the remaining unhedged load. The structure of LP&L's models, even under the medium risk strategy, is built to use as a guide. LP&L can, and does deviate from that strategy at any time, making purchases when LP&L sees weather changes or market volatility. LP&L management and the PMC meet at least weekly, and on a daily basis if needed, to discuss market conditions to monitor any changes or potential threats that arise, with the ability to adjust the hedging strategies at any time, if necessary.

Portion of LP&L's Load Currently Remains in SPP ("Unaffected Load")… The acquisition of SPS' distribution system in 2010 included 19 delivery points that are served off of SPS' transmission system. LP&L acquired only distribution assets and SPS retained ownership of its transmission system. The acquired system will remain in SPP and will be electrically isolated from LP&L's transmission and distribution system in ERCOT until May 2023. The Unaffected Load is expected to remain in SPP until May 31, 2023. This Unaffected Load is expected to be served by the partial PR Agreement with SPS (see "History of, and Future Plans for Competition" paragraph below) until the integration of the Unaffected Load into ERCOT occurs.

Early Termination of the PR Agreement… In anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement on May 27, 2021 to terminate the PR Agreement, and identified May 31, 2023 as the estimate of the full ERCOT integration and resulting early termination of the PR Agreement. Under the terms of the Settlement Agreement, LP&L agreed to pay a lump sum, totaling $77.5 million, to SPS as compensation for power- and transmission-related shifted costs under the PR Agreement. LP&L also agreed to continue paying SPP charges that are assessed to SPS under the LP&L Network Integration Transmission Service ("NITS") Agreement, for up to 24 months, that are attributable to service to LP&L's load after LP&L departs the SPP system (because SPP uses lagging billing determinants for certain charges). Additionally, LP&L agreed that the Settlement Agreement will not become effective unless and until it is approved or accepted by the Federal Energy Regulatory Commission (FERC) and the PUC. Following the termination date, the contractual relationship between LP&L and SPS will be limited to the Settlement Agreement and certain easements and crossing agreements necessary for the operation of each respective system. For clarity, the existing water use agreement and the existing franchise agreement pertaining to SPS' retail service territory in Lubbock will continue under the existing terms of each respective agreement.

Under the PR Agreement, LP&L pays over $17.0 million per year for capacity in SPP. With the 1.2% annual increase in service, in addition to inflationary impacts, the annual payments will grow well in excess of $17 million per year into the future. The lump sum termination payment of $77.5 million will be refunded with long-term bonds, which are expected to be issued in early to mid-2023 after receipt of regulatory approvals. Therefore, the termination of the agreement will trade an annual capacity charge with a much lower annual debt service payment, with expected savings exceeding $12 million per year.

Renewable Energy Resources . . . The City of Lubbock has an agreement with Elk City II Wind, LLC for the purchase of energy from the 106.9 MW aggregate nameplate wind generation facility located in Roger Mills and Beckham Counties, Oklahoma. LP&L's receives 85% of the output from this resource. The initial term of this agreement is June 1, 2019 through May 31, 2032, unless extended. The term may be renewed or extended by mutual consent of City of Lubbock and Elk City II Wind, LLC, upon terms and conditions and for a price upon which must mutually be agreed upon in connection with such extension or renewal.

LP&L Generating Assets. . . LP&L currently has approximately 106 MW of dependable natural gas fired generation and uses that generation to serve its load in ERCOT (see Table 1 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM" for additional information).

SPS Purchased Power Contractual Risk . . . By partially tying its energy requirements to SPS through May 31, 2023, the City depends on SPS as a counterparty to agreements relating to the operation and financial condition of LP&L. Counterparty risk is risk associated with the counterparty's financial condition, credit ratings, changes in business strategies and other quantitative and qualitative measures that could affect the ability of the counterparty to perform its obligations to the City. The PR Agreement provides the City the right to demand certain adequate assurance of performance.

History of and Future Plans for Competition

History of Competition in Lubbock…Prior to 2010, Lubbock residents had a version of retail electric competition that allowed customers to choose between two electric providers – LP&L and SPS. The two systems were evenly distributed throughout the City since both companies served customers in nearly every neighborhood, referred to as alley-by-alley competition, with two separate sets of wires available for most customers.

On November 12, 2009, the City Council, the Electric Utility Board, and SPS reached an agreement whereby SPS agreed to sell its distribution system within the City (and a few immediately adjacent areas) to the City for $87,754,858 and to withdraw its PUC certification to serve the dually certificated territory within most of the municipal limits of the City. The parties closed on this agreement on October 29, 2010. The elimination of SPS as a competitor in the majority of the City resulted in changing approximately 80% of the City from being dual-certified to being single-certified by LP&L.

SPS Partial Requirements Agreement…At the time of the purchase of the SPS distribution system by LP&L, LP&L and SPS entered into the PR Agreement under which LP&L agreed to purchase from SPS, beginning in 2019 and running through 2044, 170 MW of wholesale power at an average fuel cost determined on the basis of a FERC approved formula base rate. The projected amount of power to be purchased by LP&L roughly corresponded to the load LP&L took over from SPS as a result of the purchase by LP&L of the SPS distribution system in the City. As mentioned above, all parties have agreed to terminate this agreement upon the integration of the Unaffected Load into ERCOT, which is expected to occur on or around May 2023.

City's Intent to Opt-in to Retail Choice Impacts…Since 2010, many citizens of Lubbock voiced concern about the lack of competition for electric service within the City. As a result, and in conjunction with the efforts to integrate LP&L's load into ERCOT, the Lubbock City Council, in January 2018, announced its intent to study the feasibility of opting in to retail customer choice for the portion of the LP&L load to be integrated into the ERCOT system. If approved by the Electric Utility Board and City Council, Lubbock would be the first city to voluntarily opt-in to the retail competitive market since its creation in 1999.

After closely studying the path to competition, it was clear that the only reasonable and responsible way to perform this historic task would be to enter the retail choice market only after both the Affected and Unaffected Load customers were integrated into ERCOT. Making the move to retail competition after all customers are integrated into ERCOT means that all customers can be provided with the same access to competition at the same time. On February 15, 2022, the EUB approved and recommended to City Council an irrevocable resolution opting into competition for retail electric service in Lubbock Power & Light's certificated area. On February 22, 2022, the City Council approved the opt-in resolution to transition to retail electric competition.

Systems Underway to Accommodate Retail Choice…Information system upgrades have been underway for several years. LP&L completed the installation of advanced metering infrastructure ("AMI") in February 2021, which provides an integrated system of meters and communications networks with the ability to record consumption of electric services in intervals of 15 minutes and communicates that information at least daily to the utility for monitoring and billing. Along with that infrastructure, the utility also installed a new billing system that includes a Meter Data Management System ("MDM"). The MDM provides long-term data storage and management for the large quantities of data delivered by AMI – the data consists primarily of interval data and meter events. Additionally, the utility has begun work on a Market Transaction Manager ("MTM") system to communicate the meter data to ERCOT and the REPs to better facilitate retail choice. LP&L anticipates completing the installation of the MTM prior to the full integration to ERCOT in 2023.

Capital Projects

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 (see "FORWARD-LOOKING STATEMENTS DISCLAIMER").

LP&L annually adopts a six-year capital improvement plan ("CIP") for all its operations. The current CIP (FY2021-22 through FY 2026-27) is summarized in Table 6 of "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM". The current CIP reflects annual expenditures that range from $28.8 million per year to $65.8 million per year. The blend of financing for capital improvements is reviewed annually to determine if any adjustments are necessary, but the System's model is currently set at a 35% equity and 65% debt financing breakdown over the 6-year planning horizon. For the 10-year period between FY 2017-18 and FY 2026-27 the level of cash funding for all capital projects is projected to be approximately 25.1% (excluding transmission projects, cash funding is 57.9% over this time period). The amount of projected cash funding averages roughly $18.5 million per year for the next six years, which is greater than the previous five-year average of $17.3 million per year.

Capacity Upgrades…The proposed capital program includes a $67.5 million investment in distribution, substation, and capacity upgrades for various substations to successfully serve the increasing load growth requirements in the System's service area. These upgrades include a range of work for each substation and include the replacement of aging power transformers, switchgear and relay protection for the transformers, feeders, and buses along with substation bus, breakers, and relays upgrades. Other various projects related to distribution include the installation of radio towers at necessary substations to permit data from field devices to be relayed to the SCADA system along with facilities needed to store all related distribution and transmission inventory.

The proposed capital program includes additional costs of $50.2 million related to transmission projects. These costs are for the rebuild of 69/115kV lines that were not necessary for the conversion to ERCOT but will still need to be rebuilt to handle loads for 115kV as they are only equipped to handle 69kV at the moment.

The proposed annual capital projects totaling approximately $90.7 million are cash funded projects that include multiple projects established to maintain and repair current infrastructure such as transformers, overhead/underground lines, street lights, and meters when needed due to weather related events, new developments, or the replacement of an outdated piece of equipment. The vehicle replacement project also falls under this category and is established to replace vehicles and heavy equipment that have been inspected and deemed unreliable.

ERCOT Transmission/Distribution Service Provider System…This $22.1 million investment is for the technology upgrade, implementation, training, legal and consultant services needed as LP&L creates a system required to provide data as an ERCOT Transmission/Distribution Service Provider ("TDSP"). $15.1 million of the investment will be funded from proceeds from the Bonds. The remaining portion will be funded from cash.

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, LP&L management is of the view that the capital improvement plan will be funded from a blend of operating revenues and bond proceeds. The System plans to fund approximately $60 million of System capital improvements with proceeds of the Bonds (see "THE BONDS – Purpose" and "SOURCES AND USES OF PROCEEDS").

Financial Model, Base Rate Adjustments and Power Cost Recovery Factor

LP&L utilizes a financial model to project all revenues, operating expenses, and capital expenditures for a six-year time frame. The model forecasts every line-item for 27 cost centers and applies growth rates that are specific to each line-item in order to project a realistic financial portrait. The model delves into the details, but also incorporates strategic plans that impact the future of LP&L. The current financial model incorporates revenues and expenses/expenditures related to the integration of the Affected and Unaffected Loads into ERCOT, and opt-in to retail competition in 2023. The model considers purchased power costs, departmental expenses, fund-level expenses, funding sources (including net TCOS revenues) and future staffing levels related to the anticipated changes within the utility. The model is used to incorporate the strategic plans of the utility and ultimately produces the Operating Budget and Capital Program for the upcoming fiscal year and projections for the six-year planning horizon that is also included in the budget document.

Power Costs…The financial model incorporates the following assumptions as they relate to power costs over the term of the model.

- Capacity Costs: The current projected model anticipates the cost impacts of the termination of the PR Agreement due to the Settlement Agreement approved on May 27, 2021. This allows LP&L to move 100% of its load, after the termination date, into ERCOT which eliminates capacity charges going forward due to the fact that ERCOT is an energy-only market without a capacity requirement. LP&L is still responsible for capacity charges for the Unaffected Load remaining in SPP up until the termination date of the PR Agreement which is reflected in the model.
- Energy and Fuel Costs: Estimates are based on anticipated costs for both the Affected and Unaffected Loads until May 2023. For the Affected load, LP&L has been working through a hedge program and has purchased blocks of Firm LD power and will continue to purchase Firm LD products to manage price exposure (see "THE SYSTEM – Purchased Power Agreements, Generating Assets, and Renewable Energy Resources"). The Unaffected Load will continue to be served by SPS through May 2023. Once fully integrated into ERCOT, LP&L does not expect to operate as a REP, therefore, the model does not anticipate any purchases of energy in ERCOT beyond May 2023. The model also envisions changes in the way LP&L will utilize the Cooke, Brandon and Massengale Units as LP&L transitions to a TDSP.
- Transmission Costs: Projected expenses are based on current transmission costs in SPP grown at a historical annual growth rate of 2.8%. Moving forward, transmission costs begin to shift to ERCOT related to the integration. Transmission costs in SPP are charged on a one-year lag, therefore, during the transition of the Affected Load and then again with the Unaffected Load, transmission costs are expected to be inflated due to incurring costs in both SPP and in ERCOT. Transmission costs will ultimately normalize once both portions of the load have fully integrated to ERCOT during FY 2022-23.

Operating Expenses…As LP&L continues to evolve, the staffing needs of the utility continue to reflect that evolution. The transmission and distribution ("T&D") cost centers have added additional full-time employees as the focus of work shifts from the large transmission capital program to a large distribution capital program and operations and maintenance of the upgraded T&D network. These increases are expected to be partially offset by the reduction of full-time employees in the Production function of LP&L.

The necessity of the generating units will be evaluated and determined over the next year, but the model currently envisions a downsizing of the production function, with a complete phase-out by late 2023. The potential decision to opt-in to retail choice, along with a review of the energy markets in ERCOT will determine whether or not the units will be decommissioned.

Fund-Level Expenses…The following assumptions, of a material nature, are incorporated into the financial model for fund-level expenses.

- Debt Service: Increases in debt service over the next couple of years will be driven by the distribution upgrades necessary for the reliability of the LP&L system in ERCOT and the move of the Unaffected Load. The new TCOS revenue stream covers the increased cost of debt for the transmission projects and eliminates the impact of those costs on LP&L customers. Additionally debt service will increase with the financing of the lump sum payment to SPS to early terminate the PR Agreement, totaling $77.5 million in 2023. The increase in debt service related to the lump sum payment is more than offset by the elimination of capacity payments in SPP, which would have been treated as operations and maintenance expenses and paid before debt service on the Bonds Similarly Secured.
- Franchise Fee Equivalent ("FFE") and Payment in Lieu of Taxes ("PILOT"): Currently, the FFE and PILOT payments are computed as a percent of metered revenues (five percent and one percent, respectively). In order to minimize the financial impact to the City's General Fund of opting-in to the competitive retail market in ERCOT, the FFE and PILOT payment calculations are proposed to be changed to a "cents-per-kilowatt hour" (¢/kWh) fee at the time LP&L integrates the Unaffected Load to ERCOT. This calculation will continue to provide revenues, approximately at the current level, to compensate the City for LP&L placing its facilities (distribution lines, transmission lines, and meters) in the public right-of-way. Under the terms of the LP&L Governance Ordinance, the Electric Utility Board shall first fully meet all bond reserve or fund obligations defined in any bond covenant for the City's electric utility prior to paying any FFE, making any PILOT payments, and prior to disbursing any funds from the "General Reserve" of the City's electric utility (see " – Franchise Fee Equivalent, Payment in Lieu of Property Taxes and the General Reserve" below).
- Transfer to Capital: The capital program related to the transmission assets and distribution upgrades is largely debt financed. The financial model anticipates the percent of cash funded capital at approximately 38.8% from FY 2021-22 through FY 2026-27.

Base Rate Adjustments... In FY 2014-15, LP&L developed a 6-year program that predicted the need to annually adjust the base rate by 5.75% through FY 2018-19 to support significant capital investments designed to improve the reliability, capacity and strength of the transmission grid and to enhance customer service. Through cost-cutting measures and restructuring of the capital program, LP&L proposed a 5.00% base rate adjustment for FY 2017-18 and announced that the base rate adjustment originally proposed for FY 2018-19 would not be necessary. LP&L management presented a budget that aligned with the previous year's forecast and did not recommend a base rate increase for FY 2018-19, FY 2019-20 or FY 2020-21. The current financial model does not anticipate base rate increases, but rates will be reassessed as the potential opt-in to retail choice nears. Any rate increase recommended by LP&L to the City Council for approval will be based on the operating and capital needs of LP&L. No assurance can be given that future rate increases recommended by LP&L to the City Council will be approved by the City Council, or, if approved, what the actual level of the rate increase will be.

The following chart is a summary of the base rate increases for the previous six years:

LP&L Historical Base Rate Increases

Effective Date	Base Rate Increase	Council Vote
October 1, 2016	5.75%	7-0
October 1, 2017	5.00%	7-0
October 1, 2018	0.00%	n/a
October 1, 2019	0.00%	n/a
October 1, 2020	0.00%	n/a
October 1, 2021	0.00%	n/a

Power Cost Recovery Factor ("PCRF")...Since 2014, the City and LP&L have generally passed through purchased power costs incurred to serve customers. In November 2012, the City Council approved a contract with NewGen Strategies and Solutions, LLC ("NewGen") to develop a long-term financial forecast, cost-of-service ("COS"), and proposed rate design study for LP&L (the "Study"). To ensure and evaluate LP&L's financial stability, the Study included a long-term financial plan for the electric system, determined the total cost of providing electric services, equitably distributed the costs to customers, and designed rates to safeguard the financial integrity of LP&L. All aspects of the Study, including the long-term financial forecast model, COS model, and rate design model, have been implemented at LP&L and have been used extensively since the models were completed in 2013. In November 2016, LP&L retained NewGen to review the long-term financial forecast, and update the COS and rate design models. NewGen concluded that LP&L continues to effectively utilize the financial forecast to evaluate and optimize the use of debt, capital prioritization, and rate changes to adequately recover costs and prepare for eventual integration into ERCOT. The updated COS model ("2016 COS") reinforced the original 2013 COS results and subsequent rate changes. The majority of the customer class rates are within a reasonable range of the 2016 COS results. The COS is currently being updated now that the utility has adequate history from the AMI data and the move to retail choice has been approved.

In December 2013, the Electric Utility Board and the City Council passed an amendment to the LP&L Rate Tariff that provided for the recovery of all purchased power costs incurred by LP&L in serving system demand and energy requirements. The amendment adopted a seasonal purchased power recovery factor ("PPRF") which was scheduled to be adjusted a minimum of two times per year: once during the summer season of June through September and once during the non-summer season of October through May.

The PPRF was established with the intention of matching the pass-through revenues with actual purchased power costs over the course of a fiscal year, giving consideration to seasonal fluctuations in load and in purchased power prices. The amendment allowed for the PPRF to be adjusted more frequently if any over- or under-recovery exceeded the pre-defined maximum variance.

A balancing account was also established, with a cap of five percent of total annual forecasted purchased power costs, to manage any monthly over or under-recovery of purchased power costs. If at any time the cumulative balance was greater than the balancing account cap, an adjustment was allowed to be made to the PPRF with the intention of refunding the over-recovered amount. Additionally, if at any time the cumulative balancing account approached zero or was less than zero, an adjustment could be made to the PPRF with the intention of replenishing the balancing account.

The PPRF language was amended on October 1, 2019 that changed the term "PPRF" to "power cost recovery factor" or "PCRF". The reason for the change was due to the termination of the SPS Power Agreement, whereby SPS no longer provided total requirements, and LP&L began to include self-generation as part of its energy supply. This change added self-generation costs as part of the power cost calculation, therefore not all power costs were purchased from other parties after June 1, 2019.

LP&L continues to track actual revenues collected from the PCRF and compares those revenues to the actual power costs incurred each month. The cumulative balance is reported to the Electric Utility Board on a monthly basis. As of September 30, 2021, the PCRF had had under-recovered approximately $3.2 million due to the high power costs associated with Winter Storm Uri in February 2021. LP&L's financial statements recognize an under-recovery as a receivable on the Statement of Net Position, and incorporates an increase in revenue on the Statement of Revenue, Expense, and Changes in Net Position.

Transmission Cost of Service Revenues...The financial model incorporates the calculation of TCOS revenues to fund the upgrades and interconnection of LP&L's transmission system, plus any existing debt service functionalized to transmission. Additionally, operations and maintenance costs that can be recovered in transmission rates have been quantified and included as part of the revenue stream. As of January 31, 2022, the TCOS revenue stream is expected to be $40.9M annually. The System has also begun paying the $22 million hold harmless payment aligned with the new interim rate implementation which is reflected in the model as well (see " – ERCOT Integration – Transmission Cost of Service Revenue Approval" above).

Franchise Fee Equivalent, Payment in Lieu of Property Taxes and the General Reserve…Under the terms of the LP&L Governance Ordinance, the Electric Utility Board shall first fully meet all bond reserve or fund obligations defined in any bond covenant for the City's electric utility prior to paying any FFE, making any PILOT payments, and prior to disbursing any funds from the "General Reserve" of the City's electric utility.

After providing for sufficient funds to meet the obligations mentioned above, the Electric Utility Board shall maintain a General Reserve equal to three (3) months gross revenue generated from all retail electric sales (the "GRR") as determined by taking the average monthly GRR from the previous fiscal year as shown in the latest comprehensive annual financial report ("CAFR"). The

General Reserve may be used for rate stabilization, unforeseen emergency situations and for meeting the electric utility demand of any rapid or unforeseen increase in residential and/or commercial development.

Under the terms of the LP&L Governance Ordinance, the Electric Utility Board shall transfer to the City a FFE in the amount of five percent (5%) of the GRR and a PILOT in the amount of one percent (1%) of the GRR. The transfers shall be made on the 15th day of each month and shall be based on the GRR of LP&L during the preceding calendar month (see "Fund-Level Expenses" above for a discussion of the expected changes to the FFE and PILOT).

For budgeting purposes, on or before May 1st of each year, the Electric Utility Board shall report to the City Council their estimate of the General Reserve, the GRR, and the resulting FFE and PILOT payments.

Subject to the approval of the Electric Utility Board, any remaining General Reserve may be refunded to the ratepayers of the City's electric utility within six (6) months following the fiscal year in which the General Reserve balance exceeds three (3) months of GRR.

The General Reserve shall be based on funds not otherwise committed, and generally defined as "current assets" less "current liabilities" as those terms are defined in (1) and (2) below:

(1) Current assets, as classified in the latest CAFR of the City's electric utility fund, excluding cash committed to capital projects and other non-cash assets.

(2) Current liabilities, as classified in the latest CAFR of the City's electric utility fund, excluding non-cash liabilities and customer deposits. Current liabilities will also exclude accrued interest payable and leases payable (as these current liabilities will be paid from revenues generated in the subsequent fiscal year).

In fiscal year 2021, the net amount transferred by LP&L to the City was $15,207,390. In fiscal years 2020 and 2019 the amount transferred by LP&L to the City was $11,788,139 and $13,253,146, respectively (see "FINANCIAL POLICIES – Policies – Electric Enterprise Fund Balance").

As of September 30, 2021, the General Reserve totaled $62.5 million, which was $0.5 million below the stated policy goal for FY 2020-21 due to a drawdown of bonds not being processed by year-end for FY 2021 to reimburse the cash utilized to pay for capital expenditures. The General Reserve is expected to increase to $70.6 million by September 30, 2022, which will be above the projected policy goal of $69.4 million for FY 2021-22. The policy goal is projected to increase in FY 2021-22 due to increases in the PCRF revenues. The financial model anticipates that reserves will decrease in FY 2022-23 as the System transitions to the retail market in late 2023 and will get back to over policy levels throughout the planning horizon after FY 2022-23.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY AND THE SYSTEM

Wholesale Electric Deregulation

Legislation was enacted by the Texas Legislature in 1995 that deregulated wholesale electric rates and services. In order to promote wholesale electric competition, such legislation directed the PUC to adopt rules requiring all transmission system owners to make their transmission systems available for use by others at prices and on terms comparable to each respective owner's use of its system for its own wholesale transactions.

On February 7, 1996, the PUC adopted statewide open access rules (the "State Open Access Rules") to implement Public Utility Regulatory Act ("PURA") requirement that all electric utilities which own transmission facilities provide access to their transmission systems under rates, terms, and conditions comparable to the rates, terms and conditions by which the utilities use their transmission systems for their own sales. These rules have been amended several times since they were initially adopted, but the fundamental open access requirements remain. Because the City is situated in both SPP and ERCOT, for SPP, FERC has jurisdiction over the rates, terms and conditions applicable to public utilities furnishing transmission services to the City which do not furnish transmission services to other public utilities and for ERCOT, the State Open Access Rules apply to the City for the portion of LP&L's load in ERCOT. Thus, discussion of both state and federal regulatory matters are warranted.

Retail Electric Deregulation

During the 1999 legislative session, the Texas Legislature enacted Senate Bill ("SB") 7, which amended PURA and fundamentally redefined and restructured the Texas electric industry to provide for retail electric open competition beginning in 2002 and continued electric transmission wholesale open access. PURA was further amended in several subsequent legislative sessions to address the areas of the State located outside of ERCOT, and at the time of those amendments, included the total area served by LP&L. For areas outside of ERCOT, which now encompasses only a portion of the LP&L System, retail competition was deferred until the later of January 1, 2007 or until a utility is authorized by the PUC to implement customer choice. Upon LP&L's integration into ERCOT, it became subject to certain provisions of PURA enacted through SB 7 and as amended in subsequent legislative sessions. For that reason, a brief description of the key provisions in PURA that were added through the enactment of SB 7 is set forth below.

SB 7 included provisions that apply directly to municipally-owned utilities ("Municipal Utilities"), as well as other provisions that govern Investor Owned Utilities ("IOUs") and electric cooperatives ("Electric Coops"). As amended by SB 7, PURA provided that retail customers of IOUs that are within the ERCOT region of the State could choose their electric energy supplier as of January 1, 2002, as well as the retail customers of those Municipal Utilities and Electric Coops that decide, through an appropriate resolution, on or after that date, to participate in retail electric competition.

SB 7 required affected IOUs to separate retail energy service activities from regulated utility activities by September 1, 2000, and unbundle their generation, transmission/distribution, and retail electric sales functions into separate units by January 1, 2002. PURA provides that Municipal Utilities that opt-in to competition are not required to unbundle their electric system components. To date, none of the Municipal Utilities have opened their service areas to competition, although it is possible that political and economic pressures may result in opened municipal service areas in the future, particularly in areas that have relatively expensive electric service. Should LP&L opt into competition, it will likely be the first Municipal Utility to do so.

As amended by SB 7, PURA provides that generating assets of IOUs are owned by "Power Generation Companies," which must register with the PUC and must comply with certain rules that are intended to protect consumers, but are otherwise unregulated and may sell wholesale electricity at market prices. IOU owners of transmission and/or distribution facilities are "Transmission and Distribution Utilities" and are fully regulated by the PUC. Transmission and Distribution Utilities, Municipal Utilities, and Electric Coops are classified as either Transmission Service Providers ("TSPs") to the extent they operate power lines at a voltage of 60 kV or above, or Distribution Service Providers ("DSPs") to the extent that they operate power lines at a voltage of less than 60 kV. A Transmission and Distribution Utility can be both a TSP and a DSP. Retail sales activities are performed by companies called REPs, which are the only entities authorized to sell electricity to retail customers (other than Municipal Utilities and Electric Coops within their service areas, or, if they have adopted retail competition, outside their service areas). REPs must register with the PUC, demonstrate financial capabilities, and comply with certain consumer protection requirements. REPs buy electricity from Power Generation Companies, PMCs, or other parties through Qualified Scheduling Entities and resell that electricity to retail customers at any location in the deregulated portion of the State (other than within service areas of Municipal Utilities and Electric Coops that have not opened their service areas to retail competition). Transmission and Distribution Utilities and any Municipal Utilities and Electric Coops that have chosen to participate in competition are obligated to deliver the electricity to retail customers, and all of these entities are required to transport power to wholesale buyers. The PUC has the obligation to review and approve the construction of new Transmission and Distribution Utilities' transmission facilities, and is empowered to order the construction of new facilities to relieve transmission bottlenecks. Transmission and Distribution Utilities are required to provide access to both their transmission and distribution systems on a non-discriminatory basis to all eligible customers. Rates for the use of distribution systems of Municipal Utilities are exclusively within the jurisdiction of the governing bodies rather than the PUC.

PURA as amended by SB 7 also provides a number of consumer protection provisions. Every area of the State participating in retail competition has a "Provider of Last Resort" ("POLR"); those POLRs serving in former service areas of IOUs are selected and approved by the PUC. A POLR is a REP that must offer to sell electricity to any retail customer in its designated area at a standard rate approved by the PUC. A POLR for a particular service area must also serve any customer whose REP has failed to provide service. Each Municipal Utility that opts-in to open competition shall appoint itself or another entity as the POLR for such service territory, and the respective Municipal Utility sets the rates for such respective POLR, rather than the PUC. In the event that no other entity is available to serve in that capacity, the Municipal Utility serves as the POLR.

Municipal Utilities are largely exempt from the retail customer choice requirements enacted through SB 7. The governing bodies of Municipal Utilities have the sole discretion to determine whether and when to open their service territories to retail competition. However, if a Municipal Utility has not voted to open its territory, it will not be able to compete for retail energy customers at unregulated rates outside its traditional service territory. While IOUs unbundled their generation, transmission and distribution, and retail sales activities, Municipal Utilities retain the discretion to determine whether to unbundle those business activities.

Municipal Utilities will also determine the rates for use of their distribution systems after they open their territories to competition, although the PUC will determine the terms and conditions applicable to access those systems. The PUC determines the rates for the transmission systems owned by Municipal Utilities. PURA also permits Municipal Utilities to recover their "stranded costs," through collection of a non-bypassable transition charge, from their customers. Unlike IOUs, the governing body of a Municipal Utility determines the amount of stranded costs to be recovered pursuant to rules and procedures established by such governing body. Municipal Utilities are also permitted to recover their respective stranded costs through the issuance of bonds in a similar fashion to the IOUs. Among other provisions, SB 7 provided that nothing therein or in any rule adopted under it may impair any contracts, covenants, or obligations between municipalities and bondholders of revenue bonds issued by municipalities, and that nothing in SB 7 may impair the tax-exempt status of municipalities or compel them to use facilities in a manner that violates any bond covenants or other tax-exemption restrictions. SB 7 also improved the competitive position of Municipal Utilities by allowing local governing bodies, whether or not they implement retail choice, to adopt alternative procurement processes under which less restrictive competitive bidding requirements can apply, and to implement more liberal policies for the sale and exchange of real estate. Also, matters affecting the competitiveness of Municipal Utilities were made exempt from disclosure under the Texas Open Meetings and Public Information acts.

In 2001, in House Bill ("HB") 1692 and in subsequent legislative sessions, PURA was amended to address retail competition in areas of the State outside of ERCOT. PURA provides that retail competition in the area outside of ERCOT, which includes a portion of LP&L's load, could only occur if the utility is authorized by the PUC to implement customer choice. During the period such utilities are not participating in retail competition, they will continue to be regulated under traditional cost of service regulation by the PUC. PURA provides that REPs may not offer retail service to customers located outside of ERCOT until such time that the region is opened to competition by the PUC, as described below.

For those areas outside of ERCOT, which includes a portion of LP&L's load, the PUC may certify a utility to enter customer choice only if the PUC finds the utility has sufficient transmission facilities to provide customers access to power and capacity from non-affiliated suppliers at a level that is comparable to the access to power and energy from capacity controlled by non-affiliated suppliers within the ERCOT region.

Each electric utility that chooses to participate in customer choice must file a transition to competition plan with the PUC that must identify how such utility intends to mitigate market power and achieve full customer choice, including specific alternatives for constructing additional transmission facilities, auctioning rights to generation capacity, divesting generation capacity, or any other measure that is consistent with the public interest. Such utility must also include in the transition plan a provision to establish a price to beat for residential customers and commercial customers having a peak load of 1,000 kilowatts or less. PURA prohibits the PUC, if an electric utility chooses on or after January 1, 2007, to participate in customer choice, from authorizing customer choice until the applicable power region has been certified as a qualifying power region in accordance with the requirements contained in SB 7, including that the total capacity owned and controlled by each such electric utility and its affiliates does not exceed 20% of the total installed generation capacity within the constrained geographic region served by each such electric utility plus the total available transmission capacity capable of delivering firm power and energy to that constrained geographic region.

PURA also prohibits such an electric utility from choosing to participate in customer choice unless the affiliated Power Generation Company makes a commitment to maintain and does maintain rates that are based on cost of service for any Municipal Electric Utility that was a wholesale customer on the date the utility chooses to participate in customer choice and was purchasing power at rates that were based on cost of service.

2021 Texas Legislation and Electric Utility Reform

Public Utility Commission of Texas and ERCOT Reform…During the 87th Regular Legislative Session, Governor Abbott declared ERCOT reform an emergency item for the session, following Winter Storm Uri, which resulted in lengthy outages statewide on the ERCOT grid. At the time of Winter Storm Uri, Lubbock Power & Light was not in ERCOT; however, the resulting legislation and reform will affect Lubbock Power & Light because it completed the integration of a portion of its Affected Load into ERCOT on May 30, 2021 and expects to integrate the Unaffected Load in 2023.

The Legislature focused on reforming ERCOT, the PUC, and the electric utility and gas industries…As to ERCOT reform, the Governor signed Senate Bill 2 into law on June 8, 2021, which changes the composition of the ERCOT Board of Directors (the "ERCOT Board"). Under the previous law, the ERCOT Board was made up of the Chairman of the PUC, the Counsellor for the Office of Public Utility Council, six market participants elected by their respective market segments, and one member representing industrial consumer interest, one member representing large commercial consumer interest, and five members unaffiliated with any market segment. Senate Bill 2 drastically changes the composition of the ERCOT Board to include the following: (1) the Chairman of the PUC; (2) the Counsellor for the Office of Public Utility Counsel; (3) the ERCOT CEO; and (4) eight members selected by the "selection committee," who have executive-level experience in finance, business, engineering, trading, risk management, law, or electric market design. All members of the ERCOT Board must be a resident of Texas. The selection committee is comprised of three members – one appointed by the governor, one appointed by the lieutenant governor, and one appointed by the speaker of the Texas House of Representatives. The selection committee is required to retain an outside consulting firm to help select the members of the ERCOT Board. Further, the selection committee designates the chair and vice chair of the ERCOT Board. In addition to changing the ERCOT Board's composition, Senate Bill 2 increases the oversight by the PUC. That is, any rules adopted by ERCOT or enforcement actions taken by ERCOT cannot take effect before receiving PUC approval. Moreover, the ERCOT Board is required to establish and implement a formal process for adopting new protocols or revisions to existing protocols, and the process must require that new or revised protocols may not take effect until the PUC approves a market impact statement describing the new or revised protocols.

For PUC reform, like ERCOT reform, the legislature restructured the composition of the PUC. Specifically, instead of three commissioners appointed by the governor with advice and consent of the senate, under Senate Bill 2154, there will now be five commissioners appointed by the governor with advice and consent of the senate. All commissioners must be a Texas resident. Further, at least two commissioners must be well informed and qualified in the field of public utilities and utility regulation.

The Legislature also passed Senate Bill 3 to address the electric utility and gas industries after Winter Storm Uri. Senate Bill 3 became effective on June 8, 2021. The legislation encompasses several areas of reform.

- Power Outage Alert: The Texas Department of Public Safety is charged with developing and implementing a power outage alert to be activated when power supply may not be able to meet demand. The Power Outage Alert system would utilize Texas Department of Transportation dynamic message signs, as well as other forms of communication, to notify the public.
- Formation of Texas Energy Reliability Council: Senate Bill 3 creates the Texas Energy Reliability Council to (1) ensure that energy and electric industries meet high priority human needs and address critical infrastructure concerns; and (2) enhance coordination and communication in the energy and electric industries. The Council is comprised of agency representatives from the PUC, Texas Railroad Commission ("RRC"), OPUC, Texas Commission on Environmental Quality ("TCEQ"), Texas Transportation Commission, ERCOT, and other representatives from the electricity industry, energy sectors, industrial concerns, motor fuel producers, and chemical manufacturers.
- Natural Gas Reform: Senate Bill 3 requires that the RRC to adopt rules for designating certain natural gas facilities as critical customers or critical gas suppliers during energy emergencies. Only facilities that are prepared to operate during a

weather emergency may be designated as a critical customer. Moreover, the RRC must adopt rules to require any "gas supply chain facility" that is designated as critical to weatherize facilities. Additionally, the RRC must adopt rules regarding measures a gas pipeline facility must implement to weatherize during extreme weather conditions if that gas pipeline facility services a natural gas electric facility operating to provide power to the ERCOT power region and is included on the electricity supply chain map. The RRC is further tasked with inspecting for compliance with weatherization requirements. The RRC must also adopt rules to establish a classification system for violations and associated penalties.

Further, the RRC is tasked with adopting rules to designate certain natural gas facilities and entities as critical during energy emergencies. The rules must provide for prioritizing these critical facilities during load shed events, and provide discretion to electric utilities, municipally owned utilities, and electric cooperatives to prioritize power delivery and power restoration among these designated critical facilities and entities.

The RRC must also analyze certain emergency operations plans and prepare a weather emergency preparedness report on weatherization preparedness of applicable facilities.

- Electric Utility Reform: Senate Bill 3 requires that the PUC adopt rules for the weatherization of generation facilities and the weatherization of facilities for utilities providing transmission service in the ERCOT region. ERCOT is required to conduct inspections of generation and transmission facilities to ensure compliance. Penalties may be assessed for non-compliance. The PUC is also required to review ancillary services to determine whether they meet the needs in the ERCOT market, and evaluate whether additional services are needed for reliability and provide adequate incentives for dispatchable generation. The PUC must require ERCOT to modify the design, procurement, and cost allocation of ancillary services for the region in a manner consistent with cost causation principles and on a nondiscriminatory basis.

  The PUC is further required to adopt rules related to the allocation of load shedding among electric cooperatives, municipally owned utilities, and transmission and distribution utilities providing transmission service in the ERCOT power region during involuntary load shedding events. The PUC and ERCOT are required to conduct simulated or tabletop load shedding exercises.

  Senate Bill 3 requires electric utilities, municipally owned utilities, and electric cooperatives to periodically provide retail customers with information regarding procedures for involuntary load shedding, types of customers considered critical care residential customers and critical load industrial customers, the procedures for customers to apply to be considered a critical care residential customers or critical load industrial customers, and reducing electricity use at times when involuntary load shedding may be implemented.

  Senate Bill 3 also addresses dispatchable generation. The PUC is required to ensure that ERCOT establishes requirements to meet the reliability needs of ERCOT, determines the quantity and characteristics of ancillary services necessary for reliability in extreme weather conditions, procures ancillary or reliability services, develops appropriate qualification and performance requirements for providing these ancillary or reliability services, and sizes the services to prevent prolonged rotating outages. The PUC is required to ensure that such services are dispatchable, meet certain winter resource capability qualifications, and meet certain summer resource capability qualifications.

  Senate Bill 3 addresses wholesale power pricing mechanisms. Under Senate Bill 3, the PUC is required to establish an emergency pricing program for the wholesale electric market with the following qualifications: (1) the emergency pricing program must take effect if the high system-wide offer cap has been in effect for 12 hours in a 24-hour period; (2) the pricing program may not allow an emergency pricing program cap to exceed any nonemergency high system-wide offer cap; (3) it shall establish an ancillary services cap to be in effect during the period an emergency pricing program is in effect; (4) any wholesale pricing procedure that has a low system-wide offer cap may not allow the low system-wide offer cap to exceed the high system-wide offer cap; (5) the PUC shall review each system-wide offer cap program adopted by the PUC, including the emergency pricing program, at least once every five years; and (6) the emergency pricing program must allow generators to be reimbursed for reasonable, verifiable operating costs that exceed the emergency cap.

  There are also new reporting and registration requirements for distributed generation (but not applicable to distributed generation serving a residential property).

- Formation of Texas Electricity Supply Chain Security and Mapping Committee: Senate Bill 3 also creates the Texas Electricity Supply Chain Security and Mapping Committee to serve the following purposes: (1) map the state's electricity supply chain; (2) identify critical infrastructure resources in the electricity supply chain; (3) establish best practices to maintain service in extreme weather events; and (4) designate priority service needs to prepare for, respond to, and recover from an extreme weather event.

The PUC has engaged in a two-phase rulemaking process to address weatherization. The first set of rules were approved on October 21, 2021, known as Phase I. In Phase I, the generator readiness standards were derived from the Quanta Technology Report on Extreme Weather Preparedness Best Practices. Transmission service provider standards for Phase I were derived from the Report on Outages and Curtailments During the Southwest Cold Weather Event on February 1-5, 2011.

The PUC has opened Project No. 53401 to address the Phase II weatherization standards. PUC staff submitted a Proposal for Publication on May 19, 2022. To date, the Phase II weatherization standards have not been officially adopted and the process is ongoing.

Similarly, the RRC has proposed a rule on weatherization, which was approved for publication in the Texas Register on June 28, 2022, for input and comment. To date, those proposed rules have not yet been officially adopted by the RRC.

It is therefore difficult at this time to predict the specifics that may get adopted pursuant to each of these reforms, due to the nature of them still being in the publication and comment processes. Further, federal and state agencies have ongoing investigations related to Winter Storm Uri. The outcome of any such investigations, and how they might impact the regulatory framework or electric market in ERCOT cannot be known at this time.

Payment to Transmission Service Providers in ERCOT

Payment to TSPs by the DSPs… Each TSP in ERCOT charges each DSP in ERCOT a monthly transmission service charge equal to the product of the respective TSP's monthly transmission rate, based on the annual rate approved by the PUC, and the particular DSP's share of the average coincident peak load for all of ERCOT for June, July, August, and September of the previous calendar year (the "4CP"). Such payments are made subject to terms and conditions required by PUC rules. Generally, such payments must be made so that the TSP receives the funds by the 35th calendar day after the issuance of the invoice. If a DSP fails to make this payment in the allotted time and such failure is not corrected within 30 calendar days after the TSP notifies the DSP of such failure, the DSP shall be considered to be in default. In Docket No. 51612, the PUC established the 2020 4CP in a multi-step approach, taking into consideration LP&L's eventual integration into ERCOT. The 2020 4CP was adopted using two matrices to reflect the fact that LP&L would (and did) integrate into ERCOT during 2021 – matrix A applied immediately upon entry of the PUC's order, and matrix B replaced matrix A and went into effect on the date of the LP&L integration.

Payment to the DSPs by the REPs...A DSP bills an REP whose retail customers receive their electric power from the distribution facilities of the DSP for the cost of the delivery of that power, including the transmission and distribution costs. DSPs send monthly billing invoices to REPs. Payment for all electric delivery charges invoiced to the DSP is generally due approximately 35 calendar days later. The tariff for retail delivery service specifically provides that payments by the REP are due without regard to whether the REP has received payment from its retail customers. Any payments not received by the DSP by the due date are considered delinquent and subject to a one-time late fee of 5% of the delinquent balance. The DSP must notify the REP of such delinquency. The REP has a ten calendar day grace period to pay the delinquent balance before the REP is considered to be in default. If at the end of the grace period the only remaining amount to be paid by the REP is the 5% penalty, the REP will not be considered to be in default for an additional 30 calendar days if such penalty is not paid.

Market Structure after Winter Storm Uri

2021 Securitization Legislation for ERCOT Payment Defaults... During its 2021 regular session, the Texas legislature adopted two bills pertaining to the recovery of unforeseen costs in the ERCOT market related to Winter Storm Uri in February 2021. These bills are HB 4492 and Senate Bill 1580. Texas lawmakers adopted both bills during the 87th Legislative Session, and the Governor has signed both bills.

HB 4492, "relating to financing certain costs associated with electric markets; granting authority to issue bonds," became effective on June 16, 2021. Senate Bill 1580, "relating to the use of securitization by electric cooperatives to address certain weather-related extraordinary costs and expenses and to the duty of electric utility market participants to pay certain amounts owed," became effective on June 18, 2021.

House Bill 4492 ("HB 4492")...HB 4492 allows for the use of debt financing for the recovery of two categories of costs accrued during a "period of emergency." The bill designates these two categories as the "default balance" and the "uplift balance." HB 4492 defines the "period of emergency" as that period during Winter Storm Uri beginning 12:01 a.m., February 12, 2021, and ending 11:59 p.m., February 20, 2021.

The default balance is comprised of approximately $800 million owed to ERCOT from defaults by market participants on payments owed during the period of emergency. Financing is to come from the state's Economic Stabilization Fund – also known as the "Rainy Day" fund – and repaid by ERCOT market participants through charges established by the PUC.

The "uplift balance" consists of approximately $2.1 billion in ancillary service charges and reliability deployment price adders imposed during the period of emergency in excess of the system-wide Offer Cap. HB 4492 enables ERCOT to finance repayment on this amount through the issuance of debt with PUC approval.

Default Balance – HB 4492 provides that the "default balance" includes:

(1) amounts owed to ERCOT by competitive market participants from the period of emergency that otherwise would be uplifted to other wholesale market participants (i.e., competitive market participant short-pay defaults);

(2) congestion revenue rights ("CRR") auction receipts used by ERCOT to temporarily reduce short-pay amounts related to the period of emergency; and

(3) reasonable costs incurred to implement a debt obligation order consistent with this financing.

The legislation provides that the Comptroller of Public Accounts invest not more than $800 million from the Economic Stabilization Fund balance to finance the default balance. This is to be repaid by ERCOT market participants through charges established by the PUC. The term of the debt cannot not exceed 30 years, with charges assessed on a non-bypassable basis to market participants generally, and not just to Load Serving Entities.

Uplift Balance – The legislation enables ERCOT to finance an "uplift balance" of up to $2.1 billion on behalf of wholesale market participants through the issuance of debt obligations approved by the PUC. "Uplift balance" includes amounts that ERCOT previously uplifted to load-serving entities during the period of emergency for reliability deployment price adder charges and ancillary services costs in excess of the PUC's system-wide offer cap. However, it excludes those amounts covered under separate legislation (SB 1580) pertaining to securitization for electric cooperatives.

Load Serving Entities will repay the uplift balance debt on a load-ratio basis over a period not to exceed 30 years. Uplift charges are non-bypassable, except that certain Load Serving Entities and transmission-voltage customers served by a REP may opt out of paying uplift charges if they pay in full all invoices owed for usage during the period of the emergency.

Other Provisions – HB 4492 amends Section 39.151, Utilities Code, by adding Subsection (j-1) to bar ERCOT from reducing payments or uplifting short-paid amounts relating to a default occurring before May 29, 2021 to any municipally owned utility that became subject to ERCOT's jurisdiction from May 29, 2021 through December 30, 2021, which includes LP&L.

HB 4492 also amends Subchapter D, Chapter 39 of the Utilities Code, by adding Section 39.159. This new section requires that all market participants fully and promptly pay ERCOT all amounts owed to the organization, or provide for the prompt and full payment of such amounts. ERCOT must report to the PUC any market participant that has defaulted in such payments. The PUC may not allow any defaulting market participant to continue to participate in the ERCOT market for any purpose until all default amounts are paid in full.

Senate Bill 1580 ("SB 1580")…SB 1580 allows electric cooperatives to use securitized bonds to recover "extraordinary costs and expenses" due to Winter Storm Uri incurred during the "period of emergency" defined as beginning 12:00 a.m., February 12, 2021, and ending at 11:59 p.m., February 20, 2021.

"Extraordinary costs and expenses" include –

(1) Costs and expenses incurred by an electric cooperative for electric power purchased during the period of emergency in excess of what would have been paid at the average rate for cooperative energy purchased during January 2021;

(2) Costs incurred to generate and transmit electricity during the period of emergency that would not otherwise have been incurred but for the abnormal weather event; and

(3) Charges passed on by ERCOT resulting from defaults by other market participants for costs related to the period of emergency.

An electric cooperative, its successors, an assignee of the electric cooperative, or a group of electric cooperatives may issue the securitized bonds. The terms of securitized bonds cannot exceed 30 years, with recovery through non-bypassable charges that apply to all customers connected to the electric cooperative's system and taking service from it. The legislation includes true-up provisions to correct for over-collections or under-collections.

SB 1580 requires cooperatives that owe ERCOT for operations during the period of emergency to use all means necessary to securitize the amount owed. The legislation stipulates that securitized bonds are not a debt or obligation of the state, and do not constitute a charge on the state's full faith and credit or taxing power.

As with HB 4492, SB 1580 requires ERCOT to report to the PUC any market participant that has defaulted on amounts it owes to ERCOT during the period of emergency. The PUC may not allow ERCOT to accept the defaulting market participant's loads or generation for scheduling, or allow the defaulting market participant to be a market participant in the ERCOT region for any purpose, until all defaulted amounts are paid in full.

Market Uplift…As a result of the costs associated with Winter Storm Uri, some market participants have defaulted on invoice payments to ERCOT. When those market participants default, ERCOT, pursuant to the ERCOT Nodal Protocols, collects the short pay through default uplift invoices. That is, it has a formula it applies and spreads the uplift across other market participants. ERCOT may seek the uplifted short paid amount, in an amount not to exceed $2,500,000 per month, no less than thirty days from each default uplift invoice. Notably, the share of uplift by each market participant is calculated using the best available settlement data for each operating day in the month prior to the month in which the default occurred. ERCOT has filed a plan for implementation of the Default Uplift Invoice Process in PUC Project No. 51812, which confirms these principles, but notes they are subject to PUC and legislative decisions. In that filing, ERCOT states that the default uplift invoices will be issued to all entities active in the market in the month before the month in which the short-payments being recovered occurred.

For purposes of Winter Storm Uri, in February 2021, the short payments began occurring in February 2021. LP&L was not active in the ERCOT market until May 29, 2021. Furthermore, House Bill 4492 provides that ERCOT "may not reduce payments to or uplift short-paid amounts to a municipally owned utility that becomes subject to the jurisdiction of that ISO on or after May 29, 2021, and before December 30, 2021, related to a default on a payment obligation by a market participant that occurred before May 29, 2021." Thus, under this new law, as well as under the ERCOT Nodal Protocols, it is unlikely LP&L will be affected by any such default uplift invoices. ERCOT does caveat, however, PUC Project No. 51812, that if there is a short pay on the default uplift invoice itself, then that short payment would be recovered using the same default uplift invoice process. With the rule-making processes ongoing and new legislation being implemented, it is difficult to predict exactly how the uplift will be addressed moving forward, so the final impact to LP&L cannot be determined at this time.

Federal Regulation of Electric Utilities

<u>Federal Power Act</u>…Under the Federal Power Act (18 U.S.C. § 801, et seq. ("FPA")), LP&L is not a public utility and is exempt from most federal regulation. 16 U.S.C. § 824(f). However, LP&L relies on purchases of wholesale power that is delivered over federally regulated transmission facilities in order to serve a portion of LP&L's retail load. Some of LP&L's wholesale power purchase arrangements are directly regulated by the Federal Energy Regulatory Commission ("FERC"). Other power purchase arrangements are entered into pursuant to the selling utility's market based rate authority and not directly regulated by FERC. LP&L participates in proceedings before the FERC to protect LP&L's interests under both specific contracts and to generally ensure that it is able to purchase power and transmission service under the most favorable terms possible.

While the FPA is, with specific exceptions, not directly applicable to LP&L and FERC does not directly regulate LP&L, the FPA does apply to many of the utilities with which LP&L contracts and FERC regulates some of the utilities with which LP&L transacts. Accordingly, changes in Federal law and Federal regulatory policy impact LP&L. In addition, LP&L is transitioning its load from SPP to ERCOT. To the extent the ERCOT region is also exempt from much of the FPA and FERC regulation, the FPA and FERC decisions will have an attenuated impact on LP&L.

<u>The Energy Policy Act of 1992</u>…The Federal Energy Policy Act of 1992 (the "1992 Energy Act"), greatly expanded the authority of FERC to order utilities, including utilities within SPP and ERCOT, to provide transmission service for other utilities, qualifying facilities, and independent power producers. FERC also has the authority to determine the prices that may be charged for transmission, but has generally deferred to the SPP for electric transmission and open access rules for access and pricing within SPP and to the PUC for electric transmission and open access rules for access and pricing within ERCOT.

<u>Retail Wheeling</u>... The authority to order retail wheeling, which allows a retail customer to be located in one utility's service area and to obtain power from another utility or non-utility source, is specifically excluded from the enhanced authority granted to FERC under the 1992 Energy Act; however, while the states may have authority to determine whether retail wheeling will be permitted, FERC has determined that it has jurisdiction over the rates, terms and conditions of retail wheeling.

<u>FERC Rules and Federal Regulation of Electric Utilities</u>...To establish foundations necessary to develop a competitive wholesale electricity market and effectuate the transmission access provisions of the 1992 Energy Act, on April 24, 1996, FERC issued two final rules ("FERC Final Rules") on non-discriminatory open access transmission services by public utilities and stranded cost recovery. The first of FERC Final Rules, Order No. 888, requires all public utilities that own, control, or operate facilities used for transmitting electric energy in interstate commerce to (i) file open-access, non-discriminatory transmission tariffs containing, at a minimum, the non-price terms and conditions set forth in the order and (ii) functionally unbundle wholesale power services by (a) applying unified transmission tariffs system to all customers, (b) providing separate rate systems for wholesale generation, transmission, and ancillary services and (c) relying on the same electronic information dissemination network that its transmission customers rely on in selling and purchasing energy. The second of FERC Final Rules, Order No. 889, requires all public utilities to establish or participate in an Open Access Same-Time Information System (OASIS) that meets certain specifications and comply with standards of conduct designed to prevent employees of a public utility (or any employees of its affiliates) engaged in wholesale power marketing functions from obtaining preferential access to pertinent transmission system information.

FERC stated that its overall objective is to ensure that all participants in wholesale electricity markets have non-discriminatory open access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in FERC Rules to the maximum extent to municipal and other non-FERC regulated utilities, both in deciding cases brought under the Federal Power Act of 1935 and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional IOUs under open access tariffs.

In addition, on December 20, 1999, FERC adopted rules to establish Regional Transmission Organizations ("RTOs"). The rules contemplate RTOs as voluntary participation associations of power-transmission-owning entities, comprised of public and non-public utility entities, that would more efficiently address operational and reliability issues confronting the industry, in particular, by improving grid reliability, increasing efficiencies in transmission grid management, preventing discriminatory practices, and improving market performance.

On September 17, 2020, FERC issued Order No. 2222. The purpose, as outlined on page 1 paragraph 1, of the Order was "to remove barriers to the participation of distributed energy resource aggregations in the RTO and Independent System Operator ("ISO") markets" [footnote omitted]. LP&L has not exercised the "opt in" (Order No. 2222, P. 56) and therefore an aggregator may not aggregate distributed energy resources on the LP&L system to bid into the markets. FERC's order is likely to be appealed and it is unclear whether, and if so, how, FERC's rules may change.

More broadly, FERC continues to initiate proceedings that may result in modifications of wholesale power markets. In addition, FERC may establish changed procedures related to the interconnection of generation to the interstate electric transmission system and may change the rules under which interstate electric transmission is provided. Accordingly, FERC Rules can have a significant impact on the operations of municipally-owned and other non FERC regulated utilities, such as LP&L, and have significantly changed the competitive climate in which the non FERC regulated utilities operate, giving their customers much greater access to alternative sources of electric transmission services. The rules require them to provide open access transmission service conforming to the requirements for IOUs whenever they are properly requested to do so under the 1992 Energy Act or as a condition of taking transmission service from an IOU. In certain circumstances, the non-FERC regulated utilities are required to pay compensation to their present suppliers of wholesale power and energy for stranded costs that may arise when the non-FERC regulated utilities exercise their option to switch to an alternative supplier of electricity.

Energy Policy Act of 2005…The Energy Policy Act of 2005 ("EP Act 2005") established the Electric Reliability Organization ("ERO") for the purposes of establishing and enforcing reliability standards for the bulk-power system. The term "reliable operation" means operating the elements of the bulk-power system within equipment and electric system thermal, voltage, and stability limits so that the instability, uncontrolled separation, or cascading failures of such system will not occur as a result of a sudden disturbance, including a cyber-security incident or unanticipated failure of system elements. FERC certified the North American Electric Reliability Corporation ("NERC") as an ERO and has jurisdiction over NERC's ERO actions. EP Act 2005 also modified the Public Utility Regulatory Policies Act of 1978 ("PURPA") to include residential net metering and smart metering, and prospectively repealed the mandatory purchase requirement.

As a consequence of EP Act 2005, the ERO for the SPP region is the Midwest Reliability Organization (the "MRO"), and ERCOT maintains its reliability functions in a separate entity called the Texas Reliability Entity (the "Texas RE"). LP&L is registered as a Load Serving Entity ("LSE"), a Transmission Service Provider ("TSP"), a Distribution Service Provider ("DSP"), a Transmission Congestion Revenue Right ("CRR") Account Holder, a Resource Entity ("RE") and a Renewable Energy Credit ("REC") Account Holder in the ERCOT region. Additionally, LP&L has implemented a residential net metering program in its retail tariffs.

Federal Energy Policy Changes...On January 27, 2021, the Biden Administration issued an Executive Order entitled "Executive Order on Tackling the Climate Crisis at Home and Abroad." While not law or regulation, the Executive Order establishes, at Section 205(b)(i), a national policy of "a carbon pollution-free electricity sector no later than 2035." The elimination of fuels that emit carbon will require radical changes to the current national means of electricity generation. The Executive Order does not require specific actions from FERC, but FERC is a relevant Federal agency and FERC is also part of the Department of Energy ("DOE"). The Executive Order requires substantial action by the DOE and the Secretary of the DOE to facilitate transition to fuels that do not emit carbon.

Substantial legislation has been proposed in the U.S. Congress to restructure the electric industry, promote electrification as an alternative to combustion of fuels, restrict the emission of greenhouse gasses ("GHG"), and address other environmental and climate change concerns. LP&L cannot predict what legislation may become law, what effect such legislation may have on LP&L's assets or its sales of electricity, or when such effects may occur.

Acid Rain Provisions of the 1990 Clean Air Act Amendments...On November 15, 1990, legislation was signed into law that imposed additional requirements under the Federal Clean Air Act (the "FCAA" or the "1990 Amendments"). Among other requirements, the 1990 Amendments seek to address acid rain deposition through the reduction of sulfur dioxide and nitrogen oxide emissions from electric utility power plants, particularly those fueled by coal.

The U.S. Environmental Protection Agency ("EPA") issued a final rule implementing the nitrogen oxide acid rain provisions under Section 407 of the FCAA on March 22, 1994. The rule established performance standards for controlling emissions from coal fired dry bottom and tangentially fired boilers (Group 1 boilers). Phase I units were required to begin complying with these annual nitrogen oxide emission limits beginning January 1, 1995.

In December 1996, the EPA issued a rule implementing the second phase of the nitrogen oxide acid rain program. The rule lowered the nitrogen oxide control standards for Phase II units with Group I boilers and became effective on January 1, 2000. However, the final rule issued in March 1994 provides an "early election" option for those Phase II units that are capable of achieving early compliance with the Phase I nitrogen oxide standards. As an incentive for early compliance, the early election program allowed participating units to defer compliance with any more stringent nitrogen oxide Phase II standards until January 1, 2008.

LP&L has affected utility units under the acid disposition control program of the FCAA and has obtained permits from the Texas Commission on Environmental Quality, a state agency with an EPA-approved permitting program to emit sulfur dioxide and nitrogen oxide.

Clean Air Act Reforms…Given the piecemeal, uncoordinated, and uncertain approach to air regulations, an integrated "multi-pollutant control" approach to the FCAA may be considered. In fact, the National Energy Policy Report recommended that EPA work with the U.S. Congress to propose legislation that would establish a flexible market-based program to reduce and cap emissions of sulfur dioxide, nitrogen oxides, and mercury. To this end, legislation has been introduced in Congress attempting to address emissions, but as of the date of this Official Statement, comprehensive legislation dealing with these matters has not been enacted. LP&L cannot make any prediction as to whether legislation will be enacted into law and what the impact any such legislation may have on the operations or business plan of LP&L. Recent administrative changes at EPA may further impact approaches taken to address how emissions may be regulated.

Mercury Emission Regulation…Federal and state mercury air emission regulations apply to the fuel source for the combustion process. Such regulations do not affect LP&L's operational power plant assets because the assets are fueled by natural gas only.

Potential Greenhouse Gas Regulation…The United States Supreme Court in 2007 rendered its first major decision in the climate change arena, holding that CO2 and other greenhouse gases from motor vehicles are "air pollutants" subject to regulation under the Clean Air Act. Pursuant to this ruling, in May 2010, the EPA issued a final rule regulating greenhouse gas emissions from mobile sources. With this action, greenhouse gas emissions became "subject to regulation" under the Clean Air Act and consequently triggered the regulation of new and modified stationary sources, such as power plants, under the Prevention of Significant Deterioration ("PSD") and Title V Operating Permit programs. In an effort to limit the number of affected sources, the EPA issued a rule on June 3, 2010 (the "Tailoring Rule"), which established an emission threshold for new and modified sources. In addition, the

Tailoring Rule established that the inclusion of greenhouse gas emissions in PSD permits for new and modified sources exceeding the emission threshold that began on January 2, 2011.

Proposed EPA regulations relating to cross-state air pollution were vacated by a federal court in August 2012, holding that the EPA had exceeded its authority in the way it apportioned cleanup responsibilities among the affected states impacted by the proposed Cross-State Air Pollution Rule ("CSAPR"). On April 29, 2014, the United States Supreme Court ruled in *Environmental Protection Agency v. EME Homer City Generation, L.P.*, 134 S.Ct. 1584 (2014), that the EPA reasonably exercised its authority under the Clean Air Act in adopting CSAPR that had been vacated by lower federal court decisions. Specifically, the United States Supreme Court held that the Clean Air Act does not require states be given a second opportunity to file a State Implementation Plan, that EPA is not required to disregard costs and consider exclusively each upwind state's physically proportionate responsibility for each downwind air quality problem, and that EPA's cost-effective allocation of emission reductions among upwind states is a permissible and equitable interpretation of the Clean Air Act. The United States Supreme Court remanded this case and an accompanying case to the lower federal courts for further proceedings consistent with its opinion. The D.C. Circuit Court subsequently lifted the stay on CSAPR, and the rule went into effect on January 1, 2015.

There are several recently proposed or pending federal environmental regulations that pertain to power plant and air pollution controls addressing greenhouse gases, including the EPA's Clean Power Plan, which may cause LP&L to face a limited number of CO2 allowances. On February 9, 2016, the U.S. Supreme Court stayed EPA's implementation of the Clean Power Plan while it is being challenged in court, and on April 13, 2017, the EPA published its formal withdrawal of the Clean Power Plan. On December 28, 2017, the EPA issued a notice of new proposed rulemaking for greenhouse gas emissions. LP&L cannot predict whether new legislation or regulations will impose restrictions on emissions of greenhouse gases, or what form such regulation might take. All of LP&L's generation sources emit greenhouse gasses as part of the combustion process, but a greenhouse gas permit primarily relating to CO2 is not required at this point in time. LP&L is making plans for maintaining compliance with any pending regulations and has dedicated regulatory compliance specialists on staff to coordinate environmental and electric reliability compliance efforts.

LP&L is a participant in trade organizations actively monitoring potential greenhouse gas regulatory programs. While there is much uncertainty regarding the outcome of any greenhouse gas program, LP&L believes that it is similarly positioned as any other comparable electric utility with similar electric generation resources and is factoring the best available information into its generation resource decisions.

Federal Updates after Winter Storm Uri…FERC and NERC have announced a joint investigation of the natural gas shortages, blackouts, and natural gas and electricity price spikes that occurred in February 2021. FERC has also undertaken non-public investigations of individual market participant's actions during the event. These investigations are non-public. It is unknown what FERC or NERC might find or what action FERC may undertake. Relatedly, FERC has convened a technical conference to examine "climate change, extreme weather, and electric system reliability" in FERC Docket No. AD21-13. FERC continues to take comments in this docket but has not issued a substantive order in this proceeding. The outcome of this proceeding is unknown and the impact on LP&L cannot be assessed at this time.

Economic Factors

The Department of Energy, via the U.S. Energy Information Administration (EIA), forecasts key energy economic indicators in the United States. Key economic factors that will play a role in operations for FY 2022 as reported by the EIA are as follows:

Natural Gas Prices . . . The EIA expects the New York Mercantile Exchange (NYMEX) natural as spot price to average $3.98 per MMBtu in calendar year 2022.

- Natural gas production has been declining as producers had scaled back drilling in response to low commodity prices and weak demand caused by the COVID-19 pandemic. However, the EIA forecasts that production will increase in FY 2022. Recent increases in oil and domestic natural gas prices contribute to an overall increase in drilling activity in 2022 that will lead to production growth from 2Q22 onward.
- The EIA expects liquefied natural gas (LNG) demand to continue increasing. A rising demand for LNG imports in Europe and Asia and the completion of planned projects that will bring new U.S. LNG export capacity online in 2022 supports growth in LNG exports in the forecast.
- Although NYMEX prices over the past couple of years past were much higher than natural gas prices in West Texas as measured by Waha it is expected that Waha prices will stay on par with NYMEX through 2022. The congestion relief in the Waha area with addition of pipelines such as the Permian Highway Pipeline and Whistler Pipeline being put into service have normalized the Waha prices to their historical relationship levels with NYMEX pricing.

Coal Prices . . . The EIA expects coal production to increase 6 percent between 2021 and 2022 because of increased coal demand from the electric power sector amid higher natural gas prices in 2021. The EIA also expects the delivered coal price to average $2.03/MMBtu in 2022, compared to $1.98/MMBtu in 2021.

Electricity Generation . . .The EIA expects the share of U.S. total utility-scale electricity generation from natural gas-fired power plants to decline from 37 percent in 2021 to 35 percent in 2022 and electricity generation from coal to slightly decrease from 23 percent in 2021 to 22 percent in 2022.

Electricity Retail Prices . . . The EIA expects electricity prices to average 14.2 cents per kWh for calendar year 2022, which is a 3.8 percent increase over 2021. These higher prices are reflective of the increased costs of natural gas for power generation.

Generation Mix . . . LP&L is in the SPP and ERCOT markets which maintained the following generation mix in each of the following time periods:

SPP Generation Portfolio

	2021	2020	2019
Natural Gas	19.9%	27.0%	25.9%
Coal	35.9%	30.7%	34.8%
Wind	34.5%	31.0%	27.4%
Nuclear	5.8%	6.4%	6.0%
Hydro	3.6%	4.5%	5.6%
Solar	0.2%	0.2%	0.2%
Fuel Oil	0.0%	1.1%	1.1%
Other	0.1%	0.1%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

ERCOT Generation Portfolio

	2021	2020
Gas	6.7%	5.9%
Gac-CC	35.3%	39.8%
Coal	19.1%	18.0%
Wind	24.4%	22.9%
Nuclear	10.3%	10.9%
Hydro	0.1%	0.2%
Solar	4.0%	2.3%
Biomass	0.1%	0.1%
Other	0.0%	0.0%
Total	**100.0%**	**100.0%**

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, 2020. The City has submitted the City's 2021 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, 2021".

General Fund Balance . . . The City's objective is to maintain an unreserved/undesignated fund balance of 20% of operating revenues to meet unanticipated contingencies and fluctuations in revenue. As of September 31, 2021, the City's General Fund has an unreserved/undesignated fund balance that is at 185.4% 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 2021, 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	$34.5 million	$64.7 million
Storm Water	$4.7 million	$13.2 million
Airport	$7.2 million	$13.9 million

To provide efficiency and cost savings in operations, the City combined its historic Waterworks System and Wastewater System into a combined Water and Wastewater utility system in FY 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 2021, 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	$62.5 million	$62.5 million

Enterprise Fund Revenues . . . It is the policy of the City that each of the Electric, Water and Wastewater, and Storm Water funds be operated in a manner that results in self-sufficiency, without the need for additional monetary transfers from other funds. Such self-sufficiency is to be obtained through the rates, fees and charges of each of these enterprise funds. For purposes of determining self-sufficiency, cost recovery for each enterprise fund includes direct operating and maintenance expense, as well as indirect cost recovery, in-lieu of transfers to the General Fund for property and franchise tax payments, capital expenditures and debt service payments, where appropriate. Rate increases may be considered in future budgets as costs may warrant, including specifically the costs related to fuel charges that may affect LP&L and the cost of providing service.

Debt Service Fund Balance . . . A reasonable debt service fund balance is maintained 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 1990-2021.

On September 14, 2021, the City Council approved the budget and set the tax rate for the fiscal year ending September 30, 2022.

Insurance and Risk Management . . . The City is self-insured for public entity liability and health benefits coverage. Risk management purchases a $14 million excess insurance policy for liability claims in excess of $500,000 per occurrence. Airport liability insurance and workers' compensation is insured under guaranteed cost policies. The City maintains insurance policies with large deductibles for fire and extended property coverage and boiler and machinery coverage. The Health Benefits are covered by a self-insured program with a $700,000 individual cap for calendar year 2021.

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, 2021, the audited total Net Position of these insurance funds was as follows:

Self-insurance – health: $2,396,071

Self-insurance – risk management: $8,588,099

The City obtains an actuarial study of its risk management fund (the "Risk Fund") every year. In FY 2021, 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 2021, the actuarial review recommended that the liabilities of the Risk Fund be decreased to $3,011,058 from $4,101,905 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 $8,567,740. Given the net position balance, the City exceeds the minimum GASB 10 requirement. For FY 2021, the actuarial review also recommended that the reserve of the Health Fund be increased to $2,246,811 from $1,872,898 in FY 2020.

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, Terisa Clark, CPA, Clark CFO & Consulting, LLC; Brad Odell, Attorney, Mullin Hoard & Brown, LLP; Brandon Kidd, Commercial Lender, City Bank; Keith Mann, President, Diversified Lenders; Edwin Schulz, President, Lubbock National Bank.

Monthly Assessments of Revenues and Expenditures . . . Since FY 2006, City management assesses monthly the budgeted expenditures and revenues of the City, and incorporates budget adjustments as necessary to better match expenditures with revenues. Transfers within the various Funds of the City are implemented on an as-needed basis to take into account changes in revenues projected to be received throughout a fiscal year as well as efficiencies realized in the provision of services to the citizens of the City.

Truth-in-Taxation . . . For FY 2022 (Tax Year 2021), the City's total tax rate has been set at $0.52323 per $100 taxable assessed valuation. The City's taxable assessed valuation increased approximately $1.4 billion or 6.8% from FY 2021 to FY 2022. 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

The City participates in two retirement plans: the Texas Municipal Retirement System ("TMRS") and the Lubbock Fire Pension Fund ("LFPF"). Each qualified employee is included in one of the two plans. 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, 2021 and the pension expense for the year ended is as follows:

FYE 9/30/21	TMRS	LFPS	Total
Net pension liability	$70,502,594	$87,300,564	157,803,158
Deferred outflows of resources	14,687,419	18,231,611	32,919,030
Deferred inflows of resources	28,206,434	9,307,386	37,513,820
Pension expense	5,379,301	8,598,185	13,977,486

Texas Municipal Retirement System . . . The City participates as one of approximately 900 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.57% and 17.47% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were $18,970,523, and were equal to the required contributions.

The City's net pension liability was measured as of December 31, 2020, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

For additional information concerning the City's retirement plans, see "APPENDIX B – EXCERPTS FROM ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021 – Note II, Subsection F – Retirement Plans".

Lubbock Fire Pension Fund . . . The City contributes to the retirement plan for firefighters and eligible civilian employees in the Lubbock Fire Department known as the Lubbock Fire Pension Fund. The LFPF is a single employer, contributory defined benefit plan. The benefit provisions of the LFPF are authorized by the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Lubbock Fire Pension Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The LFPF issues a stand-alone report pursuant to GASB Statement No. 67.

Firefighters and eligible civilian employees in the Lubbock Fire Department are covered by the LFPF, which provides service retirement, death, disability, and withdrawal benefits. The retirement benefits fully vest after 20 years of credited service. Plan members become eligible for normal service retirement at age 50 with 20 years of service. A partially vested benefit is provided for members who terminate employment with at least 10 but less than 20 years of service. If a terminated member has a fully vested benefit (with at least 20 years) but is not eligible for normal retirement, the member may elect an actuarially equivalent early retirement benefit or wait to retire starting on the date he or she would have first satisfied both age and service requirements for normal retirement if he or she had remained an eligible plan member. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus $335.05 for each year of service in excess of 20. Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude overtime compensation designated as "Call-Back Overtime Pay" that is overtime in excess of "regular normal scheduled hours".

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each member and a percentage of payroll by the City. The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 14.98% of pay by the members, the rate elected by the members according to TLFFRA effective September 29, 2018. Before that their contribution rate was 12.43% for many years. The City currently contributes according to a long-standing formula. For many years, the City's contribution rate to the Fund has been related to the percentage of payroll that the City contributes to the Texas Municipal Retirement System (TMRS) for other employees each calendar year. The actual City contribution rate was 21.40% in 2020 and 22.31% for the nine months ending September 30, 2021. For the fiscal year beginning October 1, 2021, the rate is 21.77%.

Beginning October 1, 2022, the City has decided to discontinue the formula tied to TMRS and has agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the expected city contribution rate beginning October 1, 2022 is 21.75%. The December 31, 2020 actuarial valuation includes the assumption that the new city contribution policy will continue with the city contribution rate of 21.75% at least as long as the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2020, the money-weighted rate of return on pension plan investments was 9.73%. 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, 2021 were $8,021,425 and were equal to the statutorily required contributions.

For additional information concerning the City's retirement plans, see "APPENDIX B – Excerpts from Annual Financial Report for The Year Ended September 30, 2021 – Note II, Subsection F – Retirement Plans".

Other Post-Employment Benefits

In addition to pension benefits, the City currently provides certain other post-employment benefits ("OPEB") to its employees. The City'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, 2021 – Note II, Subsection G".

INVESTMENTS

LP&L pools its investable monies with the City, and the City oversees and administers LP&L's 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% 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 LP&L, 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 (see "THE SYSTEM – Future Power Supply – Purchased Power Agreements, Generating Assets, and Renewable Energy Resources" herein).

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. The Investment Policy was last approved by the City Council on November 10, 2020.

See Table 13 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM" for details on the City's investable funds as of May 31, 2022.

SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance authorizing the issuance of the Bonds. Such summary does not purport to be complete and reference should be made to the Ordinance for the complete provisions and precise wording thereof.

Certain Definitions

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

"Average Annual Debt Service" means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bond" means any of the Bonds.

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

"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.

"Code" means the Internal Revenue Code of 1986, as amended.

"Credit Facility" means any agreement of the City entered into with a financial institution in connection with and for the purpose of (i) enhancing or supporting the creditworthiness of (A) a series of Bonds Similarly Secured or (B) all of the Bonds Similarly Secured, (ii) providing a surety policy in order to fund all or a portion of the Required Reserve for the Bonds Similarly Secured, or (iii) providing liquidity with respect to a series of Bonds Similarly Secured 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 Bonds Similarly Secured; provided that, on the date any such credit facility is issued, any rating agency having an outstanding rating on the Bonds Similarly Secured would not lower the rating on the Bonds Similarly Secured as confirmed in writing by such rating agency. A determination by the City contained in the ordinance authorizing the issuance of Bonds Similarly Secured 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 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 prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Fiscal Year" means the twelve 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 the 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.

"Net Revenues" means the gross revenues of the System less expenses of operation and maintenance. Such expenses of operation and maintenance shall not include depreciation charges or amounts or Funds pledged for the Bonds Similarly Secured, but shall include all salaries, labor, materials, repairs, and extensions necessary to render services; provided, however, that in determining "Net Revenues," only such repairs and extensions as in the judgment of the City Council, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and inhabitants thereof, or such as might be necessary to meet some physical accident or condition which otherwise would impair the security of the Bonds Similarly Secured, shall be deducted.

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

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

(2) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of the Ordinance; and

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

"Previously Issued Bonds" means the Outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues of the System, further identified as follows:

(1) City of Lubbock, Texas, Electric Light and Power System Revenue Refunding and Improvement Bonds, Series 2013.

(2) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2014.

(3) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2015.

(4) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2016.

(5) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2017.

(6) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2018.

(7) City of Lubbock, Texas, Electric Light and Power System Revenue Bonds, Series 2021.

"Reserve Fund Obligations" means cash or investment securities of any of the type or types permitted under the Ordinance.

"System" means all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, construction or otherwise, and used in connection with the City's Electric, Light and Power System and in anywise pertaining thereto, whether situated within or without the limits of the City.

"System Board" means the Electric Utility Board of the City, and any successor thereto.

"System Governance Ordinance" means the ordinance(s), as amended or otherwise modified from time to time, under which the City Council has transferred management and control of the System to the System Board.

Security for the Bonds

Pledge of Security . . . The City covenants and agrees that all of the Net Revenues derived from the operation 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 Bonds Similarly Secured, are irrevocably pledged for the payment of the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, and the interest thereon, and ordains that the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, 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 . . . The Bonds, together with the Previously Issued Bonds and any Additional Bonds, are special and limited obligations of the City, payable solely from the pledged Net Revenues, and do not constitute a prohibited indebtedness of the City. Neither the Bonds nor any Additional Bonds shall ever be payable out of funds raised or to be raised by taxation.

Security Interest . . . The City represents that, under Chapter 1208.002, Texas Government Code, a security interest in the Net Revenues pledged to the payment of the Bonds that is created by the City is valid and effective according to the terms of the security agreement (i.e., the Ordinance) and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The City covenants that, if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the City shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to the Ordinance.

Funds and Accounts

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 in the "Electric Light and Power System Fund" (created and established in connection with the issuance of the Previously Issued Bonds and reaffirmed in the Ordinance), which Fund (referred to as the "System Fund") shall continue to be kept and maintained at an official depository bank of the City while the Bonds remain Outstanding. Furthermore, the "Special Electric Light and Power System Revenue Bond Retirement and Reserve Fund" (referred to as the "Bond Fund"), created and established in connection with the issuance of the Previously Issued Bonds and reaffirmed in the Ordinance shall continue to be maintained by the City while the Bonds remain Outstanding. The Bond Fund is and shall continue to be kept and maintained at the City's official depository bank, and moneys deposited in the Bond Fund shall be used for no purpose other than for the payment, redemption and retirement of Bonds Similarly Secured.

System Fund . . . 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:

(1) To the payment of the amounts required to be deposited in the Bond Fund for the payment of principal of and interest on the Bonds Similarly Secured as the same become due and payable; and

(2) To the payment of the amounts, if any, required to be deposited in the Reserve Portion of the Bond Fund to accumulate, restore and maintain the Reserve Requirement as security for the payment of the principal of and interest on the Bonds Similarly Secured.

Bond Fund. . .(a) In addition to the required monthly deposits to the Bond Fund for the payment of principal of and interest on the Previously Issued Bonds, the City agrees and covenants to deposit to the Bond Fund an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and principal of the Bonds falling due on or before each maturity date and Interest Payment Date, 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 Underwriters. The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made until such time as (i) the total amount on deposit in the Bond Fund, including the "Reserve Portion" deposited therein, is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding, i.e., the Bonds have been fully paid as to principal and interest or all the Bonds have been refunded. 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.

(b) In addition to the amounts to be deposited in the Bond Fund to pay current principal and interest for the Bonds Similarly Secured, the City covenants and agrees to accumulate and maintain in the Bond Fund a reserve amount (the "Reserve Portion") of Reserve Fund Obligations equal to not less than the Average Annual Debt Service requirements of all Outstanding Bonds Similarly Secured (the "Required Reserve") which shall be calculated and predetermined at the time of issuance of each series of Bonds Similarly Secured. Upon issuance of Additional Bonds, the Required Reserve shall be increased, if required, to an amount equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis) for all bonds Outstanding, as determined on the date of issuance of each series of Additional Bonds, and annually following each principal payment date or redemption date for the Bonds, the Previously Issued Bonds and any Additional Bonds Outstanding, 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 Reserve Portion of the Bond Fund shall be made available for and reasonably employed in meeting the requirements of the Bond Fund if need be, and if any amount thereof is so employed, and the Reserve Portion in the Bond Fund is less than the Reserve Requirement, or if an event of default under any Credit Facility held in the Reserve Portion of the Bond Fund has occurred and is continuing, the Reserve Requirement shall be restored from Net Revenues in twenty-four (24) approximately equal monthly payments from the first available Net Revenues of the System in the System Fund subject only to the priority of payments hereinabove described under "Funds and Accounts - System Fund."

(c) The City may, at its option, withdraw all surplus on deposit in the Reserve Portion of the Bond Fund over the Required Reserve 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.

(d) For the purpose of determining compliance with the requirements of the subparagraph (b) above, Reserve Fund Obligations shall be valued each year as of the last day of the City's fiscal year at their cost or market value, whichever is lower, except that any direct obligations of the United States (State and Local Government Series) held for the benefit of the Reserve Portion of the Bond Fund in book-entry form shall be continuously valued at their par value or face principal amount.

(e) To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the City may replace or substitute a Credit Facility for cash or investment securities on deposit in the Reserve Portion of the Bond 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 the Ordinance, on deposit in the Reserve Portion of the Bond Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve 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. 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.

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

(g) In the event of a deficiency in the Reserve Portion of the Bond Fund, or in the event that on the date of termination or expiration of any Credit Facility or the date of an occurrence of an event of default under the Credit Facility has occurred and is continuing beyond any cure period therefor, if any, there is not on deposit in the Reserve Portion of the Bond Fund sufficient Reserve Fund Obligations, all in an aggregate amount at least equal to the Required Reserve calculated as of the date of such deficiency, termination, expiration or event of default of such Credit Facility, then the City shall restore such deficiency from the first available Net Revenues of the System in the System Fund subject only to the priority of payments hereinabove described under "Funds and Accounts - System Fund."

(h) In the event of the redemption or defeasance of any of the Outstanding Bonds Similarly Secured, any Reserve Fund Obligations on deposit in the Reserve Fund in excess of the Required Reserve may be withdrawn and transferred, at the option of the City and subject to the last sentence of this subparagraph, to the System Fund, as a result of (i) the redemption of the Outstanding Bonds Similarly Secured, or (ii) funds for the payment of the Outstanding Bonds Similarly Secured having been deposited irrevocably with the paying agent or place of payment therefor in the manner described in the Ordinance, the result of such deposit being that such Outstanding Bonds Similarly Secured no longer are deemed to be Outstanding under the terms of the 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.

(i) In the event there is a draw upon the 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 (i) shall be subject to the provisions of subparagraph (f) hereof, and (ii) shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Bonds Similarly Secured.

Payment of Bonds . . . While any of the Bonds are Outstanding, the proper officers of the City are authorized to transfer or cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, including the Reserve Portion, if necessary, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal on the Bonds accrues or matures or comes due by reason of redemption prior to maturity; 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 the Bond Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into the Bond Fund from the first available and unallocated Net Revenues of the System in the following month or months and such payments shall be in addition to the amounts to be otherwise paid into the Bond Fund pursuant to the Ordinance during such month or months.

Security of Funds . . . Money in any Fund established or affirmed pursuant to the Ordinance or any ordinance authorizing the issuance of Previously Issued Bonds, and any Additional Bonds, 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 the Reserve Portion of the Bond Fund shall not have a maturity in excess of five (5) years.

Transfer of Revenues…As prescribed by the System Governance Ordinance, after all amounts required to be deposited to any funds or accounts created to secure payment of Bonds Similarly Secured and 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, Net Revenues of the System shall be transferred to the City's general fund at such time(s) and in such amounts as shall be determined by the City Council in accordance with the System Governance Ordinance.

For the avoidance of doubt, no action shall be taken pursuant to this Section that impairs the obligation of the City's contract with respect to the Bonds. Subject to the preceding sentence, the amount, timing, and priority of payment of amounts contemplated by this Section shall be determined in accordance with the System Governance Ordinance.

Particular Representations and Covenants

Additional Bonds . . . In addition to the right to issue bonds of inferior lien as authorized by the laws of the State of Texas, the City 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 Previously Issued Bonds and 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 installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The Mayor and Chief Financial Officer have certified that the City is not then in default as to any covenant, condition or obligation prescribed by any ordinance authorizing the issuance of Bonds Similarly Secured then Outstanding, including showings that all interest, sinking and reserve funds then provided for have been fully maintained in accordance with the provisions of said ordinances;

(b) The applicable laws of the State of Texas in force at the time provide permission and authority for the issuance of such Additional Bonds and have been fully complied with;

(c) The Additional Bonds are made to mature on April 15 or October 15, or both, in each of the years in which they are provided to mature;

(d) The Reserve Portion of the Bond Fund shall be accumulated and supplemented as necessary to maintain a sum which shall be not less than the Average Annual Debt Service requirements of all bonds secured by a first lien on and pledge of the Net Revenues of the System which will be outstanding upon the issuance of any series of Additional Bonds. Accordingly, each ordinance authorizing the issuance of any series of Additional Bonds shall provide for any required increase in the Reserve Portion, and if supplementation is necessary to meet all conditions of said Reserve Portion, said ordinances shall make provision that same be supplemented by the required amounts in equal monthly installments over a period of not to exceed sixty (60) calendar months from the dating of such Additional Bonds; and

(e) The City has secured a certificate or opinion from an independent certified public accountant 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 eighteen (18) consecutive months prior to the month of adoption of the ordinance authorizing the Additional Bonds, equal to at least 1.25 times the Average Annual Debt Service requirements of the Bonds Similarly Secured which will be outstanding upon the issuance of the Additional Bonds; and further demonstrating that for the same period as is employed in arriving at the aforementioned test said Net Revenues were equal to at least 1.10 times the maximum annual principal and interest requirements of all Bonds Similarly Secured as will be outstanding upon the issuance of the Additional Bonds. In making a determination of the Net Revenues, the certified public accountant 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 his certification or opinion based on such change in charges being in effect for the entire period covered by the certificate or opinion of the certified public accountant.

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 issuance of the Bonds and the Previously Issued Bonds.

<u>*Rates and Charges*</u> . . . The City covenants and agrees that rates and charges for electric power and energy afforded by the System will be established and maintained to provide revenues sufficient at all times to pay:

(1) all necessary and reasonable expenses of operating and maintaining the System as set forth in the definition "Net Revenues" and to recover depreciation;

(2) the amounts required to be deposited to the Bond Fund to pay the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable and to accumulate and maintain the reserve amount required to be deposited therein; and

(3) 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.

<u>*Maintenance and Operation; Insurance*</u>. . . In regard to the operations and properties of the System, 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.

<u>*Records, Accounts, Accounting Reports*</u> . . . The City 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 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 the 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;

(e) A list of the securities which have been on deposit as security for the money in the Bond Fund throughout the Fiscal Year and a list of the securities, if any, in which the Reserve Portion of the Bond Fund has been invested; and

(f) The total number of metered and unmetered customers, if any, connected with the System at the end of the Fiscal Year.

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 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 Previously Issued Bonds, the Bonds and the Additional Bonds, when issued, shall be ratably secured under said pledge in such manner that one bond shall have no preference over any other bond of said issues.

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

(c) 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 the 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 the Ordinance. In the event the City sells the System, the City will use proceeds of such sale to provide for final payment of the Bonds, the Previously Issued Bonds, and any Additional Bonds.

(d) That, it will cause to be rendered monthly to each customer receiving electric 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.

(e) 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 the Ordinance.

(f) 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.

Default and Remedies

Events of Default . . . Each of the following occurrences or events for the purpose of the Ordinance is declared to be an event of default ("Event of Default"):

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

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

Remedies for Default . . . 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 the 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 the Ordinance. It is provided in the Ordinance that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then Outstanding.

Remedies Not Exclusive . . . No remedy 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 pursuant to the Ordinance or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of the Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Ordinance. The exercise of any remedy 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. The Pricing Certificate has limited the manner in which the Bonds may be defeased. See "THE BONDS – Defeasance" for a discussion regarding such limitations.

Amendments

The Ordinance provides that from and after the date that all of the Previously Issued Bonds dated on or before August 31, 2021, are no longer outstanding, the provisions described in "— After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall apply to the Bonds and any Additional Bonds, and the provisions described in "— Before All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall be of no force and effect. Prior to such date, the provisions of described in "— After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding" shall be of no force or effect.

Before All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding...The Ordinance constitutes a contract with the owners, is binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as described below. The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the City may, with the written consent of the owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; provided that, without the consent of all owners of outstanding Bonds, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners for consent to any such amendment, addition, or rescission.

After All Previously Issued Bonds Dated on or before August 31, 2021 Are No longer Outstanding…The Ordinance constitutes a contract with the owners, is binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding except as described below. The City may, without consent of or notice to any owners, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the owners, including the curing of any ambiguity, inconsistency, or formal defect or omission in the Ordinance. The owners of the Bonds Similarly Secured aggregating a majority in principal amount of then outstanding Bonds Similarly Secured shall have the right from time to time to approve, in writing, any amendment to the Ordinance; provided, however, that without the consent of the owners of all of the Bonds Similarly Secured at the time outstanding, nothing contained in the Ordinance shall permit or be construed to permit the amendment of the terms and conditions in the Ordinance or in the Bonds Similarly Secured so as to:

(i) Make any change in the maturity of the outstanding Bonds Similarly Secured;

(ii) Reduce the rate of interest borne by any of the outstanding Bonds Similarly Secured;

(iii) Reduce the amount of the principal payable on the outstanding Bonds Similarly Secured;

(iv) Modify the terms of payment of principal of or interest on the outstanding Bonds Similarly Secured or impose any conditions with respect to such payment;

(v) Affect the rights of the holders of less than all of the Bonds Similarly Secured then outstanding; or

(vi) Change the minimum percentage of the principal amount of Bonds Similarly Secured necessary for consent to such amendment.

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"). In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. 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 expresses no opinion.

The opinion of Bond Counsel relating to the Bonds is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "Service") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Service. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the Service. Under current procedures, 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.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

RATINGS

The Bonds are expected to be assigned a rating of "A1" (stable outlook) by Moody's, "AA" (stable outlook) by S&P, and "AA+" (stable outlook) by KBRA by virtue of a municipal bond insurance policy to be issued by AGM at the time of delivery of the Bonds guaranteeing the payment of principal and interest on the Bonds (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS"). The City has received an underlying rating of "A1" (stable outlook) by Moody's, "A" (negative outlook) by S&P, and "A+" (stable outlook) by Fitch Ratings on the Bonds. The City did not request an underlying rating on the Bonds from KBRA.

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.

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" herein. 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 opinion of Bond Counsel. The form of Bond Counsel's opinion is attached hereto in Appendix D. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., Dallas, 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 "THE BONDS", "SUMMARY OF SELECTED PROVISIONS OF THE ORDINANCE," "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL

INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS" (except the last two sentences of the first paragraph thereof), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subsection "Compliance with Prior Undertakings"), 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 such information conforms to the Ordinance.

The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

INVESTMENT CONSIDERATIONS

Infectious Disease Outbreak – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. The Governor issued a series of executive orders relating to COVID-19 preparedness and mitigation and phased reopening of businesses in Texas. These include executive orders, which among other things, impose limitations on business occupancy and operations and social gatherings and require people to wear face masks (with some exceptions). Currently, under the Governor's orders in effect on the date hereof, there are no limitations on social gatherings, business occupancy or operations and there are no face covering requirements. However, the Governor retains the authority to impose restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus.

At the beginning of the pandemic, measures were taken to offset potential revenue shortfalls. Some of those measures included the delay of cash-funded capital projects that were not deemed critical, a hiring freeze, and utility-wide budget reductions in travel and training/education, office supplies, clothing/uniform supplies, computer purchases, and certain professional services. Most of the measures were lifted as it became apparent that revenues were not be materially impacted; however, since the hiring freeze there still remain vacancies that are in review of being filled, but these vacancies have not had a material impact on the operations of either the City or LP&L.

Recent Winter Weather Event

From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists characterize as the most significant in terms of scope and duration since monitoring of these weather phenomena began in the 1950s (such storm, "Winter Storm Uri"). As a result of Winter Storm Uri, record breaking cold weather invaded the entire State of Texas, during which time the City experienced three consecutive days of record low temperatures and 86 consecutive hours below freezing. In anticipation of the winter storm, the Texas Governor, on February 12, 2021, declared a state of disaster for all 254 counties within the State, certifying in that declaration that severe winter weather posed an imminent threat of widespread and severe property damage, injury, and loss of life due to the prolonged freezing temperatures, heavy snow, and freezing rain statewide. In response to that declaration, and on the same date, the Texas Railroad Commission issued an Emergency Order approving a utilities curtailment program relating to and specifying an essential prioritization of the transportation, delivery and / or sale of natural gas in the State. On February 19, 2021, the President of the United States also declared that a major disaster existed in the State.

The System's energy and fuel costs came in higher than normal for February 2021 due to increases in natural gas prices. The actual net purchased power costs totaled \$23.5 million, which was higher than the estimate of \$11.3 million for the month. Fortunately, LP&L was in an over-recovered position in its Power Cost Recovery Factor, and was able to absorb the higher costs for the month (see "THE SYSTEM – "Financial Model, Base Rate Adjustments and Power Cost Recovery Factor – Power Cost Recovery Factor"). Additionally, the HRCO in place protected the utility from the high Waha natural gas prices experienced during the event. The

HRCO, along with energy settlement amounts for generation utilized during Winter Storm Uri, helped alleviate some of the large costs related to purchased power invoices.

The impacts of Winter Storm Uri were minimal to the System. The City estimates that approximately 29,000 of LP&L's customers experienced outages for an average duration of only 49 minutes, which was primarily the result of a mandate from the Southwest Power Pool Regional Transmission Organization for rotating electric outages, not the result of a failure in the System's electric generation. The System's Massengale unit performed very well during the event and only experienced a short, forced outage due to a gas curtailment. Even though the unit performed well during Winter Storm Uri, additional weatherization measures were immediately taken to improve the units in areas identified as a potential future issue.

ERCOT is a membership-based nonprofit corporation, and thus revenue neutral (meaning that it has no independent revenue source and is a clearinghouse that passes on losses to other participants). If sufficient funds continue to be unavailable from short-paying entities, ERCOT also "uplifts" shortages to market participants on a pro-rata share through the ERCOT market, State-legislated protocols (this process is referred to as "Uplift"). However, LP&L does not expect to be held responsible for any uplift charges for default on the original invoices related to the winter storm as noted in H.B. 4492. The bill states that the ISO in the ERCOT power region may not reduce payments to or uplift short-paid amounts to a municipally owned utility that becomes subject to the jurisdiction of that ISO on or after May 29, 2021, and before December 30, 2021 (which included LP&L), related to a default on a payment obligation by a market participant that occurred before May 29, 2021. This bill was signed on June 16, 2021.

LP&L continues to monitor state and federal reforms related to ERCOT and the electric utility industry.

Cyber Security

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

In the United States, the federal government and states share a role in protecting the electric system against cyberattacks. Several federal, state, and nonprofit agencies such as FERC, U.S. Department of Energy, Department of Homeland Security, NERC, ERCOT, and the PUC have responsibilities pertaining to electric grid cybersecurity. Their responsibilities also include regulating electricity transmission systems, distribution systems, and many generation facilities operated by municipal utilities.

These agencies and their protocols are driven by an Executive Order from the President of the United States, which also defines the nation's electric power grid as a National Security Asset, and to be protected as such.

Each agency listed above has its own set of cybersecurity-driven set of standards, protocols, and procedures in which LP&L is required to comply. The System has demonstrated a continuous effort to remain compliant through periodic audits and certifications in coordination with the SPP, Texas Reliability Entity, ERCOT, and the Midwest Reliability Organization. The System continually evaluates its cybersecurity protocols and has opted to embody a high watermark approach toward cybersecurity. It is through this approach that the System helps to ensure the overall reliability of the Bulk Electric System.

Neither, the City nor the System have been victim of a cyberattack that has resulted in material financial losses or material operational disruption. The City carries cybersecurity insurance as one of its mitigating strategies.

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").

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 1-13), APPENDIX B and APPENDIX C; provided, however, the City's agreement does not obligate the City to provide any updated information within such Tables (particularly Tables 9-10) for future twelve-month periods from May 1st to April 30th. The City will provide this information within 6 months after the end of each fiscal year ending in or after 2022. 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 and APPENDIX C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB via EMMA.

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 financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation 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 a financial obligation of the City, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The City intends the words "financial obligation" used in the preceding paragraphs (15) and (16) to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

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 SEC 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 15c2-12.

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 or the System 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 $270,131.07.

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

The Underwriters 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 their 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 their 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.

Jefferies LLC ("Jefferies"), one of the Underwriters of the Bonds, has entered into a distribution agreement with InspereX LLC ("InspereX") for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Bonds to InspereX, it will share a portion of its selling concession compensation with InspereX.

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.

Blu Kostelich
Authorized Officer
City of Lubbock, Texas

APPENDIX A

FINANCIAL INFORMATION REGARDING THE SYSTEM

FINANCIAL INFORMATION REGARDING
THE LUBBOCK POWER & LIGHT SYSTEM (THE "SYSTEM")

TABLE 1 - GENERATING STATIONS

Manufacturer	Year Installed	Station	Prime Mover	Fuel	Generator Capacity (in MW)	Dependable Capacity (in MW)
Westinghouse	1957	J.R. Massengale No. 6	Steam Turbine	Gas	22	20 [(a)]
Westinghouse	1958	J.R. Massengale No. 7	Steam Turbine	Gas	22	17 [(a)]
Westinghouse	1964	Cooke GT 1	Gas Turbine	Gas	-	- [(b)]
General Electric	1965	Cooke Steam 1	Steam Turbine	Gas or Oil	46	- [(c)]
Worthington	1971	Cooke GT 2	Gas Turbine	Gas	21	16
General Electric	1974	Cooke GT 3	Gas Turbine	Gas	24	16
General Electric	1978	Cooke Steam 2	Steam Turbine	Gas or Oil	54	- [(c)]
General Electric	1990	TX Tech (Brandon 1)	Gas Turbine	Gas	21	20
General Electric	2000	J.R. Massengale No. 8	Gas Turbine	Gas	42	40 [(a)]
					252	112

[(a)] J.R. Massengale ("JRM") No. 8 operates in combined cycle mode with JRM No. 6 or JRM No. 7. JRM No. 6 and JRM No. 7 do not run independently. Despite having separate dependable capacity of 47MW, the System counts dependable capacity of the two units at only 20MW, since they do not run independently.
[(b)] Cooke GT 1 was retired in 2017.
[(c)] Cooke Steam 1 and 2 are currently in mothball status and are not available to run.

TABLE 2 - HISTORICAL POWER SUPPLY REQUIREMENTS

LP&L's historical peak demand and energy requirements are set forth below. Many factors, such as weather and changes in population, affect electric sales and should be considered when evaluating the power supply requirements of the electric system over the period since 2017 reported below.

For the ten year period ended September 30, 2021, LP&L's average annual demand growth was 0.36%, system energy increased by an average of 0.04% annually, and energy sales decreased by an average of 0.15% annually. The ten-year growth rates include the purchase of the Xcel Lubbock assets in 2010. Annual fluctuations in growth rates since 2017 are listed below.

Fiscal	Peak Demand		Energy Sales[(a)]		
Year	MW	% Increase	MWh	% Increase	Load Factor (%)
2017	605.0	-2.49%	2,499,374	-3.23%	47.16%
2018	620.4	2.54%	2,607,903	4.34%	47.98%
2019	669.4	7.89%	2,583,572	-0.93%	44.06%
2020	668.5	-0.14%	2,582,520	-0.04%	44.10%
2021	611.5	-8.53%	2,543,744	-1.50%	47.49%

	Net System Requirements		
Fiscal Year	MWh	% Increase	Load Factor (%)
2017	2,654,591	-2.93%	50.08%
2018	2,740,686	3.24%	50.43%
2019	2,689,324	-1.87%	45.86%
2020	2,686,004	-0.12%	45.87%
2021	2,714,467	1.06%	50.67%

[(a)] Does not include "off system" sales.

TABLE 3 - STATISTICAL DATA

	Fiscal Year Ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
kWh TO SYSTEM	2,810,330,084	2,765,853,075	2,889,794,087	2,889,478,983	2,769,986,683
Sales of kWh					
Residential Service	1,042,316,993	1,069,509,398	1,011,437,511	1,016,825,267	963,586,038
Commercial Service	1,352,867,070	1,356,905,016	1,411,277,448	1,429,873,644	1,378,290,129
Municipal and Schools	148,559,956	156,106,080	160,857,151	161,203,920	157,497,900
Total Retail Sales	2,543,744,019	2,582,520,494	2,583,572,110	2,607,902,831	2,499,374,067
Wholesale Sales (Off System Sales)	95,862,748	79,816,171	200,469,861	148,801,598	115,421,912
Total Sales to All Customers	2,639,606,767	2,662,336,665	2,784,041,971	2,756,704,429	2,614,795,979
Loss and Unaccounted for	170,723,316	103,516,410	105,752,116	132,774,554	155,190,704
kWh To The System	2,810,330,084	2,765,853,075	2,889,794,087	2,889,478,983	2,769,986,683
FYE Residential Meters	93,436	92,726	92,120	91,616	90,912
FYE Commercial Meters	13,819	13,871	13,795	13,595	13,799
FYE Municipal & School Meters	1,302	1,302	1,324	1,344	1,077
FYE Total Meters	108,557	107,899	107,239	106,555	105,788
Total Plant Peak kW Demand[a]	611,459	668,545	669,412	620,434	605,046

[a] Deducts station power monthly peak (at time of total peak) from total plant peak to calculate net peak to load.

TABLE 4 - TEN LARGEST CUSTOMERS (ANNUAL CONSUMPTION AND REVENUE)

	Fiscal Year Ended September 30, 2021			
	Megawatt Hours[a] Billed	**% of Total**	**Revenues**	**% of Total**
Top 10 Customers	688,600	26.7%	$ 51,825,278	17.4%
Top Two Customers	332,473	12.9%	$ 24,582,992	8.3%

[a] Megawatt Hours ("MWh"); MWh = 1,000 kWh.

TABLE 5 - ANALYSIS OF ELECTRIC BILLS

	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
All Customer:					
Average Monthly kWh Per Meter	1,964	2,006	2,019	2,052	1,988
Average Monthly Bill Per Meter	$ 191.36	$ 174.20	$ 177.94	$ 196.06	$ 189.56
Average Monthly Revenue Per kWh	$ 0.097434	$ 0.086839	$ 0.088133	$ 0.095546	$ 0.095352
Residential Customer:					
Average Monthly kWh Per Meter	934	964	917	928	890
Average Monthly Bill Per Meter	$ 108.09	$ 98.49	$ 99.92	$ 110.60	$ 102.58
Average Monthly Revenue Per kWh	$ 0.115728	$ 0.102168	$ 0.108964	$ 0.119181	$ 0.115258
Commercial:					
Average Monthly kWh Per Meter	8,091	8,190	8,614	8,826	8,557
Average Monthly Bill Per Meter	$ 688.35	$ 619.15	$ 639.35	$ 705.16	$ 705.44
Average Monthly Revenue Per kWh	$ 0.085076	$ 0.075598	$ 0.074222	$ 0.079896	$ 0.082440
Municipal and School:					
Average Monthly kWh Per Meter	12,401	12,628	12,652	12,461	12,250
Average Monthly Bill Per Meter	$ 1,010.56	$ 1,004.33	$ 1,000.90	$ 1,057.21	$ 1,054.36
Average Monthly Revenue Per kWh	$ 0.081490	$ 0.079532	$ 0.079110	$ 0.084842	$ 0.086070

TABLE 6 - SIX-YEAR CAPITAL IMPROVEMENT PLAN

Fiscal Year Ending September 30	Total LP&L Capital Improvements*
2022	$ 65,796,746
2023	30,975,000
2024	28,780,000
2025	41,420,000
2026	39,220,000
2027	44,925,000
	$ 251,116,746

*Projected, subject to change as the System and the City review priorities and revise the Systems's capital plan annually.

TABLE 7 - ANTICIPATED FUTURE DEBT ISSUANCE

On August 9, 2022, the System authorized the termination of the outstanding Direct Purchase Note Program (the "DPNP") with Bank of America, N.A. that had a not to exceed amount of $60 million. The termination of the DPNP is expected to take effect on August 30, 2022.The DPNP was intended to provide interim financing for LP&L's capital program, including the transition costs of moving the remaining load from SPP to ERCOT through December 31, 2024. Proceeds from the Bonds will be used to fund those capital improvements. The System anticipates the issuance of additional System revenue bonds within the next 12 months to fund the settlement payment related to the transistion of the remainng load from SPP to ERCOT.

The blend of financing for capital improvements (see "Table 6 - SIX-YEAR CAPITAL IMPROVEMENT") is reviewed annually to determine if any adjustments are necessary, but the System's model is currently set at a 35 percent equity and 65 percent debt financing breakdown over the 6-year planning horizon.

TABLE 8 - SYSTEM REVENUE BOND DEBT SERVICE REQUIREMENTS*

FY Ending	Outstanding Revenue Bonds		Plus: The Bonds		Total Combined
30-Sep	Principal[(a)]	Interest	Principal[(a)]	Interest	Requirement
2023	$ 13,490,000	$ 16,553,119	$ 2,730,000	$ 1,689,924	$ 34,463,043
2024	13,465,000	15,893,056	1,770,000	2,654,200	33,782,256
2025	12,520,000	15,233,181	1,855,000	2,565,700	32,173,881
2026	13,115,000	14,628,481	1,950,000	2,472,950	32,166,431
2027	13,540,000	13,982,669	2,045,000	2,375,450	31,943,119
2028	13,805,000	13,315,206	2,145,000	2,273,200	31,538,406
2029	10,480,000	12,634,138	2,255,000	2,165,950	27,535,088
2030	10,990,000	12,118,913	2,365,000	2,053,200	27,527,113
2031	11,530,000	11,580,681	2,485,000	1,934,950	27,530,631
2032	12,090,000	11,018,094	2,610,000	1,810,700	27,528,794
2033	12,675,000	10,432,869	2,735,000	1,680,200	27,523,069
2034	13,280,000	9,818,263	2,875,000	1,543,450	27,516,713
2035	13,120,000	9,258,388	3,020,000	1,399,700	26,798,088
2036	12,765,000	8,702,206	3,170,000	1,248,700	25,885,906
2037	12,960,000	8,194,713	3,330,000	1,090,200	25,574,913
2038	13,390,000	7,771,788	3,465,000	957,000	25,583,788
2039	12,960,000	7,201,294	3,640,000	783,750	24,585,044
2040	13,515,000	6,656,200	3,820,000	601,750	24,592,950
2041	13,970,000	6,193,488	4,010,000	410,750	24,584,238
2042	12,395,000	5,605,225	4,205,000	210,250	22,415,475
2043	12,920,000	5,078,450	-	-	17,998,450
2044	13,465,000	4,536,925	-	-	18,001,925
2045	14,030,000	3,972,375	-	-	18,002,375
2046	14,620,000	3,383,875	-	-	18,003,875
2047	15,140,000	2,770,400	-	-	17,910,400
2048	14,825,000	2,134,250	-	-	16,959,250
2049	12,085,000	1,509,200	-	-	13,594,200
2050	12,570,000	1,025,800	-	-	13,595,800
2051	13,075,000	523,000	-	-	13,598,000
Total	**$ 378,785,000**	**$ 241,726,244**	**$ 56,480,000**	**$ 31,921,974**	**$ 708,913,218**

Average Annual Principal and Interest Requirement (FY2023 - FY2051)………………………	$ 24,445,283
Maximum Annual Principal and Interest Requirement (FY2023)………………………………	$ 34,463,043

* Excludes the portion of the City's General Obligation debt that is paid from System revenues.
[(a)] Principal paid April 15 of each year.

TABLE 9 - CONDENSED STATEMENT OF OPERATIONS[(a)]

	12-Mos Period Ended 04/30/2022[(b)(c)]	Fiscal Year Ended September 30 2021	2020	2019	2018	2017
REVENUE						
Operating Revenues						
Charges for Services	$290,168,719	$273,843,064	$213,061,262	$211,188,949	$239,178,553	$243,928,151
Interest Income	349,640	487,744	3,195,923	5,963,641	1,710,341	625,337
Gross Revenues	290,518,359	274,330,808	216,257,185	217,152,590	240,888,894	244,553,488
OPERATING EXPENSE						
Personal Services	$ 21,577,766	$ 19,156,150	$ 21,015,714	$ 21,246,554	$ 19,606,822	$ 20,179,531
Supplies	1,319,938	1,201,773	1,307,477	1,199,646	1,014,137	1,104,042
Maintenance	3,311,871	3,057,183	3,618,461	2,972,963	2,399,163	2,434,483
Purchase of fuel, power & other	191,483,714	198,496,543	136,617,424	138,508,433	165,245,464	171,482,256
Disposition of Assets	1,607,067	1,826,016	1,603,310	896,400	(43,941)	479,717
Miscellaneous Expenses[(d)]	3,135,742	2,378,368	755,834	(878,148)	(834,655)	1,043,055
Total Operating Expenses	222,436,099	226,116,033	164,918,220	163,945,848	187,386,990	196,723,084
Net Revenues	**$ 68,082,261**	**$ 48,214,775**	**$ 51,338,965**	**$ 53,206,742**	**$ 53,501,904**	**$ 47,830,404**
Electric Connections	108,557	108,557	107,899	107,239	106,555	105,788

(a) The statement of operations shown above represents amounts legally available for the payment of LP&L debt service, but does not take into account all transfers from LP&L to the City's General Fund.

(b) The 12-Mos Period revenues and expenses reflect unaudited figures for the System for the period from May 1, 2021 - April 30, 2022. The System began receiving TCOS revenues in June 2021, initially totalling roughly $15.9MM on an anuualized basis. After the September 1, 2021 Interim TCOS filing, the System's TCOS revenues were increased to $40.9MM on an annualized basis. The 12-Mos Period figures represent a more current snapshot of the System its Afftected Load entered ERCOT. The System's remaining Unaffected Load is expected to enter ERCOT in 2023.

(c) Represents information excluded from the City's continuing disclosure undertaking for the Bonds.

(d) For fiscal years 2019 and prior, FFE and PILOT payments were classified by the City's auditors as "transfers" rather than "miscellaneous expenses." For fiscal years 2020 and thereafter, a change in accounting treatment now considers FFE and PILOT expenses to be "miscellaneous expenses." Notwithstanding this change in accounting treatment, the LP&L Governance provides the Electric Utility Board shall first fully meet all bond reserve or fund obligations defined in any bond covenant for the City's electric utility prior to paying any FFE, making any PILOT payments, and prior to disbursing any funds from the "General Reserve" of the City's electric utility (see " – Franchise Fee Equivalent, Payment in Lieu of Property Taxes and the General Reserve" below). Thus, FFE and PILOT payments are not included as "miscellaneous expenses" within this Table.

TABLE 10 - COVERAGE AND FUND BALANCES*

Electric Light and Power System Revenue Available, September 30, 2021	$ 48,214,775
Electric Light and Power System Revenue Available, 12-Mos Period Ending April 30, 2022[b][c]	$ 68,082,261
Electric Light and Power System Revenue Bonds Outstanding, July 15, 2022	$ 378,785,000
Plus: The Bonds	56,480,000
Total Electric Light and Power System Revenue Bonds	$ 435,265,000
Average Annual Principal and Interest Requirements, FY2023 - FY2051	$ 24,445,283
Coverage by Net Revenues, Fiscal Year Ended September 30, 2021	1.97x
Coverage by Net Revenues, 12-Mos Period Ended April 30, 2022[b][c]	2.79x
Maximum Principal and Interest Requirements, FY2023	$ 34,463,043
Coverage by Net Revenues, Fiscal Year Ended September 30, 2021	1.40x
Coverage by Net Revenues, 12-Mos Period Ended April 30, 2022[b][c]	1.98x
Bond Fund Balance as of September 30, 2021	$ 25,085,607
Plus: Debt Service Reserve Fund Contribution from the Bonds	2,760,606
Bond Fund Balance as of September 7, 2022	$ 27,846,213
Reserve Portion of Bond Fund Balance[a] as of September 30, 2021	$ 21,684,677
Plus: Debt Service Reserve Fund Contribution from the Bonds	2,760,606
Reserve Portion of Bond Fund Balance as of September 7, 2022	$ 24,445,283

* Does not include the portion of the City's General Obligation debt that is paid from System revenues.

[a] For LP&L's revenue bonds, the City covenants to maintain, in the Reserve Portion of the Bond Fund, a Required Reserve of not less than the Average Annual Debt Service requirements of all Bonds Similarly Secured, which will be calculated each fiscal year and upon the issuance of additional parity debt.

[b] The 12-Mos Period revenues and expenses reflect unaudited figures for the System for the period from May 1, 2021 - April 30, 2022.

[c] Represents information excluded from the City's continuing disclosure undertaking for the Bonds.

TABLE 11 - THE CITY'S EQUITY IN THE ELECTRIC LIGHT & POWER SYSTEM

	Fiscal Year Ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Value of the System					
Property, plant and equipment	$ 841,582,435	$ 591,274,083	$ 510,367,331	$ 462,525,152	$ 454,272,622
Less: Allowance for depreciation	(278,636,695)	(267,696,947)	(262,375,454)	(254,140,607)	(241,006,745)
	562,945,740	323,577,136	247,991,877	208,384,545	213,265,877
Construction in progress	8,630,661	94,805,793	43,818,507	24,601,082	7,849,483
Net fixed asset value	571,576,401	418,382,929	291,810,384	232,985,627	221,115,360
Capital projects restricted investments	113,719,465	53,521,105	63,922,070	115,345,684	36,640,314
Goodwill	-	-	265,416	531,114	796,812
Prepaid expenses	1,077,775	1,211,109	1,344,442	1,477,776	1,611,109
Deferred charge on refunding	314,071	458,924	607,903	1,003,318	1,234,719
Deferred outflows from pensions	2,780,601	2,898,488	8,685,534	2,488,886	6,929,607
Deferred outflows from OPEB	3,018,731	1,815,403	1,171,780	1,241,657	-
Current assets	115,704,438	153,221,090	143,738,843	119,993,463	102,917,610
Less: Current liabilities (excluding bonds/interest)	(66,329,221)	(49,415,033)	(44,192,096)	(40,802,829)	(29,134,783)
Value of the system	741,862,261	582,094,015	467,354,276	434,264,696	342,110,748
Long-Term Obligations					
Bonds outstanding [(a)]	476,352,107	175,048,302	195,821,406	217,143,661	128,482,725
Notes outstanding [(a)]	-	120,600,000	2,000,000	-	-
Less: bond fund	(25,085,607)	(14,726,286)	(17,745,364)	(20,372,130)	(10,354,109)
	451,266,500	280,922,016	180,076,042	196,771,531	118,128,616
Plus:					
Hold harmless payment	-	24,000,000	24,000,000	-	-
Accrued interest payable	3,554,735	3,085,945	3,441,090	2,471,041	1,514,556
Accrued vacation and sick leave	1,458,466	1,170,405	796,829	629,202	879,422
Post employment benefits	23,551,149	20,661,185	19,562,120	19,348,418	9,373,761
Net pension liability	12,575,715	15,566,804	25,524,306	15,554,807	23,015,914
Deferred inflows pensions/OPEB	6,904,793	6,841,448	1,886,562	3,456,159	605,547
Net outstanding long-term obligations	499,311,358	352,247,803	255,286,949	238,231,158	153,517,816
City's equity in the system	**$ 242,550,903**	**$ 229,846,212**	**$ 212,067,327**	**$ 196,033,538**	**$ 188,592,932**
Percentage City's equity in system	32.69%	39.49%	45.38%	45.14%	55.13%

(a) Bonds outstanding include principal and premium associated with the outstanding System revenue bonds and the general obligation debt issued by the City to fund improvements in the System. As a matter of policy and after making the required transfers to the Bond Fund for the benefit of the Bonds Similarly Secured and satisfying the other covenants and conditions contained in the ordinances authorizing the issuance of the Bonds Similarly Secured, available revenues of the System are applied to the City to provide debt service on the general obligation debt issued by the City to fund improvements in the System. Such self-supporting general obligation debt comprised a principal amount of $15,895,000 of the City's $660,951,234 in general obligation debt outstanding as of July 15, 2022.

TABLE 12 - MONTHLY ELECTRIC RATES

Electric rates in the City are approved by the Electric Utility Board and then set by an ordinance adopted by the City Council.

Approximately 54.1% of LP&L customers are billed under the Standard Residential rate schedule shown below with another 31.1% qualifying for a discounted winter residential rate by having whole house electric heating. Approximately 7.3% of LP&L customers are billed under the Small General Service rate schedule shown below. Other rate schedules are available for customers including School, Secondary General Service, Primary General Service, Municipal, Street Light, Church and Small Municipal/School.

Residential			
Service Availability Charge	$	8.07	per month

All kilowatt hours ("kWh") per month @ $0.03381 per kWh used.
All kWh per month @ $0.02921 per kWh used (Space Heating Discount Residential Rate).

Plus: Purchased/Power Cost Recovery Factor [(a)]

Small General Service			
Service Availability Charge	$	13.55	per month

All kWh per month @ $0.01987 per kWh used.

Plus: Purchased/Power Cost Recovery Factor [(a)]

[(a)] **Power Cost Recovery Factor -** The Power Cost Recovery Factor (PCRF), provides for the recovery of all purchased power costs incurred by LP&L in serving system demand and energy requirements. The PCRF shall be reviewed and may be adjusted by the Director of Electric Utilities at a minimum of two times per year, once during the non-summer season of October through May and once during the summer season of June through September. The PCRF will have a demand (PCRF-D) and energy (PCRF-E) component or rate. The PCRF rates shall be established with the intention of matching PCRF revenues with actual purchased power costs over the course of a fiscal year, giving consideration to seasonal fluctuations in load and in purchased power prices. The PCRF may be adjusted more frequently if any over or under recovery exceeds the maximum variance as defined below.

For a particular customer class, the PPRF-E shall be adjusted by the following voltage level factors:
Primary Voltage: 1.0409
Secondary Voltage: 1.06340

On a monthly basis, LP&L shall track actual revenues collected from the PCRF and compare these revenues to actual total power costs incurred. The cumulative balance representing the difference between total PCRF revenues collected less total power costs incurred over the period shall be reported to the LP&L Board on a monthly basis.

A PCRF balancing account will be established with a cap equal to five percent of total annual budgeted or forecasted power costs to manage the monthly over/under collection of, or differences in, the monthly PCRF revenues and monthly power costs. If at any time, the reported cumulative balance of the difference between total PCRF revenues collected and power costs is greater than the PCRF balancing account cap, an adjustment may be made to the PCRF rates with the intention of refunding the over recovery amount. In addition, if at any time the reported cumulative balance of the difference between total PCRF revenues collected and power costs is approaching or less than zero, an adjustment may be made to the PCRF rates with the intention of replenishing the PCRF stabilization fund.

All mid-season adjustments to the PCRF shall be approved by the Electric Utility Board.

Purchased Power Cost Recovery Factor Rev: 10/01/2020

TABLE 13 - CURRENT INVESTMENTS

As of May 31, 2022, 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	$ 6,404,744	$ 6,404,744	1.06%	$ 6,404,744	1.06%
Investments	305,110,000	305,665,521	50.44%	301,234,854	50.07%
Local Government Investment Pools[b]	271,842,896	271,842,896	44.86%	271,842,896	45.19%
Money Market Mutual Funds[c]	22,116,087	22,116,087	3.65%	22,116,087	3.68%
Total	**$ 605,473,727**	**$ 606,029,248**	**100.00%**	**$ 601,598,581**	**100.00%**

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[a] Market prices are obtained from Wells Fargo Brokerage. No funds are invested in mortgage backed securities. The City holds all investments to maturity which minimizes the risk of market price volatility.
[b] Local government investment pools consist of entities whose investment objectives are preservation and safety of principal, liquidity, and yield. The pools seek to maintain a $1.00 net asset value per share consistent with the applicable provisions of the PFIA.
[c] Money Market Funds are held at The Bank of New York Mellon Trust Company, N.A.

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APPENDIX B

EXCERPTS FROM CITY'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

March 2, 2022

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

We are pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Lubbock, Texas (City) for the fiscal year ended September 30, 2021. The purpose of the ACFR is to provide accurate and meaningful information concerning the City's financial condition and performance. In addition, independent auditors have verified that the City has fairly presented its financial position, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

The independent accountants' audit of the City's financial statements is part of a broader, federally mandated "Single Audit," which is designed to meet the special needs of federal granting agencies. These reports are available in the City's ACFR. The standards governing Single Audit engagements require the independent auditor to report on several facets of the City's financial processes and controls:

- fair presentation of the financial statements,
- internal controls over financial reporting and the administration of federal awards, and
- compliance with legal and grant requirements.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A. The City's MD&A is found immediately following the report of the independent auditors.

CITY OVERVIEW

Description of the City

The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1909 and first adopted its Home Rule Charter in 1917. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The Mayor is elected at-large for a two-year term ending in an even-numbered year. Each of the six members of the City Council is elected from a single-member district for a four-year term of office. City Council elections are held every two years, with elections for Council members in Districts 1, 3, and 5 being staggered with elections for Council members in Districts 2, 4, and 6. The City Manager is the chief administrative officer of the City.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by voluntary annexation, which occurs periodically as the City Council deems appropriate. The 2010 Census population for the City was 229,573; the estimated 2021 population is 265,531. The City covers approximately 136.7 square miles.[1] The organizational chart of the City is shown following the transmittal letter.

In accordance with generally accepted accounting principles and Codification of Governmental Accounting Standards, Section 2100, *"Defining the Financial Reporting Entity,"* these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's financial reporting entity because of the significance of their operational or financial relationship with the City. The criteria established by the GASB for determining the reporting entity includes financial accountability and whether the financial statements would be misleading if data were not included. The Lubbock Metropolitan Planning Organization is a blended component units. Discretely presented component units include Urban Renewal Agency (URA), Civic Lubbock, Inc., Market Lubbock Economic Development Corporation, dba Market Lubbock, Inc., Lubbock Economic Development Alliance, and the Vintage Township Public Facilities Corporation. Additional information on the component units is found in the footnotes.

[1] City of Lubbock GIS Department.

City Services

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

Public Safety: The Police Department serves and protects the public by responding to calls for service, conducting criminal investigations and enforcing laws governing public safety and order. The Public Safety Improvement Project kicked off in FY 2019 and continued into FY 2021. The three Patrol Division Stations were completed and opened in FY 2021, and construction began on a Police Headquarters facility that is scheduled to complete in the first quarter of 2023. In addition, the design for a Property and Evidence Warehouse is underway. As part of an effort to fill its officer vacancies, increase patrol effectiveness and reduce call response times, the Police Department Academy completed the training of 14 new police recruits in FY 2021. As of September 30, 2021, the Police Department was staffed with 426 sworn officers including the additional 14 police trainees. In FY 2021, the Police Department had 303,136 responses to primary and backup dispatched calls for service with an average response time to Priority 1 calls of 6 minutes, 4 seconds.

Lubbock Fire Rescue is dedicated to providing unparalleled emergency response and life safety services for the City. As of September 30, 2021, the Fire Department operated 19 fire stations, the Emergency Operations Center, and the Lubbock Fire Marshal Office. These facilities were staffed with 406 sworn firefighters and 33 civilians. Two additional civilian positions are authorized for FY 2021-22, bringing our total employee count to 441. Fire Station 20 Capital Improvement Project has been funded for FY 2021-22. In FY 2021, the Fire Department responded to 29,278 calls, an average of 80 calls per day.

Electric Utility*:* The City's municipally owned electric utility system, known as Lubbock Power & Light (LP&L), was established in 1916, and is at present the largest municipal electric system in the West Texas region and the third largest municipal system in the State of Texas. LP&L, South Plains Electric Cooperative, and Southwestern Public Service Company (SPS) provide electric service in the City of Lubbock. As of September 30, 2021, LP&L owns and maintains 108,557 meters, 41 substations, 4,526 total miles of primary and secondary distribution lines, and approximately 174 miles of transmission lines. The average daily electric consumption is roughly 7,050 MWh.

On November 2, 2004, Lubbock voters elected to amend the City Charter to provide for an Electric Utility Board (EUB), which governs, manages, and operates LP&L today. The City Council retains authority for appointment of board members, approval of the operating and capital budget, approval of rates for electric service, eminent domain, and approval of debt financing.

LP&L's current capacity and energy supply requirements are met through a series of power supply resources. These resources include: Blocks of Firm Liquidated Damages (LD) power to cover a majority of our load along with day-ahead or real-time energy purchases for any unhedged position; a 170MW partial requirements contract with SPS; a 90.1MW power purchase agreement between LP&L and Elk City II Wind, LLC; and 112 MW of dependable natural gas fired generation.

On September 24, 2015, LP&L announced its intent to join the Electric Reliability Council of Texas (ERCOT). Shortly after that announcement, on October 20, 2015, the EUB and the City Council both took formal action to authorize LP&L to seek interconnection of 470 MW of LP&L's load (Affected Load) with ERCOT. At that time, LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT (Unaffected Load). The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUC project to identify issues pertaining to LP&L's proposal to become part of ERCOT, cost-benefit studies, and a public interest determination. ERCOT's integration study determined that a configuration of transmission projects with three connection points between the ERCOT grid and the LP&L system—designated as Option 4ow—would present the lowest overall costs once capital costs and production cost effects were considered.

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

In March 2018, the PUC approved the integration of the Affected Load to the ERCOT system through an Order in PUC Docket No. 47576. LP&L then moved into the next phase of the ERCOT integration project, which was comprised of four CCN cases necessary to identify transmission line routes and substation locations necessary for the ERCOT integration. The last of the four CCN cases were approved by the PUC on March 12, 2020 which allowed for the completion of construction to integrate the Affected Load.

On May 30, 2021, LP&L completed the integration with ERCOT. Prior to that date, LP&L became owner and operator of three 345 kilovolt (kV) transmission lines, totaling 69 miles in length. Additionally, the assets associated with the integration include 81 miles of 115kV transmission lines; 20 miles of 69kV transmission lines; two 345/115kV switching stations (Dunbar and Posey); one 345/115kV substation (Yellow House Canyon); one 115/69kV switching station (Holly); three 115/69kV substations (McKenzie, Vicksburg, and Co-op); nine 115kV substations (Thompson, Chalker, Oliver, Southeast, Slaton, Wadsworth, Northeast, Northwest, and McDonald); and four 69kV substations (Erskine, Brandon, Red Raider, and McCullough).

LP&L's cost to fund the needed additional infrastructure were initially funded through short-term financing during the construction phase and were converted to Electric Light and Power System (EL&PS) Revenue Bonds, Series 2021, on August 10, 2021, as construction was complete. Additionally, capital projects currently included in LP&L's existing long-term capital improvement plan are related to reliability and will cover a portion of system improvements necessary prior to a final transition.

Debt service requirements for the transmission capital projects are being paid from a new transmission cost of service (TCOS) revenue stream that began upon entry into ERCOT. LP&L filed Docket No. 51100 on August 18, 2020 at the PUC to earn a rate of return on its transmission assets. These revenues (to be collected from all load serving entities in ERCOT) are set to recover transmission-related operating and maintenance expenses, depreciation and amortization expenses, and other expenses related to utility operations and the transmission functions.

On May 27, 2021, in anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement to terminate the Partial Requirements (PR) Agreement, which provides capacity for the remaining customers in SPP. LP&L and SPS identified May 31, 2023 as the estimate of the full ERCOT integration and resulting early termination of the PR Agreement. The impact of the early termination is the elimination of capacity charges in SPP beginning in June 2023. On an annualized basis, this represents an over $17 million yearly savings to the utility, largely because ERCOT is an energy-only market and there is no capacity requirement, and therefore no capacity costs after full integration into ERCOT, after all lagging transmission charges are paid in SPP.

On June 1, 2021, LP&L made a one-time payment totaling $24.0 million to SPS to indemnify SPS and its customers for LP&L's integration into ERCOT, which was required by PUC Docket No. 47576 upon integration to ERCOT. LP&L utilized the energy and capacity savings afforded by very low natural gas prices and the SPS Capacity Agreement and reserved $24.0 million from this savings prior to the end of

FY 2018-19. In addition to the SPS Hold Harmless Payment, the PUC ordered LP&L to pay $22 million per year for five years as a Wholesale Transmission Credit Rider. The credit rider mitigates the expected net impacts of LP&L's transition to ERCOT for customers in the ERCOT region. This amount will be netted against the TCOS revenues received from ERCOT.

Since August 2018, LP&L has been studying the feasibility of opting-in to retail customer choice. Presently, LP&L's budget and financial models anticipate that LP&L will opt-in to the ERCOT competitive retail electric market (Opt-In) by the fourth quarter of 2023, and will not operate as a Retail Electric Provider (REP). Any Opt-In assumption is contingent on both governing bodies of LP&L voting to Opt-In to competition, and such votes have not yet been taken.

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, 2021, the water system consisted of 92,849 meters and 1,901 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 12.58 billion gallons of water in FY 2020-21. The City's 5-year average per capita consumption for FY 2021 was 127 gallons per capita per day (gpcd). The peak capacity of the City's water supply and treatment was 74 million gallons per day, with an average utilization of 34 million gallons per day. The City's aggressive water conservation initiatives are instrumental in helping push back the need for additional water supplies even with a growing population.

The City currently receives its water from four different sources: Roberts County Well Field, Lake Meredith, Bailey County Well Field, and Lake Alan Henry. The Roberts County Well Field and Lake Meredith are owned by the Canadian River Municipal Water Authority (CRMWA). Lubbock is one of CRMWA's eleven member cities. The Bailey County Well Field and Lake Alan Henry are owned by the City.

The City obtained 7.34 billion gallons of its annual water supply from CRMWA in FY 2020-21. Currently, CRMWA is blending groundwater from the Ogallala Aquifer in Roberts County with surface water from Lake Meredith to help meet the needs of member cities. CRMWA owns 407,566 acres of ground water rights with an estimated 22 million acre-feet of water within those rights. CRMWA can deliver up to 65,000 acre-feet of water to its member cities each year from the Roberts County Well Field. They supply additional water from Lake Meredith, which is now at 35 percent capacity, throughout the year to increase peak capacity by 25 million gallons per day.

The Bailey County Well Field contains 175 active water wells with 83,305 acres of water rights, providing 2.38 billion gallons of the City's annual water supply in FY 2021. 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 3.03 billion gallons of the City's annual water supply in FY 2021. The lake is currently at greater than 90 percent capacity. The South Water Treatment Plant includes a 225 million gallon terminal storage reservoir and a high service pump station to transfer the treated water into the City's distribution system.

Wastewater Utility: The City provides wastewater collection and treatment within the city limits to residential, commercial, and industrial customers. The City also provides wholesale wastewater services to Reese Redevelopment Authority, TDCJ's Montford Prison Unit, Lubbock Cooper ISD Main Campus, and Texas Tech's East Campus – Petroleum Engineering Classroom. As of January 1, 2021, the collection system consisted of approximately 1,223 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 17.5 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 2021, 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 used approximately 9 percent of the treated wastewater and 45 percent was discharged into the North Fork of the Double Mountain Fork (North Fork) of the Brazos River. Currently, dewatered solids generated during the wastewater treatment process are disposed of at the City's regional solid waste landfill in Abernathy, Texas. In April 2018, the new Northwest Water Reclamation Plant (NWWRP) became operational. This new plant was constructed to handle the growing sewer demand in the northwest part of Lubbock. The NWWRP had an average utilization of 0.7 million gallons per day. The permitted capacity of the NWWRP is 3 million gallons per day. Stream quality effluent from this plant is discharged into the North Fork of the Brazos River. All solids generated at the NWWRP are sent to the SEWRP for processing.

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

The 2008 Wastewater Master Plan recommended several improvements to the collection system in order to meet population growth as well as aging infrastructure replacement needs. The South Lubbock Sanitary Sewer System Expansion Phase I, II and III are complete. Phase IV of this project is in progress. 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 was finalized in early 2020. This plan evaluates the existing collection system and provide a new master plan for meeting the City's expected development and growth. From the recommendation in the 2020 Wastewater Master Plan, the Downtown Sanitary Improvements Phase I and II design is nearing completion. This will add capacity and improvement to the sewer system in the downtown area.

Storm Water Utility: The City's storm water run-off is primarily conveyed through the City's street system that discharges into 162 playa lakes. The subsurface drainage, via storm sewer pipes with curb inlets and intake structures, conveys water to two small intermittent streams (Blackwater Draw and Yellowhouse Draw) which both converge at the upper reaches of the North Fork of the Double Mountain Fork of the Brazos River.

The City's Municipal Separate Storm Sewer System (MS4) is made up of approximately 1,267 miles of paved and unpaved streets, 636 linear miles of paved and unpaved alleys, 1,353 storm sewer inlets, 126 miles of subsurface storm sewer pipe, four detention basins, 162 playa lakes, and one pump station. Maintenance of all of the storm sewers, including street cleaning, is funded through storm water fees.

During FY20-21, 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 79,933 residential customers and 3,154 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. A multi-year project to renovate the terminal building is nearing completion. The Airport has two commercial service runways, 11,500 and 8,000 feet in length. Air traffic control services include a 24-hour Federal Aviation Administration control tower and a full range of instrument approaches. The Airport is served by three major passenger airlines and two major cargo airlines. It facilitates approximately 35 commercial flights per day.

Citibus provides public transportation for the City of Lubbock and is managed by RATP Dev USA. Transit services provided by Citibus include Fixed-Route, Access (paratransit), On-demand (micro transit), Charters and other additional special services. There are nine fixed-routes that traverse the City. Access is a curb-to-curb service for passengers in the community who are unable to utilize the regular fixed route service. The On-demand service is designed to supplement the fixed-routes to meet the needs of the citizens of Lubbock who need access to places outside of the fixed-route service area and hours. In addition to the above transportation services, Citibus provides fixed-route service to Texas Tech University and surrounding apartment complexes with 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.

Public Health and Social Services: In FY 2020-21, the primary focus of the City of Lubbock Health Department was the continued response to the COVID-19 pandemic. In January of 2021, with the emergency use authorization of the first two COVID-19 vaccines in the United States the health department opened a mass vaccination clinic at the Lubbock Memorial Civic Center. During the 5 months of operation, the department administered over 100,000 vaccines. After the closure of the vaccine hub the department dedicated resources to vaccinate individuals in hard to reach groups through community pop up clinics and a citywide vaccination campaign, #ItStartsWithUs. To support the cost of the vaccination hub and COVID-19 outreach work the health department obtained multiple grants from the Texas Department of State Health Services including $2,761,375 from the Department of State Health Services (DSHS) COVID –Cares Act fund, $1,500,000 from the DSHS Public Health Workforce Supplemental Fund and $500,000 from DSHS from the COVID-19 Health Disparity grant. These grants will support continued public health COVID-19 response including vaccine clinics, testing and surveillance. The remaining funds will be used to build and sustain the local public health workforce by funding new staff positions and providing training opportunities to existing staff through 2023.

The City of Lubbock has housing and community development programs implemented and administered through funding provided from the U.S. Department of Housing and Urban Development (HUD). The City received the following HUD grants: Community Development Block Grant (CDBG); HOME Investment Partnership Program (HOME); and the Emergency Solutions Grant (ESG). In FY 2020-21, the City of Lubbock rehabbed 33 homes with CDBG funding and North-East Lubbock Neighborhood Infrastructure Fund (NELNIF) for the Homeowner Minor Rehabilitation Program. The ESG Program assisted 951 homeless individuals with essential services and 162 were assisted with rapid re-housing.

The City received funding from the Texas Department of Housing and Community Affairs (THDCA) for the Comprehensive Energy Assistance Program (CEAP) and the Community Services Block Grant (CSBG). In FY 2020-21, funding from the CSBG self-sufficiency program provided 121 individuals with assistance for education and job training programs and continued providing emergency assistance for COVID relief to 386 households for rental assistance and 446 households with utility assistance. The CEAP program has provided utility assistance and emergency heating/cooling repairs to 4,099 households, which included funding from the 2021 program year grant and the CEAP-CARES fund awarded the previous year.

In-House Coronavirus Relief Services: The City continued running emergency programs in response to the Coronavirus pandemic with financial assistance for persons/ families who were financially impacted by COVID. Under the Coronavirus Aid, Relief and Economic Security Act (CARES), the City received funding from TDHCA for the Texas Emergency Rent Assistance Program (TERAP) and Eviction Diversion Program, whereupon a total of 258 persons and/or families received rent assistance, which included 134 eviction diversion cases. Additionally, the City received funding from the U.S. Department of Treasury for Emergency Rent Assistance programs. The City has assisted more than 3,000 households with rent and/or utility services and 84 homeowners with mortgage assistance.

Cultural and Recreation Activities: The City provides **c**ultural and recreation services through 4 libraries and 82 parks with 56 playgrounds. Other recreational facilities include 4 swimming pools, 49 tennis courts, 50 baseball and softball fields, 53 soccer fields, 44 basketball courts, 15 multi-sport courts, 3 disc golf courses, a cultural arts center, 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 1,276.8 miles of paved streets, 58.2 miles of unpaved streets, and 644.7 miles of paved and unpaved alleys.

In 2004, the City Council established the Gateway Streets Program. The program, funded with 40 percent of franchise fees collected by the City, opens areas of the City for development through thoroughfare construction. Additionally, the program seeks to increase capacity to reduce congestion and accommodate anticipated growth, rebuild existing roadways to current design standards, and construct new roadways through Arterial Roadway projects. 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 Lubbock.

Street improvement projects under design or construction include the following:

- The Upland Ave thoroughfare project has completed the roadway schematic for 66th to 114th St. along with the Environmental Assessment of the project. Currently the project is in the final design phase from 66th St. to 98thth St., with land acquisitions for additional Right of Way for the project underway.
- Indiana Avenue from 130th St. to 146th St. is currently under construction with completion anticipated in the second quarter of 2022.
- 114th St. from Quaker Avenue to Indiana Avenue has completed the design and environmental assessment. Construction of this section of thoroughfare is schedule to begin in the second quarter of 2022.

<u>Annual Budget Process</u>

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 2021, 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

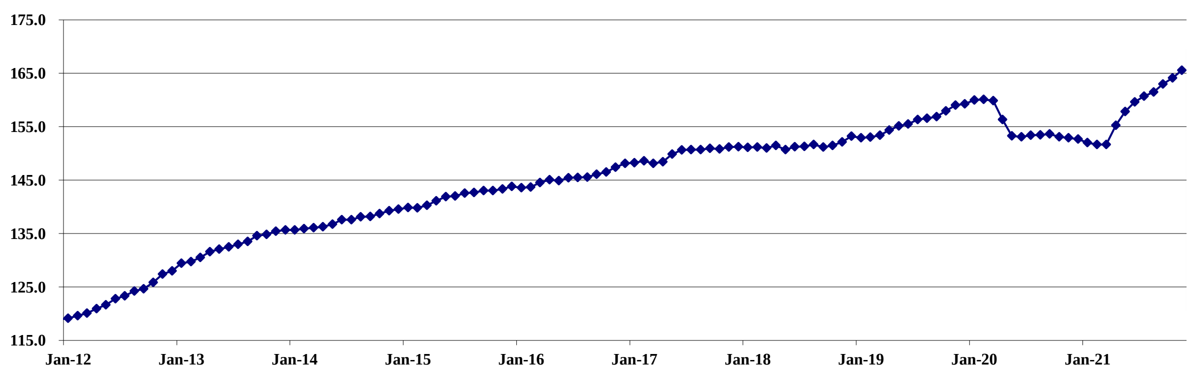
The information presented in the financial statements is best understood when it is considered within the context of the City’s economy. The following information is provided to highlight a broad range of economic forces that support the City’s operations.

<u>Local Economy</u>

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 4,900 workers. Our central location and access to transportation contributes to Lubbock's development as a regional warehousing and distribution center. Also due to its location, Lubbock serves as the major retail trade center for a 26-county retail trade area of more than half a million people.

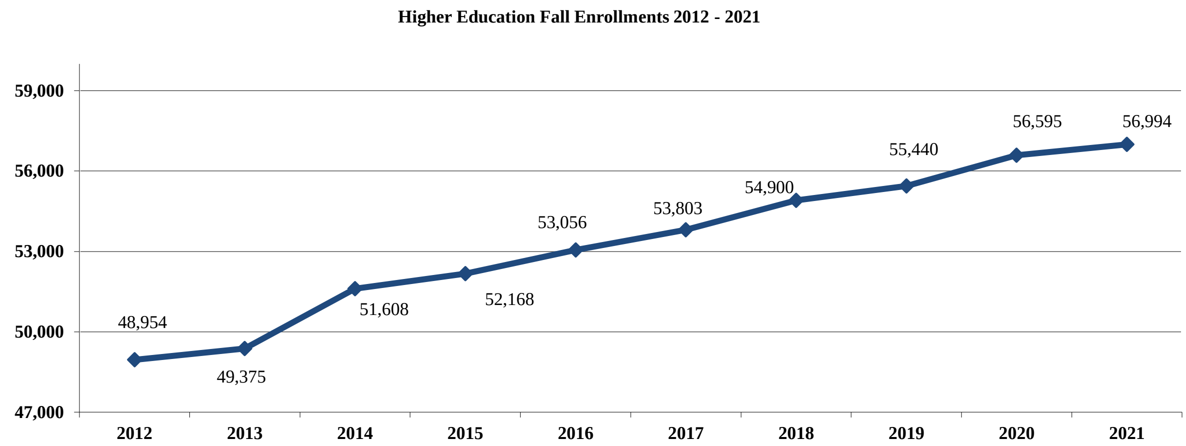
The Lubbock economic index (LEI) improved to a record 160.1 in February 2020, up from 153.0 in February 2019. The LEI began to decline in March 2020 dropping to 159.9 and bottoming out in March 2021 at 151.7. Starting in April 2021 the index started a rapid period of growth leading to a new record high of 165.6 in November 2021.[2] Much like most municipalities nation-wide, COVID-19 played a major role in the decline of the Lubbock economy due to its effects on tourism and employment. However, Lubbock serving as the major retail trade center for a 26-county retail trade area helped to counter the negative effects of COVID-19 in terms of sales tax collections. Residential construction also bolstered the local community by increasing single-family residential permits 33.8 percent through October 2021 compared to the prior year.

Lubbock Economic Index



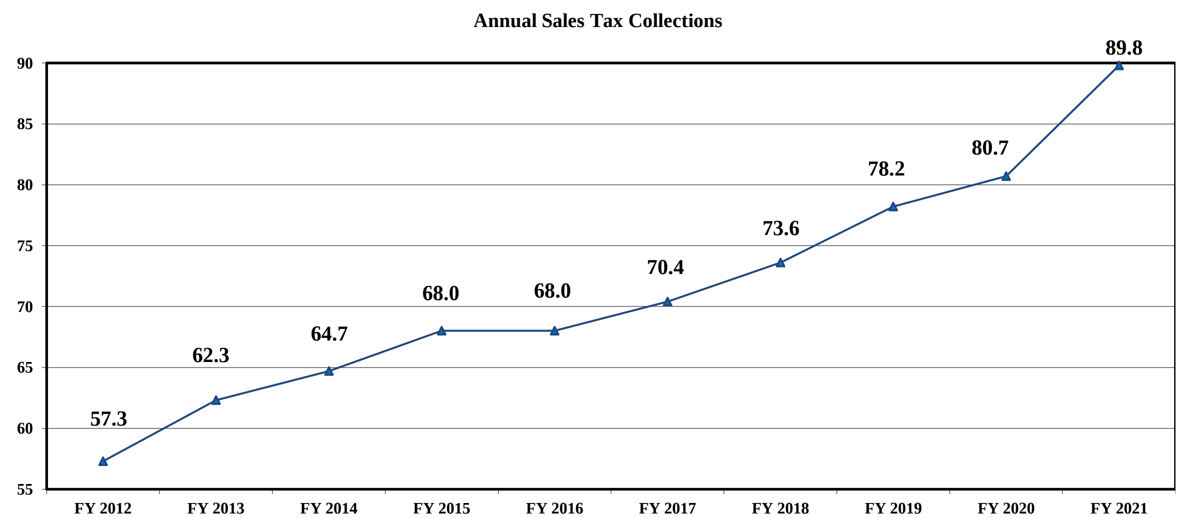
Lubbock is home to three universities and one community college: Texas Tech University; Lubbock Christian University; Wayland Baptist University – Lubbock Center; and South Plains College. Fall 2021 enrollment for all higher education institutions in Lubbock was 56,994, an increase of 0.7 percent from fall 2020 enrollment of 56,595. The increase was due to enrollment increases at Texas Tech University, Texas Tech University Health Science Center, and South Plains College, offset slight by a decrease experienced at Wayland Baptist University and Lubbock Christian University. Texas Tech has again attained a record enrollment for the thirteenth consecutive year with over 40,600 students for Fall 2021. 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.

[2] Ingham Economic Reporting, November 2021, Lubbock Economic Index and Consumer Price Index, Amarillo, Texas: Karr Ingham



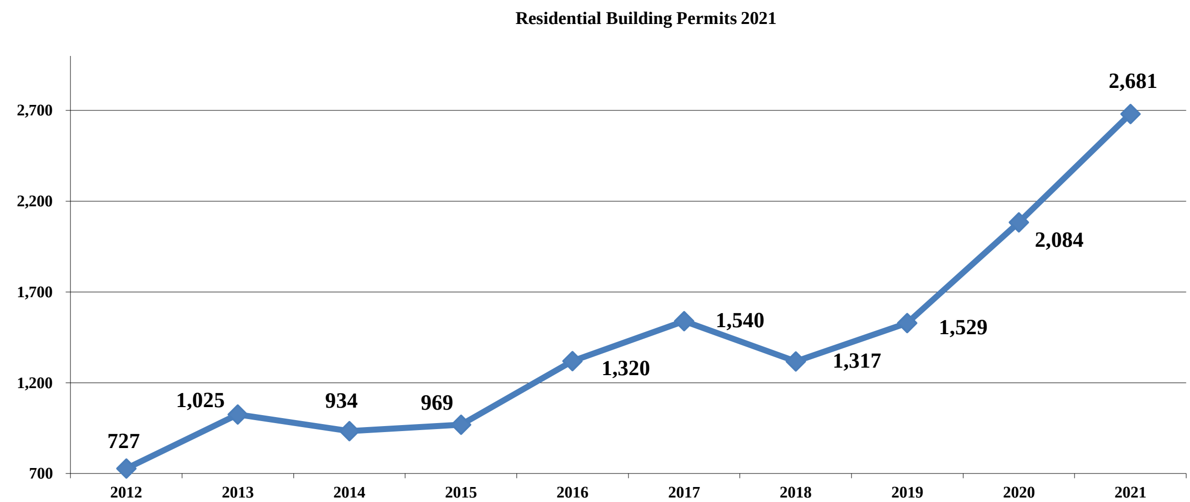
The health care and social assistance sector is also a vital component of the Lubbock economy, with 26,097 employees and payroll exceeding $1.4 billion.[3] Lubbock is home to several medical facilities including University Medical Center, Covenant Medical Center, The Lubbock Heart Hospital, and Grace Medical Center. The Texas Tech University Health Sciences Center also provides health care, as well as training and research opportunities for health care professionals.

Sales Tax Collections: Sales tax collections in FY 2021 totaled $89.8 million, 11.3 percent higher than collections through the same period in FY 2020.

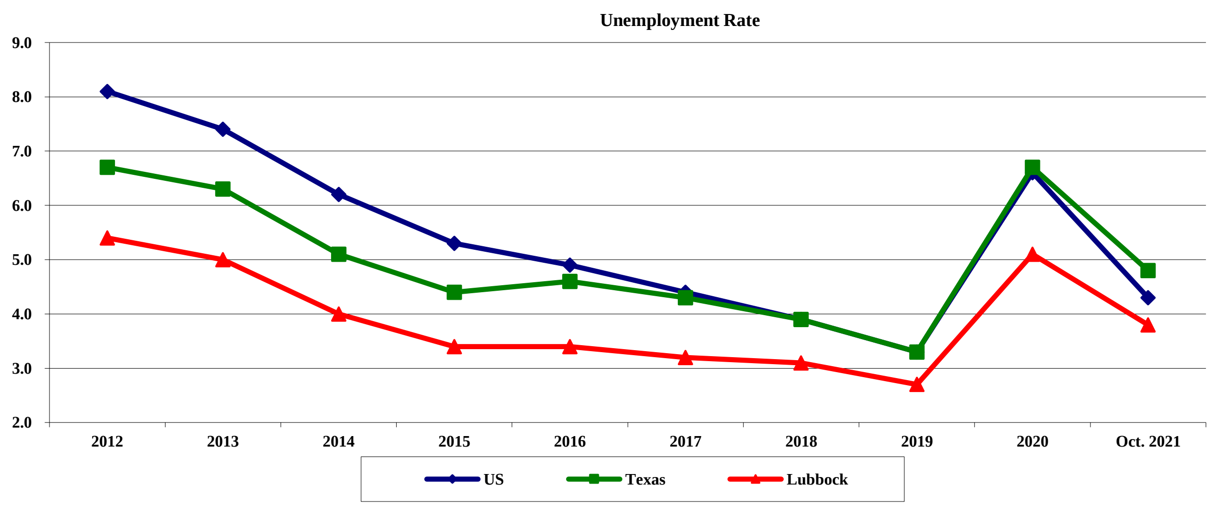


[3] Texas Labor Market Information, *Quarterly Census of Employment and Wages (QCEW) Report, retrieved from texaslmi.com/LMIbyCaterogry/QCEW.*

***Building Permits**:* Construction activity has expanded significantly in recent years, setting records for new residential permits in 2017, 2019, 2020, and 2021. New construction permits issued increased 21.7 percent through 2021. Similarly, new residential permits rose 28.6 percent in 2021 compared to the prior year.[4] The preliminary average home sales price in December 2021 was $252,857, an increase of 7.4 percent over December 2020.[5]



Employment: The total non-agricultural employment estimate for October 2021 was 152,000, an increase of 3.5 percent over the revised October 2020 estimate. The unemployment rate for the Lubbock Metropolitan Statistical Area (MSA) in October 2021 was 3.8 percent, a decrease of 2.1 percent, largely attributed to Lubbock's rebounding from effects of the COVID-19 pandemic. Historically, Lubbock has had a low rate of unemployment that is well below the national and state unemployment rates.[6]



[4] City of Lubbock Building Inspection Department, December 2020 and December 2021 *Building Inspection Statistical Report.*

[5] Texas A&M University Real Estate Center, *Lubbock MLS Housing Activity Report (December 2021)*, retrieved from http://recenter.tamu.edu/data/datahs.html (Figures are preliminary and will be updated as information becomes available.)

[6] Texas Workforce Commission, *MSA Employment and Unemployment Data*, October 2021. (Current year numbers are the average through October 2020 and are updated as data becomes available.)

ECONOMIC DEVELOPMENT

In 1995, the City Council created Market Lubbock, Inc. (MLI), a non-profit corporation to oversee economic development for the City. MLI is funded with 2.2468 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 2021 were $11 million.

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

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

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that will assist in funding the public infrastructure necessary to develop the Park. According to the latest Project and Finance Plan for the Lubbock Business Park Tax Increment Financing Reinvestment Zone (LBP Zone), there are planned expenditures of approximately $45.2 million for public infrastructure improvements, which will result in an increase in taxable value of approximately $208.2 million over the LBP Zone's 30-year life. The 2021 appraised value of the LBP Zone is $64.9 million with a net taxable value of $64.5 million, which is a $64.5 million increase over the 2009 base year value.

Overton Park: Overton Park, a former blighted area called North Overton, is a 300-acre revitalization project adjacent to the downtown area of Lubbock. Projects that have been constructed in Overton Park since the beginning of the redevelopment include eleven student-oriented apartment complexes, The Centre, an apartment complex built over upscale retail, City Bank, Wal-Mart, The Overton Hotel and Conference Center, Racer Car Wash, condominiums, and many small specialty restaurants and retail establishments.

The City of Lubbock, Lubbock County, Lubbock Hospital District, and High Plains Underground Water District are participating in this public/private project with the creation of a Tax Increment Financing Reinvestment Zone that has funded the replacement of the 80-year old infrastructure. According to the Project and Finance Plan for the North Overton Tax Increment Financing Reinvestment Zone (Overton Zone), there were planned expenditures of $62.3 million for Phase 1 and 2, not including interest on debt for the replacement and upgrade of public improvements including roads, water, sewer, relocation underground of the electric infrastructure, lighting, and landscaping in the parkway. Based on current estimates, these improvements will result in an increase of taxable value of approximately $520 million over the Overton Zone's 30-year life. The 2021 appraised value of the Overton Zone is $528.4 million, which is a $501.4 million increase over the 2002 base year value.

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

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

The past several years have brought a slight increase of single-family residential development and affordable rental units in this area by nonprofit organizations and private developers in addition to rehabilitation of existing homes to provide a safe and sanitary living environment. The funding in the North and East Lubbock Neighborhood and Infrastructure Fund in FY 2021 was used for rehabilitation of owner occupied homes in North and East Lubbock. In FY 2021, twenty 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 2021 appraised value of the CBD Zone is $249.7 million, a $143.8 million increase over the 2001 base year value.

FINANCIAL INFORMATION

Long-term financial planning

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual comprehensive financial report for the fiscal year ended September 30, 2020. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report in which contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. The City of Lubbock has received this award for sixteen consecutive years.

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

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

Respectfully submitted,

W. Jarrett Atkinson
City Manager

D. Blu Kostelich
Chief Financial Officer

Linda Cuellar, CPA
Director of Accounting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lubbock
Texas

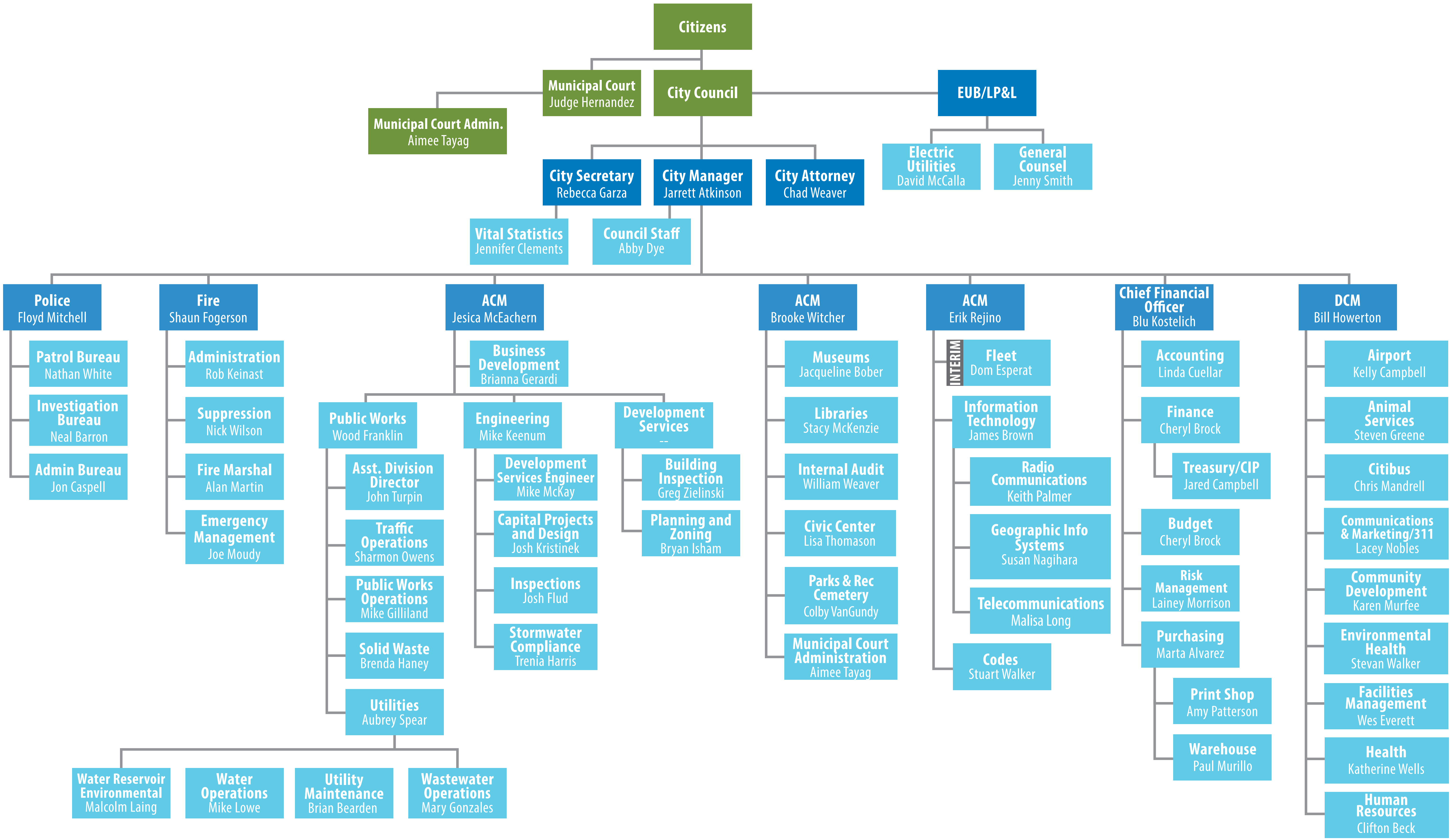
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morrill

Executive Director/CEO

Organizational Chart



City of
Lubbock
TEXAS

Independent Auditor's Report

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

Report on the 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, 2021, 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 94 percent, 99 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 was 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.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

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, 2021 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.

Emphasis of Matter

As discussed in Note I-J to the basic financial statements, during the year ended September 30, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Beginning net position in the custodial fund has been restated as a result of the implementation of this standard. Our opinions are not modified with respect to this matter.

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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2022 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
March 2, 2022

City of Lubbock
TEXAS

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, 2021.

Readers of the financial statements are encouraged to consider the information included in the transmittal letter and in the other sections of the Annual Comprehensive Financial Report (ACFR) such as the combining statements and the statistical section in conjunction with the MD&A.

Financial Highlights

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The City's total government-wide assets and deferred outflows exceeded its liabilities and deferred inflows at September 30, 2021 by $1.2 billion (net position).
- The City's total net position increased by $108.8 million resulting from operations during the fiscal year.
- The ending unassigned fund balance for the General Fund was $87.8 million, or 37.0 percent of total General Fund revenues, an increase of $16.3 million from the prior year.
- The City's governmental funds reported combined ending fund balances of $229.6 million, of which $87.8 million is available for spending at the City's discretion.
- The City's enterprise funds reported combined ending net position of $1.1 billion, of which $80.0 million is available for spending at the City's discretion.
- During FY 2021, the City issued $408.5 million in bonded debt. Part of this was used to refund debt, which decreased debt service requirements by $7.3 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 ACFR contains other supplementary information in addition to the BFS.

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

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

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

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include administrative services as well as general government, community services, cultural and recreation, economic and business development, fire, health, police, other public safety, 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. 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 six 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.; Vintage Township Public Facilities Corporation; 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 ACFR following the Required Supplementary Information (RSI) and Other Supplementary Information (OSI). All funds of the City can be divided into two categories: *governmental funds* and *proprietary funds.*

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

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

The City maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Governmental Capital Projects Fund, and Debt Service Fund which are considered to be major funds. The governmental FFS can be found on pages 44-47 of the ACFR. Data for the other 29 governmental funds are combined into a single, aggregated presentation.

The City adopts a budget annually for the General Fund and most other funds. In the RSI section, budgetary comparison schedules for the General Fund and Debt Service Fund have been provided to demonstrate compliance with the budget.

Proprietary FFS: The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses enterprise funds to account for LP&L, water/wastewater, storm water, transit, airport, civic centers, cemetery, and Lake Alan Henry Recreation activities, of which the first three activities are considered to be major funds by the City and are presented separately. The latter five activities are considered non-major funds and are combined into a single aggregated presentation.

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

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

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 62-114 of the ACFR.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI including the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions for the City's pension plans, and the Schedule of Changes in Total OPEB Liability and Related Ratios. The General Fund and Debt Service budgetary comparisons demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 115-122 of the ACFR.

Combining Fund Statements and Schedules are included after the RSI. This includes Nonmajor Funds and Nonmajor Discretely Presented Component Units. Certain special revenue funds are presented in this section, demonstrating compliance at the legal level of budgetary control.

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by $1.2 billion (*net position*) at the close of the fiscal year, compared to assets and deferred outflows exceeding liabilities and deferred inflows by $1.1 billion (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by $108.8 million during the period.

City of Lubbock Net Position
September 30
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 325,163	$ 272,115	$ 422,929	$ 457,547	$ 748,092	$ 729,662
Capital assets	540,191	514,196	1,936,622	1,737,328	2,476,813	2,251,524
Total assets	865,354	786,311	2,359,551	2,194,875	3,224,905	2,981,186
Total deferred outflows of resources	49,681	35,645	17,561	15,771	67,242	51,416
Current liabilities	115,531	82,690	145,906	255,118	261,437	337,808
Noncurrent liabilities	619,487	614,958	1,137,804	916,840	1,757,291	1,531,798
Total liabilities	735,018	697,648	1,283,710	1,171,958	2,018,728	1,869,606
Total deferred inflows of resources	36,840	35,280	11,978	11,941	48,818	47,221
Net position:						
Net investment in capital assets	253,191	221,288	931,616	870,350	1,184,807	1,091,638
Restricted	27,909	27,866	74,355	63,638	102,264	91,504
Unrestricted	(137,923)	(160,126)	75,453	92,759	(62,470)	(67,367)
Total net position	$ 143,177	$ 89,028	$ 1,081,424	$ 1,026,747	$ 1,224,601	$ 1,115,775

Approximately 96.8 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 $102.2 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 increased by $4.9 million from FY 2020.

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

	Governmental Activities		Business-type Activities		Totals	
Revenues:	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Program Revenues:						
Charges for services	$ 39,608	$ 35,354	$ 447,055	$ 387,343	$ 486,663	$ 422,697
Operating grants and contributions	22,250	22,554	12,773	10,845	35,023	33,399
Capital grants and contributions	13,601	17,388	33,073	26,341	46,674	43,729
General Revenues:						
Property taxes	105,517	103,521	-	-	105,517	103,521
Sales taxes	90,000	80,704	-	-	90,000	80,704
Other taxes	9,256	7,402	-	-	9,256	7,402
Franchise fees	29,733	26,326	-	-	29,733	26,326
Investment earnings	1,080	4,818	3,239	9,953	4,319	14,771
Other	19,782	16,874	1,312	575	21,094	17,449
Total revenues	330,827	314,941	497,452	435,057	828,279	749,998
Expenses:						
Administrative services/general govt.	21,533	18,499	-	-	21,533	18,499
Community services	9,316	7,099	-	-	9,316	7,099
Cultural and recreation	17,904	18,630	-	-	17,904	18,630
Economic and business development	20,025	18,535	-	-	20,025	18,535
Fire	60,501	47,665	-	-	60,501	47,665
Health	10,625	7,120	-	-	10,625	7,120
Police	69,070	76,434	-	-	69,070	76,434
Other public safety	16,239	21,923	-	-	16,239	21,923
Streets and traffic	31,273	32,943	-	-	31,273	32,943
Solid Waste	18,801	19,575	-	-	18,801	19,575
Interest on long-term debt	8,476	10,570	-	-	8,476	10,570
Electric	-	-	266,510	199,683	266,510	199,683
Water/Wastewater	-	-	113,325	111,443	113,325	111,443
Storm Water	-	-	13,771	14,368	13,771	14,368
Transit	-	-	13,530	13,636	13,530	13,636
Airport	-	-	24,394	17,823	24,394	17,823
Civic Centers	-	-	3,073	3,886	3,073	3,886
Cemetery	-	-	550	623	550	623
Lake Alan Henry	-	-	537	535	537	535
Total expenses	283,763	278,993	435,690	361,997	719,453	640,990
Change in net position before transfers	47,064	35,948	61,762	73,060	108,826	109,008
Transfers	7,085	6,335	(7,085)	(6,335)	-	-
Change in net position	54,149	42,283	54,677	66,725	108,826	109,008
Net position - beginning of year	89,028	46,745	1,026,747	960,022	1,115,775	1,006,767
Net position - end of year	$ 143,177	$ 89,028	$ 1,081,424	$ 1,026,747	$ 1,224,601	$ 1,115,775

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

Governmental activities: The City's governmental activities experienced an increase in net position of $54.1 million, compared to an increase of $42.3 million during the prior fiscal year. Key elements of the operational increase compared to prior year include:

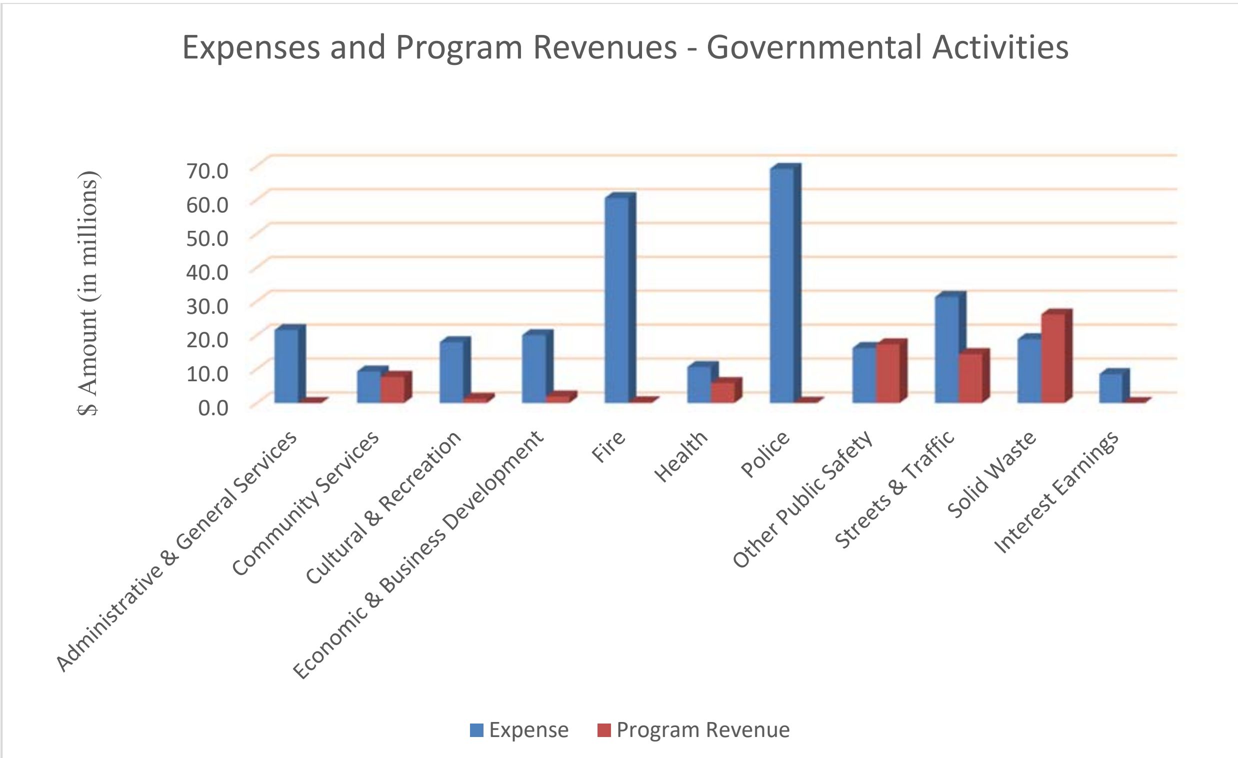
- Revenues increased $15.9 million, from $314.9 million in FY 2020 to $330.8 million in FY 2021.
  - The City experienced a $163 thousand increase in total program revenues from FY 2020 to FY 2021. Charges for services increased $4.3 million from FY 2020 to FY 2021 and operating grants and contributions decreased $304 thousand. Capital grants and contributions decreased $3.8 million from FY 2020 to FY 2021. The City received $5.4 million less in other public safety grants than in FY 2020, and $4.9 million more in health and community services grants in FY 2021. Fewer capital contributions decreased revenues by $3.8 million, and street and other capital grants increased by $0.1 million from the previous year. Charges for services increased due to Solid Waste fees increasing by $2.0 million, Municipal Court fines and Engineering fees increasing by $0.8 million in FY 2021 and cultural and recreation revenues also increasing by $0.4 million.
  - Property tax revenue increased from $103.5 million in FY 2020 to $105.5 million in FY 2021. The property tax rate decreased from $0.55802 per $100 of assessed value in 2020 to $0.52323 per 100 of assessed value in 2021. Taxable assessed values increased from $18.7 billion in 2020 to $20.9 billion in 2021, as real property valuations continued to climb.
  - Sales tax revenue increased from $80.7 million in FY 2020 to $90.0 million in FY 2021. Since FY 2012, Lubbock had experienced a steady increase in sales tax revenue averaging an annual increase of 5.2 percent. In FY 2021, Lubbock experienced a 11.5 percent increase in sales tax.
  - Investment earnings decreased from $4.8 million in FY 2020 to $1.1 million in FY 2021. The decrease is due to a lower rate environment in FY 2021.

- Total expenses increased $4.8 million, from $279.0 million to $283.8 million in FY 2021.
  - Fire department expenses increased $12.8 million from $47.7 million in FY 2020 to $60.5 million in FY 2021. COVID-19 relief grants paid for a portion of FY 2020 employee compensation so expenses increased by $10.8 million. In addition, the GASB 68 pension expense of the fire department increased by $2.0 million in FY 2021.
  - Health expenses increased from $7.1 million in FY 2020 to $10.6 million in FY 2021. The expense increase is due to the CARES Act funding to provide aid in response to the COVID-19 pandemic.
  - Police department expenses decreased $7.3 million to $69.1 million in FY 2021. The GASB 68 pension expense for the police department decreased by $3.2 million in FY 2021. The salary and benefit cost also decreased by $3.1 due to retirements of tenured officers, vacancies, and canceled events that usually had police presence while charges for internal services decreased by $1.0 million.
  - Other public safety grant expense decreased $5.7 million to $16.2 million in FY 2021. In FY 2020, employee compensation was paid through the CARES Act funding to provide relief but in FY 2021 departments paid employee compensation.
  - Economic and business development increased by $1.5 million to $20.0 million in FY 2021. Hotel occupancy tax allocations increased $1.3 million while Economic Development Incentive expenses increased $0.2 million.

- Transfers from business-type activities during FY 2021 increased governmental activities' net position by $7.1 million. During the prior fiscal year, the transfers increased governmental activities' net position by $6.3 million. Transfers from Transit to the General Fund decreased by $1.6 million in FY 2021 while transfers from Water/Wastewater increased $0.1 million. Transfers from Storm Water to the General Fund decreased by $0.2 million in FY 2021.

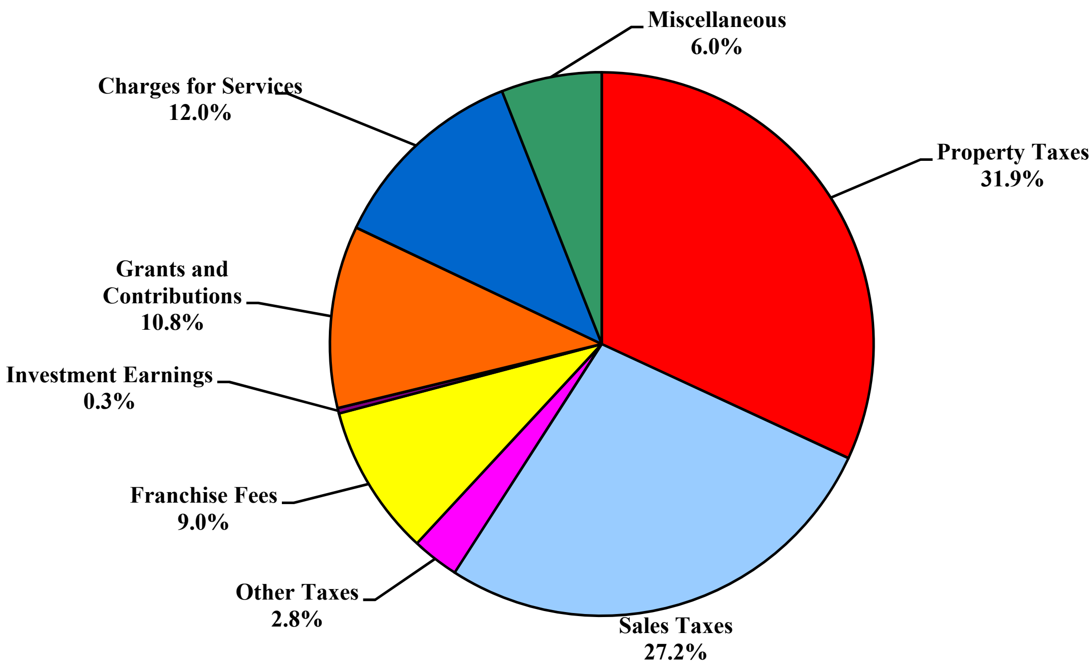
- Net transfers from business-type activities included indirect cost payments of operations for centralized services such as payroll and purchasing to governmental activities.

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



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

Revenues by Source - Governmental Activities



Business-type activities: Revenues from the City's business-type activities totaled $497.4 million, compared to $435.1 million in FY 2020, an increase of $62.4 million. Key elements of the revenue increase from operations include:

- Charges for services for business-type activities totaled $447.1 million in FY 2021, an increase of $59.7 million from the prior year.
  - Electric operations, which is Lubbock Power & Light (LP&L), totaled $273.8 million in FY 2021, an increase of $60.8 million. The increase in general consumers' metered revenue of $53.1 million was related to higher energy prices in FY 2021 combined with below-cost rates in FY 2020 used to return a portion of past Power Cost Recovery Factor (PCRF) over-recoveries to LP&L customers. Additionally, LP&L added a new revenue line item for Transmission Cost of Service Revenues (TCOS) that resulted in $5.5 million of the total increase of FY 2020 due to the ERCOT integration. Fees and charges increased $2.8 million due to the reimplementation of disconnect, reconnect, and late fees. During the height of the pandemic, all fees were discontinued. These increases are slightly offset by a lower level of recoveries in the allowance for uncollectable accounts that led to an increase in bad debt expense for FY 2021.
  - Water/Wastewater operations totaled $134.8 million in FY 2021, a decrease of $1.6 million. Average daily water usage was 34.5 million gallons for FY 2021, down from 35.3 million gallons in FY 2020. Water charges for services decreased from $88.1 million in FY 2020 to $86.9 million in FY 2020 in part due to a wetter year. Wastewater charges for services increased slightly from $48.3 million in FY 2020 to $48.8 million in FY 2021.

   - Storm Water operations totaled $22.4 million, an increase of $0.2 million. The increase is in line with the one percent forecasted increase in residential and commercial usage.

- Operating grants, capital grants and contributions produced $45.8 million in revenue for business-type activities during FY 2021, an increase of $8.7 million from the prior year. The increase is related to Airport capital grants and contributions, which increased from $7.9 million in FY 2020 to $11.8 million in FY 2021. Airport operating grants and contributions were also up $4.1 million to $6.7 million in FY 2021. Transit operating grants and contributions decreased $2.2 million in FY 2021 to $6.1 million while Water/Wastewater capital grants and contributions increased $2.2. Electric capital grants and contributions also increased from $0.6 million in FY 2020 to $1.3 million in FY 2021.

Expenses for business-type activities were $435.7 million in FY 2021, an increase of $73.7 million.

- Electric expenses were $266.5 million, an increase of $66.8 million from the prior year. The primary expenses contributing to the increase is the cost of purchased fuel and power, which increased $58.8 million from FY 2020. Additionally, depreciation and amortization expense increased $2.0 million in FY 2021 as a result of new assets being added. Other services and charges also increased $3.1 million in FY 2021 due to increases in professional services.

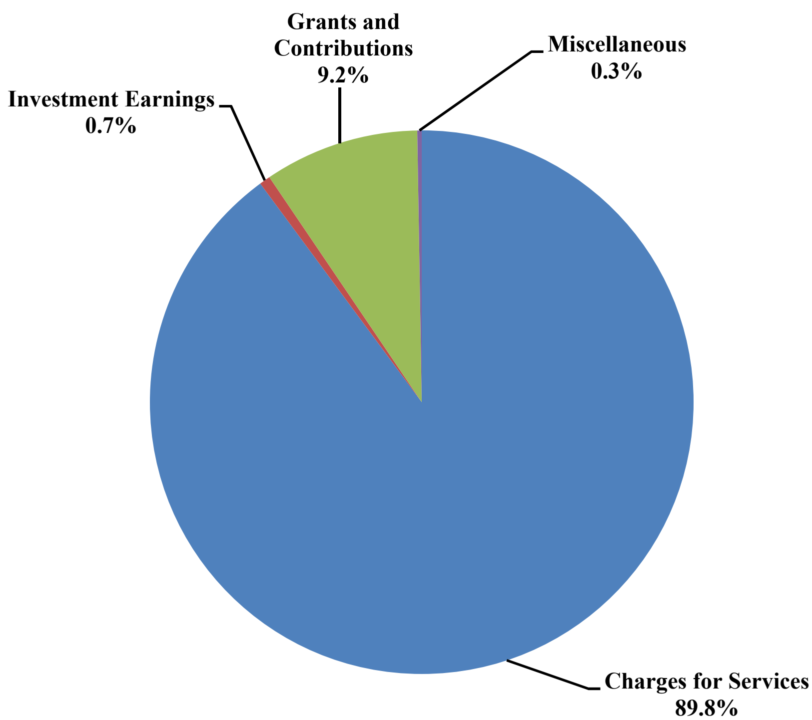
- Expenses in the Water/Wastewater Fund were $113.3 million in FY 2021, up $1.9 million from FY 2021. Water other services and charges increased by $5.6 million in FY 2021 while Water interest expense went down $2.5 million from the prior year. Water personnel expense was $8.8 million in FY 2021 and $9.5 in FY 2020 and Water deprecation increased $1.0 million to $19.9 million in FY 2021. Wastewater other services and charges increased by $0.5 million in FY 2021 while Wastewater interest expense decreased from $8.9 million in FY 2020 to $6.9 million in FY 2021.

- Expenses in the Storm Water Fund were $13.8 million in FY 2021, a decrease of $0.5 million from the prior year. Other services and charges cost decreased by $0.1 million in FY 2021 to $3.7 million. Interest expense decreased $0.4 million in FY 2021 to $2.4 million from FY 2020 while Storm Water billing office expense and supplies had a slight decrease in FY 2021.

- Expenses for Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry were $42.1 million, a $5.6 million increase from FY 2020. Transit Fund expenses decreased by $0.1 million in FY 2021 to $13.5 million. Transit personnel services decreased by $0.3 million in FY 2021, supplies decreased by $0.1 million, and maintenance decreased by $0.1 million as well. Transit depreciation expense increased by $0.2 million and other services and charges increased by $0.2 million in FY 2021. Airport expenses increased by $6.6 million in FY 2021 to $24.4 million. Airport other services and charges increased by $6.3 million and depreciation expense increased by $1.0 million in FY 2021. Airport personnel services decreased by $0.6 million and interest expense decreased by $0.1million in FY 2021. Civic Centers expenses decreased by $0.8 million in FY 2021 and Cemetery expenses decreased slightly while Lake Alan Henry expenses increased marginally in FY 2021. Civic Center personnel services and maintenance expenses decreased by $0.4 million each and depreciation and amortization expenses increased slightly. Cemetery personnel services decreased a bit while Lake Alan Henry maintenance expenses increased slightly.

The following graph reflects the revenue sources generated by the business-type activities. As noted earlier, the activities include LP&L (Electric), Water, Wastewater, Storm Water, Transit, Airport, Civic Centers, Cemetery, and Lake Alan Henry.

Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

***Governmental funds*:** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The General Fund is the chief operating fund of the City.

The GASB has defined five types of fund balances, which, are more fully described in the notes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of $229.6 million, compared to $206.7 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 2021, the General Fund had $87.8 million unassigned fund balance compared to $71.6 million unassigned fund balance in FY 2020. This is 38.3 percent of the ending governmental fund balance, compared to 34.6 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 37.0 percent of total General Fund revenues compared to 32.7 percent of total General Fund revenue in the prior year. Total fund balance represented 37.1 percent of total General Fund revenues compared to 34.3 percent of total General Fund revenue in the prior year.

The Governmental Capital Project Fund had a increase in fund balance of $11.8 million in FY 2021. Long-term debt of $30.4 million was issued in FY 2021 and $2.3 million in FY 2020 to fund projects going forward. The new debt amount is what caused the increase in fund balance.

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, 2021 and 2020 are as follows with amounts presented in thousands:

	2021	2020
LP&L	$ 30,060	$ 39,065
Water/Wastewater	25,172	31,294
Storm Water	8,552	6,046
	$ 63,784	$ 76,405

The LP&L Fund unrestricted net position decreased by $9.0 million, compared to a decrease of $4.5 million in the prior year. FY 2021 net position before contributions and transfers of $7.7 million was $9.7 million lower than in FY 2020. FY 2021 income before transfers, totaling $8.0 million, was $9.5 million lower than FY 2020 income due to the $4.9 million increase in other expenses, mainly related to the increase in PILOT and FFE, and residual equity transfers. The $2.7 million decrease in interest earnings and the $60.8 million increase in program revenues offset by the $62.9 million increase in program expenses contributed to the decrease. FY 2021 net transfers-out, totaling $0.1 million, was $0.4 million lower than the FY 2020 net transfers out due to the increase in the indirect costs allocation.

The Water/Wastewater Fund unrestricted net position decreased by $6.1 million compared to a decrease of $6.5 million in the prior year. Revenues decreased by $1.6 million in FY 2021 due to a decrease in average daily water consumption from 35.3 million gallons in FY 2020 to 34.5 million gallons in FY 2021. An increase in other services and charges was mainly due to completed capital projects. As a result, other services and charges increased from $31.5 million in FY 2020 to $37.6 million in FY 2021. Water/Wastewater interest earnings decreased $2.9 million from $5.4 million in FY 2020 to $2.5 million in FY 2021. Interest expense was $19.2 million in FY 20 and $14.7 million in FY 2021.

The Storm Water Fund unrestricted net position increased by $2.5 million compared to a $0.9 million increase in the prior fiscal year. FY 2021 net position before contributions and transfers of $8.8 million was a slight increase than in FY 2020. Transfer out decreased by $2.0 million to $3.4 million in FY 2021. Capital contributions increased marginally in FY 2021, and the increase is due to the addition of drainage easements.

General Fund Budgetary Highlights

The adopted operating revenue budget for the General Fund, including transfers, totaled $230.8 million.

The final adopted budget revenue for FY 2021, including transfers in, totaled $232.7 million. Two budget amendments affected General Fund revenue. The first increased General Fund cash by $1.6 million due to an ordinance increasing franchise fee revenue. The other amendment increased General Fund revenue by $317,082 by increasing PILOT revenue from LP&L. Actual revenue was $244.6 million. Revenue and transfers into the General Fund exceeded budget by $11.9 million. The City's sales tax was $7.7 million over budget and property taxes were $0.7 million over budget. Public Works increased revenue by $2.8 million largely due to increase in fees associated with Solid Waste operations. Solid Waste tipping fees increased for both regular trash and special trash. License and permits revenue were $1.2 million over budget while cultural/recreational and telecom right of way revenues were under budget by $0.3 million and $0.2 million respectively. Development services, general government, and city secretary revenues were each over budget by $0.1 million while fines and forfeitures revenue was under budget $0.3 million.

The original operating expenditure budget for the General Fund, including transfers out, totaled $230.8 million. An amendment was passed to carry forward balances not used in FY 2020 in the amount of $494,446 for City elections postponed due to the pandemic, the purchase of a self contained breathing apparatus for the Fire Department, and three cubic yard trash containers for Solid Waste Residential Collections. Four budget amendments were made throughout the year to increase the transfer to General Fund Capital by $2.2 million. The General Fund operating budget increased funding to Gateway by $634,164 as well as increasing the transfer to Fleet by $3.2 million. In addition, Police Administration reduced its budget for professional services by $25,000, Fire Suppression reduced its budget by $1,750 for capital outlay, and Parks Maintenance reduced its custodial budget by $98,000. Facilities Management increased their budget by $2.9 million due to repairs needed at the Utilities Customer Service Center. The final General Fund expenditure budget totaled $240.0 million.

The City ended the fiscal year with expenditures and transfers out totaling $232.7 million, $7.3 million less than budgeted. Police expenditures were under budget by $6.1 million primarily because compensation and benefit amounts were budgeted for a full staff and many vacancies occurred over the last year. Cultural and Recreation was $1.4 million below budget. The COVID-19 pandemic cancelled many activities this year, which caused less expenditures for Cultural Arts overall. Facilities Management was $1.4 million below budget as furniture for the utilities customer service area was not ordered due to repair delays. Fire was $0.9 million over budget due to overtime compensation paid while working COVID–19 clinics. The transfer to the Gateway fund was $0.7 million over budget due to LP&L franchise fees and PILOT coming in above 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, 2021 totaled $2.48 billion, a $225.3 million increase over the prior fiscal year's balance of $2.25 billion. The investment in capital assets includes land, buildings and improvements, equipment, construction in progress, and infrastructure.

City of Lubbock, Texas
Management's Discussion and Analysis
For the Year Ended September 30, 2021

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

	Governmental Activities		Business-type Activities		Totals	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Land	$ 40,118	$ 37,827	$ 76,739	$ 70,045	$ 116,857	$ 107,872
Electric non-depreciable	-	-	46,808	20,091	46,808	20,091
Buildings	100,092	90,293	141,365	146,238	241,457	236,531
Improvements other than buildings	310,497	313,827	999,679	977,317	1,310,176	1,291,144
Machinery and equipment	56,202	55,606	85,517	88,697	141,719	144,303
Electric depreciable	-	-	516,138	303,487	516,138	303,487
Construction in progress	33,282	16,643	70,376	131,453	103,658	148,096
Total	$ 540,191	$ 514,196	$ 1,936,622	$ 1,737,328	$ 2,476,813	$ 2,251,524

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

- 345kV transmission line interconnecting Oncor's Black Draw Station and Oncor's Folsom Point Switch Station totaling $32.0 million
- Transmission facilities connecting the existing Abernathy Station, to the existing Double Mountain Switch Station totaling $34.9 million
- Airport work on the terminal building remodel for $14.4 million
- Work on the new police substations as the City implements community policing totaling $15.1 million

At the end of the fiscal year, the City had construction commitments of $254.5 million. Wastewater has $8.8 million remaining commitments for two 4 million gallon ground storage tanks that will serve the North Water Treatment Plant. The Airport has $7.8 million committed for further remodeling of the terminal. More than $33 million is committed to build a new Police Headquarters facility, property warehouse/crime lab facility, and a new Municipal Court facility.

Additional information about the City's capital assets can be found on pages 79-82 of the ACFR.

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	$ 339,016	$ 340,102	$ 387,599	$ 487,713	$ 726,615	$ 827,815
Revenue and contract bonds	-	-	640,595	334,578	640,595	334,578
State infrastructure bank loan	6,474	6,925	-	-	6,474	6,925
Notes from direct borrowings	-	-	-	120,600	-	120,600
Capital Lease Obligation	-	1,608	-	381	-	1,989
Total	$ 345,490	$ 348,635	$ 1,028,194	$ 943,272	$ 1,373,684	$ 1,291,907

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all city purposes to $2.50 per $100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of $1.50 of the $2.50 maximum tax rate for general obligation bonded debt service. The FY 2021 interest and sinking fund tax rate per $100 of assessed valuation was $0.12043, which is significantly below the maximum allowable tax rate.

As of September 30, 2021, the City's total outstanding debt has increased by $81.8 million, or 6.3 percent from the prior fiscal year. General obligation bond and revenue and contract bond debt increased by $204.8 million or 17.6 percent. The increase in outstanding debt is attributed to the $306.0 million increase in revenue and contract bonds issued to fund various capital projects and the refunding of direct borrowing notes. Total bond additions were $408.5 million, offset by the payment of scheduled principal payments totaling $102.0 million and refunded debt of $101.7 million.

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

- $6.0 million Combination Tax & Revenue Certificates of Obligation, Series 2021 (Certificates), with interest rates ranging from 3.0 percent to 5.0 percent. The Certificates were issued at a premium of $1,493,363 and incurred issuance cost of $98,363. The $7,503,363 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) development of 114th Street – Slide Road to Quaker Avenue; and (ii) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates. The proceeds of the debt are recorded in the various Capital Projects Funds.

- $9.6 million Water and Wastewater System Surplus Revenue Bonds, Series 2021 (Bonds), with interest rates ranging from 2.0 percent to 5.0 percent. The Bonds were issued at a premium of $1,998,676 and incurred issuance cost of $128,679. The $11,628,676 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.

- $24.4 million Combination Tax & Revenue Certificates of Obligation, Series 2021A (Certificates), with interest rates ranging from 2.0 percent to 5.0 percent. The Certificates were issued at a premium of $3,816,522 and incurred issuance cost of $291,522. The $28,236,522 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 Fire Station 20; (ii) development of Erskine Street; (iii) improvements to unpaved roads; and (iv) 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.

- $3.0 million Tax Note, Series 2021 - 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 Solid Waste department, and (ii) to pay the costs of issuance related thereto. Additionally, the proceeds were used to refund a portion of the City's outstanding indebtedness for the purpose of achieving debt service savings. The note refunded $1.7 million in outstanding debt.

- $32.7 million General Obligation Refunding, Series 2020 (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 $29.6 million in outstanding debt, which resulted in a decrease of $3.0 million in total debt service requirements.

- $27.2 million Water and Wastewater System Refunding Bonds, Series 2020B (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 $32.7 million in outstanding debt, which resulted in a decrease of $2.7 million in total debt service requirements.

- $22.1 million Water and Wastewater System Refunding Bonds, Series 2020C (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 $20.0 million in outstanding debt, which resulted in a decrease of $1.7 million in total debt service requirements.

- $266.9 million Electric Light and Power System Refunding Bonds, Series 2021 (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 $245.6 million in notes from direct borrowings. The refunding was done to provide long-term fixed rate financing for projects that were initially funded by the variable rate short-term note program.

In June 2021, 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 October 2021, Fitch Ratings, Inc. improved its outlook from AA- (Positive) to AA (Stable).

Additional information about the City's long-term debt can be found on pages 97-104 of the ACFR.

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

- In September 2021, the average unemployment rate for the Lubbock area was 3.9 percent, down from 6.1 percent in September of the previous year. The State's unemployment rate of 4.9 percent and the national rate of 4.6 percent for September 2021 is down from 8.3 percent and 7.7 percent respectively from the previous year and reflective of the effects of COVID 19.

- Taxable retail sales tax were $90.0 million in FY 2021 compared to $80.7 million in FY 2020.

- The total number of new residential permits through September 2021 increased 32.1 percent from 2020 levels, and valuation amounts were $478.4 million, which is 14.0 percent higher than the same period in 2020.

- Hotel occupancy tax receipts increased to $7.5 million in FY 2021 compared to $5.9 million in FY 2020.

The following factors were considered in preparing the City's budget for FY 2022.

- The City adopted a decreased tax rate of $0.52323 per $100 valuation for FY 2022. This is a $0.018343 decrease from FY 2021. The tax rate for debt service decreased from $0.120433 to $0.120266 per $100 valuation. The Maintenance and Operations rate decreased from $0.398672 to $0.381257 per $100 valuation. The property tax rate per $100 valuation is broken down as follows: General Fund $0.381257; Debt Service Fund $0.120266; and Economic Development Fund $0.021707 cents. Property tax revenues are expected to increase by $4.1 million for FY 2022 of which $2.2 million is new property on the roll.

- Sales tax revenues in FY 2022 are expected to increase 8.1 percent compared to the FY 2021 forecasted amount.

- Payments in lieu of franchise fees are expected to increase by $610.8 thousand or 2.1 percent. The franchise fees for the City of Lubbock utilities were reclassified to this section in FY 2020 and are no longer transfers.

- Fees for services are expected to increase by $1.9 million in FY 2022. This is due to an increase in Solid Waste General Consumer Metered fees, collection rates and tipping fees for regular trash and special waste.

- License and permit revenue increased $1.1 million or 30.3 percent for FY 2022. These payments are for building permit related fees, food establishments, food truck permit, peddler permit, and mixed beverage permits, charitable solicitations, animal licensing, oil and gas permit and other licenses and permits required by the City. Construction related permits are projected to increase $907.9 thousand or 36.9 percent compared to FY 2022.

- Compensation costs are expected to increase 4 percent on average in FY 2022 due to a raise and increased pay structure for Police with a weighted average increase for sworn officers of slightly over 10 percent. In addition, thirty new positions were approved in critical areas and are offset by a decrease of eleven positions.

- Health insurance is projected to increase $1.7 million or 10.4 percent as a result of the increases to the health insurance plan costs. Both the City and employee side of the plan cost will increase.

- Motor vehicle maintenance cost is expected to increase 13.9 percent, or $906 thousand in FY 2022. The increase is due to the City being proactive in maintaining and repairing the City's fleet.

- The transfer to the capital program totals $18.3 million in FY 2022 with twenty-nine capital projects totally funded with cash and one with Certificates of Obligation. The only debt funded project is 114th Street –Quaker Avenue to Indiana Avenue at an expected $3.0 million and is to be financed on a 10-year Certificate of Obligation.

- The Water/Wastewater revenue is expected to increase $1.9 million or 1.3 percent in FY 2022 primarily due to water and wastewater metered sales associated with adopted rate increases of $0.50 to the water base rate and $0.05 to the wastewater base rate.

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, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,545,030	$ 1,077,631	$ 2,622,661	$ 11,582,529
Investments	186,033,733	138,092,769	324,126,502	3,279,732
Receivables (net of allowance for uncollectibles)	24,985,226	73,696,764	98,681,990	2,756,231
Internal balances	6,420,740	(6,420,740)	-	-
Due from other governments	5,841,253	5,083,599	10,924,852	1,355,356
Due from others	2,732,230	149,643	2,881,873	-
Inventories	429,905	3,646,563	4,076,468	95,489
Prepaid expenses	-	1,251,992	1,251,992	13,028
Restricted assets:				
Cash and cash equivalents	-	-	-	2,405,568
Investments	96,902,773	206,350,815	303,253,588	-
Leases receivable	273,341	-	273,341	-
Investment in property	-	-	-	187,028
Mortgage receivables	-	-	-	2,267,259
Land Inventory	-	-	-	7,624,625
Capital assets (net of accumulated depreciation):				
Non-depreciable	73,399,964	193,923,279	267,323,243	366,332
Depreciable	466,790,567	1,742,698,867	2,209,489,434	12,480,819
Total assets	865,354,762	2,359,551,182	3,224,905,944	44,413,996
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pensions	28,259,281	4,659,749	32,919,030	-
Deferred outflow from OPEB	16,359,830	6,156,302	22,516,132	-
Deferred charge on refunding	5,062,165	6,744,745	11,806,910	-
Total deferred outflows of resources	49,681,276	17,560,796	67,242,072	-
LIABILITIES				
Accounts payable	16,619,527	50,471,404	67,090,931	2,986,732
Accrued liabilities	8,985,343	4,070,647	13,055,990	132,727
Accrued interest payable	1,716,150	6,263,375	7,979,525	72,828
Customer deposits	-	8,479,129	8,479,129	-
Unearned revenue	34,368,416	170,275	34,538,691	623,240
Noncurrent liabilities due within one year:				
Compensated absences	13,050,873	3,891,306	16,942,179	-
Accrued insurance claims	3,133,768	-	3,133,768	-
Leases payable	-	-	-	1,603,055
Bonds and notes payable	37,656,572	72,560,296	110,216,868	37,000
Noncurrent liabilities due in more than one year:				
Compensated absences	19,080,841	2,410,083	21,490,924	-
Post-employment benefits	122,391,713	50,010,399	172,402,112	-
Net pension liability	133,793,209	24,009,949	157,803,158	-
Accrued insurance claims	2,124,101	-	2,124,101	-
Landfill closure and postclosure care	6,602,927	-	6,602,927	-
Rebatable Arbitrage	-	903,616	903,616	-
Leases payable	-	-	-	4,677,000
Bonds and notes payable	335,494,594	1,060,469,675	1,395,964,269	1,938,000
Total liabilities	735,018,034	1,283,710,154	2,018,728,188	12,070,582
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pensions	28,542,352	8,971,468	37,513,820	-
Deferred inflows from OPEB	8,296,253	3,006,267	11,302,520	-
Deferred inflows from refunding	1,915	-	1,915	-
Total deferred inflows of resources	36,840,520	11,977,735	48,818,255	-
NET POSITION				
Net investment in capital assets	253,191,259	931,616,251	1,184,807,510	12,847,151
Restricted for:				
Passenger facility charges	-	5,883,482	5,883,482	-
Debt service	10,949,422	68,471,608	79,421,030	-
Special revenue	16,959,934	-	16,959,934	2,454,287
Primary government agreement	-	-	-	100,000
Unrestricted	(137,923,131)	75,452,748	(62,470,383)	16,941,976
Total net position	$ 143,177,484	$ 1,081,424,089	$ 1,224,601,573	$ 32,343,414

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Activities
For the Year Ended September 30, 2021

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Administrative services and general government	$ 21,532,871	$ 33,803	$ -
Community services	9,315,841	-	7,667,822
Cultural and recreation	17,903,647	986,458	213,267
Economic and business development	20,025,126	1,913,784	-
Fire	60,500,949	163,298	-
Health	10,625,328	828,394	5,070,773
Police	69,069,600	184,732	146,393
Other public safety	16,238,744	8,239,418	9,151,346
Streets and traffic	31,273,463	1,207,187	-
Solid Waste	18,801,094	26,051,133	-
Interest on long-term debt	8,475,848	-	-
Total governmental activities	283,762,511	39,608,207	22,249,601
Business-type activities:			
Electric	266,509,594	273,843,064	-
Water/Wastewater	113,325,126	134,824,670	-
Storm Water	13,771,425	22,423,463	-
Transit	13,529,584	4,438,573	6,077,065
Airport	24,394,222	9,802,801	6,695,649
Civic Centers	3,073,298	396,032	-
Cemetery	549,490	609,490	-
Lake Alan Henry	537,206	716,640	-
Total business-type activities	435,689,945	447,054,733	12,772,714
Total primary government	$ 719,452,456	$ 486,662,940	$ 35,022,315
Component units:			
Urban Renewal Agency (URA)	$ 667,730	$ -	$ -
Civic Lubbock, Inc.	810,011	600,533	254,933
Market Lubbock, Inc.	5,075,471	39,307	217,713
Lubbock Economic Development Alliance	4,844,684	-	-
Vintage Township Public Facilities Corporation	145,656	-	-
Total component units	$ 11,543,552	$ 639,840	$ 472,646

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

	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
$ -	$ (21,499,068)	$ -	$ (21,499,068)	$ -
-	(1,648,019)	-	(1,648,019)	-
-	(16,703,922)	-	(16,703,922)	-
-	(18,111,342)	-	(18,111,342)	-
-	(60,337,651)	-	(60,337,651)	-
-	(4,726,161)	-	(4,726,161)	-
399,708	(68,338,767)	-	(68,338,767)	-
-	1,152,020	-	1,152,020	-
13,200,853	(16,865,423)	-	(16,865,423)	-
-	7,250,039	-	7,250,039	-
-	(8,475,848)	-	(8,475,848)	-
13,600,561	(208,304,142)	-	(208,304,142)	-
1,294,119	-	8,627,589	8,627,589	-
14,238,414	-	35,737,958	35,737,958	-
5,740,600	-	14,392,638	14,392,638	-
-	-	(3,013,946)	(3,013,946)	-
11,799,840	-	3,904,068	3,904,068	-
-	-	(2,677,266)	(2,677,266)	-
-	-	60,000	60,000	-
-	-	179,434	179,434	-
33,072,973	-	57,210,475	57,210,475	-
$ 46,673,534	(208,304,142)	57,210,475	(151,093,667)	-
$ -	-	-	-	(667,730)
-	-	-	-	45,455
-	-	-	-	(4,818,451)
-	-	-	-	(4,844,684)
178,836	-	-	-	33,180
$ 178,836	-	-	-	(10,252,230)
	105,517,120	-	105,517,120	3,540,897
	89,999,993	-	89,999,993	7,499,999
	7,483,912	-	7,483,912	4,205,913
	1,771,582	-	1,771,582	-
	29,733,044	-	29,733,044	-
	1,080,449	3,238,746	4,319,195	271,137
	19,781,846	1,313,002	21,094,848	6,375,942
	7,085,290	(7,085,290)	-	-
	262,453,236	(2,533,542)	259,919,694	21,893,888
	54,149,094	54,676,933	108,826,027	11,641,658
	89,028,390	1,026,747,156	1,115,775,546	20,701,756
	$ 143,177,484	$1,081,424,089	$ 1,224,601,573	$ 32,343,414

City of Lubbock, Texas
Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 615,131	$ -	$ 141,025	$ 562,333	$ 1,318,489
Investments	74,066,559	-	16,980,489	67,709,352	158,756,400
Taxes receivable (net)	16,872,731	421,049	-	1,454,986	18,748,766
Accounts receivable (net)	5,951,055	-	13,231	-	5,964,286
Interest receivable	124,018	10,250	-	36,381	170,649
Due from other funds	2,710,865	-	-	-	2,710,865
Due from other governments	-	-	-	5,841,253	5,841,253
Due from others	1,492,126	-	-	1,240,104	2,732,230
Inventory	141,304	-	-	-	141,304
Restricted investments	246,718	6,232,643	74,450,002	14,592,544	95,521,907
Leases receivable	-		-	273,341	273,341
Total assets	$102,220,507	$ 6,663,942	$ 91,584,747	$ 91,710,294	$ 292,179,490
LIABILITIES					
Accounts payable	$ 3,496,205	$ -	$ 5,465,160	$ 5,941,031	$ 14,902,396
Accrued liabilities	8,459,233	-	5,171	200,983	8,665,387
Due to other funds	-	-	-	1,954,719	1,954,719
Unearned revenue	42,993	-	443,450	33,881,973	34,368,416
Total liabilities	11,998,431	-	5,913,781	41,978,706	59,890,918
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,004,962	367,886	-	341,974	2,714,822
Total deferred inflows of resources	2,004,962	367,886	-	341,974	2,714,822
FUND BALANCES					
Nonspendable	141,304	-	-	-	141,304
Restricted	246,718	6,296,056	71,678,735	30,810,841	109,032,350
Committed	-	-	13,992,231	18,579,306	32,571,537
Unassigned	87,829,092	-	-	(533)	87,828,559
Total fund balances	88,217,114	6,296,056	85,670,966	49,389,614	229,573,750
Total liabilities, deferred inflows of resources, and fund balances	$102,220,507	$ 6,663,942	$ 91,584,747	$ 91,710,294	$ 292,179,490

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, 2021

Total fund balance - governmental funds	$ 229,573,750
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.	540,190,531
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	23,848,094
General obligation bonds	13,711,655
Net book value of capital assets	(25,209,242)
Compensated absences	702,301
Post employment benefits	5,785,478
Net pension Liability	2,946,624
Deferred Inflows of Pensions	1,096,330
Deferred Outflows of Pensions	(577,392)
Deferred Inflows of OPEB	358,942
Deferred Outflows from OPEB	(740,443)
Deferred Inflow on Refunding	1,915
Amounts due from business-type ISF's for amounts undercharged	5,664,595
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	(339,016,155)
SIB Loan	(6,474,285)
Closure/Post Closure	(6,602,927)
Compensated absences	(32,131,714)
Post employment benefits	(122,391,713)
Net pension liability	(133,793,209)
Accrued interest on general obligation bonds	(1,660,503)
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 $27,660,726 and deferred charges on refunding $5,060,250.	(22,600,476)
Deferred Inflows of Pensions	(29,214,975)
Deferred Outflows of Pensions	28,931,904
Deferred Inflows from OPEB	(8,296,253)
Deferred Outflow from OPEB	16,359,830
Revenue earned but unavailable in the funds is deferred.	2,714,822
Net Position of governmental activities	$ 143,177,484

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, 2021

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$157,516,522	$ 22,126,231	$ -	$ 25,417,791	$ 205,060,544
Franchise taxes	29,115,534	-	-	617,510	29,733,044
Special assessments	-	-	-	1,576,264	1,576,264
Fees and fines	2,285,580	-	-	390,856	2,676,436
Licenses and permits	4,740,527	-	-	-	4,740,527
Intergovernmental	749,047	-	53,814	22,156,773	22,959,634
Charges for services	30,064,774	-	-	308,951	30,373,725
Interest	461,841	38,844	87,506	170,245	758,436
Miscellaneous	12,645,561		561,003	6,049,000	19,255,564
Total revenues	237,579,386	22,165,075	702,323	56,687,390	317,134,174
EXPENDITURES					
Current:					
Administrative services and general government	19,429,653	-	323,693	28,998	19,782,344
Community services	-	-	-	9,300,036	9,300,036
Cultural and recreation	14,080,804	-	212,468	49,150	14,342,422
Economic and business development	911,234	-	-	17,888,616	18,799,850
Health	5,119,628	-	-	5,289,734	10,409,362
Fire	54,317,718	-	-	-	54,317,718
Police	66,910,652	-	-	1,985,020	68,895,672
Other public safety	7,386,943	-	-	8,957,978	16,344,921
Streets and traffic	6,792,251	-	513,953	-	7,306,204
Solid waste	15,183,786	-	58,079	-	15,241,865
Intergovernmental	-	-	-	88,429	88,429
Debt service:					
Principal	6,664,965	29,804,976	-	3,666	36,473,607
Interest and other charges	333,419	12,416,348	381,460	173	13,131,400
Capital outlay	521,738	-	38,813,129	7,877,442	47,212,309
Total expenditures	197,652,791	42,221,324	40,302,782	51,469,242	331,646,139
Revenues under expenditures	39,926,595	(20,056,249)	(39,600,459)	5,218,148	(14,511,965)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	1,370,538	27,275,000	30,430,000	-	59,075,538
Bond premium	-	-	5,309,885	-	5,309,885
Payment to the refunded bond escrow agent	-	(26,983,904)	-	-	(26,983,904)
Transfers in	7,027,332	18,624,249	15,709,618	12,468,257	53,829,456
Transfers out	(35,056,309)	(440,306)	(87,505)	(18,252,574)	(53,836,694)
Net other financing sources	(26,658,439)	18,475,039	51,361,998	(5,784,317)	37,394,281
Net change in fund balances	13,268,156	(1,581,210)	11,761,539	(566,169)	22,882,316
Fund balances - beginning of year	74,948,958	7,877,266	73,909,427	49,955,783	206,691,434
Fund balances - end of year	$ 88,217,114	$ 6,296,056	$ 85,670,966	$ 49,389,614	$ 229,573,750

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, 2021

Net change in fund balances - total governmental funds	$ 22,882,316
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 $47,212,309 exceeded depreciation of $38,695,675 in the current period.	8,516,634
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 $59,075,538 was more than debt repayments of $34,865,382 and debt defeasance of $24,810,000.	599,844
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 $1,608,225.	1,608,225
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 $5,309,885 was less than deferred refunding charges of $2,173,904 and amortization of $4,907,800.	1,771,819
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	(289,587)
Post retirement benefits	(7,745,700)
Net pension liability	8,169,380
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.	(46,685)
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.	5,051,881
Current Amount overcharged by Internal Service Fund Business Type Activities-Lookback	210,176
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.	34,879
Capital assets transactions include $12,890,529 developer donated streets plus $1,032,607 capital asset transfers in from business-type activities and less $309,538 disposition of assets and use of property.	13,613,598
Landfill closure and postclosure adjustment in FY 21	(187,087)
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.	(40,599)
Change in net position of governmental activities	$ 54,149,094

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
ASSETS			
Current assets:			
Cash and cash equivalents	$ 534,262	342,278	$ 18,448
Investments	64,329,294	41,212,913	10,558,994
Accounts receivable, net	48,163,258	19,523,409	2,918,310
Interest receivable	493,033	514,021	55,996
Due from others	-	-	-
Due from other governments	-	117,713	-
Prepaid expenses	25,000	-	-
Inventories	2,159,591	141,652	-
Total current assets	115,704,438	61,851,986	13,551,748
Noncurrent assets:			
Restricted investments	113,719,465	72,269,174	6,901,235
Prepaid expenses	1,077,775	-	-
	114,797,240	72,269,174	6,901,235
Capital assets:			
Land	-	42,043,375	29,880,792
Electric non-depreciable	46,807,704	-	-
Construction in progress	8,630,661	55,291,307	1,159,459
Buildings	-	165,004,173	-
Improvements other than buildings	-	1,085,252,854	202,991,623
Machinery and equipment	-	123,642,718	5,424,905
Electric depreciable	794,774,731	-	-
Less accumulated depreciation	(278,636,695)	(466,792,930)	(51,214,495)
Total capital assets	571,576,401	1,004,441,497	188,242,284
Total noncurrent assets	686,373,641	1,076,710,671	195,143,519
Total assets	$ 802,078,079	$1,138,562,657	$ 208,695,267
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	314,071	4,282,975	1,962,362
Deferred outflows from pensions	2,780,601	1,345,455	122,820
Deferred outflows from OPEB	3,018,731	2,046,408	289,755
Total deferred outflows of resources	6,113,403	7,674,838	2,374,937

See accompanying Notes to Basic Financial Statements

Enterprise Funds		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 171,983	$ 1,066,971	$ 237,201
20,708,049	136,809,250	28,560,852
1,970,568	72,575,545	36,601
57,981	1,121,031	65,112
146,603	146,603	3,040
4,965,886	5,083,599	-
149,217	174,217	-
853,042	3,154,285	780,879
29,023,329	220,131,501	29,683,685
13,460,941	206,350,815	1,380,866
-	1,077,775	-
13,460,941	207,428,590	1,380,866
4,815,267	76,739,434	-
-	46,807,704	-
5,294,714	70,376,141	1,088,490
65,554,541	230,558,714	1,691,882
235,843,109	1,524,087,586	6,379,280
62,387,678	191,455,301	42,973,486
-	794,774,731	-
(201,573,894)	(998,218,014)	(26,883,347)
172,321,415	1,936,581,597	25,249,791
185,782,356	2,144,010,187	26,630,657
$ 214,805,685	$ 2,364,141,688	$ 56,314,342
185,337	6,744,745	-
383,346	4,632,222	604,919
734,613	6,089,507	807,238
1,303,296	17,466,474	1,412,157

City of Lubbock, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
LIABILITIES			
Current liabilities:			
Accounts payable	$ 33,335,370	11,633,957	$ 703,474
Accrued liabilities	2,668,137	753,775	70,553
Accrued interest payable	3,554,735	2,183,622	295,077
Due to other funds	-	-	-
Customer deposits	7,971,213	346,803	-
Unearned revenue - other	-	-	-
Compensated absences	2,099,776	994,284	40,545
Accrued insurance claims	-	-	-
Bonds payable	20,275,000	40,706,058	8,777,118
Total current liabilities	69,904,231	56,618,499	9,886,767
Noncurrent liabilities:			
Accrued insurance claims	-	-	-
Compensated absences	1,458,466	690,610	28,161
Post employment benefits	23,551,149	17,690,199	2,648,539
Net pension liability	12,575,715	7,911,428	955,375
Rebatable arbitrage	-	-	903,616
Bonds payable	456,077,107	460,289,768	97,577,358
Total noncurrent liabilities	493,662,437	486,582,005	102,113,049
Total liabilities	563,566,668	543,200,504	111,999,816
DEFERRED INFLOWS OF RESOURCES			
Deferred charge on refunding	-	-	-
Deferred inflows from pensions	5,406,658	2,522,708	292,102
Deferred inflows from OPEB	1,498,135	987,709	120,017
Total deferred inflows of resources	6,904,793	3,510,417	412,119
NET POSITION (DEFICIT)			
Net investment in capital assets	182,574,119	536,338,655	86,057,552
Restricted for:			
Passenger facility charges	-	-	-
Debt service	25,085,607	38,015,777	4,048,930
Unrestricted	30,060,295	25,172,142	8,551,787
Total net position (deficit)	$ 237,720,021	$ 599,526,574	$ 98,658,269

See accompanying Notes to Basic Financial Statements

Enterprise Funds		
Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
$ 4,763,438	$ 50,436,239	$ 1,752,296
560,900	4,053,365	337,238
229,925	6,263,359	55,663
756,146	756,146	-
161,113	8,479,129	-
170,275	170,275	-
750,525	3,885,130	291,428
-	-	3,133,768
2,799,262	72,557,438	2,515,364
10,191,584	146,601,081	8,085,757
-	-	2,124,101
228,556	2,405,793	421,339
5,661,897	49,551,784	6,244,093
2,402,299	23,844,817	3,111,756
-	903,616	-
46,513,620	1,060,457,853	11,210,971
54,806,372	1,137,163,863	23,112,260
64,997,956	1,283,764,944	31,198,017
-	-	1,915
713,032	8,934,500	1,133,298
362,839	2,968,700	396,509
1,075,871	11,903,200	1,531,722
126,620,056	931,590,382	12,637,993
5,883,482	5,883,482	-
1,321,294	68,471,608	268,246
16,210,322	79,994,546	12,090,521
$ 150,035,154	$ 1,085,940,018	$ 24,996,760

City of Lubbock, Texas
Reconciliation of the Statement of Net Position - Proprietary Funds
To the Statement of Net Position
September 30, 2021

Total net position - proprietary funds	$ 1,085,940,018
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	1,148,666
Amounts due to governmental ISF's for amounts overcharged	(5,664,595)
Net position of business-type activities	$ 1,081,424,089

City of Lubbock, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended September 30, 2021

	Enterprise Funds		
	LP&L	Water/Waste Water	Storm Water
OPERATING REVENUES			
Charges for services (net)	$ 273,843,064	$ 134,824,670	$ 22,423,463
Total operating revenues	273,843,064	134,824,670	22,423,463
OPERATING EXPENSES			
Personnel services	19,156,150	13,116,650	1,456,346
Insurance and claims	-	-	-
Supplies	1,201,773	3,945,663	109,764
Materials	-	-	-
Maintenance	3,057,183	4,814,377	458,390
Purchase of fuel and power	184,691,789	-	-
Billing office expense	-	3,682,405	1,059,179
Other services and charges	13,804,754	37,587,183	3,728,651
Depreciation and amortization	18,063,182	34,837,083	4,436,130
Total operating expenses	239,974,831	97,983,361	11,248,460
Operating income (loss)	33,868,233	36,841,309	11,175,003
NONOPERATING REVENUES (EXPENSES)			
Interest earnings	487,744	2,469,860	62,294
Passenger facility charges/Federal grants	-	-	-
Disposition of assets	(1,826,016)	(359,533)	-
Miscellaneous	(17,503,401)	1,126,416	12,523
Interest expense	(7,331,906)	(14,677,461)	(2,445,550)
Net nonoperating revenues (expenses)	(26,173,579)	(11,440,718)	(2,370,733)
Income (loss) before contributions and transfers	7,694,654	25,400,591	8,804,270
Capital contributions/grants	261,513	14,238,414	5,740,600
Transfers in	2,800,113	136,290	-
Transfers out	(2,882,471)	(5,795,905)	(3,412,403)
Change in net position (deficit)	7,873,809	33,979,390	11,132,467
Total net position - beginning of year	229,846,212	565,547,184	87,525,802
Total net position (deficit) - end of year	$ 237,720,021	$ 599,526,574	$ 98,658,269

See accompanying Notes to Basic Financial Statements.

Enterprise Funds		
Nonmajor Enterprise Funds	**Total Enterprise Funds**	**Internal Service Funds**
$ 15,963,536	$ 447,054,733	$ 72,232,405
15,963,536	447,054,733	72,232,405
12,519,177	46,248,323	6,386,713
-	-	41,594,558
1,259,317	6,516,517	290,878
-	-	7,882,554
2,344,265	10,674,215	10,183,119
-	184,691,789	-
-	4,741,584	-
11,365,728	66,486,316	4,004,834
12,906,623	70,243,018	3,878,455
40,395,110	389,601,762	74,221,111
(24,431,574)	57,452,971	(1,988,706)
212,296	3,232,194	328,563
12,772,714	12,772,714	-
34,387	(2,151,162)	452,039
81,883	(16,282,579)	424,393
(1,606,556)	(26,061,473)	(287,569)
11,494,724	(28,490,306)	917,426
(12,936,850)	28,962,665	(1,071,280)
11,799,840	32,040,367	-
5,244,288	8,180,691	6,280,172
(2,142,596)	(14,233,375)	(220,250)
1,964,682	54,950,348	4,988,642
148,070,472	1,030,989,670	20,008,118
$ 150,035,154	$ 1,085,940,018	$ 24,996,760

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, 2021

Net change in fund net position - total enterprise funds	$ 54,950,348
Amounts reported for business-type activities in the statement of activities are different because:	
Internal service funds (ISF's) are used by management to charge the costs of certain activities such as fleet services, central warehousing activities, management information activities, etc. to individual funds. The net revenue (expense) of certain ISF's is reported with business-type activities.	(273,415)
Change in net position of business-type activities	$ 54,676,933

City Of Lubbock, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	Enterprise Funds		
	LP&L	Water/ Wastewater	Storm Water
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 239,105,048	$ 134,140,132	$ 21,905,398
Receipts from interfund services	-	-	-
Payments to suppliers	(194,783,626)	(39,918,034)	(5,030,204)
Payments to employees	(19,156,150)	(13,870,425)	(1,526,899)
Other receipts (payments)	(41,503,401)	1,126,416	12,523
Net cash provided (used) by operating activities	(16,338,129)	81,478,089	15,360,818
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in from other funds	2,800,113	136,289	-
Transfers out to other funds	(2,882,471)	(5,795,905)	(3,412,403)
Short-term interfund borrowings	-	-	-
Operating grants	-	-	-
Net cash provided (used) by noncapital and related financing activities	(82,358)	(5,659,616)	(3,412,403)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(172,949,336)	(60,236,107)	(9,186,943)
Sale of capital assets	-	12,485	-
Principal paid on capital leases	-	(363,505)	-
Principal paid on bonds	(130,915,000)	(40,886,638)	(7,938,583)
Issuance of bonds	313,682,141	10,458,670	158,824
Bond issuance costs	(24,593)	(163,740)	(122,827)
Interest paid on bonds and capital leases	(8,757,006)	(21,709,364)	(2,658,360)
Payment of rebatable arbitrage	-	-	42,261
Capital grants and contributions	261,513	3,161,077	-
Net cash provided (used) by capital and related financing activities	1,297,719	(109,727,122)	(19,705,628)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	60,359,221	61,455,810	12,218,289
Purchase of investments	(48,333,983)	(30,806,400)	(4,739,839)
Interest earnings on cash and investments	350,677	2,470,783	65,048
Net cash provided (used) by investing activities	12,375,915	33,120,193	7,543,498
Net increase (decrease) in cash and cash equivalents	(2,746,853)	(788,456)	(213,715)
Cash and cash equivalents - beginning of year	3,281,115	1,130,734	232,163
Cash and cash equivalents - end of year	$ 534,262	$ 342,278	$ 18,448
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 33,868,233	$ 36,841,309	$ 11,175,003
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	18,063,182	34,837,083	4,436,130
Other income (expense)	(41,503,401)	1,126,416	12,523
Change in current assets and liabilities:			
Accounts receivable	(22,230,390)	(684,538)	(518,065)
Inventory	(360,056)	(80,894)	-
Prepaid expenses	-	-	-
Due from other governments	-	2,303	-
Accounts payable	6,540,710	9,762,540	303,062
Deferred revenues	(12,507,626)	-	-
Due to/from other funds	-	(14,716)	-
Other accrued expenses	829,551	72,807	(6,606)
Customer deposits	1,819,601	9,270	-
Change in compensated absences and retirement benefits	(857,933)	(393,491)	(41,229)
Net cash provided (used) by operating activities	$ (16,338,129)	$ 81,478,089	$ 15,360,818
Supplemental cash flow information:			
Noncash capital contributions and other charges	$ -	$ 11,395,997	$ 5,740,600

See accompanying Notes to Basic Financial Statements.

Enterprise Funds: Nonmajor Enterprise Funds	Enterprise Funds: Totals	Internal Service Funds
$ 15,746,866	$ 410,897,444	$ 71,410,426
-	-	2,497,609
(13,261,385)	(252,993,249)	(68,148,025)
(12,735,933)	(47,289,407)	(5,994,421)
174,493	(40,189,969)	424,393
(10,075,959)	70,424,819	189,982
5,244,288	8,180,690	6,280,172
(2,142,596)	(14,233,375)	(220,250)
(2,424,594)	(2,424,594)	-
12,772,714	12,772,714	-
13,449,812	4,295,435	6,059,922
(16,571,893)	(258,944,279)	(7,756,338)
34,387	46,872	452,039
-	(363,505)	(17,226)
(3,344,740)	(183,084,961)	(2,242,100)
119,457	324,419,092	1,319,680
(99,223)	(410,383)	-
(2,099,412)	(35,224,142)	(541,609)
-	42,261	-
11,799,840	15,222,430	-
(10,161,584)	(138,296,615)	(8,785,554)
15,315,550	149,348,870	9,754,007
(9,258,341)	(93,138,563)	(8,137,783)
209,398	3,095,906	334,574
6,266,607	59,306,213	1,950,798
(521,124)	(4,270,148)	(584,852)
693,107	5,337,119	822,053
$ 171,983	$ 1,066,971	$ 237,201
$ (24,431,574)	$ 57,452,971	$ (1,988,706)
12,906,623	70,243,018	3,878,455
81,883	(40,282,579)	424,393
(216,670)	(23,649,663)	(28,058)
27,117	(413,833)	(113,725)
(10,401)	(10,401)	-
485,538	487,841	-
956,551	17,562,863	(1,044,355)
-	(12,507,626)	-
(62,751)	(77,467)	10,551
826	896,578	(680,276)
43,675	1,872,546	-
143,224	(1,149,429)	(268,297)
$ (10,075,959)	$ 70,424,819	$ 189,982
$ -	$ 17,136,597	$ -

City of Lubbock, Texas
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2021

	Police Custodial Fund
ASSETS	
Cash and cash equivalents	$ 594,940
Receivables:	
Contribution	1,080
Total assets	$ 596,020
LIABILITIES	
Accounts payable	$ -
Total liabilities	-
NET POSITION (DEFICIT)	
Restricted for Police Evidence and Found Property	596,020
Total Net Position	$ 596,020

See accompanying Notes to Basic Financial Statements

City of Lubbock, Texas
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended September 30, 2021

	Police Custodial Fund
ADDITIONS	
Police funds received into custody	$ 476,480
Total additions	476,480
DEDUCTIONS	
Police funds released from custody	260,436
Total deductions	260,436
Change in net position	216,044
Total net position - beginning of year	-
Prior period restatement	379,976
Total net position - beginning of year, as restated	379,976
Total net position (deficit) - end of year	$ 596,020

See accompanying Notes to Basic Financial Statements

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Basic Financial Statements (BFS) of the City of Lubbock, Texas (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled *State and Local Governments*. The Governmental Accounting Standards Board (GASB) is the acknowledged standard-setting body for establishing governmental accounting and financial reporting principles. With respect to proprietary activities related to business-type activities and enterprise funds, including component units, the City applies all applicable GASB pronouncements.

The more significant accounting policies are described below.

A. REPORTING ENTITY

The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in 1909, is located in the northwestern part of the state. The City currently occupies a land area of 136.7 square miles and serves a population approximating 265,531. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the City Council.

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

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

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

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

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

RELATED ORGANIZATIONS

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

Because the enterprise funds are combined into a single business-type activities column on the GWFS, certain interfund activities between these funds are eliminated in the consolidation for the GWFS, but are included in the fund columns in the proprietary FFS. The effect of interfund activity has been eliminated from the GWFS. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City’s electric, water, and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

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

Fund Accounting

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

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

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

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

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

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

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

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

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

The City also reports the following non-major funds:

Governmental Funds

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

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

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the

City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

D. BUDGETARY ACCOUNTING

The City Manager submits a proposed operating budget and capital program to the City Council annually for the upcoming fiscal year. Annual budgets are adopted for the General Fund, Debt Service Fund, Enterprise Funds, Internal Service Funds, and certain Special Revenue Funds. Public hearings are conducted to obtain citizen comments, and the budget is legally enacted through passage of an ordinance by the Council. City Council action is also required for the approval of any supplemental appropriations.

All budget amounts presented in the General Fund Budgetary Comparison Schedule in the Required Supplementary Information (RSI) section reflect the original budget and the amended budget, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. The operating budget is adopted on a basis other than GAAP for the General Fund, with the main difference being that tax note proceeds and related capital outlay are not budgeted. Budgetary control is maintained at the fund level. The City Manager may make administrative transfers and increases or decreases between accounts below the fund level without City Council approval. However, any transfer of funds between Funds, the legal level of control, or higher level shall be presented to City Council for approval by ordinance before such funds can be transferred between Funds or expended. All annual operating appropriations lapse at the end of the fiscal year. Capital Project and grant appropriations do not lapse at fiscal yearend, but remain in effect until the project or grant is completed and closed.

All budget amounts presented in the Special Revenue Funds and Debt Service Fund Budgetary Comparison Schedule in the Combining and Individual Fund Statements and Schedules section reflect the final budget amounts, which have been adjusted for legally authorized supplemental appropriations to the annual budget during the fiscal year. Budgetary control is maintained at the fund level, the legal level of control for Special Revenue Funds and Debt Service Funds. The following Special Revenue Funds have legally adopted budgets: Abandoned Motor Vehicle, Animal Assistance, Cable Services, Central Business District TIF, Community Development Grant, Criminal Investigation, 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, Bell Farms PID, and Upland Crossing 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 2021, management approved reappropriation of $1,569,294 in funds as follows: General Fund - $1,541,454 and Water Fund - $27,840. 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, and Storm Water Enterprise Funds, services rendered but not billed as of the close of the fiscal year are accrued. This amount is reflected in the accounts receivable balances of each fund. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

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

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

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

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

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

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

Interest Capitalization – In FY 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, 1989 FASB and AICPA Pronouncements. Therefore, the City capitalized $1,659,131 related to LP&L, a regulated operation in FY 2021.

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. F. Retirement Plans and note III. G. Other Post-Employment Benefits (OPEB).

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

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

The proprietary funds and GWFS have three classifications of net position: 1) net investment in capital assets; 2) restricted net position; and 3) unrestricted net position. In the first category, capital assets are netted with bonded and 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 $4.2 million during the measurement period.

H. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the City's pension plans (Texas Municipal Retirement System [TMRS] and the Lubbock Fire Pension Fund [LFPF]) and additions to/deductions from the pension plans' fiduciary net position have been determined on the same basis as they are reported by each plan. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. NEW PRONOUNCEMENTS

In 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, 2022. The City has not determined the impact of this statement.

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 in FY 2019, as discussed in Note I. F. Interest Capitalization.

J. IMPLEMENTATION OF NEW PRONOUNCEMENT/RESTATEMENT OF NET POSITION

In FY 2021 the City implemented GASB Statement No. 84, *Fiduciary Activities.* This statement enhances consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

The City determined that the balance of the City's funds held on behalf of others as a result of law enforcement activities should be included on the financial statements as custodial funds in the Fiduciary Funds based on the definition of this statement.

As a result of this, there has been a restatement of the beginning net position and fund balance of the City to retroactively restate the beginning fund balance to include the September 30, 2020 fund balance. The adjustment to the beginning balances are as follows:

Fiduciary Activities - Police Custodial Funds	
Net Position - beginning of year, as previously stated	$ -
Restatement due to the inclusion of law enforcement funds	379,976
Net Position - beginning of year, as restated	$ 379,976

In FY 2021, the City also early implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report.* This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. The statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

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 2021 amended budgeted expenditures and transfers out were $240,019,607, while actual budgetary basis expenditures and transfers out were $232,709,100; a difference of $7,310,507.

NOTE III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

On September 30, 2021, the bank balance of the City's deposits was $4,337,618. All of the bank balances are covered by federal depository insurance or are fully collateralized. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The City's deposit policy for custodial credit risk requires compliance with the provisions of Texas Public Funds Investment Act.

State law requires federal depository insurance or collateralization with the value of eligible securities having an aggregate value at least equal to the amount of the deposits. The City's Investment Policy requires the minimum collateral level to be 102.0 percent of the fair value of principal and accrued interest.

On September 30, 2021, bank balances were not exposed to custodial credit risk as follows:

Insured	$ 500,000
Uninsured and collateral held by a third party financial institution in the City's name	3,837,618
	$ 4,337,618

On September 30, 2021, the City had the following investments and maturities:

	September 30, 2021		
		Maturities in Years	
Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Farm Credit Bank (FFCB)	$4,740,791	$1,025,540	$3,715,251
Farmer Mac (FAMCA)	-	-	-
Federal Home Loan Bank (FHLB)	9,723,358	-	9,723,358
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	-
Federal National Mortgage Association (FNMA)	1,514,545	1,004,880	509,665
Municipal Bonds	215,476,983	78,001,984	137,474,999
Commercial Paper	28,976,028	28,976,028	-
Money Market	27,703,890	27,703,890	-
State Investment Pools *	339,244,495	339,244,495	-
	$627,380,090	$475,956,817	$151,423,273

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

Investment in State Investment Pools

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

TexPool does not have any limitations or restrictions on participants' withdrawals that would have to be disclosed in the notes to the financial statements. All TexPool securities are reported within the highest category of credit ratings and are denominated in U.S. dollars. Per GASB Statement No. 40, Deposit and Investment Risk Exposure, TexPool is not exposed to custodial credit risk. Additionally, TexPool utilizes shadow pricing, which is consistently within 0.5% of amortized cost value per unit.

TexSTAR's governing body is a five-member board of directors (the "Board"). Three directors are officers or employees of Participants; one director is an officer or employee of J.P. Morgan Investment Management Inc. (JPMIM); and the final director is an officer or employee of Hilltop Securities Inc. (HTS), or an affiliate. TexSTAR's bylaws require the Board to appoint an advisory board. The Advisory Board currently consists of six members, each of whom is either (1) a representative of a participant or (2) a person who has no business relationship with TexSTAR. The primary investment objectives of TexSTAR, in order of priority, are (1) the preservation of capital and protection of principal, (2) the maintenance of sufficient liquidity, and (3) yield. TexSTAR is rated AAAm by Standard & Poor's. The pool offers same day access to investment funds.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (the "Agreement") between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities that have become parties to the Agreement ("Participants"). Participants' assets in the Pool are represented by units of beneficial interest ("Units"), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio are managed separately and segregated from the assets of every other Portfolio. Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. Hilltop Securities and JPMIM serve as co-administrators to LOGIC. JPMIM or its affiliates provide investment management, custody, and fund accounting services. The investment objectives of the pool is to seek preservation of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return. LOGIC is rated AAAm by Standard & Poor's. The pool offers same day access to investment funds.

Texas Cooperative Liquid Assets Securities System (Texas CLASS) was created specifically for use by Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. Public Trust Advisors, LLC also performs all marketing and operation functions of the portfolio. The pool is subject to the general supervision of a Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants. Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Texas CLASS is rated AAAm by Standard and Poor's. The pool offers same day access to investment funds.

Interest Rate Risk - As a means of limiting its exposure to fair value losses due to rising interest rates, the City's investment policy limits investments to those that are held to maturity and by limiting final stated maturity to no more than five (5) years. The City uses the specific identification method for positions in fixed-rate securities. The investment pools have laddered out maturities within their funds but are redeemable in full within one day to the governments investing in the pooled funds. The City only invests in government pools and funds that maintain a stable $1 NAV (net asset value). While the interest income derived from these particular types of investments fluctuates based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's policy allows investment in direct obligations of and other obligations guaranteed as to principal of the U.S. Treasury and U.S. agencies and instrumentalities and collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States. The City's policy also allows investment in obligations of the State of Texas or its agencies and obligations of states, agencies, counties, cities, and other political subdivisions rated not less than A or its equivalent. The City may also invest in collateralized certificates of deposit, banker's acceptances with stated maturities of 270 days or fewer, commercial paper rated at a minimum of A-1 or P-1 with stated maturities 270 days or fewer, no-load money market funds registered with the Securities and Exchange Commission, and constant dollar investment pools authorized by the City Council. On September 30, 2021, Standard & Poor's rated the investment pools AAAm. The senior unsecured debt for investments in FHLB, FAMCA, FFCB, FHLMC, and FNMA are rated AA+ by Standard & Poor's and Aaa by Moody's. The municipal bond investments are rated between an AAA and A- by S&P and between an Aaa and A1 by Moody's.

Custodial Credit Risk - State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FNMA, FAMCA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes.

Concentration of Credit Risk - The City places limits on the amount that may be invested in any one issuer with the exception of United States Treasury obligations and State Investment Pools. As of September 30, 2021, the City's investments constituted the following percentages of total investments:

Investment	Percentage	WAM (Days)	Rating	Rating Agency
State Investment Pools	54.1%	1	AAAm	S&P
Municipal Bonds	34.4%	626	AA/Aa2	S&P/Moody's
Money Market	4.4%	1	AAAm/Aaa-mf	S&P/Moody's
FFCB	0.8%	994	AA+/Aaa	S&P/Moody's
FHLB	1.5%	1171	AA+/Aaa	S&P/Moody's
FNMA	0.2%	213	AA+/Aaa	S&P/Moody's
FHLMC	0.0%	0	AA+/Aaa	S&P/Moody's
Commercial Paper	4.6%	170	A-1+/P-1	S&P/Moody's
FAMCA	0.0%	0	AA+/Aaa	S&P/Moody's

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

Authorized Investment	Policy Limitation
U.S. Treasury Obligations	100%
Agency Bonds	80%
Municipal Bonds	50%
Investment Pools	100%
Certificates of Deposit	30%
No Load Mutual Fund	30%
Commercial Paper	10%
Banker Acceptance	10%

Foreign Currency Risk - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

Disclosures about Fair Value of Assets and Liabilities

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The following hierarchy of three levels of inputs is used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities
Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The City has the following recurring fair value measurements based on the hierarchy above as of September 30, 2021 (amounts in thousands):

September 30, 2021	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)	$ 4,740,791	$ -	$ 4,740,791	$ -
Farmer Mac (FAMCA)	-	-	-	-
Federal Home Loan Bank (FHLB)	9,723,358	-	9,723,358	-
Federal Home Loan Mortgage Corporation (FHLMC)	-	-	-	-
Federal National Mortgage Association (FNMA)	1,514,545	-	1,514,545	-
Municipal Bonds	215,476,983	-	215,476,983	-
Commercial Paper	28,976,028	-	28,976,028	-
Total investments by fair value level	$260,431,705	$ -	$260,431,705	$ -

Investments measured at the net asset value	
TexStar	121,170,037
LOGIC	11,168,575
Texas Class	206,454,532
Total investments measured at the NAV	$338,793,144
Investments measured at amortized cost	
TexPool	451,351
Money Markets	27,703,890
Investments measured at amortized cost	28,155,241
Total Investments	$627,380,090

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

B. INTERFUND TRANSACTIONS

Interfund balances, specifically, the due to and due from other funds, are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements.

Interfund balances are loans to cover Council directed internal financing of certain projects. On September 30, 2021, the City had $2,710,865 of internal financing. These balances are assessed an interest charge and are repaid over time through operations and transfers.

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

	Interfund Receivables: (in Thousands)			
	Governmental Funds		Proprietary Funds	
Interfund Payables: (in Thousands)	**General**	**Governmental Capital Projects**	**Nonmajor Enterprise**	**Totals**
Governmental Funds:				
Nonmajor Governmental	$ 1,955	$ -	$ -	$ 1,955
Proprietary Funds:				
LP&L	-	-	-	-
Nonmajor Enterprise	756	-	-	756
Totals	$ 2,711	$ -	$ -	$ 2,711

Transfers include: 1) debt service payments made from the debt service fund, but funded from an operating fund; 2) subsidy transfers from unrestricted funds; and 3) transfers to move indirect cost allocations.

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

Interfund Transfers Out: (in Thousands)	Interfund Transfers In: (in Thousands) Governmental Funds General	Debt Service	Govt. Capital	Nonmajor Govt.	Proprietary Funds Electric	Water/Waste-water	Nonmajor Enterprise	Internal Service	Totals
Governmental Funds:									
General Fund	$ -	$ 2,102	$15,710	$ 9,695	$ 255	$ -	$ 2,356	$ 4,938	$ 35,056
Debt Service	-	-	-	-	-	-	440	-	440
Govt. Capital Projects	-	-	-	88	-	-	-	-	88
Nonmajor Govt.	-	13,119	-	2,685	-	-	2,448	-	18,252
Proprietary Funds:									
LP&L	1,742	1,140	-	-	-	-	-	-	2,882
Water/Wastewater	2,525	146	-	-	2,290	-	-	835	5,796
Stormwater	588	2,117	-	-	255	-	-	453	3,413
Nonmajor Enterprise	2,003	-	-	-	-	136	-	3	2,142
Internal Service	169	-	-	-	-	-	-	51	220
Totals	$ 7,027	$18,624	$15,710	$ 12,468	$2,800	$ 136	$ 5,244	$ 6,280	$ 68,289

Net transfers on the GWFS amounted to $7,085,290 from business activities to governmental-type activities.

C. PREPAID EXPENSES

The total prepaid expenses (noncurrent assets) of $1,077,775 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.

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2021

D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

Primary Government:

Governmental Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	$ 37,827,265	$ 2,291,010	$ -	$ 40,118,275
Construction in Progress	16,642,875	54,015,863	37,377,049	33,281,689
Total Capital Assets Not Depreciated	54,470,140	56,306,873	37,377,049	73,399,964
Capital Assets Depreciated:				
Buildings	122,734,675	12,866,124	721,794	134,879,005
Improvements Other than Buildings	703,685,470	26,156,199	1,077,457	728,764,212
Machinery and Equipment	166,090,524	10,977,789	3,859,356	173,208,957
Total Capital Assets Depreciated	992,510,669	50,000,112	5,658,607	1,036,852,174
Less Accumulated Depreciation:				
Buildings	32,442,001	3,066,722	721,794	34,786,929
Improvements Other than Buildings	389,858,402	29,434,727	1,025,636	418,267,493
Machinery and Equipment	110,484,361	10,124,464	3,601,640	117,007,185
Total Accumulated Depreciation	532,784,764	42,625,913	5,349,070	570,061,607
Total Capital Assets Depreciated, Net	459,725,905	7,374,199	309,537	466,790,567
Governmental Activities Capital Assets, Net	$ 514,196,045	$ 63,681,072	$ 37,686,586	$ 540,190,531

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

Governmental activities:	
Administrative Services and General Government	$ 1,904,653
Community Services	179,678
Cultural and Recreation Services	3,740,896
Economic and Business Development	1,562,496
Fire	2,555,287
Health	346,961
Other Public Safety	94,337
Police	1,245,708
Streets and Traffic	24,001,585
Solid Waste	3,064,074
Internal Service Funds	3,873,646
Total Depreciation Expense - Governmental Activities	42,569,321
Transfer in of Accumulated Depreciation - Business-Type Activities	56,592
Increase in Accumulated Depreciation - Governmental Activities	$ 42,625,913

Business Type Activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Depreciated:				
Land	$ 70,045,424	$ 6,694,010	$ -	$ 76,739,434
Construction in Progress	131,452,915	253,228,190	314,304,964	70,376,141
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	2,376,386	26,438,432	-	28,814,818
Electric Distribution Plant	17,320,831	278,692	-	17,599,523
Electric General Plant	317,953	-	-	317,953
Total Capital Assets Not Depreciated	221,588,919	286,639,324	314,304,964	193,923,279
Capital Assets Depreciated:				
Buildings	230,483,824	237,007	-	230,720,831
Improvements Other than Buildings	1,464,796,403	60,008,935	717,752	1,524,087,586
Machinery and Equipment	189,900,286	6,619,570	4,892,078	191,627,778
Electric Production Plant	86,285,297	1,317,374	534,990	87,067,681
Electric Transmission Plant	109,836,057	190,844,908	5,828,635	294,852,330
Electric Distribution Plant	334,506,361	21,342,499	673,155	355,175,705
Electric Regional Trans Mkt Oper Plant	2,767,781	-	-	2,767,781
Electric General Plant	37,788,007	20,387,799	3,264,572	54,911,234
Total Capital Assets Depreciated	2,456,364,016	300,758,092	15,911,182	2,741,210,926
Less Accumulated Depreciation:				
Buildings	84,245,943	5,110,180	-	89,356,123
Improvements Other than Buildings	487,479,640	37,330,224	400,938	524,408,926
Machinery and Equipment	101,202,950	9,744,243	4,836,877	106,110,316
Electric Production Plant	60,365,207	3,035,996	534,990	62,866,213
Electric Transmission Plant	13,627,984	3,495,378	3,847,173	13,276,189
Electric Distribution Plant	167,544,598	7,493,519	488,031	174,550,086
Electric Regional Trans Mkt Oper Plant	1,363,551	546,010	-	1,909,561
Electric General Plant	24,795,607	3,358,946	2,119,908	26,034,645
Total Accumulated Depreciation	940,625,480	70,114,496	12,227,917	998,512,059
Total Capital Assets Depreciated, Net	1,515,738,536	230,643,596	3,683,265	1,742,698,867
Business Type Activities Capital Assets, Net	$ 1,737,327,455	$ 517,282,920	$ 317,988,229	$ 1,936,622,146

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

Business-Type Activities:	
LP&L	$ 17,929,848
Water/Wastewater	34,837,085
Storm Water	4,436,130
Airport	10,062,119
Transit	1,834,018
Civic Centers	960,949
Cemetery	46,748
Lake Alan Henry	2,790
Internal Service	4,809
Total Depreciation Expense - Business-Type Activities	70,114,496
Transfer in of Accumulated Depreciation - Governmental Activities	-
Increase in Accumulated Depreciation - Business-Type Activities	$ 70,114,496

Construction Commitments

The City has active construction projects at fiscal year end.

Projects	**Original Commitments**	**Spent-to-Date**	**Remaining Commitments**
Governmental Capital Projects	$ 233,580,662	$ 152,870,440	$ 80,710,222
TIF Capital Projects	16,609,034	8,198,106	8,410,928
Gateway Street Projects	17,967,011	9,425,794	8,541,217
LP&L	428,174,732	362,837,218	65,337,514
Water/Wastewater	227,961,018	160,447,815	67,513,203
Storm Water	83,535,848	78,482,635	5,053,213
Airport	51,493,719	38,187,901	13,305,818
Civic Center	1,381,755	194,434	1,187,321
Cemetery	80,000	-	80,000
Internal Service Fund	15,277,436	10,873,913	4,403,523
Total	$ 1,076,061,215	$ 821,518,256	$ 254,542,959

LP&L has numerous capital projects that are nearing completion. One of their newer projects involves a $8.0 million appropriation for the portion of the Fiddlewood to Farmland 345kV transmission line that the City will own.

Water has a $9.9 million appropriation to replace a structurally damaged 8 million gallon ground storage tank with two 4 million gallon ground storage tanks. The tanks will serve the North Water Treatment Plant.

One of the many ongoing Governmental Capital Projects is a $7.6 million appropriation to construct a multi-company fire station that will serve South Lubbock area residents. The fire station #20 will be located east of the Lubbock Police Department substation at 141st and Indiana.

E. 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 2021, the City received $71,830 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
2022	39,037
2023	37,536
2024	36,092
2025	34,704
2026-2029	125,972
Total	**$273,341**

F. RETIREMENT PLANS

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

The total (aggregate for the TMRS and LFPF plans) of the City's net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2021 and the pension expense for the year ended is as follows:

	TMRS	LFPF	Total
Net pension liability	$ 70,502,594	$87,300,564	$ 157,803,158
Deferred outflows of resources	14,687,419	18,231,611	32,919,030
Deferred inflows of resources	28,206,434	9,307,386	37,513,820
Pension expense	5,379,301	8,598,185	13,977,486

Summary of significant data for each retirement plan follows:

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (Annual Report) that can be obtained at tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's contributions and interest.

The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2021
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,452
Inactive employees entitled to but not yet receiving benefits	896
Active employees	1,821
Total	4,169

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of Member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.57% and 17.47% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were $18,970,523, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retiree of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	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 employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at September 30, 2020	**$ 755,877,892**	**$ 669,717,034**	**$ 86,160,858**
Changes for the year			
Service Cost	18,540,809	-	18,540,809
Interest	50,306,547	-	50,306,547
Difference between expected and actual experience	(7,266,289)	-	(7,266,289)
Contributions - employer	-	19,151,231	(19,151,231)
Contributions - employee	-	7,630,862	(7,630,862)
Changes in assumptions	-	-	-
Net investment income	-	50,799,016	(50,799,016)
Benefit payments, including refunds of employee contributions	(39,732,225)	(39,732,225)	-
Administrative expenses	-	(328,945)	328,945
Other Charges	-	(12,833)	12,833
Net changes	$ 21,848,842	$ 37,507,106	$ (15,658,264)
Balance at September 30, 2021	**$ 777,726,734**	**$ 707,224,140**	**$ 70,502,594**

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	$174,999,803	$70,502,594	($15,559,315)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2021 the City recognized pension expense of $5,379,301.

At September 30, 2021, 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	$ -	$ 9,220,820
Difference in assumption changes	884,603	-
Difference between projected and actual investment earnings	-	18,985,614
Contributions subsequent to the measurement date	13,802,816	-
Total	$ 14,687,419	$ 28,206,434

$13,802,816 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, 2022. 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:	
2022	$ (10,854,304)
2023	(1,944,242)
2024	(13,227,436)
2025	(1,295,849)
Total	$ (27,321,831)

LUBBOCK FIRE PENSION FUND (LFPF)

Plan Description

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

Benefits Provided

Firefighters and eligible civilian employees in the Lubbock Fire Department are covered by the Lubbock Fire Pension Fund, which provides service retirement, death, disability, and withdrawal benefits. The retirement benefits fully vest after 20 years of credited service. Plan members become eligible for normal service retirement at age 50 with 20 years of service. A partially vested benefit is provided for members who terminate employment with at least 10 but less than 20 years of service. If a terminated member has a fully vested benefit (with at least 20 years) but is not eligible for normal retirement, the member may elect an actuarially equivalent early retirement benefit or wait to retire starting on the date he or she would have first satisfied both age and service requirements for normal retirement if he or she had remained an eligible plan member. The present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus $335.05 for each year of service in excess of 20. Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude overtime compensation designated as "Call-Back Overtime Pay" that is overtime in excess of "regular normal scheduled hours."

A retiring plan member eligible for normal service retirement with certain minimum combinations of years of service and age has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Final 48-Month Average Salary as if the member had terminated employment on the selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the member meets the RETRO DROP eligibility requirements and the date preceding the date of actual retirement by the maximum lump sum accumulation period (24 months). Upon retirement, the member will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date of retirement under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

In the December 31, 2020 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	329
Inactive employees entitled to but not yet receiving benefits	3
Active employees	425
Total	757

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. Before that their contribution rate was 12.43% for many years. The City currently contributes according to a long-standing formula. For many years, the city's contribution rate to the Fund has been related to the percentage of payroll that the city contributes to the Texas Municipal Retirement System (TMRS) for other employees each calendar year. The actual city contribution rate was 21.40% in 2020 and 22.31% for the nine months ending September 30, 2021. For the fiscal year beginning October 1, 2021, the rate is 21.77%.

Beginning October 1, 2022, the city has decided to discontinue the formula tied to TMRS and has agreed to contribute 150% of the firefighter contribution rate, but not to exceed 21.75%. Since the firefighter contribution rate is currently 14.98% with no plan to reduce it, the expected city contribution rate beginning October 1, 2022 is 21.75%. The December 31, 2020 actuarial valuation includes the assumption that the new city contribution policy will continue with the city contribution rate of 21.75% at least as long as the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the contribution policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2020, the money-weighted rate of return on pension plan investments was 9.73%. 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, 2021 were $8,021,425 and were equal to the statutorily required contributions.

Net Pension Liability

The City of Lubbock's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2020.

Total pension liability	$	311,770,198
Plan fiduciary net position		224,469,634
City's net pension liability	$	87,300,564
Plan fiduciary net position as a percentage of the total pension liability		72.0%

Actuarial assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Overall payroll growth	2.75%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.5%, net of pension plan investment experience, including inflation

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

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.13%) and by adding expected inflation (2.5%). In addition, the final 7.5% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Domestic total market	25.0%	6.51%
World large cap	30.00%	6.07%
Alternatives		
Real estate	15.00%	4.00%
Private equity	10.00%	6.49%
Fixed income		
Domestic core plus	10.00%	2.08%
Floating rate	10.00%	2.20%
Cash	0.00%	0.30%
Total	100%	
Weighted Average		5.13%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. No projection of cash flows was used to determine the discount rate because the special study based on the December 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 34 years. Because of the 34-year amortization period of the UAAL, the pension plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the Net Pension Liability		**Increase (Decrease)**	
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at September 30, 2020	**$ 293,019,871**	**$211,548,454**	**$ 81,471,417**
Changes for the year:			
Service cost	6,968,616	-	6,968,616
Interest	22,472,953	-	22,472,953
Changes of benefit provisions	-	-	-
Difference between expected and actual experience	996,773	-	996,773
Contributions – employer	-	7,661,634	(7,661,634)
Contributions – employee	-	5,363,142	(5,363,142)
Net investment income	-	19,792,987	(19,792,987)
Benefit payments, including refunds of employee Contributions	(20,029,797)	(20,029,797)	-
Administrative expense	-	(303,578)	303,578
Assumption changes	8,341,782	-	8,341,782
Other changes	-	436,792	(436,792)
Net changes	$ 18,750,327	$ 12,921,180	$ 5,829,147
Balance at September 30, 2021	**$311,770,198**	**$224,469,634**	**$ 87,300,564**

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

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

	1% Decrease in Discount Rate (6.5%)	**Discount Rate (7.5%)**	**1% Increase in Discount Rate (8.5%)**
City's net pension liability	$125,957,066	$87,300,564	$55,081,304

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenue are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date. That report can be obtained by contacting the Board of Trustees, LFPF, 4223 85th Street, Lubbock, TX 79423 or at www.lubbockfirepensionfund.com.

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

For the year ended September 30, 2021, the City recognized pension expense of $8,598,185.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual economic experience	$ -	$ 7,484,302
Changes in actuarial assumptions	11,168,313	1,823,084
Difference between projected and actual investment earnings	900,476	-
Contributions subsequent to the measurement date	6,162,822	-
Total	$ 18,231,611	$ 9,307,386

$6,162,822 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, 2022. 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:	
2022	($782,552)
2023	1,144,264
2024	(2,280,813)
2025	756,939
2026	1,028,228
Thereafter	2,895,337
Total	$2,761,403

G. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Benefits Provided

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

Normal Retirement Benefits

Texas Municipal Retirement System (TMRS)

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

Lubbock Fire Pension Fund (LFPF)

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

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

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

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

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

The following table provides a summary of the number of participants in the plan as of December 31, 2019:

Inactive plan members or beneficiaries currently receiving benefits	989
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	2,233
Total	3,222

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 $409/$23 (medical/dental) for single coverage and $933/$39 (medical/dental) for family coverage, pre-65.

Total OPEB Liability

The City's OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to the measurement date of December 31, 2020.

Actuarial assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry-Age
Inflation	2.5% per year
Healthcare cost trend rate	Initial rate of 7.0% declining to an ultimate rate of 4.15% after 15 years
Discount rate	2.0 as of December 31, 2020
Salary increases	TMRS: 3.5% to 11.5%, including inflation
	LFPF: 4.0% to 11.28%

Demographic assumptions were updated to reflect the 2019 TMRS Experience Study and the Lubbock Fire Pension Fund valuation as of 12/31/18.

Mortality rates for TMRS: for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.

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

Discount rate

For plans that do not have 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 of this valuation, the municipal bond rate is 2.00% (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, 2020	**$150,930,890**
Changes for the year:	
Service cost	8,633,091
Interest	4,212,162
Difference between expected and actual experience	(761,751)
Changes of assumptions	13,543,540
Benefit Payments	(4,155,820)
Net Changes	$21,471,222
Balance at September 30, 2021	**$172,402,112**

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	$192,932,963	$172,402,112	$154,658,678

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	$155,998,398	$172,402,112	$192,223,130

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

For the year ended September 30, 2021, the City recognized total OPEB expense of $14,493,042.

At September 30, 2021, 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	$ -	$ 7,608,410
Changes in assumptions	20,061,000	3,694,110
Contributions subsequent to the measurement date	2,455,132	-
Total	$ 22,516,132	$ 11,302,520

$2,455,132 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, 2022. 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:	
2022	$1,647,789
2023	1,647,789
2024	1,647,789
2025	1,116,517
2026	1,236,137
Thereafter	1,462,459
Total	$8,758,480

H. 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.

I. SURFACE WATER SUPPLY

Canadian River Municipal Water Authority

The Canadian River Municipal Water Authority (CRMWA) is a Conservation and Reclamation Authority established by the Texas Legislature to construct a dam, water reservoir, and aqueduct system for the purpose of supplying water to surrounding cities. The Authority was created in 1953 and is comprised of eleven cities, including Lubbock. The budget, financing, and operations of the Authority are governed by a Board of Directors selected by the governing bodies of each of the member cities, each city being entitled to one or two members dependent upon population. At September 30, 2021, the Board was comprised of 17 members, two of which represented the City. The City contracted with the CRMWA to reimburse CRMWA for a portion of the cost of the Canadian River Dam and aqueduct system in exchange for surface water. The City's pro-rata share of annual fixed and variable operating and reserve assessments are recorded as an expense of obtaining surface water. The City has four contract revenue bonds to pay for the water rights. These assets and liabilities are recorded in the Water and Wastewater Enterprise Fund.

J. COMMITMENTS

In anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement on May 27, 2021 to terminate the Partial Requirements (PR) Agreement, and identified May 31, 2023 as the estimate of the full ERCOT integration resulting in an early termination of the PR Agreement Under the terms of the Settlement Agreement, LP&L agreed to pay a lump sum, totaling $77.5 million, to SPS as compensation for power- and transmission-related shifted costs under the PR Agreement. The negotiated lump sum termination payment of $77.5 million will be funded with long-term bonds, which will trade an estimated annual capacity charge of $17.0 million per year in SPP with a much lower annual debt service payment, with expected savings exceeding $12 million per year.

LP&L also agreed to continue paying South Plains Power Pool (SPP) charges that are assessed to SPS under the LP&L Network Integration Transmission Service ("NITS") Agreement, for up to 24 months, that are attributable to service to LP&L's load after LP&L departs the SPP system (because SPP uses lagging billing determinants for certain charges). Additionally, LP&L agreed that the Settlement Agreement will not become effective unless and until it is approved or accepted by the Federal Energy Regulatory Commission (FERC) and the PUC. Following the termination date, the contractual relationship between LP&L and SPS will be limited to the Settlement Agreement and certain easements and crossing agreements necessary for the operation of each respective system. For clarity, the existing water use agreement and the existing franchise agreement pertaining to SPS' retail service territory in Lubbock will continue under the existing terms of each respective agreement.

K. LONG-TERM DEBT

GENERAL OBLIGATION BONDS AND CERTIFICATES OF OBLIGATION:

Interest Rate%	Dated	Maturity Date	Amount Issued	Outstanding 09/30/21
3.34	04/01/12	02/15/32	12,395,000	605,000
3.43	04/01/12	02/15/32	66,075,000	3,865,000
3.28	04/01/12	02/15/31	15,200,000	1,335,000
2.05	05/21/13	02/15/33	42,075,000	7,475,000
2.80	05/21/13	02/15/33	49,440,000	6,485,000
2.64	05/01/14	02/15/26	44,920,000	30,805,000
3.25	05/01/14	02/15/34	62,900,000	13,485,000
3.11	04/15/15	02/15/35	102,490,000	78,895,000
2.42	04/15/15	02/15/28	129,665,000	78,030,000
3.21	05/01/15	02/15/31	28,305,000	23,890,000
2.41	04/15/16	02/15/34	26,660,000	22,730,000
2.72	04/15/16	02/15/36	101,305,000	79,790,000
2.47	11/01/16	02/15/34	36,780,000	22,730,000
0.00	02/16/17	02/15/37	35,000,000	28,000,000
3.20	04/15/17	02/15/37	23,290,000	18,765,000
2.92	04/04/18	02/15/38	18,535,000	14,555,000
3.86	04/04/18	02/15/38	14,675,000	13,170,000
2.76	04/04/18	02/15/30	96,160,000	76,150,000
3.07	04/04/19	02/15/39	64,550,000	61,290,000
2.13	04/04/19	02/15/30	12,270,000	9,515,000
2.31	10/08/19	02/15/32	44,875,000	42,695,000
2.51	05/13/20	02/15/40	7,045,000	6,880,000
1.57	12/17/20	02/15/34	32,690,000	31,750,000
0.83	02/18/21	02/15/31	6,010,000	6,010,000
1.97	07/28/21	02/15/41	24,420,000	24,420,000
			$ 1,097,730,000	$ 703,320,000

(A) Excludes net bond premiums and discounts – ($31,099,894) business-type and ($27,660,726) governmental. Additionally, this amount includes $384,384,436 of bonds used to finance enterprise fund activities.

At September 30, 2021, management of the City believes the City complied with all financial bond covenants on outstanding general obligation bonded debt, certificates of obligation, tax notes, electric revenue bonded debt, and water contract bonded debt.

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

LP&L REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2021
1.90	04/15/2013	04/15/2024	16,570,000	3,520,000
3.09	05/01/2014	04/15/2034	16,245,000	9,540,000
3.41	04/15/2015	04/15/2035	11,865,000	9,230,000
3.04	04/15/2016	04/15/2046	7,535,000	5,885,000
3.60	08/15/2017	02/15/2047	17,760,000	16,645,000
3.64	07/12/2018	04/15/2048	93,925,000	84,260,000
2.73	09/09/2021	04/15/2051	266,870,000	266,870,000 *
Total			$430,770,000	$395,950,000

***** Balance outstanding excludes ($60,187,886) 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 $254.6 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 3.9 times the debt service requirements in FY21.

WATER/WASTEWATER REVENUE BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2021
0.92	04/04/2019	02/15/2039	19,635,000	17,665,000
2.47	04/04/2109	02/15/2039	16,725,000	14,565,000
2.45	10/08/2019	02/15/2034	88,405,000	84,610,000
2.51	05/14/2020	02/15/2040	42,085,000	41,090,000
0.74	12/17/2020	02/15/2030	27,220,000	26,320,000 *
1.71	12/17/2020	02/15/2033	22,135,000	21,515,000
0.86	02/18/2021	02/15/2031	9,630,000	9,630,000
Total			$225,835,000	$215,395,000

* Balance outstanding excludes ($9,494,294) 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 4.3 times the debt service requirements in FY21.

CONTRACT BONDS

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2021
2.00 to 5.00	01/20/2013	02/15/2025	10,970,000	4,235,833
2.00 to 5.00	12/02/2014	02/15/2027	11,078,489	6,182,664
2.00 to 5.00	10/01/2017	02/15/2029	4,723,042	3,185,753
2.00 to 5.00	11/19/2020	02/15/2031	16,526,365	15,645,607
Total			$43,297,896	$29,249,857 *

*Balance outstanding excludes ($4,054,197) of bond premiums.

Interest Rate (%)	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 09/30/2021
1.78	07/11/2017	02/15/2024	18,220,000	5,165,000
2.50	08/01/2018	02/15/2025	13,290,000	4,155,000
1.99	08/01/2019	02/15/2026	7,130,000	3,965,000
1.11	07/27/2020	02/15/2027	8,705,000	7,010,000
1.11	08/24/2021	02/15/2028	3,000,000	3,000,000
Total			$50,345,000	$23,295,000

The annual requirements to amortize all outstanding debt of the City as of September 30, 2021 are as follows:

Governmental Activities

	General Obligation Bonds		Tax Notes		SIB Loan	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	$ 31,545,564	$ 12,462,946	$ 5,647,957	$ 276,263	$ 463,051	$ 168,555
2023	31,280,000	10,907,727	5,091,149	184,578	475,725	155,881
2024	30,240,000	9,633,741	4,217,082	106,760	488,745	142,860
2025	28,825,000	8,405,813	2,500,446	52,713	502,122	129,484
2026	26,160,000	7,203,908	1,598,957	22,452	515,864	115,742
2027-2031	96,485,000	22,367,566	1,025,000	7,853	2,798,995	359,033
2032-2036	53,850,000	8,612,028	-	-	1,229,783	33,428
2037-2041	20,550,000	1,387,675	-	-	-	-
Totals	$ 318,935,564	$ 80,981,404	$ 20,080,591	$ 650,619	$ 6,474,285	$ 1,104,983

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2021

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
2022	$ 38,389,436	$ 14,595,976	$ 1,242,043	$ 47,261	$ 32,928,817	$ 20,767,387
2023	37,080,000	12,972,521	978,851	26,494	31,683,703	23,709,841
2024	35,140,000	11,417,653	667,918	11,573	34,469,801	22,415,040
2025	37,345,000	9,842,517	259,554	3,121	31,926,510	21,092,040
2026	35,355,000	8,264,188	66,041	367	34,674,259	19,806,483
2027-2031	130,825,000	22,603,849	-	-	161,781,767	78,808,576
2032-2036	61,175,000	5,775,436	-	-	95,465,000	53,853,105
2037-2041	9,075,000	365,726	-	-	82,540,000	37,081,765
2042-2046	-	-	-	-	82,570,000	25,347,250
2047-2051	-	-	-	-	52,555,000	5,192,250
Totals	$ 384,384,436	$ 85,837,866	$ 3,214,407	$ 88,816	$ 640,594,857	$ 308,073,737

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2021

Long-term obligations for governmental and business-type activities for the year ended September 30, 2021 are as follows:

	Debt Payable 09/30/20	Additions	Deletions	Debt Payable 09/30/21	Due in one year
Governmental activities:					
Tax-Supported -					
Obligation Bonds	$ 340,102,383	$ 60,380,539	$ 61,466,767	$ 339,016,155	$ 37,193,521
Bond Premiums	28,717,795	5,309,885	6,366,954	27,660,726	-
SIB Loan	6,925,000	-	450,715	6,474,285	463,051
Capital Leases	1,608,225	-	1,608,225	-	-
Closure/Post Closure	6,415,840	187,087	-	6,602,927	-
Compensated Absences	31,937,176	12,317,969	12,123,431	32,131,714	13,050,873
Total OPEB Liability	106,619,013	19,385,134	3,612,434	122,391,713	-
Net Pension Liability	138,653,161	86,315,613	91,175,565	133,793,209	-
Insurance Claims Payable	5,974,803	41,594,558	42,311,492	5,257,869	3,133,768
Total Governmental activities	$ 666,953,396	$ 225,490,785	$ 219,115,583	$ 673,328,598	$ 53,841,213
Business-type activities:					
Self-Supported -					
Obligation Bonds	$ 487,712,615	$ 5,739,462	$ 105,853,234	$ 387,598,843	$ 39,631,479
Revenue and Contract Bonds	334,578,215	342,381,365	36,364,723	640,594,857	32,928,817
Bond Premiums	58,780,314	58,437,214	12,381,257	104,836,271	-
Capital Leases	380,731	-	380,731	-	-
Compensated Absences	6,192,738	3,331,908	3,223,257	6,301,389	3,891,306
Total OPEB Liability	44,311,877	7,003,659	1,305,137	50,010,399	-
Net Pension Liability	28,979,114	21,957,223	26,926,388	24,009,949	-
Total Business-type activities	$ 960,935,604	$ 438,850,831	$ 186,434,727	$ 1,213,351,708	$ 76,451,602

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 2021, the City had $903,616 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	$ 673,328,598	
Long-Term Debt - Business-Type Activities	1,213,351,708	
Interest	476,737,425	
Total Amount of Debt		$ 2,363,417,731
Less: Bond Discounts/Premiums	(132,496,997)	
Less: Closure/Post Closure	(6,602,927)	
Less: Compensated Absenses	(38,433,103)	
Less: Post Employment Benefits	(172,402,112)	
Less: Net Pension Liability	(157,803,158)	
Less: Insurance Claims Payable	(5,257,869)	
Total Other Debt		(512,996,166)
Total Future Bonded Debt Requirements		$ 1,850,421,565

New Bond Issuance

In February 2021, the City issued $6,010,000 Combination Tax & Revenue Certificates of Obligation, Series 2021 (Certificates), with interest rates ranging from 3.0 percent to 5.0 percent. The Certificates were issued at a premium of $1,493,363 and incurred issuance cost of $98,363. The $7,503,363 proceeds from the sale of the Certificates will be used for (i) construction, renovation, improvement and extension of City streets and related infrastructure, vehicles and equipment, including sidewalks, street lighting, traffic signals/controllers and traffic signal communication systems, signage, drainage, landscaping, utility improvements, extensions, relocations and acquisition of land and rights-of-way in connection therewith and (ii) payment of professional services of attorneys, financial advisors, engineers and other professionals in connection with the Project and the issuance of the Certificates. The proceeds of the debt are recorded in the various Capital Project Funds.

In February 2021, the City issued $9,630,000 Water and Wastewater System Revenue Bonds, Series 2021 (Bonds), with interest rates ranging from 2.0 percent to 5.0 percent. The Bonds were issued at a premium of $1,998,676 and incurred issuance cost of $128,679. The $11,628,676 proceeds from the sale of the Bonds will be used for the (i) paying the costs of acquiring, purchasing, constructing, improving, renovating, enlarging and equipping property, buildings, structures, facilities and related infrastructure for the System and (ii) paying the costs associated with the issuance of the Bonds.

In July 2021, the City issued $24,420,000 Combination Tax & Revenue Certificates of Obligation, Series 2021A (Certificates), with interest rates ranging from 2.0 percent to 5.0 percent. The Certificates were issued at a premium of $3,816,522 and incurred issuance cost of $291,522. The $28,236,522 proceeds from the sale of the Certificates will be used for (i) construction, renovation, improvement and extension of City streets and related infrastructure, vehicles and equipment, including sidewalks, street lighting, traffic signals/controllers and traffic signal communication systems, signage, drainage, landscaping, utility improvements, extensions, relocations and acquisition of land and rights-of-way in connection therewith; (ii) construction, improvement, renovation and equipment of fire department facilities and acquisition of land, buildings and other facilities related thereto, and (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 Project Funds.

In August 2021, the City issued $1,305,000 Tax Note, Series 2021, with a 1.10 percent interest rate. The Tax Notes incurred issuance cost of $15,000. The $1,305,000 proceeds from the sale of Tax Notes will be used for the purpose of paying contractual obligations to the incurred for various public improvements and renovations including: (i) the purchase of property consisting of materials, supplies, equipment, and machinery, and (ii) paying the cost of issuance related to the Tax Note.

Refunding

In December 2020, the City issued $32,690,000 GO Refunding Bonds, Series 2020 (Bonds), with interest rates ranging from 0.26 percent to 2.104 percent. The Bonds were issued at par and incurred issuance cost of $350,253. The $32,690,000 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 Refunding 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 agreement between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunding Bonds. The bonds refunded $29,615,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by $3,004,399, which resulted in a net present value savings of $2,689,493, or 10.11 percent savings on refunded bonds.

In December 2020, the City issued $27,220,000 Water and Wastewater System Refunding Bonds, Series 2020B (Bonds), with interest rates ranging from 3.0 percent to 5.0 percent. The Bonds were issued at a premium of $6,120,807 and incurred issuance cost of $300,771. The $33,340,807 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 Refunding 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 agreement between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunding Bonds. The bonds refunded $32,695,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by $2,672,750, which resulted in a net present value savings of $2,589,132, or 7.92 percent savings on refunded bonds.

In December 2020, the City issued $22,135,000 Water and Wastewater System Refunding Bonds, Series 2020C (Bonds), with interest rates ranging from 0.37 percent to 2.054 percent. The Bonds were issued at par and incurred issuance cost of $242,225. The $22,135,000 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 Refunding 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 agreement between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunding Bonds. The bonds refunded $19,985,000 of outstanding debt. Because of the refunding, the City decreased total debt service requirements by $1,652,308, which resulted in a net present value savings of $1,474,103, or 7.38 percent savings on refunded bonds.

In August 2021, the City issued $1,695,000 Tax Note, Series 2021, with a 1.10 percent interest rate. The Tax Notes incurred issuance cost of $21,217. The $1,695,000 bond proceeds were 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 $1,695,000 of outstanding debt.

In September 2021, the City issued $266,870,000 Electric Light and Power System Revenue Bonds, Series 2021 (Bonds), with interest rates ranging from 3.0 percent to 5.0 percent. The Bonds were issued at a premium of $46,784,917 and incurred issuance cost of $1,296,118. The $313,654,917 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 Refunding 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 agreement between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunding Bonds. The bonds refunded $245.6 million of outstanding notes from direct borrowings. The refunding was done to provide long-term fixed rate financing for projects that were initially funded by the variable rate short-term note program.

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, 2021, $106,500,000 of defeased bonds remain outstanding.

L. CONDUIT DEBT

In the past, the City has approved the issuance of Health Facilities Development Corporation Bonds and Education Facilities Authority Bonds to provide financial assistance to private sector entities for the acquisition and construction of public facilities. The bonds are secured by the property financed. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2021, there was one series of Lubbock Health Facilities Development Corporation Bonds outstanding with an aggregate principal amount payable of $36,135,000. The bonds were issued in 2008. Also as of September 30, 2021, there was one series of Lubbock Education Facilities Authority Inc. Bonds outstanding with an aggregate principal amount payable of $18,140,000. The bonds were issued in 2007 and refunded in FY 2016.

M. SPECIAL ASSESSMENT DEBT

In FY 2008, the Vintage Township Public Facilities Corporation (PFC), a discretely presented component unit of the City, issued special assessment debt for the acquisition and construction of certain public facilities benefiting Vintage Township. The PFC had $2,007,000 outstanding special assessment debt as of September 30, 2021. 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, 2021, $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.

N. FUND BALANCE

The City classified governmental fund balances as follows:

	General Fund	Debt Service Fund	Governmental Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Inventory	$ 141,304	$ -	$ -	$ -	$ 141,304
Restricted:					
Debt service	-	6,296,056	-	5,733,384	12,029,440
Tax note purchases	246,718	-	-	-	246,718
Economic and business development	-	-	-	409,818	409,818
Tourism, convention centers, arts	-	-	-	443,121	443,121
Animal assistance	-	-	-	379,551	379,551
Tax improvement financing areas	-	-	-	5,461,097	5,461,097
Public improvement districts	-	-	-	3,084,696	3,084,696
Cable services to community public buildings	-	-	-	3,817,853	3,817,853
Community services grants	-	-	-	198,185	198,185
Heath grants	-	-	-	32,339	32,339
Police grants	-	-	-	58,702	58,702
Law enforcement purposes	-	-	-	1,356,875	1,356,875
Court technology	-	-	-	1,200,751	1,200,751
Donations for community services	-	-	-	56,019	56,019
Donations for animal services	-	-	-	54,185	54,185
Donations for museums	-	-	-	227,710	227,710
Donations for parks and recreational	-	-	-	132,248	132,248
Donations for fire services	-	-	-	10,899	10,899
Donations for police services	-	-	-	10,268	10,268
Donations for cultural	-	-	-	19,688	19,688
Donations for other programs	-	-	-	6,462	6,462
Street capital projects	-	-	29,183,671	3,839,201	33,022,872
General facility capital projects	-	-	9,331,359	-	9,331,359
Public safety capital projects	-	-	32,417,294	-	32,417,294
Parks capital projects	-		746,411		746,411
TIF capital projects	-	-	-	4,277,789	4,277,789
Committed:					
Gateway street capital projects	-	-	-	12,432,455	12,432,455
TIF capital projects	-	-	-	5,632,344	5,632,344
Infrastructure and neighborhood dev	-	-	-	514,507	514,507
Street capital projects	-	-	3,949,385	-	3,949,385
General facility capital projects	-	-	4,396,238	-	4,396,238
Public safety capital projects	-	-	3,122,030	-	3,122,030
Parks capital projects	-	-	2,524,578	-	2,524,578
Unassigned	87,829,092	-	-	(533)	87,828,559
Total Fund Balances	**$ 88,217,114**	**$ 6,296,056**	**$ 85,670,966**	**$ 49,389,614**	**$ 229,573,750**

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

O. RISK MANAGEMENT

The Risk Management Fund was established to account for liability claims, workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, which are based on costs.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from Texas Municipal League Intergovernmental Risk Pool (TML-IRP) with continuous coverage through September 30, 2009. Effective October 1, 2009 through September 30, 2018 the City purchased workers' compensation coverage from Texas Political Subdivisions Joint Self-Insurance Fund (TPS). TPS operates as a self-insurance pool offering coverage to municipalities and other political subdivisions in accordance with the local government code and the terms of interlocal agreements among members. The City obtains workers' compensation coverage through a guaranteed-cost plan. Guaranteed-cost members combine their contributions to cover pooled losses and expenses. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the agreement so that members will not have joint and several liabilities beyond their required contribution. Effective October 1, 2018 the City purchased workers' compensation insurance with no deductible from Texas Mutual Insurance Company. Prior to April 1999, the City was self-insured for workers' compensation claims. Any claims outstanding prior to April 1999 continue to be the City's responsibility.

The City's self-insurance liability program was funded on a cash flow basis, which means that the servicing contractor processes, adjusts, and pays claims from a deposit account provided by the City until October 1, 2017. After October 1, 2017 all self-insurance liability claims are being adjusted and paid through the use of an in-house claims adjuster who, with the assistance of the Risk Manager, sets reserves. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with a $14 million annual aggregate limit and is subject to a $500,000 self-insured retention per claim.

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

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

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

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

P. 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 $2.22 million at September 30, 2020 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 2021	FY 2020
Workers' Compensation and Liability Reserves at Beginning of Fiscal Year	$ 4,101,905	$ 4,415,370
Claims Expenses	6,382,159	6,504,113
Claims Payments	(7,473,006)	(6,817,578)
Workers' Compensation and Liability Reserves at End of Fiscal Year	3,011,058	4,101,905
Medical and Dental Claims Liability at Beginning of Fiscal Year	1,872,898	1,725,240
Claims Expenses	35,212,399	31,695,489
Claims Payments	(34,838,486)	(31,547,831)
Medical and Dental Claims Liability at End of Fiscal Year	2,246,811	1,872,898
Total Self-Insurance Liability at End of Fiscal Year	$ 5,257,869	$ 5,974,803
Total Assets to Pay Claims at End of Fiscal Year	$ 18,289,233	$ 21,824,957
Accrued Insurance Claims Payable - Current	$ 3,133,768	$ 3,493,463
Accrued Insurance Claims Payable - Noncurrent	2,124,101	2,481,340
Total Accrued Insurance Claims	$ 5,257,869	$ 5,974,803

Q. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place final covers on its landfill sites at closure and to perform certain maintenance and monitoring functions for 30 years thereafter. Although closure and post closure care costs will be paid only near or after the date that the landfills stop accepting waste, the City reports a portion of these closure and post closure costs as operating expenses (and recognizes a corresponding liability) in each period based on landfill capacity used as of each statement of net position date.

The $6,602,927 included in landfill closure and post closure care liability at September 30, 2021, represents the cumulative amount expensed by the City to date for its two landfills, that are registered under TCEQ permit numbers 69 (Landfill 69) and 2252 (Landfill 2252), less amounts that have been paid. Approximately 98.5 percent of the estimated capacity of Landfill 69 has been used, with $543,572 remaining to be recognized over the remaining closure period. Approximately 8.8 percent of the estimated capacity of Landfill 2252 has been used to date, with $20,242,546 remaining to be recognized over the remaining closure period. Post closure care costs are based on prior estimates and have been adjusted for inflation. Actual costs may differ due to inflation, deflation, changes in technology, or other regulatory changes.

The City is required by state and federal laws and regulations to provide assurance that financial resources will be available for landfill closure, post closure care, and remediation or containment of environmental hazards. The City is in compliance with these requirements and has chosen the Local Government Financial Test mechanism for providing assurance. The City expects to finance costs through normal operations.

R. DISAGGREGATION OF ACCOUNTS – FUND FINANCIAL STATEMENTS

	Accounts Receivable Summary					
	Court Fines	Consumer Metered	Property Damage	Paving	Misc.	Balance at 09/30/21
Governmental Funds:						
General Fund	$ 7,253,729	$ 5,195,937	$ 478,286	$ 221,417	$ 278,513	$ 13,427,882
Capital Projects	-	-	-	-	13,231	13,231
Total	$ 7,253,729	$ 5,195,937	$ 478,286	$ 221,417	$ 291,744	$ 13,441,113

	Accounts Receivable Summary		
	General Consumer	Misc.	Balance at 09/30/21
Proprietary Funds:			
LP&L	$ 50,970,730	$ 1,199,510	$ 52,170,240
Water/Wastewater	21,572,267	481,034	22,053,301
Storm Water	3,234,670	-	3,234,670
Nonmajor	1,861,968	118,110	1,980,078
Total	$ 77,639,635	$ 1,798,654	$ 79,438,289

City of Lubbock, Texas
Notes to Basic Financial Statements
September 30, 2021

Allowance for Doubtful Accounts Summary

	Balance at 09/30/21
Governmental Funds:	
General Fund	$ 7,476,827
Proprietary Funds:	
LP&L	4,006,982
Water/Wastewater	2,529,892
Storm Water	316,360
Nonmajor	9,510
Total	$ 14,339,571

Accounts Payable Summary

	Vouchers	Accounts	Miscellaneous	Balance at 09/30/21
Governmental Funds:				
General Fund	$ 1,228,467	$ 2,267,738	$ -	$ 3,496,205
Govt. Capital Projects	3,982,476	78,695	1,403,989	5,465,160
Nonmajor	3,344,406	716,765	1,879,860	5,941,031
Proprietary Funds:				
LP&L	27,857,468	177,161	5,300,741	33,335,370
Water/Wastewater	6,471,865	2,639,936	2,522,156	11,633,957
Storm Water	58,554	644,920	-	703,474
Nonmajor	1,815,098	362,110	2,586,230	4,763,438
Internal Service	725,705	459,989	566,602	1,752,296
Total	$ 45,484,039	$ 7,347,314	$ 14,259,578	$ 67,090,931

S. DISAGGREGATION OF ACCOUNTS - GOVERNMENT-WIDE

	Net Receivables				
	Accounts Receivable	**Interest Receivable**	**Taxes Receivable**	**Internal Service Receivables**	**Balance at 09/30/21**
Governmental Activities	$ 5,964,286	$ 170,649	$ 18,748,766	$ 101,525	$ 24,985,226
Business-Type Activities	72,575,545	1,121,031	-	188	73,696,764
Total	$ 78,539,831	$ 1,291,680	$ 18,748,766	$ 101,713	$ 98,681,990

	Accounts Payable		
	Accounts Payable	**Internal Service Payables**	**Balance at 09/30/21**
Governmental Activities	$ 14,902,396	$ 1,717,131	$ 16,619,527
Business-Type Activities	50,436,239	35,165	50,471,404
Total	$ 65,338,635	$ 1,752,296	$ 67,090,931

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, 2021, the City has $1,344,820 reserved on general liability claims, as determined by an actuarial calculation.

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

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.

Kelli and Phillip Pool v. City of Lubbock

The Plaintiff was injured in an auto accident with a City Animal Control vehicle and claims that as a result surgery was required.

Chelsea Schumacher v. City of Lubbock

Plaintiff has filed suit regarding alleged damages related to an alleged vehicle collision. Plaintiff's Original Petition alleges damages in the amount of monetary relief over $200,000 but not more than $250,000. The City, acting by and through Lubbock Power & Light ("LP&L"), denies all liability and damages alleged and is defending the claims. On June 22, 2021, LP&L filed a Motion for Summary Judgment and that motion remains pending.

Claims Related to Winter Storm Uri

LP&L has received multiple alleged claim letters purportedly related to Winter Storm Uri and the Electric Reliability Council of Texas ("ERCOT") which occurred in February 2021. At this time, no litigation has been filed related to these allegations against LP&L. LP&L denies any liability or damages related to these claims and will defend any such claims.

NOTE V. TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatement Disclosures,* defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forego tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or citizens of those governments.

The City utilizes the industrial tax abatement program to provide powerful new resources and incentives to grow the economy in the region, revitalize targeted areas of the City and promote strong, balanced growth throughout the community.

The City has not entered into agreements with other governments that would reduce the reporting government's tax revenues. Other entities are not authorized to enter tax abatement agreements that reduce the City tax revenue without the City's consent.

Industrial Tax Abatement Program

The purpose of the program is promotion of high quality development in all parts of the City of Lubbock, Texas and to an ongoing improvement in the quality of life for the citizens residing within the City. The specific taxes abated are real/personal property tax, and the authority under which abatement agreements are entered into is V.T.C.A., Tax Code, Chapter 312. To qualify for tax abatement, the company must meet both of the following criteria:

- The modernization or expansion of the existing facility of any type as herein defined or construction of a new facility of any type as herein defined.
- Producer, manufacturer or distributor of goods and services of which 50 percent or more are distributed outside of Lubbock County.

In addition to the aforementioned, the City will consider abatement only if the company meets one of the following criteria:

- One of the following target industries:
  - Advanced Technologies and Manufacturing
  - Value-added Agricultural Production including Food Processing and Machinery
  - Research and Development
  - Medical Services (as defined in Section II Definitions)
  - Warehouse/Distribution
  - Corporate Headquarters of a Region/National Service Center
  - Information and Data Centers
- The project is not included as a target industry, but has the potential of generating additional, significant economic development opportunities to Lubbock.

The company must meet one of the following criteria:

- The project will add at least $1 million in Real Property improvements, or $2 million in new Personal Property, or 25 new permanent jobs if the facility is a new company to Lubbock.
- The project will add at least $500,000 in Real Property improvements, or $1 million in new Personal Property, or 15 new permanent jobs if the facility is an existing company.

New or existing facilities of any type herein defined, located in a designated Enterprise Zone, Reinvestment Zone, or upon Real Property eligible for such status will be eligible for consideration for tax abatement status provided that all other criteria and guidelines are satisfied.

Improvements to Real Property are eligible for tax abatement status. The types of property contained in Section IV 5. shall be ineligible for tax abatement status and shall be fully taxed. In order for a Facility to qualify for abatement, the following conditions must apply:

  - The owner or leaseholder of Real Property must make eligible improvements to the real property; and,
  - In the case of lessees, the leaseholder must have a lease commitment of at least five (5) years.

Taxes are reduced through a reduction of the property's assessed value. Taxable value is calculated and then the tax abatement eligible value is determined by the Central Appraisal District. The amount of abatement is determined by multiplying the percentage of abatement in the contract times the abatement eligible value.

The provisions for recapturing abated taxes are as follows:

- In the event that any type of facility, is completed and begins producing goods or services, but subsequently discontinues producing goods or services for any reason, excepting fire, explosion or other casually or accident or natural disaster or other event beyond the reasonable control of applicant or owner for a period of 180 days during the term of a Tax Abatement Agreement, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.
- In the event that the application or owner has entered into a Tax Abatement Agreement to make improvements to a facility of any type described in Section 1 above, but fails to undertake or complete such improvements or fails to create all or a portion of the number of new jobs provided by the Tax Abatement Agreement, then in such event the City shall give the applicant or owner sixty (60) days notice of such failure. The applicant or owner shall demonstrate to the satisfaction of the City, above mentioned, that the applicant or owner has commenced to cure such failure within the sixty (60) days above mentioned. In the event that the applicant or owner fails to demonstrate that he is taking

affirmative action to cure his failure, then in such event the Tax Abatement Agreement shall terminate and all abatement of taxes shall likewise terminate.

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

No other commitments are included in tax abatement agreements. The gross dollar amount by which the City's tax revenues were reduced, was $631,550.

Industrial Tax Abatement Program	Amount of Taxes Abated During the Fiscal Year
Monsanto	$ 572,809
United/Safeway	48,349
X-Fab Texas, Inc.	10,392
	$ 631,550

NOTE VI. SUBSEQUENT EVENTS

On October 14, 2021, the Texas Water Development Board called and redeemed $10,445,000 in Water and Wastewater revenue bond obligations.

Also on October 14, 2021, the Canadian River Municipal Water Authority Board of Directors called and redeemed $18,825,000 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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service Cost	$ 18,540,809	$ 17,744,764	$ 16,842,100	$ 16,420,981	$ 15,823,941	$ 15,646,134	$ 13,880,535
Interest (on the total pension liability)	50,306,547	48,499,961	47,036,685	45,317,091	43,569,660	43,381,064	41,941,717
Difference between expected and actual experience	(7,266,289)	(3,365,549)	(6,213,444)	(709,626)	(116,124)	(2,308,849)	(5,561,662)
Change of assumptions	-	1,696,165	-	-	-	1,083,512	-
Benefit payments, including refunds of employee contributions	(39,732,225)	(36,686,001)	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)	(28,915,142)
Net Change in Total Pension Liability	21,848,842	27,889,340	21,474,319	25,692,379	27,237,278	25,554,440	21,345,448
Total Pension Liability - Beginning	755,877,892	727,988,552	706,514,233	680,821,854	653,584,576	628,030,136	606,684,688
Total Pension Liability - Ending (a)	$ 777,726,734	$ 755,877,892	727,988,552	$ 706,514,233	$ 680,821,854	$ 653,584,576	$ 628,030,136
Plan Fiduciary Net Position							
Contributions - Employer	$ 19,151,231	$ 18,573,283	17,977,519	$ 17,388,324	$ 16,727,368	$ 17,455,926	$ 16,809,722
Contributions - Employee	7,630,862	7,341,830	6,972,627	6,781,947	6,519,575	6,580,584	6,187,966
Net Investment Income	50,799,016	91,140,108	(18,566,799)	76,875,125	35,696,237	791,199	29,351,843
Benefit payments, including refunds of employee contributions	(39,732,225)	(36,686,001)	(36,191,022)	(35,336,067)	(32,040,199)	(32,247,421)	(28,915,142)
Administrative Expense	(328,945)	(515,289)	(358,970)	(398,475)	(403,223)	(481,936)	(306,464)
Other	(12,833)	(15,479)	(18,755)	(20,194)	(21,725)	(23,803)	(25,196)
Net Change in Plan Fiduciary Net Position	37,507,106	79,838,452	(30,185,400)	65,290,660	26,478,033	(7,925,451)	23,102,729
Plan Fiduciary Net Position - Beginning	669,717,034	589,878,582	620,063,982	554,773,322	528,295,289	536,220,740	513,118,011
Plan Fiduciary Net Position - Ending (b)	$ 707,224,140	$ 669,717,034	589,878,582	$ 620,063,982	$ 554,773,322	$ 528,295,289	$ 536,220,740
City's Net Pension Liability - Ending (a) - (b)	$ 70,502,594	$ 86,160,858	138,109,970	$ 86,450,251	$ 126,048,532	$ 125,289,287	$ 91,809,396
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.93%	88.60%	81.03%	87.76%	81.49%	80.83%	85.38%
Covered Payroll	108,999,463	104,874,493	99,598,464	96,821,824	93,136,791	93,914,371	88,287,852
City's Net Pension Liability as a Percentage of Covered Payroll	64.68%	82.16%	138.67%	89.29%	135.34%	133.41%	103.99%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in assumptions: In 2020, the payroll growth assumption was lowered from 3.0% to 2.75%. In 2016, the discount rate was lowered from 7.0% to 6.75%; the inflation rate was lowered from 3% to 2.5%; the experience study for retirement age was updated.

City of Lubbock, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 18,970,523	$ 19,163,541	$ 18,379,276	$ 17,788,537	$ 17,128,597	$ 16,819,070	$ 16,822,154
Contributions in relation to the actuarially determined contribution	18,970,523	19,163,541	18,379,276	17,788,537	17,128,597	16,819,070	16,822,154
Covered payroll	108,423,015	108,835,832	103,246,935	98,700,040	95,409,809	92,797,625	90,076,485
Contributions as a percentage of covered payroll	17.50%	17.61%	17.80%	18.02%	17.95%	18.12%	18.68%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2020
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30).
This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service Cost	$ 6,968,616	$ 6,732,962	$ 6,633,905	$ 6,378,755	$ 6,133,418	$ 5,897,517	$ 5,670,689
Interest (on the total pension liability)	22,472,953	21,681,080	21,482,849	20,651,840	19,752,539	18,983,849	18,188,061
Changes of benefit provisions	-	(5,954,023)	-	-	-	-	-
Difference between expected and actual experience	996,773	-	35,696	-	1,284,558	-	(1,634,184)
Change of assumptions	8,341,782	-	(2,680,334)	-	-	-	9,070,157
Benefit payments, including refunds of employee contributions	(20,029,797)	(16,834,155)	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)	(13,429,152)
Net Change in Total Pension Liability	18,750,327	5,625,864	8,187,603	11,189,026	11,388,134	10,266,396	17,865,571
Total Pension Liability - Beginning	293,019,871	287,394,007	279,206,404	268,017,378	256,629,244	246,362,848	228,497,277
Total Pension Liability - Ending (a)	$ 311,770,198	$ 293,019,871	$ 287,394,007	$ 279,206,404	$ 268,017,378	$ 256,629,244	$ 246,362,848
Plan Fiduciary Net Position							
Contributions - Employer	$ 7,661,634	$ 7,555,031	$ 7,214,819	$ 6,897,164	$ 6,598,900	$ 6,652,094	$ 6,234,058
Contributions - Employee	5,363,142	5,189,023	4,312,808	3,947,134	3,774,706	3,716,202	3,424,188
Net Investment Income	19,792,987	29,245,480	(2,831,237)	23,109,838	7,668,252	(5,133,050)	991,921
Benefit payments, including refunds of employee contributions	(20,029,797)	(16,834,155)	(17,284,513)	(15,841,569)	(15,782,381)	(14,614,970)	(13,429,152)
Administrative Expense	(303,578)	(316,533)	(351,995)	(290,549)	(322,882)	(244,762)	(205,266)
Other	436,792	225,073	570,341	1,015,473	1,244,040	136,500	53,411
Net Change in Plan Fiduciary Net Position	12,921,180	25,063,919	(8,369,777)	18,837,491	3,180,635	(9,487,986)	(2,930,840)
Plan Fiduciary Net Position - Beginning	211,548,454	186,484,535	194,854,312	176,016,821	172,836,186	182,324,172	185,255,012
Plan Fiduciary Net Position - Ending (b)	**$** 224,469,634	**$** 211,548,454	**$** 186,484,535	**$** 194,854,312	**$** 176,016,821	$ 172,836,186	$ 182,324,172
City's Net Pension Liability - Ending (a) - (b)	**$** 87,300,564	**$** 81,471,417	**$** 100,909,472	**$** 84,352,092	**$** 92,000,557	$ 83,793,058	$ 64,038,676
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.00%	72.20%	64.89%	69.79%	65.67%	67.35%	74.01%
Covered Payroll	35,802,016	34,639,673	33,080,326	31,754,899	30,367,707	29,897,052	27,547,772
City's Net Pension Liability as a Percentage of Covered Payroll	243.84%	235.20%	305.04%	265.63%	302.96%	280.27%	232.46%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in benefit provisions: Effective April 11, 2020, the plan was amended to change the definition of compensation used to determine the Final 48-Month Average Salary to exclude "Call-Back Overtime Pay" that is overtime in excess of "regular normal scheduled hours."

Changes in assumptions: In 2020, the discount rate was lowered from 7.75% to 7.5%.

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

	2021	2020	2019	2018	2017	2016	2015
Statutorily Determined Contribution	$ 8,021,424	$ 7,551,705	$ 7,525,133	$ 7,111,376	$ 7,071,721	$ 6,591,298	$ 6,316,139
Contributions in relation to the contractually determined contribution	8,021,424	7,551,705	7,525,133	7,111,376	7,071,721	6,591,298	6,316,139
Covered payroll	36,308,606	35,134,173	34,502,908	32,636,722	32,554,784	30,141,037	28,277,981
Contributions as a percentage of covered payroll	22.09%	21.49%	21.81%	21.79%	21.72%	21.87%	22.34%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2020
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	34 years
Inflation	2.5%
Salary Increases	2.75%, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.5%
Mortality	PubS-2010 total dataset mortality tables, projected for mortality improvement generationally using the projection scale MP-2018.

Other Information

Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30). This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

	2021	2020	2019	2018
Total OPEB liability				
Service Cost	$ 8,633,091	$ 8,904,939	$ 7,851,201	$ 6,889,393
Interest (on the total OPEB liability)	4,212,162	5,372,294	4,731,705	4,871,975
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(761,751)	(8,855,483)	(1,162,564)	
Change of assumptions	13,543,540	7,232,469	(6,179,217)	7,332,144
Benefit payments	(4,155,820)	(4,153,211)	(3,674,958)	(5,316,929)
Net Change in Total OPEB Liability	21,471,222	8,501,008	1,566,167	13,776,583
Total OPEB Liability - Beginning	150,930,890	142,429,882	140,863,715	127,087,132
Total OPEB Liability - Ending (a)	172,402,112	$ 150,930,890	$ 142,429,882	$ 140,863,715
Covered Payroll	126,617,473	125,767,169	123,461,642	120,830,434
City's Total OPEB Liability as a Percentage of Covered Payroll	136.16%	120.01%	115.36%	116.58%

NOTE: The City implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date (December 31) of the total OPEB liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes availabe.

Changes in assumptions: reflects a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

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, 2021

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property Tax	$ 71,297,353	$ 71,297,353	$ 71,996,064	$ 698,711
Delinquent Taxes	662,750	662,750	1,248,882	586,132
Sales Tax	74,796,435	74,796,435	82,499,994	7,703,559
Mixed Beverage Tax	1,400,000	1,400,000	1,529,424	129,424
Bingo Tax	200,000	200,000	242,158	42,158
Suddenlink	1,489,797	1,489,797	1,638,182	148,385
Xcel	126,110	126,110	224,166	98,056
South Plains Electric Cooperative	1,491,618	1,491,618	1,862,534	370,916
Atmos	2,317,835	2,317,835	3,065,997	748,162
West Texas Gas Company	22,831	22,831	34,627	11,796
Franchise Fee	20,858,228	22,443,638	20,670,980	(1,772,658)
Telecom Right of Way	1,849,883	1,849,883	1,619,048	(230,835)
Development Services	265,534	265,534	370,997	105,463
General Government	161,932	161,932	257,399	95,467
City Secretary	327,386	327,386	437,491	110,105
Public Safety	759,277	758,277	673,365	(84,912)
Public Works	24,577,881	24,579,606	27,352,943	2,773,337
Health	73,747	73,747	30,103	(43,644)
Animal Shelter	82,323	82,323	75,175	(7,148)
Cultural/Recreational	1,000,533	1,000,533	676,721	(323,812)
Museum	331,181	331,181	257,786	(73,395)
Licenses and Permits	3,496,733	3,496,733	4,742,815	1,246,082
Intergovernmental	429,760	429,760	492,537	62,777
Fines and Forfeitures	2,574,584	2,574,584	2,256,118	(318,466)
Interest Earnings	807,458	807,458	461,841	(345,617)
In Lieu of Property Tax	11,064,480	11,381,562	11,027,031	(354,531)
Rental	14,709	14,709	36,912	22,203
Recoveries of Expenditures	753,549	752,824	969,013	216,189
Oil and Gas Royalties	259,894	259,894	304,488	44,594
Other	320,717	320,717	524,595	203,878
Transfers from Electric Fund	1,742,355	1,742,355	1,742,352	(3)
Transfers from Water/Wastewater Fund	2,524,386	2,524,386	2,524,386	-
Transfers from Airport Fund	2,003,289	2,003,289	2,003,289	-
Transfer from Risk Fund	169,300	169,300	169,300	-
Transfers from Stormwater	588,005	588,005	588,005	-
Total Revenue	$ 230,841,853	$ 232,744,345	$ 244,606,718	$ 11,862,373
EXPENDITURES				
Administrative Services				
City Attorney	$ 2,241,351	$ 2,241,351	$ 2,127,812	$ 113,539
City Council	629,471	629,471	587,083	42,388
City Manager	1,826,543	1,826,543	1,799,551	26,992
City Secretary	1,454,470	1,854,008	1,770,106	83,902
Facilities Management	3,699,869	6,552,164	5,097,344	1,454,820
Finance	3,019,265	3,019,265	2,837,970	181,295
Human Resources	825,591	825,591	813,816	11,775
Internal Audit	341,453	341,453	254,365	87,088
Non-departmental	1,742,448	1,742,448	4,754,051	(3,011,603)
Communications and Marketing and Call Center	821,638	821,638	760,032	61,606
Total Administrative Services	16,602,099	19,853,932	20,802,130	(948,198)

City of Lubbock, Texas
Required Supplementary Information
Mandatory Budgetary Comparison Schedule (Continued)
General Fund
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)
EXPENDITURES (Continued)				
Development Services*				
Building Safety	$ 2,537,161	$ 2,537,161	$ 2,461,545	$ 75,616
Codes and Environmental Health	3,527,100	3,527,100	3,369,819	157,281
Planning	974,050	974,050	911,234	62,816
Total Development Services	7,038,311	7,038,311	6,742,598	295,713
Cultural and Recreation Services				
Library	3,841,381	3,841,381	3,706,124	135,257
Cultural Arts	1,219,928	1,219,928	1,040,513	179,415
Parks and Recreation	11,690,628	11,592,628	10,162,801	1,429,827
Total Cultural and Recreation Services	16,751,937	16,653,937	14,909,439	1,744,498
Public Works				
Solid Waste	19,382,607	16,530,649	15,601,183	929,466
Engineering	726,915	909,373	814,004	95,369
Streets	4,963,695	4,781,237	4,238,093	543,144
Traffic	3,835,430	3,835,430	3,669,757	165,673
Total Public Works	28,908,647	26,056,689	24,323,037	1,733,652
Public Safety and Health Services				
Animal Services	2,447,825	2,447,825	2,182,730	265,095
Fire	56,427,035	56,475,048	57,379,823	(904,775)
Municipal Court	1,900,570	1,900,570	1,722,739	177,831
Police	73,505,446	73,480,446	67,415,231	6,065,215
Public Health	1,786,102	1,786,102	2,160,467	(374,365)
Total Public Safety and Health Services	136,066,978	136,089,991	130,860,990	5,229,001
Transfers	25,473,881	34,326,747	35,056,309	(729,562)
Payroll Accrual/Other Adjustments	-	-	14,596	(14,596)
Total Expenditures	$ 230,841,853	$ 240,019,607	$ 232,709,100	$ 7,310,507
Revenues less expenditures	$ -	$ (7,275,262)	$ 11,897,618	$ 19,172,880

*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, 2021

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	$244,606,718
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	1,370,538
Total general fund revenues and other financing sources as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$245,977,256
Expenditures and Other Financing Uses	
Actual amounts (budgetary basis) "Total Expenditures" from the Budget Comparison Schedule	$232,709,100
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	-
Total general fund expenditures and other financing uses as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	$232,709,100

APPENDIX C

EXCERPTS FROM LP&L'S ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2021

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Introduction
September 30, 2021 and 2020

Lubbock Power and Light (LP&L) is pleased to present its Basic Financial Statements for the fiscal years ended September 30, 2021 and 2020. This report is published to provide the Electric Utility Board (Board), City of Lubbock (City), bondholders, rating agencies, representatives of financial institutions, and other interested parties detailed information concerning the financial condition of LP&L. The accompanying financial statements present only LP&L, and are not intended to fairly present the financial position or results of operations of the City.

LP&L operates the municipally owned electric utility and is an enterprise activity of the City. The Board, established on November 2, 2004, is appointed by the City Council and is empowered with the custody and management of LP&L operations. The City Council retains authority for approval of the annual budget, rates for electric service, eminent domain, and approval of debt financing.

LP&L management has prepared, and is responsible for, the financial statements and related information included in this report. Management believes that its policies and procedures provide guidance and reasonable assurance that LP&L operations are conducted according to management's intentions, and to a high standard of business ethics. In management's opinion, the financial statements present fairly, in all material respects, the net position, changes in net position, and cash flows of LP&L in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Directors
Lubbock Power & Light
City of Lubbock, Texas

We have audited, in accordance with the 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, the financial statements of Lubbock Power & Light, an enterprise fund the City of Lubbock, Texas, as of and for the year ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Lubbock Power & Light's basic financial statements, and have issued our report thereon dated February 24, 2022, which included emphasis of matter paragraphs regarding the presentation relating to only the enterprise fund of the City of Lubbock.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lubbock Power & Light's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lubbock Power & Light's internal control. Accordingly, we do not express an opinion on the effectiveness of Lubbock Power & Light's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lubbock Power & Light's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Weaver and Tidwell, L.L.P.
2300 North Field Street, Suite 1000 | Dallas, Texas 75201
Main: 972.490.1970

Members of the Board of Directors
Lubbock Power & Light

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 24, 2022

Independent Auditor's Report

Member of the Board of Directors
Lubbock Power & Light
City of Lubbock, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lubbock Power & Light, an enterprise fund of the City of Lubbock, Texas, as of September 30, 2021 and 2020, and the related notes to the 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lubbock Power & Light, an enterprise fund of the City of Lubbock, Texas as of September 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Lubbock Power & Light

Emphasis of Matters

As discussed in Note 1-A to the basic financial statements, the financial statements present only Lubbock Power & Light, and do not purport to, and do not, present fairly the financial position of the City of Lubbock, Texas, as of September 30, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
February 24, 2022

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Management's Discussion and Analysis
September 30, 2021 and 2020

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of Lubbock Power and Light (LP&L). It is intended to be an objective and easily understandable analysis of significant financial and operating activities and events for the fiscal year ended September 30, 2021 (FY 2021), compared to the fiscal year ended September 30, 2020 (FY 2020). This MD&A has been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and should be read in conjunction with the audited financial statements and accompanying notes that follow.

BASIC FINANCIAL STATEMENTS

The financial statements report information about LP&L as a whole and are prepared using accrual accounting methods utilized by similar business activities in the private sector. LP&L's annual reporting period ends September 30th of each year.

Statement of Net Position: This statement includes LP&L's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. It also provides information about the nature and amount of assets and obligations (liabilities) of LP&L and provides the basis for the evaluation of LP&L's capital structure, liquidity, financial flexibility, and overall financial health.

Assets are separated into current and noncurrent categories and are reported in the order of liquidity. Current assets include unrestricted cash and cash equivalents, investments, net accounts receivable, interest receivable, prepaid expenses, and inventories. Noncurrent assets include investments that have been restricted (by state laws, ordinances, or contracts), prepaid expenses, and net capital assets.

Deferred outflows of resources are a consumption of net assets by LP&L that are applicable to a future reporting period and are reported as a separate section following assets in the Statement of Net Position. LP&L's deferred outflows of resources include deferred charges on bond refunding, deferred outflows from goodwill, deferred outflows from pensions (contribution and investment expense) and deferred outflows from other postemployment benefits (OPEB).

Consistent with the reporting of assets, liabilities are segregated into current and noncurrent categories. Current liabilities include net accounts payable, accrued liabilities, accrued interest payable, due to related party, customer deposits, compensated absences, notes payable, and bonds payable. Noncurrent liabilities include the Southwestern Public Service Company (SPS) hold harmless payment, compensated absences, OPEB, net pension liability, and bonds payable.

Deferred inflows of resources are an acquisition of net assets by LP&L that are applicable to a future reporting period and are reported as a separate section following liabilities in the Statement of Net Position. LP&L's deferred inflows of resources include deferred inflows from pension and OPEB. Both the deferred inflows and deferred outflows are reported in accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

The components of net position are classified as net investment in capital assets, restricted for debt service, and unrestricted. An unrestricted designation indicates the net funds are available for operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Statement of Revenues, Expenses, and Changes in Net Position: This statement presents the results of the business activities (revenues and expenses) over the course of the fiscal year and provides information about LP&L's recovery of costs. Operating revenues include charges for services, less a provision for bad debts. Operating expenses are presented by major cost categories, including personal services, supplies, maintenance, purchase of fuel and power, other services and charges, and depreciation and amortization. The remaining operating income is available to service debt, to fulfill City of Lubbock (City) payment commitments, to finance capital expenditures, and to cover contingencies. Non-operating activities, which primarily relate to financing and investing, are reported separately. Other payments to the City and contributed capital are also reported separately as components of the change in net position.

Statement of Cash Flows: This statement presents cash receipts, cash disbursements, and net changes in cash resulting from operations, non-capital and related financing, capital and related financing, and investing activities.

Notes to the Financial Statements: The notes provide required disclosures and other detailed information that is essential to a full understanding of material data provided in the financial statements. The notes present information about LP&L's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events.

FINANCIAL HIGHLIGHTS

Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades - On March 8, 2018, the Public Utility Commission of Texas (PUCT) approved LP&L's application to join the Electric Reliability Council of Texas (ERCOT). LP&L worked with Oncor Electric Delivery Company LLC (Oncor) to build the transmission facilities needed to interconnect LP&L's system to the ERCOT grid. Construction of these facilities was completed on time and on May 30, 2021, LP&L completed the integration with ERCOT for approximately 70 percent of its load.

In addition to the ongoing investment in transmission interconnection facilities with ERCOT, significant additions to the system's capital assets were initiated and/or completed in FY 2021. These capital additions were related to an outer 115-kilovolt (kV) loop surrounding an inner 69-kV loop that were completed prior to the ERCOT integration. These upgrades represented the most cost-effective approach to ensure a continued reliable and robust internal LP&L system that is not part of the ERCOT transmission system.

Related to these capital additions, a total of 18 new capital projects and 10 existing capital projects were funded during FY 2021, totaling $36.3 million. The blend of funding sources used for these projects was composed of 61 percent equity and 39 percent debt. The targeted blend of financing is set at 35 percent equity and 65 percent debt in the utility's financial model. For FY 2021 and future fiscal years, the capital program is largely funded with cash to offset the debt issued through FY 2020 mainly due to the significant transmission upgrades.

The significant projects funded during the fiscal year included the following:
- Posey to Southeast 115kV Line, totaling $1.5 million
- Double Mountain to Fiddlewood 345kV Line, totaling $7.1 million
- Fiddlewood - Farmland 345kV Transmission Line, totaling $8.0 million
- Program 69-115 Voltage Conversion, totaling $1.1 million
- Distribution System Upgrade-Improvements-Expansion, totaling $4.9 million
- Substation 25kV Capacity Upgrades, totaling $4.0 million
- FY 2020-21 Distribution Transformers, totaling $3.5 million
- FY 2020-21 Distribution System Upgrade, totaling $5.6 million
- FY 2020-21 Overhead Lines, totaling $2.4 million
- FY 2020-21 Underground Distribution, totaling $2.9 million
- ERCOT Transmission/Distribution Service Provider System, totaling $2.7 million
- FY 2020-21 Vehicles and Equipment, totaling $2.7 million
- FY 2020-21 Transmission Crew Vehicles & Equipment, totaling $2.2 million

LP&L's depreciable and non-depreciable capital assets increased $250.3 million in FY 2021 due to a significant amount of completed work related to the upgrade of the transmission system/lines, substation upgrade work, and autotransformer projects needed to interconnect with ERCOT. Of the $250.3 million increase in capital assets, a total of $198.8 million was related to current ongoing project costs that have been partially capitalized and a total of $51.5 million was related to capital projects that were completed and closed in FY 2021.

The following asset categories drove the increase in total capital asset balances:
- 345kV ERCOT Interconnection projects required to transfer a portion of the LP&L system to ERCOT, totaling $183.2 million
- Customer Service Information Systems (CSIS) project upgrades, totaling $18.4 million
- Transmission projects to install and rebuild 69/115-kV transmission lines, totaling $13.5 million
- Yellowhouse Canyon Substation project to accommodate the 115-kV system conversion, totaling $13.4 million
- Annual projects for the purchase of vehicles and equipment along with the purchase and installation of overhead and underground distribution lines, totaling $12.2 million
- Autotransformer projects for the installation of autotransformers at the Co-op Substation to connect the 69-kV system to the 115-kV system, totaling $5.1 million
- Distribution projects to rebuild the Northeast Substation distribution and provide underground distribution for downtown redevelopment, totaling $3.9 million

23 capital projects, totaling $51.5 million, were completed and closed in FY 2021 and were moved from construction in progress to appropriate capital asset categories. The appropriation for these

projects totaled $54.1 million; therefore, these projects were completed under budget by $2.6 million. The significant projects completed in FY 2021 included:

- 2019-20 Distribution Transformers ($2.6 million expended, under budget $0.4 million) - the purchase of overhead transformers, pad mounted transformers, switches and enclosures, transformers, and related equipment
- 2019-20 Distribution System Upgrade ($2.4 million expended) – to upgrade the distribution system by reconductoring or rebuilding existing lines that require capacity upgrades or lines that have exceeded their life expectancy
- 2019-20 Underground Distribution ($2.6 million expended) – the installation of underground primary and secondary lines used to provide electric service to new and existing customers
- Downtown Redevelopment Underground ($4.8 million expended) – to reroute/install new underground feeders, switchgear and sub-feeders in downtown Lubbock to upgrade infrastructure, improve system reliability, minimize overhead and facilitate development within the five phases of downtown redevelopment
- 2019-20 Vehicles and Equipment ($2.4 million expended, under budget $0.2 million) – the purchase of new vehicles and equipment to replace existing items in the fleet that exceeded the useful life or needed costly repairs
- Cooke Station Gas Turbine #2 (GT-2) Repairs - ($1.3 million expended, under budget $0.5 million) – to replace the expander on GT-2 at Cooke Station
- Cooke Station Gas Turbine #3 (GT-3) Repairs ($2.8 million expended, under budget $0.2 million) – the restoration and complete overhaul of GT-3 at Cooke Station
- Dispatch Control Center - Emergency Operations Center (EOC) - ($1.5 million expended, under budget $0.3 million) – the Construction of a primary dispatch control center within the EOC
- Substation Capacity Upgrade - Chalker ($9.1 million expended) - to purchase and install two (2) new 30/40/50 MVA substation power transformers, rebuild the substation to a ring bus configuration, and install a new control enclosure to house all of the controls, relay protection, SCADA system, fiber optic connections, and systems required to operate the entire substation
- Substation Capacity Upgrade - McDonald ($6.8 million expended, under budget $0.1 million) - to purchase and install two (2) new 30/40/50 MVA substation power transformers and replace the existing switchgear, upgrade the relay protection, replace the SCADA remote terminal unit (RTU), and add a second battery bank and charger
- Substation Rebuild - Slaton ($10.1 million expended, under budget $0.4 million) – to upgrade the substation capacity and build a new 115kV substation to replace the existing 69kV station at Slaton
- Distribution Capacitor Banks ($1.7 million expended) – to install approximately 60 capacitor banks, 60 controller units, and 60 distribution poles on the 15kV distribution system

Power Cost Pass-Through Rate Stability - Since December 2013, LP&L's Electric Rate/Tariff Schedule (Tariff) has provided for the recovery of all purchased power costs incurred by LP&L in serving system demand and energy requirements. The Tariff incorporates a seasonal power cost recovery factor (PCRF), which may be adjusted a minimum of two times per year: once at the beginning of the summer season on June 1, and once at the beginning of the non-summer season on October 1.

The PCRF was established with the intent to match the pass-through revenues with actual power costs over the course of a fiscal year, giving consideration to seasonal fluctuations in load and in power prices. The Tariff allows for the PCRF to be adjusted more frequently if any over- or under-recovery exceeds the pre-defined maximum variance.

A PCRF cap totaling five percent of total annual forecasted power costs is required by the Tariff to manage any monthly over-recovery of power costs. If at any time the cumulative over-recovery balance is greater than the balancing account cap, a downward adjustment may be made to the PCRF with the intention of refunding the over-recovered amount. Additionally, a rate stabilization fund totaling $3.5 million is required to cushion any monthly under-recovery of power costs. If at any time the cumulative under-recovered balance draws down the rate stabilization fund, an upward adjustment may be made to the PCRF with the intention of replenishing the rate stabilization fund.

LP&L tracks actual revenues collected from the PCRF and compares these revenues to the actual power costs incurred each month. The cumulative balance is reported to the Electric Utility Board ("EUB") on a monthly basis. The financial statements recognize the over-recovery as a deferred revenue in the accounts payable section and recognize an under-recovery position as a deffered expense in the accounts receivable section on the Statement of Net Position and do not incorporate the associated revenue on the Statement of Revenues, Expenses, and Changes in Net Position. For more details on the PCRF over- or under-recovery changes by month, see *Table 1*:

Table 1 - PCRF Recovery by Month

PCRF Fund (in millions)	Beg. Bal	10/20	11/20	12/20	01/21	02/21	03/21	04/21	05/21	06/21	07/21	08/21	09/21
Monthly Over/(Under)	$ -	$ 0.9	$ 0.4	$ 0.1	$ 1.1	$ (13.2)	$ 1.8	$ (2.5)	$ (0.0)	$ (0.4)	$ (3.3)	$ (2.4)	$ 3.7
Cumulative Over/(Under)	$ 10.8	$ 11.7	$ 12.1	$ 12.2	$ 13.3	$ 0.1	$ 1.9	$ (0.7)	$ (0.7)	$ (1.1)	$ (4.4)	$ (6.8)	$ (3.2)

As of September 30, 2020, revenues collected from the PCRF portion of rates exceeded power costs in the amount of $10.8 million. By September 30, 2021, the PCRF over-recovery decreased approximately $14 million to an under collected amount of $3.2 million.

PCRF rates for the months of October 2020 through May 2021 (non-summer season) were initially set to evenly collect to insulate the utility from unexpected power cost impacts related to the ERCOT integration. However, by the end of February, 2021, that over-recovery was mostly eliminated due to the high power costs associated with the winter storm as further described in the ensuing February 2021 Winter Weather Event section.

PCRF rates for the months of June through September 2020 (summer season) were lowered to a level that was expected to under-recover for the remaining four months of the fiscal year to minimize higher customer costs related to increased demand during the summer months. As of September 30, 2021, the PCRF revenues are lower than the power costs in the amount of $3.2 million but within the approved PCRF lower bound.

Going forward, rates are set to over recover power costs throughout the FY 2021-22 non-summer season to gradually bring the PCRF to an evenly collection total position.

2021 Winter Weather Event ("WWE") - From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm resulting from the southern migration of a polar vortex that meteorologists characterize as the most significant in terms of scope and duration since monitoring of these weather phenomena began in the 1950s. As a result of the WWE, record breaking cold weather invaded the entire State of Texas, during which time the City experienced three consecutive days of record low temperatures and 86 consecutive hours below freezing. In anticipation of the winter storm, the Texas Governor, on February 12, 2021, declared a state of disaster for all 254 counties within the State, certifying in that declaration that severe winter weather posed an imminent threat of widespread and severe property damage, injury, and loss of life due to the prolonged freezing temperatures, heavy snow, and freezing rain statewide. In response to that declaration, and on the same date, the Texas Railroad Commission issued an Emergency Order approving a utilities curtailment program relating to and specifying an essential prioritization of the transportation, delivery and / or sale of natural gas in the State. On February 19, 2021, the President of the United States also declared that a major disaster existed in the State.

LP&L's energy and fuel costs came in higher than normal for February 2021 due to increases in natural gas prices. Fortunately, a Heat Rate Call Option "HRCO" which was a separate, but related agreement provided a price ceiling for energy purchases by implementing a 16 HRCO should the SPP Integrated Market ("IM") prices exceed a 16 heat rate price. Having this HRCO in place protected the utility from the high Waha natural gas prices experienced during the event. The HRCO, along with energy settlement amounts for generation utilized during the WWE, helped alleviate some of the large costs related to purchased power invoices.

The impacts of the WWE were minimal to LP&L. The Massengale unit performed very well during the event and only experienced a short, forced outage due to a gas curtailment. Even though the unit performed well during the WWE, additional weatherization measures were immediately taken to improve the units in areas identified as a potential future issue.

Power Marketing – For a period in FY 2021 (October 2020 – May 2021), the Brandon and Massengale units were used to provide capacity and energy for the LP&L load and were part of the utility's overall purchased power costs while in the Southwest Power Pool (SPP). LP&L contracted with a power marketing company (PMC) to register the Brandon and Massengale stations in the PMC's portfolio. The PMC managed and procured the natural gas needed to operate the Brandon and Massengale units and bid those units into the SPP IM. These production units were used to produce power for the City in times where the SPP IM market energy prices were higher than the utility's production costs. As a result, the fuel costs to operate the production units, totaling $19.1 million, were netted against the revenues, totaling $10.4 million, from the SPP IM market and were included in the PCRF calculation.

As of June 2021, the Brandon and Massengale units were moved over to the ERCOT market as LP&L made the transition for a portion of its load in May 2021. Going forward, LP&L will continue to use these units to provide capacity and energy for its load or sell to the market when prices are profitable. For the period between June 2021 and September 2021, fuel costs to operate the production units, totaled $1.1 million, were netted against the revenues, totaling $1.0 million, from the ERCOT market and were included in the PCRF calculation.

Purchased Power Agreements, Generating Assets, and Renewable Energy Resources
ERCOT Energy Procurement - Prior to the expiration of the SPS Capacity Agreement and HRCO on May 31, 2021, LP&L began structuring an energy procurement process in anticipation of the June 1, 2021 entry into ERCOT. This process included the development of a hedge program, in coordination with a third-party PMC.

The PMC developed hourly load forecasts for planning and financial analysis. The load forecasts model both Lubbock temperatures and the corresponding hourly load, based on several years of observed data, and use inputs provided by LP&L's weather forecasting consultant for overall seasonality and long-term growth rates. It allows for differences in temperature and load relationships across different seasons, days of the week, and times of day. In this way, the load is modeled with the appropriate potential hourly variation in different months, and across numerous simulations consistent with 30-year normal weather conditions. The load forecast is one part of a larger stochastic portfolio model that LP&L's PMC completed with 2,000+ simulations of how future load, generation, and prices for LP&L may vary, in order to understand the most probable range of outcomes and the potential for unusual events.

Once the models were built, risk strategies identified, and load forecasts complete, LP&L began to purchase blocks of Firm LD power to manage price exposure. The PMC assisted and continues to assist LP&L by running hundreds of simulations in the load forecast models to project necessary block purchases to cover loads based on low- and medium-risk hedging strategies. For the summer months of June through September, LP&L has adopted a low-risk strategy with the intention of covering 100 percent of the load in ERCOT to manage the summer month's volatile energy prices and to fully protect the utility from market price exposure. For the winter months of October through May, LP&L has adopted a medium to low-risk strategy, with hedges covering a percentage of the load. This strategy allows LP&L the opportunity to purchase energy in the day-ahead or real-time markets for the unhedged load when favorable pricing occurs. Winter energy pricing is typically less volatile, and the medium to low-risk strategy allows LP&L to take advantage of current market conditions to cover the remaining unhedged load. However, LP&L management and the PMC meet at least weekly, and on a daily basis if needed, to discuss market conditions to monitor any changes or potential threats that arise, with the ability to adjust the hedging strategies at any time, if necessary.

Portion of LP&L's Load Currently Remains in SPP ("Unaffected Load") - The acquisition of SPS' distribution system in 2010 included 19 delivery points that are served off of SPS' transmission system. LP&L acquired only distribution assets and SPS retained ownership of its transmission system. The acquired system will remain in SPP and will be electrically isolated from LP&L's transmission and distribution system in ERCOT until May 2023. The Unaffected Load is expected to remain in SPP until May 31, 2023. This Unaffected Load is expected to be served by the Partial Requirements (PR) Agreement with SPS until the integration of the Unaffected Load into ERCOT occurs.

Early Termination of the PR Agreement - In anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement on May 27, 2021 to terminate the PR Agreement, and identified May 31, 2023 as the estimate of the full ERCOT integration and resulting early termination of the PR Agreement. Under the terms of the Settlement Agreement, LP&L agreed to pay a lump sum, totaling $77.5 million, to SPS as compensation for power- and transmission-related shifted costs under the PR Agreement. LP&L also agreed to continue paying SPP charges that are assessed to SPS under the LP&L Network Integration Transmission Service ("NITS") Agreement, for up to 24 months, that are attributable to service to LP&L's load after LP&L departs the SPP system (because SPP uses lagging billing determinants for certain charges). Additionally, LP&L agreed that the Settlement Agreement will not become effective unless and until it is approved or accepted by the Federal Energy Regulatory Commission (FERC) and the PUC. Following the termination date, the contractual relationship between LP&L and SPS will be limited to the Settlement Agreement and certain easements and crossing agreements necessary for the operation of each respective system. For clarity, the existing water use agreement and the existing franchise agreement pertaining to SPS' retail service territory in Lubbock will continue under the existing terms of each respective agreement.

Under the PR Agreement, LP&L pays over $17.0 million per year for capacity in SPP. With the 1.2 percent annual increase in service, in addition to inflationary impacts, the annual payments will grow well in excess of $17 million per year into the future. The lump sum termination payment of $77.5 million will be funded with long-term bonds. Therefore, the termination of the agreement will trade an annual capacity charge with a much lower annual debt service payment, with expected savings exceeding $12 million per year.

<u>Renewable Energy Resources</u> – The City of Lubbock has an agreement with Elk City II Wind, LLC for the purchase of energy from the 106.9 MW aggregate nameplate wind generation facility located in Roger Mills and Beckham Counties, Oklahoma. LP&L's receives 85% of the output from this resource. The initial term of this agreement is June 1, 2019 through May 31, 2032, unless extended. The term may be renewed or extended by mutual consent of City of Lubbock and Elk City II Wind, LLC, upon terms and conditions and for a price upon which must mutually be agreed upon in connection with such extension or renewal.

<u>LP&L Generating Assets</u> - LP&L currently has approximately 106 MW of dependable natural gas fired generation and uses that generation to serve its load in ERCOT when market prices are higher than productions costs.

ERCOT Transition

On October 20, 2015, the EUB and the City Council both took formal action to authorize LP&L to seek interconnection of 470 MW of LP&L's load with ERCOT. LP&L did not seek to connect the remaining, approximately 170 MW of electric load to ERCOT. Since that time, LP&L has endeavored to gain regulatory approval to move the remaining load from SPP to ERCOT, and has obtained that approval from the PUCT.

<u>The Electric Reliability Council of Texas</u>: Founded in 1970, ERCOT became the primary overseer of Texas' power grid and the independent system operator ("ISO") for a region that serves 90 percent of the state's electric load, or approximately 26 million customers. Since not all of Texas is deregulated, including the City of Lubbock, ERCOT manages the areas both where residents have the power to choose a retail electric provider ("REP"), and other areas that are not open to retail electric choice, including municipalities and cooperatives that retain the local option to deregulate. ERCOT schedules power on an electric grid that connects more than 46,500 miles of transmission lines and more than

710+ generating units. Governed by a board of directors and subject to oversight by the PUC and the Texas Legislature, ERCOT is a membership-based 501(c) (4) nonprofit corporation that manages and ensures the reliability of electric service to its customers. Under Senate Bill 2, effective June 8, 2021, the ERCOT Board of Directors consists of (1) the Chairman of the PUC; (2) the Counsellor for the Office of Public Utility Counsel; (3) the ERCOT CEO; and (4) eight members selected by a "selection committee" who have executive level experience in finance, business, engineering, trading, risk management, law, or electric market design. All members of the ERCOT Board must be Texas residents. In 2020, loads within the ERCOT region used 382 billion kilowatt-hours ("kWh") worth of energy, which is a 0.6 percent decrease from 2019.

<u>ERCOT Integration Request Process</u>: The formal process related to LP&L's integration of the Affected Load into ERCOT included integration studies, a PUCT 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 PUCT 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 PUCT 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 March 2018, the PUCT approved the integration of the Affected Load to the ERCOT system through an Order in PUCT Docket No. 47576. With approval by the PUCT, 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.

<u>ERCOT Transmission Assets and Approval Process</u>: New transmission line routes and substation locations necessary for the ERCOT integration were identified in the CCN cases that were presented to the PUCT. There were four different CCNs and five orders associated with the ERCOT interconnection:

- PUCT Docket No. 48625 - Ogallala to Abernathy–final order signed on September 26, 2019
- PUCT Docket No. 48668 - Abernathy to Wadsworth–final order signed on December 13, 2019
- PUCT Docket No. 48909 - Wadsworth to Farmland–final order signed on January 23, 2020
- PUCT Docket No. 48909 - Southeast to Oliver–final order signed on January 23, 2020
- PUCT Docket No. 49151 - Abernathy to North– final order signed on March 12, 2020

After approval of the CCNs, all the easements were secured in a timely manner. This allowed LP&L to complete the Engineering, right-of-way acquisition and construction prior to the targeted integration date of June 1, 2021.

Participation Agreement: One of the findings within the PUC Order stated that Sharyland Utilities, L.P. ("Sharyland") and LP&L were the only utilities that own the endpoints included in Option 4ow, and therefore it was appropriate that LP&L and Sharyland provide the Option 4ow transmission facilities. On August 21, 2018, LP&L and Sharyland entered into a Participation Agreement, as amended, that set forth the rights, responsibilities, and expectations of Sharyland and LP&L in connection with the LP&L integration to ERCOT and memorialized the terms and conditions regarding, (i) the ownership allocation between LP&L and Sharyland, (ii) the CCN applications, (iii) the engineering, design, and construction of the facilities, (iv) LP&L's payment obligations to Sharyland for its services for the construction of the LP&L's transmission assets, and the LP&L integration to ERCOT, (v) the coordination necessary to ensure successful completion of the LP&L integration, and (vi) the subsequent transfer of LP&L's transmission assets and, to the extent applicable, the LP&L CCN rights from Sharyland to LP&L. Through an Agreement and Plan of Merger, dated October 18, 2018, Oncor became the successor, by merger and acquisition of Sharyland, to the Participation Agreement. As a result, Oncor acquired real property interests and completed construction activities necessary for the ERCOT integration and transferred those assets to LP&L on May 25, 2021.

ERCOT Infrastructure Cost and Financing: The approximate cost of the infrastructure necessary for LP&L to integrate into ERCOT was $381.1 million, of which approximately one half is owned by LP&L and the other half is owned by Oncor. LP&L's cost to fund the needed additional infrastructure was funded through short-term financing during the construction phase and is being converted to long-term financing with the issuance of the Bonds.

The short-term financing was provided through an Electric Light and Power System Revenue Revolving Note Program ("Note Program") which was utilized to issue program obligations ("Notes"), from time to time, in an aggregate principal amount not to exceed $300 million outstanding at any one time. The Notes were issued on a subordinate basis to LP&L's outstanding debt and were issued after the City Council approval of a Note Purchase Agreement with Bank of America on April 23, 2019.

The ordinance authorizing the issuance of the Notes was a "parameters ordinance" delegating authority to the Mayor, City Manager, the Chief Financial Officer of the City, the Director of Electric Utilities, or the Chief Financial Officer of LP&L (each an Authorized Officer) to approve the principal amount, the interest rate, the number of series, the price and the other terms of the Notes and to otherwise take such actions as are necessary and appropriate to effect the sale of such Notes. The proceeds of Notes were used for the acquisition, purchase, construction, improvement, renovation, enlargement, and/or equipment of property, buildings, structures, facilities, equipment and/or related infrastructure for LP&L, including capital assets and facilities incident and related to the operation, maintenance and administration thereof.

The facility was utilized to provide interim financing for the majority of LP&L's capital program, including the transition costs of entering ERCOT and including capitalized interest during and after the period of construction of the facilities (See *Bank of America Direct Purchase Revolving Note Program*).

Integration - The integration of approximately 70 percent of LP&L's load took place over the 2021 Memorial Day weekend, on May 29 and May 30. LP&L received its certification as a Transmission System Operator and subsequently energized all six 345/115kV autotransformers. On May 30, 2021, the LP&L integration with ERCOT was completed. LP&L owns three 345 kV transmission lines that total sixty-nine miles in length. LP&L owns 115,000 Volt ("115 kV") and 69,000 Volt ("69 kV") transmission loop systems, with eighty-one miles operated at 115 kV and twenty miles operated at 69 kV. LP&L owns two 345/115 kV switching stations (*Dunbar, Posey*), one 345/115 kV substation (*Yellow House Canyon*), one 115/69 kV switching station (*Holly*), three 115/69 kV substations (*McKenzie, Vicksburg, Co-op*), nine 115 kV substations (*Thompson, Chalker, Oliver, Southeast, Slaton, Wadsworth, Northeast, Northwest, McDonald*), and four 69 kV substations (*Erskine, Brandon, Red Raider, McCullough*). LP&L also owns distribution assets at eighteen substations acquired from SPS in 2010 and also has four distribution delivery points from SPS. The LP&L distribution system includes over 4,314 miles of distribution lines, with approximately 39 percent being underground. Upon LP&L's acquisition of SPS's distribution assets within the City, both distribution systems have been utilized to ensure adequate capacity for the total load and for enhancing system reliability.

The construction of an outer 115 kV loop surrounding an inner 69 kV LP&L loop was completed in April 2021. These upgrades represent the most cost-effective approach to ensure a reliable and robust internal LP&L system to fully leverage the benefits of the ERCOT integration.

ERCOT 2021 Power Supply: LP&L secured services to facilitate its power supply upon its entry to ERCOT. In addition to power supply, LP&L secured Qualified Scheduling Entity (QSE) and Load Serving Entity (LSE) services, which are explained below:

- QSE Services: A QSE is required to submit offers to sell and/or bid to buy energy in the Day-Ahead Market and Real-Time Markets in ERCOT. The QSE is also responsible for submitting a Current Operating Plan for all resources it represents and offering or procuring Ancillary Services as needed to serve its represented load.

- LSE Services: An LSE manages physical, financial, and commercial transactions for scheduling Energy, Capacity, and Ancillary Services through the bilateral wholesale market and the markets operated by ERCOT.

ERCOT current energy purchases are transacted through blocks of Firm LD power, Day-Ahead and Real-Time market purchases dependent on market conditions (See *ERCOT Energy Procurement*).

Transmission Cost of Service Revenues (TCOS): The new TCOS revenue stream commenced in June 2021 and initially totaled roughly $15.9 million on an annualized basis. The Interim TCOS filing from September 1, 2021 eventually increased the TCOS revenue stream to $40.9 million on an annualized basis, while also beginning application of the $22 million hold harmless payment effective January 31, 2022. The financial model incorporates the calculation of TCOS revenues to fund the upgrades and interconnection of LP&L's transmission system, plus any existing debt service functionalized to transmission. Additionally, operations and maintenance costs that can be recovered in transmission rates have been quantified and included as part of the revenue stream.

The PUCT Order issued January 31, 2022, which resolved all issues in the proceeding, included terms in which LP&L will:

- increase the TCOS revenue stream from \$15.9M to \$40.9M and rates will be based on the ERCOT 2021 Matrix using the 2020 4CP load;
- receive a good cause exception to allow for the recovery of general plant allocated to transmission plant which is not typically included in an interim filing;
- begin paying the \$22 million hold harmless payment aligned with the new interim rate implementation; and
- continue earning a rate of return of 8.27 percent.

<u>Hold Harmless Payments</u> - PUC Docket No. 47576 required that, upon integration to ERCOT on June 1, 2021, LP&L would 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 Contract and reserved \$24.0 million from this savings prior to the end of FY 2018-19. The payment was made to SPS on June 1, 2021.

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.

<u>Bank of America Direct Purchase Revolving Note Program</u> – On April 23, 2019, the City Council approved the Note Program in an aggregate principal amount not to exceed \$300 million. The City selected Bank of America, N.A. as the counterparty. The Note Program consisted of Notes that were issued on a subordinate basis to LP&L's outstanding debt. The ordinance authorizing the Note Program is a "parameters ordinance" that delegates authority to the Mayor, City Manager, the Chief Financial Officer of the City, the Director of Electric Utilities, or the Chief Financial Officer of LP&L (each an Authorized Officer) to approve the principal amount, the interest rate, the number of series, the price and the other terms of the Notes and to otherwise take such actions as are necessary and appropriate to effect the sale of the Notes.

The proceeds of Notes mainly funded transmission and distribution facilities in the LP&L system. The facilities represent a significant investment in new power lines and substation construction related to a 69-kV inner transmission loop, a 115-kV outer transmission loop, and a 345-kV interconnection to ERCOT. The Note Program was utilized through September 2021 to provide the interim financing, including the capitalization of interest during and after the period of construction of the facilities.

On August 10, 2021, to convert the interim obligations to long-term bonds, the City Council passed a resolution authorizing the publication of a Notice of Intention to issue Electric Light and Power System Revenue Bonds, Series 2021. The proceeds of the bonds were used to pay off the principal and interest of the notes issued through the Note Program with Bank of America, N.A. The Revenue Bonds were priced on August 12, 2021 and then delivered on September 9, 2021.

As part of the integration of the remaining load into the ERCOT system, LP&L anticipates a sizeable capital improvement project for distribution projects that will improve its reliability and move customers from the legacy SPP system to the ERCOT system. An extension to the Note Program and an additional not to exceed amount of \$75 million was requested. The City submitted a "Notice of

Extension" to Bank of America on July 19, 2021. The request is to extend the note for three years and to decrease the amount from $300 million to $60 million to fund additional distribution and annual capital needs for the next two fiscal years. The majority of the distribution projects are necessary to transition the remaining load from SPP to ERCOT by late 2023.

On August 10, 2021, the City Council approved an ordinance authorizing the issuance of the Notes is a "parameters ordinance" delegating authority to the Mayor, City Manager, the Chief Financial Officer of the City, the Director of Electric Utilities, or the Chief Financial Officer of LP&L (each an "Authorized Officer"), to approve the principal amount, the interest rate, the number of series, the price, and the other terms of the Notes, and to otherwise take such actions as are necessary and appropriate to effect the sale of such Notes. The proceeds of Notes will be used for the acquisition, purchase, construction, improvement, renovation, enlargement, and/or equipment of property, buildings, structures, facilities, equipment and/or related infrastructure for LP&L, including capital assets and facilities incident and related to the operation, maintenance and administration thereof.

The Note Program is expected to be utilized through December 31, 2024, to provide interim financing for LP&L's capital program, including the transition costs of the remaining load from SPP to ERCOT and including capitalized interest during and after the period of construction of the facilities.

<u>Meter Growth</u> – LP&L's meter base totaled 108,557 and 107,899 meters at September 30, 2021 and 2020, respectively. The FY 2021 meter increase of 0.61 percent is in line with normal growth levels within the LP&L certificated area. Residential meters increased by 710 meters, while commercial meters decreased by 52 meters due to E99X (Electric Non-Billable) commercial meters being eliminated and/or converted from the meter count upon completion of the conversion of the new billing system.

RESULTS OF OPERATIONS

Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	2019
Program revenues			
Charges for services	$ 273,843,064	$ 213,061,262	$ 211,188,949
General revenues			
Investment earnings	487,744	3,195,923	5,963,641
Other revenues (expenses)	(19,329,417)	(14,437,868)	(18,252)
Total revenues	255,001,391	201,819,317	217,134,338
Program expenses (including interest)	247,306,737	184,416,877	187,616,615
Contributions	261,513	85,860	174,130
Excess before transfers	7,956,167	17,488,300	29,691,852
Transfers	(82,358)	290,585	(13,658,064)
Change in net position	7,873,809	17,778,885	16,033,789
Net position, beginning of year	229,846,212	212,067,327	196,033,538
Net position, end of year	**$ 237,720,021**	**$ 229,846,212**	**$ 212,067,327**

Total Revenues

<u>FY 2021</u> – Program revenues totaled $273.8 million, representing a 28.5 percent increase from FY 2020. (See *Table 3* below for a breakdown of program revenues by major category.):

Table 3 – 2021 Program Revenues

Program Revenues	2021	2020	Change
General Consumers Metered	$ 264,072,533	$ 210,927,561	$ 53,144,972
TCOS Revenue	5,541,501	-	5,541,501
Unit Contingent	-	121	(121)
Fees, Charges, and Other	5,948,314	3,128,838	2,819,476
Bad Debt Expense	(1,719,284)	(995,258)	(724,026)
Total	$ 273,843,064	$ 213,061,262	$ 60,781,802

The primary driver of higher program revenues was an increase, totaling $53.1 million, in general consumers metered revenues (Metered Revenues). These revenues were up due to increased PCRF rates related to increased purchase power costs. For more detail on the breakdown of Metered Revenues, see *Table 4*. Additionally, LP&L added a new revenue line item for TCOS In FY 2021, electric consumption was comparable to FY 2020 with 2.552 million MWh consumed, compared to 2.556 million MWh in the prior year. Additionally, franchise fees were up as a result of increased PCRF rate revenues.

Table 4 – 2021 Metered Revenues

Metered Revenues	2021	2020	Change
Base Rates	$ 70,338,992	$ 70,337,904	$ 1,088
Power Cost Recovery Factor	181,826,347	131,064,840	50,761,507
Franchise Fee Equivalent	11,907,195	9,524,817	2,382,378
Total	$ 264,072,534	$ 210,927,561	$ 53,144,973

PCRF revenues increased due to higher PCRF rates in FY 2021 than in FY 2020, causing this revenue stream to increase approximately 38.7 percent. For example, a Residential Rate 1 customer's PCRF rates averaged $0.06978/kWh in FY 2021 compared to an average of $0.05718/kWh in FY 2020, representing a 22.0 percent increase. The increase was related to higher energy prices in FY 2021 combined with below-cost rates in FY 2020 used to return a portion of past PCRF over-recoveries to LP&L customers.

General revenues, comprised mainly of investment earnings, decreased from $3.2 million in FY 2020 to $0.5 million in FY 2021 (see *Table 2*). The large decrease in investment earnings was a result of the majority of funds being held in State Investment Pools which accrue significantly reduced interest due to the historically low rate environment created by the COVID-19 Pandemic.

Other revenues (expenses) changed from a net expense totaling $14.4 million in FY 2020 to a net expense totaling $19.3 million in FY 2021 (see *Table 2*). The increase in FY 2021 was due to a $3.0 million increase in the Franchise Fee Equivalent (FFE) and Payment in Lieu of Property Taxes (PILOT) expenses. Residual equity transfers also increased $1.4 million.

FY 2020 – Program revenues totaled $213.1 million, representing a 0.9 percent increase from FY 2019. (See *Table* 5 for a breakdown of program revenues by major category.):

Table 5 - 2020 Program Revenues

Program Revenues	2020	2019	Change
General Consumers Metered	$ 210,927,561	$ 205,822,646	$ 5,104,915
Unit Contingent	121	3,001,980	(3,001,859)
Fees, Charges, and Other	3,128,838	3,494,643	(365,805)
Bad Debt Expense	(995,258)	(1,130,320)	135,062
Total	$ 213,061,262	$ 211,188,949	$ 1,872,313

The primary driver of higher program revenues was an increase, totaling $5.1 million, in Metered Revenues. Metered Revenues increased mainly due to a shift in consumption from commercial rates classes to residential rate classes as the global pandemic changed consumer behavior (For more detail on the breakdown of Metered Revenues, see Table 6). The increase in Metered Revenues was offset by a decrease of $3.0 million in Unit Contingent revenues due to the expiration of the unit contingent agreement (UCA) with SPS on June 30, 2019 and lower fees and charges due to the discontinuation of disconnect, reconnect, and late fees that occurred during the height of the pandemic. Additionally, a higher level of recoveries in the allowance for uncollectable accounts led to a decrease in bad debt expense for FY 2020.

Table 6 - 2020 Metered Revenues

Metered Revenues	2020	2019	Change
Base Rates	$ 70,337,904	$ 67,524,201	$ 2,813,703
Power Cost Recovery Factor	131,064,840	128,960,928	2,103,912
Franchise Fee Equivalent	9,524,817	9,337,517	187,300
Total	$ 210,927,561	$ 205,822,646	$ 5,104,915

In FY 2020, electric consumption was comparable to FY 2019 with 2.556 million MWh consumed, compared to 2.588 million MWh in the prior year. However, there was a shift in rate class consumption with an approximate nine percent increase in residential rate classes, offset by decreases in commercial, school, and church rate classes. This shift was directly attributed to the COVID-19 pandemic, which resulted in decreased commercial usage and increased residential usage as the public was urged to remain at home. This resulted in higher revenues as the rates in residential rate classes are typically higher per-kilowatt hour (kWh) than in commercial rate classes.

PCRF revenues also increased due to the shift in consumption patterns between commercial and residential rate classes. PCRF rates were actually lower in FY 2020 than in FY 2019, however, the shift between rate classes caused this revenue stream to increase approximately 1.6 percent. For example, a Residential Rate 1 customer's PCRF rates averaged $0.05718/kWh in FY 2020 compared to an average of $0.06492/kWh in FY 2019, representing an 11.9 percent decrease. The decrease was related too much lower energy prices in FY 2020 combined with below-cost rates in order to return a portion of past PCRF over-recoveries to LP&L customers.

General revenues, comprised mainly of investment earnings, decreased from $6.0 million in FY 2019 to $3.2 million in FY 2020 (see *Table 2*). The large decrease in investment earnings was a result of decreases in the fed funds target rate by 50 basis points (bps) on March 3, 2020 and a decrease of 100 bps on March 16, 2020 due to slowing national economic growth caused by the COVID-19 pandemic.

Other revenues (expenses) changed from a net expense totaling $18,252 in FY 2019 to a net expense totaling $14.4 million in FY 2020. The substantial increase in FY 2020 was largely due to a change in the recording of the Franchise Fee Equivalent (FFE) and Payment in Lieu of Property Taxes (PILOT) as expenses rather than transfers out; write-offs, totaling $1.4 million, for various substation equipment; offset by the $1.0 million remittance from WTMPA for the City's 85.21 percent share of WTMPA's applicable assets, less current liability obligations that existed as of September 30, 2019. This increase in expense was offset by a large decrease in the transfer's line item.

Program Expenses

<u>FY 2021</u> – Program expenses, excluding interest expense, totaled $240.0 million, representing a 34.4 percent increase from FY 2020 (see *Table 2*). The cost of purchased fuel and power, totaling $184.7 million, represented 74.7 percent of total program expenses and increased $58.8 million from FY 2020. The breakdown of purchased power costs are shown in *Table 7*, as follows:

Table 7 - 2021 Power Costs

Power Costs	2021	2020	Change
Energy	$ 115,546,196	$ 60,067,543	$ 55,478,653
Demand	69,145,593	65,802,334	3,343,259
Total	$ 184,691,789	$ 125,869,877	$ 58,821,912

- Energy costs increased $55.5 million, or 92.4 percent, mainly due to increased pricing of natural gas and high market costs associated with the February 2021 Winter Storm. The average price of Waha natural gas in FY 2020 was $0.98 per one million British Thermal Units (MMBtu) and the average in FY 2021 was $5.36/MMBtu. The February Winter Storm significantly increased the average costs for the year as prices averaged $34.64/MMBtu during that particular month.
- Demand costs include capacity, transmission, and internal production-related operating and maintenance (O&M) costs. Demand costs increased $3.3 million due to an increase in transmission charges (up $6.2 million, or 18.9 percent) offset by a decrease in capacity charges (down $2.9 million, or 8.7 percent).
  - Transmission costs increased $0.8 million in FY 2021. The primary drivers of the transmission increases were as follows: (a) a $5.2 or 2.74 percent increase in O&M; (b) a $5.6 million or 29.42 percent increase in "Taxes Other Than Income Taxes" due to an increase in property taxes from the increased plant-in-service and general increases in property tax rate. Offsetting the increases was a decrease in transmission plant in service of $9.4 million or 2.58 percent. The decrease was mostly due to lesser than expected plant additions, as well as the associated decrease in depreciation expense and a lower percentage return on rate base due to higher portion of debt in the capital structure and a decrease in the average cost of debt.
  - ERCOT transmission charges is a new expense line item in FY 2021 that resulted in a total of $2.1 million of the total increase in transmission. These are the transmission costs related to ERCOT as a portion of our load is split between the SPP and ERCOT market.
  - Transmission access fees are also a new expense line item in FY 2021 that resulted in an increase of $8.7 million for transmission costs. These fees are related to the service costs the utility must pay each transmission service provider (TSP) for transmission service delivered within ERCOT.
  - Network services fees and SPP's administration fees decreased $3.7 million and $0.8 million respectively, mainly due to the transition of 70 percent of the load to the ERCOT market in June 2021.
  - Credits from auction revenue rights (ARRs) and transmission congestion rights (TCRs) associated with SPP transmission network costs increased in FY 2021, causing an approximate $0.6 million decrease to transmission costs. ARR/TCR credits are related to TCRs associated with firm transmission rights and hedging load.
  - Capacity payments were lower in FY 2021, resulting in $2.9 million in reduced costs. The reason for the decrease was the transition to ERCOT in May 2021. Being that ERCOT is an energy only market, LP&L's capacity expenses have decreased and are only being charged for the capacity expenses related to the Unaffected Load remaining in SPP.

Program expenses, excluding purchased power costs and interest expense, totaled $55.3 million, an increase of $2.6 million, or 4.9 percent, compared to FY 2020. The increase was mainly driven by increases in other services and charges and depreciation and amortization, offset by decreases in supplies, maintenance, and personal services. The breakdown of program expenses is shown in *Table 8* below:

Table 8 – Program Expenses, Excluding Purchased Power Costs and Interest Expense

Select Program Expenses	2021	2020	Change
Personal services	$ 19,156,149	$ 21,015,714	$ (1,859,565)
Supplies	1,201,773	1,307,478	(105,705)
Maintenance	3,057,183	3,618,461	(561,278)
Other services and charges	13,804,754	10,747,548	3,057,206
Depreciation and amortization	18,063,182	16,029,599	2,033,583
Select Program Expenses	$ 55,283,041	$ 52,718,800	$ 2,564,241

Personal services decreased $1.9 million in FY 2021. Expenses related to pensions decreased $2.5 million (see *Note 7: Retirement Plan*), which was offset by increases in payroll and benefits costs, totaling $0.2 million and an increase in expenses related to OPEB, totaling $0.2 million. Additionally, the business allocation transfer from the city decreased $0.4 million due to the decrease in personal services from the Customer Service department.

Supplies decreased $0.1 million due to decreases in charges related to machinery and equipment supplies used in carrying out the functions of the production, distribution, and transmission departments. Fuel expenses also contributed to the decrease due to decreased fuel usage for FY 2021.

The $0.6 million decrease in maintenance charges was mainly due to decreased maintenance of overhead lines, underground lines, and heavy equipment necessary to ensure a safe and reliable distribution system.

Other Services and Charges rose $3.1 million due to increases in professional services, including: (a) charges related to property and liability insurance, totaling $1.2 million; (b) charges related to the implementation of the Customer Information System (CIS) and Oracle software, totaling $0.9 million (c) charges for services related to the repair for the turbine engine at the Brandon station, totaling $0.4 million; (d) professional services related to the SCADA Vendor Hardware/Software Support Agreement and the cost for Principle Service Staffing in the transmission load dispatching department, totaling $0.3 million; and (e) an increase caused by a decrease in the transfer for data processing charges due to a decrease in charges from the customer service department, totaling $0.3 million.

Depreciation and amortization expense increased $2.0 million in FY 2021 as a result the following new assets added during the fiscal year: Customer Information Systems, AMI Secondary Meters, 2 - Steel Tangent Poles, 3 - Auto Transformers, and Gas Turbine #2 Overhaul.

<u>FY 2020</u> – Program expenses, excluding interest expense, totaled $178.6 million, representing a 1.9 percent decrease from FY 2019. The cost of purchased fuel and power, totaling $125.9 million, represented 68.3 percent of total program expenses and decreased $3.4 million from FY 2019. The breakdown of purchased power costs are shown in *Table 9*, as follows:

Table 9 – 2020 Purchased Power Costs

Power Costs	2020	2019	Change
Energy	$ 60,067,543	$ 66,742,055	$ (6,674,512)
Demand	65,802,334	62,526,914	3,275,420
Total	$ 125,869,877	$ 129,268,969	$ (3,399,092)

- Energy costs decreased $6.7 million, or 10.0 percent, mainly due to market purchases of energy in the SPP IM, coupled with a heat rate call option, that provided the majority of LP&L's energy needs throughout the fiscal year. The SPP IM energy purchases provided savings from the SPS Power Agreement that was in effect for eight of the 12 months in FY 2019. Lower locational marginal prices (LMPs) in the SPP IM, averaging $18.01 in FY 2020 compared to $23.44 in FY 2019, continued due to low natural gas prices in the region. The average price of Waha natural gas in FY 2019 was $0.99 per one million British Thermal Units (MMBtu) and the average in FY 2020 was $0.98/MMBtu, a 0.6 percent decrease.
- Demand costs include capacity, transmission, and internal production-related operating and maintenance (O&M) costs. Demand costs increased $3.3 million due to an increase in transmission charges (up $5.4 million, or 19.7 percent) offset by a decrease in capacity charges (down $2.1 million, or 6.1 percent).
  - Regional and zonal transmission costs increased $1.0 million in FY 2020, which was attributed to higher costs in SPP. The primary drivers of the large transmission increases were as follows: (a) a 19.3 percent increase in transmission plant in service, which increased the dollar return on rate base and related income taxes for transmission owners; (b) a 47.7 percent increase in depreciation expense, due to increases in the depreciation rate and the plant-in-service balances; (c) a 39.5 percent increase in "Taxes Other Than Income Taxes" due to an increase in property taxes from the increased plant-in-service and general increases in property tax rates; and (d) LP&L's higher load ratio share in SPP (based on the 2020 coincident peak demand average).
  - Network services fees increased $1.9 million, mainly due to the addition of GridLiance High Plains, a transmission-only utility, who operated for the full 12-months of the fiscal year in SPP. The revenue requirement related to the addition of GridLiance increased LP&L's network service fees.
  - Credits from ARR/TCR associated with SPP transmission network costs were reduced in FY 2020, causing an approximate $2.8 million increase to transmission costs. ARR/TCR credits are related to TCRs associated with firm transmission rights and hedging load. In general, the net credits associated with ARR/TCR's have been trending down, as significant additional transmission has been completed and put into service. Additional transmission built in areas or regions with congestion tends to reduce congestion, and impact the cumulative net economic payback of TCR's and hedging activity.
  - SPP's distribution service charge and scheduled system control charges decreased $0.3M. The distribution service charge rate changed from $3.97/kW to a fixed fee of $4,799 per month on October 1, 2019, resulting in reduced costs for FY 2020. The decrease in the scheduled system control charges was attributed to a 20.0 percent reduction in the SPP

Schedule 1 rate for FY 2020. The Schedule 1 rate is based off of projected data comprised of Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) 561.1-531.3 and 561.5 with a true-up in the following year for any over/under recoveries. The FY 2020 rate included a refund that occurred as a result of a 2018 over recovery, which was the primary driver of the rate reduction.

- Capacity payments were lower in FY 2020, resulting in $2.1 million in reduced costs. In FY 2019, LP&L paid an average of $6.78 per kilowatt (kW), and in FY 2020 paid an average of $6.48/kW. The reason for the decrease was the 400 MW SPS Capacity and Energy Scheduling Contract (Capacity Contract) and the Partial Requirements Agreement that commenced in June 2019. Costs in FY 2020 reflected savings from a full 12 months of these contracts versus the four months of savings in FY 2019.

Program expenses, excluding purchased power costs and interest expense, totaled $52.7 million, a decrease of $0.1 million, or 0.2 percent, compared to FY 2019. The decrease was mainly driven by decreases in personal services and depreciation and amortization, offset by increases in supplies, maintenance, and other services and charges.

Contributions

FY 2021 – Contributions increased from $85,860 in FY 2020 to $261,513 in FY 2021 as a result of increased right-of-way acquisitions associated with the transmission construction related to the 69-kV to 115-kV transmission upgrade project.

FY 2020 – Contributions decreased from $174,130 in FY 2019 to $85,860 in FY 2020 as a result of decreased right-of-way acquisitions associated with the transmission construction related to the 69-kV to 115-kV transmission upgrade project.

Transfers

FY 2021 – Net transfers-out for FY 2021 totaled $0.1 million, compared to net transfers-in totaling $0.3 million in FY 2020. The difference in transfers in is mainly due to an increase in the indirect cost allocation due to a new cost in FY 2021 for LP&L's portion of Citizen's Tower maintenance costs (building use charge) and increased expenses in City administrative cost centers. In FY 2021, the net transfers-out consisted of (i) a transfer in from the Water Fund for its share of Advanced Metering Infrastructure (AMI) Debt Service, totaling $0.1 million, (ii) transfers in from the City's Water, Wastewater, Storm Water, and Solid Waste funds (City Utility Funds) for their share of the Citizen's Tower and CSIS Debt Service, totaling $1.4 million, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles, totaling $0.1 million; (iv) a transfer from the Water fund for its portion of Lake 7 re-route costs for the Double Mountain to Fiddlewood 345kV Line capital project, totaling $1.2 million; offset by (i) General Fund indirect cost allocations, totaling $1.7 million, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1.1 million.

FY 2020 – Net transfers-in for FY 2020 totaled $0.3 million, compared to net transfers out totaling $13.7 million in FY 2019. The difference was a change in the recording of the FFE and PILOT as expenses rather than transfers out, as in prior years. The shift in net transfers is offset by a large increase in other expenses. In FY 2020, the net transfers-in consisted of (i) a transfer in from the Water Fund for its share of Advanced Metering Infrastructure (AMI) Debt Service, totaling $0.1 million, (ii) transfers in from the City's Water, Wastewater, Storm Water, and Solid Waste funds (City Utility Funds) for their share of the Citizen's Tower and CSIS Debt Service, totaling $1.2 million, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles and equipment, totaling $1.3 million; offset by (i) General Fund indirect cost allocations, totaling $1.3 million, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1.1 million.

Change in Net Position

FY 2021 – Net position for FY 2021 and FY 2020 was $237.7 million and $229.8 million, respectively. Overall, LP&L's change in net position was a gain totaling $7.9 million in FY 2021 compared to a gain totaling $17.8 million in FY 2020, reflecting a year-to-year decrease in net position, totaling $9.9 million. The drivers that affected net position are highlighted below:

- FY 2021 income before transfers, totaling $8.0 million, was $9.5 million lower than FY 2020 income due to: (a) the $4.9 million increase in other expenses, mainly related to the increase in PILOT and FFE, and residual equity transfers; and (b) the $2.7 million decrease in interest earnings; and (c) the $60.8 million increase in program revenues; offset by the $62.9 million increase in program expenses.
- FY 2021 net transfers-out, totaling $0.1 million, was $0.4 million lower than the FY 2020 net transfers out due to the increase in the indirect costs allocation.

FY 2020 – Net position for FY 2020 and FY 2019 was $229.8 million and $212.1 million, respectively. Overall, LP&L's change in net position was a gain totaling $17.8 million in FY 2020 compared to a gain totaling $16.0 million in FY 2019, reflecting a year-to-year increase in net position, totaling $1.7 million. The drivers that affected net position are highlighted below:

- FY 2020 income before transfers, totaling $17.5 million, was $12.2 million lower than FY 2019 income due to: (a) the $14.4 million increase in other expenses, mainly related to the shift of PILOT and FFE payments from the transfer category; and (b) the $2.8 million decrease in general revenues; offset by (c) the $1.9 million increase in program revenues; and the $3.2 million decrease in program expenses.
- FY 2020 net transfers-in, totaling $0.3 million, was $13.9 million lower than the FY 2019 net transfers out due to the shift of PILOT and FFE payments to the other expense category.

FINANCIAL POSITION

Condensed Statements of Net Position

Table 10 - Condensed Statements of Net Position

	2021	2020	2019
Assets:			
Current assets	$ 115,704,438	$ 153,221,090	$ 143,738,843
Capital assets, net	571,576,401	418,382,929	291,810,384
Noncurrent investments	113,719,465	68,247,391	81,667,434
Prepaid Expenses	1,077,775	1,211,109	1,344,442
Total assets	802,078,079	641,062,519	518,561,103
Deferred outflows of resources	6,113,403	5,172,815	10,730,633
Liabilities:			
Current liabilities	69,904,231	183,405,978	68,173,186
Noncurrent liabilities	493,662,437	226,141,696	247,164,661
Total liabilities	563,566,668	409,547,674	315,337,847
Deferred inflows of resources	6,904,793	6,841,448	1,886,562
Net position:			
Invested in capital assets, net of related debt	182,574,119	176,054,976	150,712,020
Restricted	25,085,607	14,726,286	17,745,364
Unrestricted	30,060,295	39,064,949	43,609,943
Total net position	**$ 237,720,021**	**$ 229,846,212**	**$ 212,067,327**

Current Assets

FY 2021 – Current assets at September 30, 2021, totaling $115.7 million were $37.5 million lower than the balance at September 30, 2020, mainly due to a $60.2 million decrease in cash and investment balances, offset by a $20.0 million increase in receivables.

FY 2020 – Current assets at September 30, 2020, totaling $153.2 million were $9.5 million higher than the balance at September 30, 2019, mainly due to a $9.9 million increase in cash and investment balances, slightly offset by a $0.4 million decrease in receivables.

Capital Assets, Net

FY 2021 - At September 30, 2021, net capital assets, totaling $571.6 million, increased $153.2 million due to significant investment in transmission and distribution infrastructure. The largest increases were found in the Distribution Plant, Transmission Plant, and General Plant line items. The changes in Transmission Plant were largely related to the work associated with LP&L's completed and/or ongoing 69-kV to 115k-V upgrade project (see *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades*).

FY 2020 - At September 30, 2020, net capital assets, totaling $418.4 million, increased $126.6 million due to significant investment in transmission and distribution infrastructure. The largest increases were found in the Distribution Plant, Transmission Plant, and Construction in Progress line items. The changes in Transmission Plant and Construction in Progress were largely related to the work associated with LP&L's completed and/or ongoing 69-kV to 115k-V upgrade project (see *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades*).

Noncurrent Assets

FY 2021 – Noncurrent assets (including restricted investments and prepaid expenses) totaled $114.8 million at September 30, 2021, an increase totaling $45.3 million from the prior year. The increase was mainly attributable to the expenditure of 2021 Series LP&L Revenue Bonds, totaling $66.0 million, and a $13.6 million increase in Cash Reserves, offset by a decrease of $32.7 million, in the escrow account held jointly by LP&L and Oncor to advance-fund transmission-related capital project expenditures.

FY 2020 – Noncurrent assets (including restricted investments and prepaid expenses) totaled $69.5 million at September 30, 2020, a decrease totaling $13.6 million from the prior year. The decrease was mainly attributable to the expenditure of bond proceeds, totaling $46.2 million, of which 96.0 percent was expended from the 2018 Series of Electric Light & Power Revenue Bonds, offset by an increase of $32.8 million, in the escrow account held jointly by LP&L and Oncor to advance-fund transmission-related capital project expenditures.

Current Liabilities

FY 2021 – Excluding current maturities of debt totaling $20.3 million, current liabilities decreased $2.9 million, from $52.5 million in FY 2020 to $49.6 million in FY 2021 (see the *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades* and *Outstanding Debt* sections for information related to notes and bonds payable). The decrease was primarily related to no deferred revenues for the PCRF and FFE recorded due to being under collected at the end of the fiscal year, offset by increases in accounts payable balances associated with increased capital project activity, customer deposits, accrued interest payable, and accrued liabilities.

The accounts payable category increased $6.5 million, with the majority of the increase related to increased capital project activity associated with the upgrade of the transmission system/lines, substation upgrade work, and autotransformers needed to interconnect with ERCOT.

As of September 30, 2020, revenues collected from the PCRF portion of rates exceeded power costs in the amount of $10.8 million. By September 30, 2021, the PCRF over-recovery decreased approximately $14.0 million to an under-recovery amount of $3.2 million due to increased purchased power costs and elevated pricing related to the WWE.

Table 11 - 2021 Accounts Payable

Accounts Payable / Due to	2021	2020	Change
PCRF Payable	$ -	$ 10,841,105	$ (10,841,105)
FFE Payable	-	1,666,522	(1,666,522)
Accounts Payable	33,335,370	26,794,660	6,540,710
Total Accounts Payable	$ 33,335,370	$ 39,302,287	$ (5,966,917)

The increase in customer deposits totaled $1.8 million due to unapplied cash increasing $1.9 due increased excess credits in service agreements. Offsetting the increase of unapplied cash, were customer deposits with a net decrease of $0.1 million. The deposit refund program automatically refunds customers their initial deposit if they meet certain requirements, such as excellent credit, current account status, and a minimum one-year customer status. Under the terms of the deposit refund program, LP&L refunded 8,011 deposits in FY 2021 totaling $1.4 million. Offsetting refunds were customer deposits totaling $1.3 million due to the growth in the customer base as well as deposit requirements in the Tariff that required residential deposits equal to two months of the reasonable and good-faith estimate of annual billings of the premise (whichever is greater).

FY 2020 – Excluding current maturities of debt totaling $130.9 million, current liabilities increased $4.9 million, from $47.6 million in FY 2019 to $52.5 million (see the *Financial Highlights – Capital Assets – ERCOT Integration and Transmission & Distribution Upgrades* and *Outstanding Debt* sections for information related to notes and bonds payable). The increase was primarily related to higher accounts payable/due to related party balances associated with increased capital project activity, purchased power costs, and increases in customer deposits, offset by decreases in accrued interest payable and compensated absences.

The combined accounts payable and due to related party categories increased $5.0 million, with the majority of the increase related to increased capital project activity associated with the upgrade of the transmission system/lines, substation upgrade work, and autotransformers needed to interconnect with ERCOT. In FY 2019, the due to related party line item was made up of purchased power costs paid to SPS through WTMPA. For FY 2020, payables for purchased power were included in accounts payable due to the deletion of Lubbock from WTMPA.

As of September 30, 2019, revenues collected from the PCRF portion of rates exceeded power costs in the amount of $10.7 million. By September 30, 2020, the PCRF over-recovery increased approximately $0.1 million to $10.8 million. The over-recovery is recorded as a deferred revenue and included in the accounts payable liability category. Additionally, FFE revenues collected from customers but not yet earned as a result of the PCRF over-recovery are also recorded as a deferred revenue.

Accrued interest payable decreased $0.4 million, with the majority of the decrease related to the payoff of the 2010 debt issuance that was originally issued to purchase the SPS distribution assets.

The net increase in customer deposits totaled $0.3 million due to a $1.6 million increase related to growth in the customer base as well as deposit requirements in the Tariff that required residential deposits equal to two months of the reasonable and good-faith estimate of annual billings of the premise (whichever is greater). Offsetting the increase of residential deposits, were deposit refunds, totaling $1.3 million. The deposit refund program automatically refunds customers their initial deposit if they meet certain requirements, such as excellent credit, current account status, and a minimum one-year customer status. Under the terms of the deposit refund program, LP&L refunded 6,381 deposits in FY 2020.

Other Noncurrent Liabilities

FY 2021 – Excluding the noncurrent portion of debt, totaling $456.1 million, noncurrent liabilities decreased $23.8 million to $37.6 million at September 30, 2021. This decrease was driven by a $24.0 million decrease in the Hold Harmless Payment, and a $3.0 million decrease in net pension liability, offset by a $2.9 million increase in OPEB, and a $0.3 million increase in long-term compensated absences.

The net pension liability decreased $3.0 million, driven mainly by positive investment returns in plan year 2020. Investment income totaled $17.5 million, a return of 14.27 percent in plan year 2019 and investment income totaled $9.7 million, a return of 7.65 percent, in plan year 2020. The positive return in plan year 2020 was above the Texas Municipal Retirement System's (TMRS) investment return assumption of 6.75 percent (see *Note 7: Retirement Plan* in the Notes to the Financial Statements for more details).

FY 2020 – Excluding the noncurrent portion of debt, totaling $164.7 million, noncurrent liabilities decreased $8.5 million to $61.4 million at September 30, 2020. This decrease was driven by a $10.0 million decrease in net pension liability, offset by a $1.1 million increase in OPEB, and a $0.4 million increase in long-term compensated absences.

The net pension liability decreased $10.0 million, driven mainly by positive investment returns in plan year 2019. Investment losses totaled $3.6 million, a loss 2.1 percent, in plan year 2018 and investment income totaled $17.5 million, a return of 14.27 percent, in plan year 2019. The positive return in plan year 2019 was well above the Texas Municipal Retirement System's (TMRS) investment return assumption of 6.75 percent.

Net Position

FY 2021 – Total net position increased $7.9 million, from the FY 2020 net position of $229.8 to $237.7 million in FY 2021. The subcomponents of net position changed as follows:

- The net investment in capital assets increased $6.5 million mainly due to the following: (a) a $153.2 million increase in net capital assets; (b) an increase of $45.5 million in restricted investments; (c) a $120.1 million reduction in notes payable, offset by (c) a $10.4 million increase in the debt service reserve fund; (d) and a $301.3 million increase in bonds payable;
- restricted for debt service increased in the amount of $10.4 million as described in the next paragraph; and,

- unrestricted net position decreased $9.0 million.

The $25.1 million balance in restricted for debt service is related to the capitalized interest fund established as a result of the 2017 and 2018 revenue bond issuances, totaling $1.6 million; the debt service reserve fund, totaling $21.7 million; and the interest and sinking fund, totaling $1.8 million. The amount of capitalized interest remaining at September 30, 2021 was $0.3 million for the 2017 Revenue Bonds and $1.2 million for the 2018 Revenue Bonds. These funds are established by bond covenants in order to make principal and interest payments on these bond issuances until LP&L enters ERCOT and begins receiving transmission cost of service (TCOS) revenues.

FY 2020 – Total net position increased $17.8 million, from the FY 2019 net position of $212.1 to $229.8 million in FY 2020. The subcomponents of net position changed as follows:

- The net investment in capital assets increased $25.3 million mainly due to the following: (a) a $126.6 million increase in net capital assets; (b) a $20.8 million reduction in bonds payable; (c) a $3.0 million reduction in the debt service reserve fund; (d) a $7.1 million increase in retainage, offset by (e) a $118.6 million increase in notes payable; (f) a $0.1 million decrease on refunding; and (g) a decrease of $13.4 million in restricted investments;
- restricted for debt service decreased in the amount of $3.0 million as described in the next paragraph; and,
- unrestricted net position decreased $4.5 million.

The $14.7 million balance in restricted for debt service is related to the capitalized interest fund established as a result of the 2017 and 2018 revenue bond issuances, totaling $4.7 million; the debt service reserve fund, totaling $8.1 million; and the interest and sinking fund, totaling $1.9 million. The amount of capitalized interest remaining at September 30, 2020 was $1.0 million for the 2017 Revenue Bonds and $3.7 million for the 2018 Revenue Bonds. These funds are established by bond covenants in order to make principal and interest payments on these bond issuances until LP&L enters ERCOT and begins receiving transmission cost of service (TCOS) revenues.

OUTSTANDING DEBT

FY 2021 – As of September 30, 2021, LP&L's total outstanding debt was $476.4 million. Bonds and Notes Payable were comprised of $18.7 million in certificates of obligation, $396.0 million in revenue bonds, and $61.7 million in bond premiums. All outstanding debt was comprised of fixed interest rate instruments.

Reductions – LP&L made principal payments totaling $7.0 million on its revenue bonds and $3.3 million on its certificates of obligation.

FY 2020 – As of September 30, 2020, LP&L's total outstanding debt was $295.6 million. Bonds and Note Payable were comprised of $21.9 million in certificates of obligation, $136.1 million in revenue bonds, $120.6 million in short-term notes payable, and $17.0 million in bond premiums. All outstanding debt was comprised of fixed interest rate instruments.

Reductions – LP&L made principal payments totaling $15.4 million on its revenue bonds and $3.1 million on its certificates of obligation.

CURRENTLY KNOWN FACTS

SPP Purchased Power Contractual Risk - By partially tying its energy requirements to SPS through May 31, 2023, the City depends on SPS as a counterparty to agreements relating to the operation and financial condition of LP&L. Counterparty risk is risk associated with the counterparty's financial condition, credit ratings, changes in business strategies and other quantitative and qualitative measures that could affect the ability of the counterparty to perform its obligations to the City. The PR Agreement provides the City the right to demand certain adequate assurance of performance.

Opt-In to Retail Competition: On February 15, 2022, the EUB approved and recommended to City Council an irrevocable resolution opting into competition for retail electric service in Lubbock Power & Light's certificated area. On February 22, 2022, the City Council approved the opt-in resolution to transition to retail electric competition.

Customer Service Information Systems (CSIS) – LP&L manages and operates the customer service department (City of Lubbock Utilities) for the utility in addition to performing customer service and billing services for the City Utility Funds. The City of Lubbock Utilities is included in LP&L's budget with 44.98 percent of all costs reimbursed from the City Utility Funds.

On May 29, 2018, Oracle Corporation (Oracle) and Itron, Inc. (Itron) were selected to provide the products and services necessary for a complete CSIS package, with the following components:

- Customer Cloud Service (CCS) – Oracle was selected to provide their utility meter-to-cash solution that delivers a platform for customer care and billing. The system connects customer care and billing with advanced metering; provides a complete view of customer accounts and activities; and outsources information technology support through Oracle's SaaS.
- Advanced Metering Infrastructure (AMI) – Itron was selected to provide an integrated system of meters and communications networks that involves the ability to record consumption of electric and water services in intervals of an hour or less and communicates that information at least daily to the utility for monitoring and billing.
- Meter Data Management (MDM) – Oracle's CCS includes an MDM that provides long-term data storage and management for the large quantities of data delivered by AMI – the data consists primarily of interval data and meter events.
- Mobile Workforce Management (MWFM) – Oracle's Field Service Cloud is a category of software and related services used to manage employees working outside the utility's premises.

Beginning in April 2019, Itron actively deployed electric and water meters throughout the entire service territory. As of September 30, 2021, deployment was substantially complete, with electric deployment at 99 percent and water deployment at 95 percent. City of Lubbock Utilities began billing customers in May 2019, taking advantage of the AMI meter data. At the end of calendar year 2019, the primary focus shifted to the CCS/MDM/MWFM projects and overall change management. The system went live on February 22, 2021, with over 300 internal end users spanning eight City departments.

Starting in the first quarter of 2022, LP&L will kick off the MTM (Market Transaction Manager/Move to Market) project. This project will be comprised of the following:

- Creation of two CIS divisions within the Oracle CCS Product. Division 1 will consist of City of Lubbock Utility services except for Electric (water, storm water, solid waste, and sewer). Division 2 will maintain electric services only.
- Oracle MTM (Market Transaction Manager) will be implemented in Division 2/electric only.
- EDI Gateway – (Electronic Data Interchange), presumably using the product provided by Electronic Submissions Gateway (ESG), will be implemented in Division 2 to ensure secure communication between LP&L and the ERCOT market.

Base Rate Adjustment – Rates are set by the EUB and approved by the City Council. On September 14, 2021, the City Council approved a tariff to become effective on October 1, 2021 that did not include a base rate increase. The long-term financial model does not anticipate a base rate adjustment in the near future.

Economic Factors – The Department of Energy, via the U.S. Energy Information Administration (EIA), forecasts key energy economic indicators in the United States. Key economic factors that will play a role in operations for FY 2022 as reported by the EIA are as follows:

- Natural Gas Prices – The EIA expects the New York Mercantile Exchange (NYMEX) natural gas spot price to average $3.98 per MMBtu in calendar year 2022.
    - Natural gas production has been declining as producers had scaled back drilling in response to low commodity prices and weak demand caused by the COVID-19 pandemic. However, the EIA forecasts that production will increase in FY 2022. Recent increases in oil and domestic natural gas prices contribute to an overall increase in drilling activity in 2022 that will lead to production growth from 2Q22 onward.
    - The EIA expects liquefied natural gas (LNG) demand to continue increasing. A rising demand for LNG imports in Europe and Asia and the completion of planned projects that will bring new U.S. LNG export capacity online in 2022 supports growth in LNG exports in the forecast.
    - Although NYMEX prices over the past couple of years past were much higher than natural gas prices in West Texas as measured by Waha it is expected that Waha prices will stay on par with NYMEX through 2022. The congestion relief in the Waha area with addition of pipelines such as the Permian Highway Pipeline and Whistler Pipeline being put into service have normalized the Waha prices to their historical relationship levels with NYMEX pricing.
- Coal Prices – The EIA expects coal production to increase 6 percent between 2021 and 2022 because of increased coal demand from the electric power sector amid higher natural gas prices

in 2021. The EIA also expects the delivered coal price to average $2.03/MMBtu in 2022, compared to $1.98/MMBtu in 2021.

- Electricity Generation – The EIA expects the share of U.S. total utility-scale electricity generation from natural gas-fired power plants to decline from 37 percent in 2021 to 35 percent in 2022 and electricity generation from coal to slightly decrease from 23 percent in 2021 to 22 percent in 2022.

- Electricity Retail Prices – The EIA expects electricity prices to average 14.2 cents per kWh for calendar year 2022, which is a 3.8 percent increase over 2021. These higher prices are reflective of the increased costs of natural gas for power generation.

- Generation Mix – LP&L is in the SPP and ERCOT markets which maintained the following generation mix in each of the following time periods:

Table 12 - SPP Generation Portfolio

	2021	2020	2019
Natural Gas	19.9%	27.0%	25.9%
Coal	35.9%	30.7%	34.8%
Wind	34.5%	31.0%	27.4%
Nuclear	5.8%	6.4%	6.0%
Hydro	3.6%	4.5%	5.6%
Solar	0.2%	0.2%	0.2%
Fuel Oil	0.0%	0.0%	0.0%
Other	0.1%	0.1%	0.1%
	100.0%	**100.0%**	**100.0%**

Table 13 - ERCOT Generation Portfolio

	2021	2020
Gas	6.7%	5.9%
Gas-CC	35.3%	39.8%
Coal	19.1%	18.0%
Wind	24.4%	22.9%
Nuclear	10.3%	10.9%
Hydro	0.1%	0.2%
Solar	4.0%	2.3%
Biomass	0.1%	0.1%
Other	0.0%	0.0%
	100.0%	**100.0%**

Legislation and Regulations – There are several federal and state environmental regulations that pertain to power plant and air pollution controls addressing emission allowance and trading programs. The ability to operate LP&L's electric generation facilities could be restricted, unless additional allowances are acquired, when needed, or LP&L could choose to limit the operating hours of the facilities. These regulations include the federal Revised Cross-State Air Pollution Rule, the federal

Acid Rain Program and the state Electric Generating Facility Emissions Banking and Trading Program.

Federal and regional electric reliability standards apply to LP&L. LP&L is registered for the functional ownership and operation of a Radial Distribution System at voltages from 4-kV to 69-kV operating in the Eastern Interconnection's SPP, under the oversight of the Midwest Reliability Organization. Additionally, LP&L is also registered for the functional ownership and operation of a Network Distribution and Transmission System at voltages of 4-kV to 345-kV operating in the Texas Interconnection's ERCOT, under oversight of the Texas Reliability Entity.

As applicable regulations change, LP&L is continually monitoring the regulatory agencies that enforce the regulations to assess the impact on LP&L operations. In addition to acquiring vendor support to perform gap analysis and regulatory review as needed, LP&L has dedicated regulatory compliance specialists on staff to coordinate compliance efforts. Management is committed to maintaining a culture of regulatory compliance at LP&L.

REQUESTS FOR INFORMATION

Questions concerning any of the information found in this report, or requests for additional information should be directed to Finance Department, Lubbock Power and Light, P.O. Box 2000, Lubbock, TX 79457.

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Net Position
September 30, 2021 and 2020

	FY 20-21	FY 19-20
ASSETS		
Current assets:		
Cash and cash equivalents	$ 534,262	$ 3,281,115
Investments	64,329,294	121,826,606
Accounts receivable, net	48,163,258	25,932,868
Interest receivable	493,033	355,966
Prepaid expenses	25,000	25,000
Inventories	2,159,591	1,799,535
Total current assets	115,704,438	153,221,090
Noncurrent assets:		
Restricted investments	113,719,465	68,247,391
Prepaid expenses	1,077,775	1,211,109
	114,797,240	69,458,500
Capital assets:		
Non-Depreciable	46,807,704	20,090,580
Construction in progress	8,630,661	94,805,793
Depreciable	794,774,731	571,183,503
Less accumulated depreciation	(278,636,695)	(267,696,947)
Total capital assets	571,576,401	418,382,929
Total noncurrent assets	686,373,641	487,841,429
Total assets	$ 802,078,079	$ 641,062,519
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	$ 314,071	$ 458,924
Deferred outflows from pensions	2,780,601	2,898,488
Deferred outflows from OPEB	3,018,731	1,815,403
Total deferred outflows of resources	$ 6,113,403	$ 5,172,815

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Net Position
September 30, 2021 and 2020

	FY 20-21	FY 19-20
LIABILITIES		
Current liabilities:		
Accounts payable, net	$ 33,335,370	$ 39,302,286
Accrued liabilities	2,668,137	1,838,586
Accrued interest payable	3,554,735	3,085,945
Customer deposits	7,971,213	6,151,612
Compensated absences	2,099,776	2,122,549
Notes Payable	-	120,600,000
Bonds payable	20,275,000	10,305,000
Total current liabilities	69,904,231	183,405,978
Noncurrent liabilities:		
Hold Harmless Payment	$ -	$ 24,000,000
Compensated absences	1,458,466	1,170,405
Post employment benefits	23,551,149	20,661,185
Net pension liability	12,575,715	15,566,804
Bonds payable	456,077,107	164,743,302
Total noncurrent liabilities	493,662,437	226,141,696
Total liabilities	$ 563,566,668	$ 409,547,674
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pensions	$ 5,406,658	$ 5,123,839
Deferred inflows from OPEB	1,498,135	1,717,609
Total deferred inflows of resources	$ 6,904,793	$ 6,841,448
NET POSITION		
Net investment in capital assets	182,574,119	176,054,976
Restricted for:		
Debt service	25,085,607	14,726,286
Unrestricted	30,060,295	39,064,949
Total net position	$ 237,720,021	$ 229,846,212

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Revenues, Expenses, and Changes in Net Position
September 30, 2021 and 2020

	FY 20-21	FY 19-20
OPERATING REVENUES		
Charges for services	$ 273,843,064	$ 213,061,262
OPERATING EXPENSES		
Personal services	19,156,150	21,015,714
Supplies	1,201,773	1,307,477
Maintenance	3,057,183	3,618,461
Purchase of fuel and power	184,691,789	125,869,876
Other services and charges	13,804,754	10,747,548
Depreciation and amortization	18,063,182	16,029,599
Total operating expenses	239,974,831	178,588,675
Operating income	33,868,233	34,472,587
NON-OPERATING REVENUES (EXPENSES)		
Interest income	487,744	3,195,923
Disposition of assets	(1,826,016)	(1,603,310)
Miscellaneous	(17,503,401)	(12,834,558)
Interest expense on bonds	(7,331,906)	(5,828,202)
Total non-operating revenues (expenses)	(26,173,579)	(17,070,147)
Income before contributions and transfers	7,694,654	17,402,440
Capital contributions	261,513	85,860
Transfers, net	(82,358)	290,585
Change in net position	7,873,809	17,778,885
Net position - beginning	229,846,212	212,067,327
Net position - beginning, as restated	229,846,212	212,067,327
Net position - ending	$ 237,720,021	$ 229,846,212

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Statement of Cash Flows
September 30, 2021 and 2020

	FY 20-21	FY 19-20
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 239,105,048	$ 213,654,138
Payments to suppliers	(194,783,626)	(135,850,571)
Payments to employees	(19,156,150)	(19,501,712)
Other receipts (payments)	(41,503,401)	(12,834,558)
Net cash provided (used) by operating activities	(16,338,129)	45,467,298
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfers in from other funds	2,800,113	2,696,693
Transfers out to other funds	(2,882,471)	(2,406,108)
Net cash provided (used) by noncapital and related financing activities	(82,358)	290,585
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(172,949,336)	(144,696,352)
Sale of capital assets	-	576,758
Principal paid on bonds	(130,915,000)	(18,540,000)
Issuance of bonds and notes	313,682,141	118,600,000
Bond Issuance Costs	(24,593)	-
Interest paid on bonds and capital leases	(8,757,006)	(8,267,472)
Net cash provided (used) by capital and related financing activities	1,036,206	(52,327,066)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	60,359,221	34,153,468
Purchase of investments	(48,333,983)	(30,318,860)
Interest earnings on cash and investments	350,677	3,013,995
Net cash provided by investing activities	12,375,915	6,848,603
Net increase (decrease) in cash and cash equivalents	(2,746,853)	279,421
Cash and cash equivalents - beginning of year	3,281,115	3,001,695
Cash and cash equivalents - end of year	534,262	3,281,115
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	33,868,233	34,472,587
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	18,063,182	16,029,599
Other income (expense)	(41,503,401)	(12,834,558)
Change in current assets and liabilities:		
Accounts receivable	(22,230,390)	446,722
Inventory	(360,056)	117,814
Accounts payable	6,540,710	6,085,512
Deferred Revenues	(12,507,626)	146,154
Due to related party	-	(1,256,754)
Accrued liabilities	829,551	2,084
Customer deposits	1,819,601	345,387
Compensated absences and retirement benefits	(857,933)	1,514,002
Net cash provided (used) by operating activities	(16,338,129)	45,068,549
Supplemental cash flow information:		
Noncash capital contributions and other changes	$ 261,513	$ 85,860

See accompanying Notes to Basic Financial Statements

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Notes to Basic Financial Statements
September 30, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Matters

The accompanying financial statements include only LP&L, an enterprise fund of the City. The results of operations and cash flows are in conformity with generally accepted accounting principles. LP&L's financial statements are not intended to present fairly the financial position of the City, and are included as an enterprise fund in the City's Annual Comprehensive Financial Report (ACFR); LP&L has no component units in its reporting entity.

In 1916, the citizens of Lubbock voted to establish a municipal electric company, which was organized to manage the energy needs of the City. Therefore, for the past 103 years, LP&L has served the majority of citizens in this community. On November 2, 2004, Lubbock voters elected to amend the City Charter to provide for a Board composed of nine Lubbock citizens and eligible voters appointed by the City Council to govern, manage and operate LP&L. The Board is responsible for the governance and management of LP&L in providing dependable and reliable electric service at reasonable and competitive rates to the citizens of Lubbock while being financially self-sustaining.

At the present time, LP&L's product is the procurement of energy, generation, distribution, and service of electricity. LP&L operates in both the ERCOT and SPP markets and serves customers within the confines of its certificated areas as established by the PUCT. The PUCT regulates certain utility rates, operations, and services within the State, however, the PUCT does not have general jurisdiction of LP&L because it is a municipally owned utility. The PUCT does have authority over transmission rates, certificated areas of operation, and certain reporting requirements under the Texas Public Utility Regulatory Act. LP&L is authorized to charge and collect reasonable rates necessary to produce revenues sufficient to pay operational and maintenance expenses, debt service requirements, and other contractual commitments.

On May 30, 2021, LP&L completed its connection to the ERCOT market, enabling the ability to procure electricity for 70% of its load. An overview of the integration is included at the beginning of this report in the ERCOT Transition section of the MD&A. LP&L is continuing to improve its distribution and transmission assets to provide for moving the remaining 30% of its load, currently procured through SPP, to the ERCOT market by late 2023. The costs and assets to connect to the ERCOT market began in FY 2018-19 and has had substantial impact on the following two years' Financial Statements. As the work continues to connect the remaining 30%, those increased costs will impact the coming fiscal years

B. Significant Accounting Policies

The financial statements are presented on an accrual basis and are in conformity with both Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB), as applicable.

The financial statements are prepared using the economic resources measurement focus. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Operating revenues are defined as revenues received from the sale of electricity and associated services. Revenues from capital and related financing and investment activities are defined as non-operating revenues. Restricted net position represents constraints on resources that are imposed by bond indentures and may be utilized only for the purposes established by the bond indentures. Unrestricted net position may be utilized for any purpose approved by the Board and by the City Council through the budget process. When both restricted and unrestricted net position might be used to meet an obligation, LP&L first uses the restricted net position.

Equity in Cash and Investments

The City pools the resources of the various funds, including LP&L, to facilitate the management of cash and enhance investment earnings. Records are maintained that reflect each fund's equity in the pooled investments. Government agency bonds and municipal bonds are stated at fair value; while the Texas Short Term Asset Reserve (TexSTAR), Local Government Investment Cooperative (LOGIC), and Texas Cooperative Liquid Assets Securities System (Texas CLASS) state pools are stated at net asset value. Money market mutual funds (MMMFs) and the TexPool Local Government Investment Pool (TexPool) are stated at amortized cost.

Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased, which presents an insignificant risk of changes in value because of changes in interest rates.

Investments

Investments include State Investment Pools and securities in the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB), Federal Agricultural Mortgage Corporation (FAMCA), Municipal Bonds, Commercial Paper, and MMMFs. Restricted investments include investments that have been restricted for bond- and note-financed capital projects and funds that have been restricted by bond covenants for debt service requirements.

Accounts Receivable

Accounts receivable balances represent amounts due primarily from metered customers. Metered revenues for the first fifteen days of every month are attributable to billing cycles in the prior month; therefore, metered revenues for the first fifteen days of the first month after the fiscal year-end are accrued and reported in accounts receivable. LP&L does not require collateral to support its accounts receivable. Management believes the recorded receivables, net of allowances totaling $4,006,982 are collectible.

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, e.g., inventory is expensed when used rather than when purchased.

Capital Assets and Depreciation

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. All costs associated with the development and construction of LP&L's ownership interests in the electric system have been recorded at original cost and are being depreciated on a straight-line basis over the estimated useful life of each asset.

LP&L utilizes the FERC USOA to classify fixed assets. The useful life of each asset is estimated as follows:

Intangible Plant	6-45 years	Production Plant	1-50 years
Transmission Plant	30-60 years	Distribution Plant	6-50 years
Regional Transmission and Market Operation Plant	5 years	General Plant	2-45 years

Major outlays for capital assets and improvements are capitalized as the projects are completed. The cost of normal maintenance and repairs that do not increase the value of the asset or materially extend the useful life, are expensed when incurred.

Construction in Progress

All expenses related to capital additions are capitalized as construction in progress until they are completed. Depreciation expense is recognized on these items after the projects are completed. LP&L capitalizes interest costs according to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements*. LP&L capitalized interest totaling approximately $1,659,131, net of interest earned during FY 2021, and $980,339 net of interest earned during FY 2020.

Hold Harmless Payment

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 Capacity Contract and reserved $24.0 million from this savings. The payment is recorded in non-current liabilities. As of September 30, 2021 the note was paid in full and it no longer a current liability in FY 2020-21.

Net Position

Total net position includes net investment in capital assets, along with restricted and unrestricted net assets. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position includes noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to LP&L and the City, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position includes remaining assets and deferred outflows, less remaining liabilities and deferred inflows that do not meet the definition of net investment in capital assets, restricted expendable, or restricted nonexpendable.

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 and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transactions

Interfund transactions are accounted for as revenues or expenses on the Statements of Revenues, Expenses, and Changes in Net Position. 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. For additional information on interfund transactions, reference *Note 3: Interfund Transactions.*

GASB Pronouncements Effective in FY 2021

In FY 2021 there were no GASB pronouncements issued that would impact LP&L.

GASB Pronouncements Effective in FY 2020

In FY 2020 there were no GASB pronouncements issued that would impact LP&L.

GASB Pronouncements Issued but not Yet Effective until Fiscal Year-22

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). 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, 2022; however, implementation will have no impact on LP&L.

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. LP&L has deferred charges on debt refunding. A deferred charge is the difference in the carrying value of refunded bonds and the reacquisition price and is deferred or amortized over the shorter of the life of the refunded bonds or the refunding bonds. LP&L has deferred outflows for pensions related to contributions, changes in actuarial assumptions and investment experience and for OPEB 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. Deferred inflows include pension actuarial differences in expected and actual experience, per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.* For additional information on deferred outflows/inflows related to pensions, reference *Note 7: Retirement Plan.*

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 the fiduciary net position of the TMRS Plan and additions to/deductions from the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. 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. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68. For additional information on deferred outflows/inflows related to pensions, reference *Note 8: Retirement Plan*.

NOTE 2: DEPOSITS AND INVESTMENTS

On September 30, 2021, the bank balance of LP&L's deposits was $789,013 with a carrying value of $534,262. All of the bank balances are covered by federal depository insurance or are fully collateralized.

Custodial Credit Risk – Bank Deposits

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 investment policy related to custodial credit risk requires compliance with the provisions of the Texas Public Funds Investment Act (PFIA).

State law requires collateralization of all deposits with federal depository insurance, eligible securities, or a surety bond having an aggregate value at least equal to the amount of the deposits. LP&L pools its monies with the City, and the City oversees and administers LP&L's investments. The City's investment policy requires the minimum collateral level to be 102% of market value of principal and accrued interest.

At September 30, 2021, City bank balances were not exposed to custodial credit risk as follows:

Insured	$ 45,475
Uninsured and collateral held by a third party financial institution in the City's name	743,538
Total	$ 789,013

Custodial Credit Risk - Securities

Securities with FNMA, FAMCA, FFCB, FHLMC, FHLB and municipal bonds 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 City's Audit and Investment Committee for investment purposes.

At September 30, 2021, LP&L had the following investments and maturities:

	30-Sep-21		
		Maturities in Years	
Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Farm Credit Bank (FFCB)	$ 1,349,461	$ 1,349,461	$ -
Farmer Mac (FAMCA)	-	-	-
Federal Home Loan Banks (FHLB)	2,767,743	2,767,743	-
Federal Home Loan Mortgage Corporation (FHLM	-	-	-
Federal National Mortgage Association (FNMA)	431,113	431,113	-
Municipal Bonds	61,335,275	22,203,175	39,132,100
Commercial Paper	8,247,993	8,247,993	-
Money Market Mutual Funds	7,885,880	7,885,880	-
State Investment Pools *	96,565,556	96,565,556	-
Total	$ 178,583,021	$ 139,450,921	$ 39,132,100

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

At September 30, 2020, LP&L had the following investments and maturities:

	30-Sep-20		
		Maturities in Years	
Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Farm Credit Bank (FFCB)	$ 553,505	$ -	$ 553,505
Farmer Mac (FAMCA)	618,700	618,700	-
Federal Home Loan Banks (FHLB)	617,719	617,719	-
Federal Home Loan Mortgage Corporation (FHLM	-	-	-
Federal National Mortgage Association (FNMA)	470,593	-	470,593
Municipal Bonds	46,889,519	12,048,159	34,841,360
Commercial Paper	3,350,653	3,350,653	-
Money Market Mutual Funds	14,811,505	14,811,505	-
State Investment Pools *	122,761,803	122,761,803	-
Total	$ 190,073,997	$ 154,208,539	$ 35,865,458

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

Investment in State Investment Pools
The City utilizes four state local government investment pools (LGIPs) that include: TexPool, TexSTAR, LOGIC and Texas CLASS.

The Texas Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company (Trust Company), which is authorized to operate the TexPool Portfolios. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Hermes, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to the TexPool Portfolios by Federated. In addition, the TexPool Advisory Board advises on the investment policies for the TexPool Portfolios and approves any fee increases. As required by the PFIA, the Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. TexPool is rated AAAm by Standard & Poor's (S&P). TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The pool offers same day access to its funds.

TexPool does not have any limitations or restrictions on participants' withdrawals that would have to be disclosed in the notes to the financial statements. All TexPool securities are reported within the highest category of credit ratings and are denominated in U.S. dollars. Per GASB Statement No. 40, *Deposit and Investment Risk Exposure*, TexPool is not exposed to custodial credit risk. Additionally, TexPool utilizes shadow pricing, which is consistently within 0.5% of amortized cost value per unit.

TexSTAR's governing body is a five-member board of directors. Three directors are officers or employees of participants; one member is employed by J.P. Morgan Investment Management Inc. (JPMIM); or an affiliate; and one member is employed by Hilltop Securities Inc. (HTS), or an affiliate. TexSTAR's bylaws also require the TexSTAR board to appoint an advisory board.

The TexSTAR advisory board currently consists of six members, each of whom is either a representative of a participant or a person who has no business relationship with TexSTAR. The primary investment objectives of TexSTAR, in order of priority, are (i) the preservation of capital and protection of principal, (ii) the maintenance of sufficient liquidity, and (iii) yield. TexSTAR is rated AAAm by S&P. 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 between participating government entities. Participation in the pool is limited to those eligible government entities who have become parties to the participation agreement. Assets in the pool are represented by units of beneficial interest, which are issued in discrete series, as authorized from time to time by the LOGIC board. Assets invested in any series will be managed separately, and segregated from, the assets of every other series. Since September 2005, JPMIM has served as investment manager to LOGIC. Day to day administration of the pool is performed by HTS, and JPMIM. JPMIM or its affiliates provide investment management, custody and fund accounting services. The investment objectives of the pool are 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 S&P. The pool offers same day access to investment funds.

Texas CLASS was created specifically for the use of 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. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of its board of trustees and its advisory board, both of which are elected by the Texas CLASS participants. Public Trust Advisors, LLC serves as the program administrator and 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 S&P. 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 can be held to maturity and limits final maturity to no more than five years. The City uses the specific identification method for positions in fixed-rate securities. The LGIPs utilized by the City have laddered maturities within their funds, yet are redeemable in full within one day to the governments investing in the pooled funds. The City only invests in government pools and funds that maintain a stable $1 net asset value. While the interest income derived from these particular types of investments fluctuates based on market movements and the characteristics of the pools and funds, the value of the principal is not affected.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The City's investment 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 U.S. 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 SEC, and constant dollar investment pools authorized by the City Council. On September 30, 2021, S&P rated the LGIPs AAAm. The senior unsecured debt for investments in FHLB, FAMCA, FFCB, FHLMC, and FNMA are rated AA+ by S&P and Aaa by Moody's. The municipal bond investments are rated between an AAA and A- by S&P and between an Aaa and A1 by Moody's.

Custodial Credit Risk

State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation, collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City requires that deposits and repurchase agreements be held in an institution that has a minimum collateral level of 102.0 percent of the market value. FNMA, FAMCA, FFCB, FHLMC, FHLB and Municipal Bond investments are held in the City's name in third party safekeeping by a Federal Reserve member financial institution designated as a city depository. The City shall maintain a list of authorized broker/dealers and financial institutions, which are approved by the Audit and Investment Committee for investment purposes.

Concentration of Credit Risk

The City places limits on the amount that may be invested in any one issuer, with the exception of U.S. Treasury obligations and LGIPs. As of September 30, 2021, LP&L's investments constituted the following percentages of total investments:

Investment	Percentage	WAM (Days)	Rating	Rating Agency
State Investment Pools	54.10%	1	AAAm	S&P
Municipal Bonds	34.40%	626	AA/Aa2	S&P/Moody's
Money Market	4.40%	1	AAAm/Aaa-mf	S&P/Moody's
FFCB	0.80%	994	AA+/Aaa	S&P/Moody's
FHLB	1.50%	1171	AA+/Aaa	S&P/Moody's
FNMA	0.20%	213	AA+/Aaa	S&P/Moody's
FHLMC	0.00%	0	AA+/Aaa	S&P/Moody's
Commercial Paper	4.60%	170	A-1+/P-1	S&P/Moody's
FAMCA	0.00%	0	AA+/Aaa	S&P/Moody's

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

Authorized Investment	Policy Limitation
U.S. Treasury Obligations	100%
Agency Bonds	80%
Municipal Bonds	50%
Investment Pools	100%
Certificates of Deposit	30%
No Load Mutual Fund	30%
Commercial Paper	10%
Banker's Acceptance	10%

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City has no foreign currency risk.

Disclosures about Fair Value of Assets and Liabilities

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be 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
LP&L has the following recurring fair value measurements based on the hierarchy above as of September 30, 2021:

September 30, 2021	**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)	$ 1,349,461	$ -	$ 1,349,461	$ -
Farmers Mac (FAMCA)	0	-	0	-
Federal Home Loan Bank (FHLB)	2,767,743	-	2,767,743	-
Federal Home Loan Mortgage Corporation (FI	-	-	-	-
Federal National Mortgage Association (FNMA)	431,113	-	431,113	-
Municipal Bonds	61,335,275	-	61,335,275	-
Commercial Paper	8,247,993	3,350,654	-	
Total investments by fair value level	$ 74,131,585	$ 3,350,654	$ 65,883,592	$ -
Investments measured at the net asset value				
TexStar	$ 34,490,912			
LOGIC	3,179,122			
Texas CLASS	58,767,045			
Total investments measured at the NAV	$ 96,437,079			
Investments measured at amortized cost				
TexPool	$ 128,477			
Money Markets	7,885,880			
Total investments at amortized cost	$ 8,014,357			
Total Investments	$ 178,583,021			

LP&L has the following recurring fair value measurements based on the hierarchy above as of September 30, 2020:

September 30, 2020	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)	$ 553,505	$ -	$ 553,505	$ -
Farmers Mac (FAMCA)	618,700	-	618,700	-
Federal Home Loan Bank (FHLB)	617,719	-	617,719	-
Federal Home Loan Mortgage Corporation (FI	-	-	-	-
Federal National Mortgage Association (FNMA)	470,593	-	470,593	-
Municipal Bonds	46,889,519	-	46,889,519	-
Commercial Paper	3,350,653	3,350,654	-	
Total investments by fair value level	$ 52,500,689	$ 3,350,654	$ 49,150,036	$ -
Investments measured at the net asset value				
TexStar	$ 51,612,736			
LOGIC	35,875,546			
Texas CLASS	32,823,451			
Total investments measured at the NAV	$ 120,311,733			
Investments measured at amortized cost				
TexPool	$ 2,450,070			
Money Markets	14,811,505			
Total investments at amortized cost	$ 17,261,575			
Total Investments	$ 190,073,997			

LP&L's investments in debt securities are valued using Level 2 by FTI Consulting using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Matrix prices are verified against investment reports from the City's Safekeeping Institution, Bank of New York Mellon.

NOTE 3: INTERFUND TRANSACTIONS

At September 30, 2021 and 2020, LP&L had no internal financing.

FY 2021 net transfers-in from other City Funds to LP&L, totaling $(82,358), were the result of (i) a transfer in from the Water Fund for its share of AMI Debt Service, totaling $147,872, (ii) transfers in from the City Utility Funds for their share of the Citizen's Tower and CSIS Debt Service, totaling $1,396,985, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles and equipment, totaling $1,255,256; offset by (i) General Fund indirect cost allocations, totaling $1,742,352, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1,140,119 million. For additional information on transfers, refer to the *Results of Operations - Transfers* section of the MD&A.

A change occurred in FY 2020 that recorded PILOT and FFE payments as expenses, rather than transfers-out. The offset for this change is recognized in Miscellaneous non-operating revenues (expenses). FY 2020 net transfers-in from other City Funds to LP&L, totaling $290,585, were the result of (i) a transfer in from the Water Fund for its share of AMI Debt Service, totaling $142,256, (ii) transfers in from the City Utility Funds for their share of the Citizen's Tower and CSIS Debt Service, totaling $1,222,871, and (iii) transfers in from the City Utility Funds for their share of purchases for vehicles and equipment, totaling $1,331,566; offset by (i) General Fund indirect cost allocations, totaling $1,266,838, and (ii) a payment to the City's Debt Service Fund to fund LP&L's portion of the Citizen's Tower debt service totaling $1,139,270 million. For additional information on transfers, refer to the *Results of Operations - Transfers* section of the MD&A.

NOTE 4: INVENTORY

The inventory at September 30, 2021 and 2020 was $2,159,591 and $1,799,535, respectively and was comprised of equipment and repair parts used in the maintenance, operations, and capital projects of the utility.

NOTE 5: PREPAID EXPENSES

The total prepaid expenses included in noncurrent assets, totaling $1,077,775 in 2021 and $1,211,109 in 2020 represent an advertising contract with Texas Tech University. The amortization began when the United Supermarkets Arena opened in FY 2000 and is for a total of thirty years.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated:				
Construction in Progress	$ 94,805,793	$ 174,082,281	$ 260,257,413	$ 8,630,661
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	2,376,386	26,438,432	-	28,814,818
Electric Distribution Plant	17,320,831	278,692	-	17,599,523
Electric General Plant	317,953	-	-	317,953
Total Capital Assets, Not Depreciated	114,896,373	200,799,405	260,257,413	55,438,365
Capital Assets, Depreciated:				
Electric Production Plant	86,285,297	1,317,374	534,990	87,067,681
Electric Transmission Plant	109,836,057	190,844,908	5,828,635	294,852,330
Electric Distribution Plant	334,506,361	21,342,499	673,153	355,175,707
Electric Reional Trans Mkt Oper Plant	2,767,781	-	-	2,767,781
Electric General Plant	37,788,007	20,387,799	3,264,574	54,911,232
Total Capital Assets, Depreciated	571,183,503	233,892,580	10,301,352	794,774,731
Less Accumulated Depreciation:				
Electric Production Plant	60,365,207	3,035,996	534,990	62,866,213
Electric Transmission Plant	13,627,984	3,495,378	3,847,173	13,276,189
Electric Distribution Plant	167,544,598	7,493,519	488,031	174,550,086
Electric Reional Trans Mkt Oper Plant	1,363,551	546,010	-	1,909,561
Electric General Plant	24,795,608	3,358,946	2,119,908	26,034,646
Total Accumulated Depreciation:	267,696,948	17,929,849	6,990,102	278,636,695
Total Capital Assets Depreciated, Net	303,486,555	215,962,731	3,311,250	516,138,036
Capital Assets, Net	$ 418,382,928	$ 416,762,136	$ 263,568,663	$ 571,576,401

Capital asset activity for the year ended September 30, 2020:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets, Not Depreciated:				
Construction in Progress	$ 43,818,507	$ 144,480,796	$ 93,493,510	$ 94,805,793
Electric Production Plant	75,410	-	-	75,410
Electric Transmission Plant	421,061	1,955,325	-	2,376,386
Electric Distribution Plant	17,233,268	87,563	-	17,320,831
Electric General Plant	317,953	-	-	317,953
Total Capital Assets, Not Depreciated	61,866,199	146,523,684	93,493,510	114,896,373
Capital Assets, Depreciated:				
Electric Production Plant	91,660,709	-	5,375,413	86,285,296
Electric Transmission Plant	57,099,111	53,751,500	1,014,553	109,836,058
Electric Distribution Plant	308,344,702	34,324,675	5,395,236	337,274,141
Electric General Plant	35,215,117	3,277,111	704,220	37,788,008
Total Capital Assets, Depreciated	492,319,639	91,353,286	12,489,422	571,183,503
Less Accumulated Depreciation:				
Electric Production Plant	62,492,655	3,247,963	5,375,413	60,365,205
Electric Transmission Plant	13,172,770	1,276,698	821,485	13,627,983
Electric Distribution Plant	163,901,418	8,938,212	3,931,483	168,908,147
Electric General Plant	22,808,611	2,167,973	180,972	24,795,612
Total Accumulated Depreciation:	262,375,454	15,630,846	10,309,353	267,696,947
Total Capital Assets Depreciated, Net	229,944,185	75,722,440	2,180,069	303,486,556
Capital Assets, Net	$ 291,810,384	$ 222,246,124	$ 95,673,579	$ 418,382,929

Construction Commitments

LP&L had active construction projects at fiscal year-end. Projects included the continued construction of transmission lines, distribution lines, substation expansions, power plant upgrades, and electric system improvements.

Construction Commitments at September 30, 2021 were as follows:

Original Commitments	Spent-to-Date	Remaining Commitments
$ 442,246,094	$ 372,159,443	$ 70,086,651

NOTE 7: RETIREMENT PLAN

The City participates in TMRS for its retirement plan. All eligible employees are required to participate in TMRS. Neither the City, nor LP&L, maintains the accounting records, holds the investments, or administers the retirement plan.

The total of LP&L's net pension liabilities, deferred outflows of resources, and deferred inflows of resources related to pensions as of September 30, 2021 and 2020, and the pension expense for the years then ended are as follows:

	TMRS 2021	TMRS 2020
Net pension liability:	$ 12,575,715	$ 15,566,804
Deferred outflows of re	2,780,601	2,898,488
Deferred inflows of res	5,406,658	5,123,839
Pension expense:	1,027,570	3,590,063

<u>Plan Description</u>
LP&L provides pension benefits for all of its full-time employees through the City's pension benefits plan. The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by 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' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. Allocation of pension items to LP&L is done on the basis of payroll of LP&L participant employees in relation to total City employees. For 2021 and 2020 measurement periods, the allocation percentages were 19.10% and 19.17%, respectively. TMRS issues a publicly available ACFR that can be obtained at www.TMRS.com.

<u>Benefits Provided</u>
TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, 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 adopted plan provisions for plan years 2020 and 2019 were as follows:

	Plan Year
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

Contributions

The contribution rate for employees is 7% of employee gross earnings, and the matching percentage is 200%, both as adopted by the City Council. 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.

The employer contribution rates were 17.47% and 17.57% in calendar years 2021 and 2020, respectively. LP&L's contributions to TMRS for the years ended September 30, 2021 and 2020, were $3,627,101 and $3,673,229 respectively, and were equal to the required contributions.

Liability

LP&L's net pension liability (NPL) was measured as of December 31, 2020 and 2019, and the total pension liability (TPL) used to calculate the NPL was determined by actuarial valuations as of these dates.

Actuarial Assumptions

The TPL in the December 31, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions:

2020:	
Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension investment expense, including inflation
2019:	
Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with Public Safety table used for males and the General Employees table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retiree of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the Society of Actuaries' ultimate mortality improvement scale (UMP scale) to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Plan assets are managed on a total return basis, with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining the best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel, Roeder, Smith & Company (GRS) focused on the area between (i) arithmetic mean (aggressive) without an adjustment for time (conservative) and (ii) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75% for both the December 2020 and 2019 actuarial valuations. 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 TPL.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at 9/30/2020	$ 138,482,596	$ 122,915,791	$ 15,566,805
Changes for the year:			
Service cost	3,541,721	-	3,541,721
Interest	9,609,708	-	9,609,708
Change of benefit terms	-	-	-
Difference between expected and actual experience	(1,388,028)	-	(1,388,028)
Contributions – employer	-	3,658,328	(3,658,328)
Contributions – employee	-	1,457,670	(1,457,670)
Change in assumptions	-	-	-
Net investment income	-	9,703,780	(9,703,780)
Benefit payments, including refunds of employee contributions	(7,589,769)	(7,589,769)	-
Administrative expense	-	(62,836)	62,836
Other changes	-	(2,451)	2,451
Net changes	$ 4,173,632	$ 7,164,722	$ (2,991,090)
Balance at 9/30/2021	**$ 142,656,228**	**$ 130,080,513**	**$ 12,575,715**

Sensitivity of the NPL to Changes in the Discount Rate

The following represents the NPL of LP&L at September 30, 2021, calculated using the discount rate of 6.75%, as well as what LP&L's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1% Increase in Discount Rate (7.75%)**
LP&L Net Pension Liability	$ 31,215,129	$ 12,575,715	$ (2,775,352)

Lubbock Power and Light
An Enterprise Fund of the City of Lubbock
Notes to Basic Financial Statements
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Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at 9/30/2019	$ 133,136,822	$ 107,612,516	$ 25,524,306
Changes for the year:			
Service cost	3,401,281	-	3,401,281
Interest	9,296,376	-	9,296,376
Change of benefit terms	-	-	-
Difference between expected and actual experience	(645,102)	-	(645,102)
Contributions – employer	-	3,560,090	(3,560,090)
Contributions – employee	-	1,407,267	(1,407,267)
Change in assumptions	325,118	-	325,118
Net investment income	-	17,469,554	(17,469,554)
Benefit payments, including refunds of employee contributions	(7,031,899)	(7,031,899)	-
Administrative expense	-	(98,770)	98,770
Other changes	-	(2,967)	2,967
Net changes	$ 5,345,774	$ 15,303,275	$ (9,957,501)
Balance at 9/30/2020	**$ 138,482,596**	**$ 122,915,791**	**$ 15,566,805**

Sensitivity of the NPL to Changes in the Discount Rate

The following represents the NPL of LP&L at September 30, 2020, calculated using the discount rate of 6.75%, as well as what LP&L's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	**Discount Rate (6.75%)**	**1% Increase in Discount Rate (7.75%)**
LP&L Net Pension Liability	$ 33,924,315	$ 15,566,805	$ 440,016

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report, which can be obtained on TMRS' website at www.TMRS.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Related to Pensions)

For the years ended September 30, 2021 and 2020, LP&L recognized pension expense of $1,027,570 and $3,590,063 respectively. At September 30, 2021 and 2020, LP&L reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Balance at September 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 164,965	$ -
Difference in expected and actual experience	-	1,736,181
Difference between projected and actual investment earnings	-	3,670,477
Contributions subsequent to the measurement date	2,615,636	-
Total	**$ 2,780,601**	**$ 5,406,658**

Balance at September 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 242,479	$ -
Difference in expected and actual experience	-	1,147,955
Difference between projected and actual investment earnings	-	3,975,884
Contributions subsequent to the measurement date	2,656,009	-
Total	**$ 2,898,488**	**$ 5,123,839**

At September 30, 2021, the amount totaling $2,615,636 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, 2022. 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:	
2022	$ (2,082,398)
2023	(373,003)
2024	(2,537,683)
2025	(248,609)
Total	**$ (5,241,693)**

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

LP&L participates in the City's OPEB, described as follows: The City sponsors and administers an informal single-employer health/dental plan. Texas statute provides that retirees from a municipality with a population equal to, or greater than, 25,000 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 four of GASB Statement 75. Neither the City, nor LP&L, issue stand-alone financial statements for the health/dental plan, but all required information is presented in the City's ACFR.

Benefits Provided

The contribution requirements of plan members are established by the City and may be amended as needed. Retiree medical/dental coverage levels are 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 that retire who have a balance in excess of 90 days sick leave are eligible to continue receiving medical coverage in full 30 day periods for the term of their sick leave balance. Plan members may purchase retiree health/dental care coverage for eligible spouses and dependents at their own expense and receive a benefit from the blended premium rate from all of the employees participating in the City's health insurance plans. The City is not required to make contributions to the plan on behalf of the retirees and funds the plan on a projected pay-as-you-go financing method. The plan has 2,233 active participants who pay monthly premiums of $409/$23 (medical/dental) for single coverage and $777/$39 (medical/dental) for family coverage, pre-65.

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.5% per annum
Actuarial cost method	Individual Entry Age
Discount rate	2.75%
Healthcare cost trend rate	Initial rate of 7.0% declining to an ultimate rate of 4.15% after 15 years
Salary increases	TMRS: 3.5% to 11.5%, including inflation

Demographic assumptions were updated to reflect the 2019 TMRS Experience Study as of December 31, 2018.

Mortality rates for TMRS: for healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas Mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the mortality tables to account for future mortality improvements.

The healthcare trend rates were updated to better reflect the plan's anticipated experience and the repeal of the excise tax on high-cost employer health plans.

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 of the most recent OPEB valuation, the municipal bond rate is 2.00% (based on the daily rate closest to but no later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 2.75% as of the prior measurement date.

Change in the Total OPEB Liability

	Total OPEB Liability
Balance at September 30, 2020	**$ 20,661,185**
Changes for the year:	
Service cost	1,161,989
Interest	566,945
Difference between expected and actual experience	(102,530)
Changes of assumptions	1,822,922
Benefit payments	(559,362)
Net changes	$ 2,889,964
Balance at September 30, 2021	**$ 23,551,149**

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 25,968,228	$ 23,551,149	$ 20,816,618

Sensitivity of the total OPEB Liability to Change in the Healthcare Cost Trend Rate

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate Assumption	1% Increase in Healthcare Cost Trend Rate
Total OPEB Liability	$ 20,996,941	$ 23,551,149	$ 25,872,687

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

For the year ended September 30, 2021 the LP&L recognized total OPEB expense of $1,950,722.

At September 30, 2021, LP&L reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ -	$ 986,612
Changes in assumptions	2,688,277	511,523
Contributions subsequent to the measurement date	330,454	-
Total	**$ 3,018,731**	**$ 1,498,135**

Deferred outflows of resources (related to OPEB resulting from benefit payments subsequent to the measurement date), totaling $330, 454, will be recognized as a reduction of the total OPEB liability as of September 30, 2022. Changes in assumptions within the OPEB deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year ending September 30:	
2022	$ 223,909
2023	223,909
2024	223,909
2025	151,717
2026	167,972
Thereafter	198,726
Total	**$ 1,190,142**

NOTE 9: DEFERRED COMPENSATION

LP&L participates in the City's deferred compensation program and offers its employees five deferred compensation plans in accordance with Internal Revenue Code Section 457. The plans are available to all LP&L's employees, and the plans 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 benefits of the participants and their beneficiaries. Neither the City, nor LP&L, provide administrative services or have any fiduciary responsibilities for these plans; therefore, they are not presented in the financial statements.

NOTE 10: LONG-TERM LIABILITIES

General Obligation Bonds and Certificates of Obligation

The City issued General Obligation Bonds and Certificates of Obligation on behalf of LP&L. The amounts of all outstanding balances are as follows:

Average Interest Rate	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 9-30-21*	Balance Outstanding 9-30-20**
1.61	04/15/13	04/15/21	$ 5,990,000	$ -	$ 285,000
1.76	04/15/13	04/15/24	2,585,000	410,000	820,000
2.63	05/01/14	04/15/26	4,515,000	2,195,000	2,535,000
2.37	04/15/15	04/15/28	12,840,000	8,380,000	9,665,000
2.41	04/15/16	02/15/34	3,060,000	2,560,000	2,815,000
2.47	11/01/16	02/15/34	36,780,000	1,135,000	1,670,000
2.76	04/04/18	02/15/30	480,000	380,000	415,000
2.13	04/04/19	02/15/30	4,050,000	3,410,000	3,740,000
2.01	11/19/20	04/15/24	210,000	200,000	-
Total			**$ 70,510,000**	**$ 18,670,000**	**$ 21,945,000**

* Balance outstanding excludes $2,030,042 of net bond premiums and discounts.
** Balance outstanding excludes $2,047,304 of net bond premiums and discounts.

At September 30, 2021, the City and LP&L management believes it was in compliance with all financial bond covenants on outstanding general obligation bonded debt and certificates of obligation.

Electric Revenue Bonds

Average Interest Rate	Issue Date	Final Maturity Date	Amount Issued	Balance Outstanding 9-30-21*	Balance Outstanding 9-30-20**
2.45	10/15/10	04/15/20	$ 73,295,000	$ -	$ -
1.9	05/21/13	04/15/24	14,960,000	3,520,000	5,225,000
3.09	05/01/14	04/15/34	16,245,000	9,540,000	10,615,000
3.41	04/15/15	04/15/35	11,865,000	9,230,000	9,720,000
3.04	04/15/16	04/15/46	8,155,750	5,885,000	6,240,000
3.6	08/15/17	02/15/47	17,760,000	16,645,000	16,930,000
3.64	07/12/18	04/15/48	93,925,000	84,260,000	87,395,000
2.76	08/12/21	04/15/51	266,870,000	266,870,000	0
Total			503,075,750	395,950,000	136,125,000.00

* Balance outstanding excludes $61,715,915 of net bond premiums and discounts.
** Balance outstanding excludes $14,930,998 of net bond premiums and discounts.

At September 30, 2021, the City and LP&L management believes it was in compliance with all financial bond covenants on outstanding revenue bonds. The annual requirements to amortize LP&L's outstanding debt are as follows:

Fiscal Year	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2021-22	$ 3,110,000	$ 812,169	$ 17,165,000	$ 12,864,064
2022-23	3,235,000	666,019	13,490,000	16,553,119
2023-24	2,485,000	533,679	13,465,000	15,893,056
2024-25	2,610,000	414,857	12,520,000	15,233,181
2025-26	2,525,000	290,700	13,115,000	14,628,481
2027-31	4,705,000	310,788	60,345,000	63,631,606
2032-36	-	-	63,930,000	49,229,819
2037-41	-	-	66,795,000	36,017,481
2042-46	-	-	67,430,000	22,576,850
2047-51	-	-	67,695,000	7,962,650
Total	**$ 18,670,000**	**$ 3,028,212**	**$ 395,950,000**	**$ 254,590,307**

Long-term obligations (net of discounts and premiums) for the fiscal years ended September 30, 2021 and 2020 are as follows:

Fiscal Year 2020	Balance 9/30/2020	Additions	Deletions	Balance 9/30/2021	Due in one year
LP&L activities:					
General Obligation Bonds	$ 21,945,000	$ 210,000	$ 3,485,000	$ 18,670,000	$ 3,110,000
Revenue Bonds	136,125,000	266,870,000	7,045,000	395,950,000	17,165,000
Bond Premiums	16,978,302	46,563,343	1,809,539	61,732,107	-
Compensated Absences	3,292,854	2,047,831	1,782,443	3,558,242	2,099,776
Other Postemployment Benefits	20,661,184	1,728,935	(1,161,031)	23,551,149	-
Net Pension Obligation	15,566,805	13,216,716	16,207,807	12,575,715	-
Total LP&L activities	$ 214,569,145	$ 330,636,825	$ 29,168,758	$ 516,037,213	$ 22,374,776

Fiscal Year 2020	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020	Due in one year
LP&L activities:					
General Obligation Bonds	$ 25,060,000	$ -	$ 3,115,000	$ 21,945,000	$ 3,260,000
Revenue Bonds	151,550,000	-	15,425,000	136,125,000	7,045,000
Bond Premiums	19,211,406	-	2,233,104	16,978,302	-
Compensated Absences	3,018,824	2,159,738	1,885,608	3,292,854	2,122,549
Other Postemployment Benefits	19,562,120	1,845,852	746,788	20,661,184	-
Net Pension Obligation	25,524,306	12,799,394	22,756,895	15,566,805	-
Total LP&L activities	$ 243,926,656	$ 16,804,984	$ 46,162,395	$ 214,569,145	$ 12,427,549

Proceeds from the sale of bonds are used for the purpose of paying contractual obligations incurred for various electric system improvements and professional services rendered in connection therewith and costs associated with the issuance of the bonds. Proceeds from debt issuances are used primarily for capital related purposes and are included in net assets invested in capital assets, net of related debt.

In September 2021, the City issued $266,870,000 Electric Light and Power System Revenue Bonds, Series 2021 (Bonds), with interest rates ranging from 3.0 percent to 5.0 percent. The Bonds were issued at a premium of $46,784,917 and incurred issuance cost of $1,296,118. The $313,654,917 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 Refunding 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 agreement between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the Refunding Bonds. The bonds refunded $245.6 million of outstanding notes from direct borrowings. The refunding was done to provide long-term fixed rate financing for projects that were initially funded by the variable rate short-term note program.

In December 2020, the City issued $32,690,000 GO Refunding Bonds, Series 2020 (Bonds), with interest rates ranging from 0.26 percent to 2.104 percent. LP&L's portion was $210,000 with a premium totaling $37,926 and a deferred loss totaling $11,396 at year end. The proceeds were used to advance refund a portion of the LP&L's outstanding indebtedness for the purpose of achieving debt service savings. The net proceeds were deposited with the Escrow Agent in an amount necessary to accomplish, on their scheduled redemption date, the discharge and final payment on the refunded bonds. These funds will be held by the Escrow Agent in a special escrow fund and used to purchase direct obligations of the United States of America. Under the escrow agreements, between the City and the Escrow Agent, the escrow funds are irrevocably pledged to the payment of principal and interest on the refunded bonds.

General Obligation Bonds and Certificates of Obligation are payable from a combination of (i) the proceeds of continuing direct annual ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus net revenues of the City's Waterworks System not to exceed $1,000. Electric Light and Power System Revenue Bonds are secured by a first lien on and pledge of the Net Revenues of the City's Electric Light and Power System. The City has not covenanted nor obligated itself to pay the Revenue Bonds from monies raised or to be raised from taxation.

In prior years, the City defeased bonds by placing the proceeds of the refunding bonds in an irrevocable trust account to provide for all future debt service payments on the refunded 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, 2021, LP&L has no outstanding defeased debt.

NOTE 11: SHORT-TERM LIABILITIES

LP&L entered into a note purchase agreement (direct borrowing) on April 23, 2019 with Bank of America, N.A. as part of the utility's Electric Light and Power System Revenue Revolving Note Program. The total aggregate principal amount available under this agreement was not to exceed $300 million. On August 10, 2021, to convert the interim obligations to long-term bonds the City Council passed a resolution authorizing the publication of a Notice of Intention to issue Electric Light and Power System Revenue Bonds, Series 2021. The proceeds of the bonds were used to pay off the principal and interest of the notes issued through the Note Program.

On July 19, 2019 the City submitted a "Notice of Extension" to Bank of America. This request was to extend the note program for an additional three years and to reduce the not to exceed amount from $300M to $75 million. The Program is expected to be utilized through December 31, 2024, to provide interim financing for LP&L's capital program, including the transition costs of the remaining load from SPP to ERCOT and including capitalized interest during and after the period of construction of the facilities. For additional information on the program, refer to *Bank of America Direct Purchase Revolving Notes Program* section of the MD&A.

NOTE 12: EARLY TERMINATION OF PARTIAL REQUIREMENT AGREEMENT

In anticipation of the full integration to ERCOT, LP&L and SPS approved a Settlement Agreement on May 27, 2021 to terminate the PR Agreement, and identified May 31, 2023 as the estimate of the full ERCOT integration resulting in an early termination of the PR Agreement Under the terms of the Settlement Agreement, LP&L agreed to pay a lump sum, totaling $77.5 million, to SPS as compensation for power- and transmission-related shifted costs under the PR Agreement. The negotiated lump sum termination payment of $77.5 million will be funded with long-term bonds which will trade an estimated annual capacity charge of $17.0 million per year in SPP with a much lower annual debt service payment, with expected savings exceeding $12 million per year.

LP&L also agreed to continue paying SPP charges that are assessed to SPS under the LP&L Network Integration Transmission Service ("NITS") Agreement, for up to 24 months, that are attributable to service to LP&L's load after LP&L departs the SPP system (because SPP uses lagging billing determinants for certain charges). Additionally, LP&L agreed that the Settlement Agreement will not become effective unless and until it is approved or accepted by the Federal Energy Regulatory Commission (FERC) and the PUC. Following the termination date, the contractual relationship between LP&L and SPS will be limited to the Settlement Agreement and certain easements and crossing agreements necessary for the operation of each respective system. For clarity, the existing water use agreement and the existing franchise agreement pertaining to SPS' retail service territory in Lubbock will continue under the existing terms of each respective agreement.

NOTE 13: RISK MANAGEMENT

The Risk Management Fund of the City accounts for liability and workers' compensation claims, and premiums for property/casualty insurance coverage. The Risk Management Fund generates its revenue through charges to other departments, including LP&L, which are based on costs.

In April 1999, the City purchased workers' compensation coverage, with no deductible, from the Texas Municipal League Intergovernmental Risk Pool with continuous coverage through September 30, 2009. Effective on October 1, 2009 through September 31, 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 terms of inter-local 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 an inter-local 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 is 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 City's risk manager, sets reserves. The City accounts for the liability program by charging premiums to replenish funds based upon losses, administrative fees, premiums, and reserve requirements. In order to control the risks associated with liability claims, the City purchases excess liability coverage with a $10 million annual aggregate limit and is subject to a $500,000 deductible 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. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claim costs depend on such complex factors 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 expense in the period in which they are incurred.

Additionally, property and boiler coverage is accounted for in the Risk Management Fund. Beginning in FY 2018, LP&L's property and boiler and machinery coverage was separated from the City's coverage as a cost savings measure. LP&L also purchases property coverage to include boiler and machinery coverage from an outside carrier. The policy has various deductibles for both property and boiler and machinery coverage. Premiums are charged based upon estimated premiums for the upcoming year.

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

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

NOTE 14: HEALTH INSURANCE

LP&L participates in the City's medical and dental insurance programs. LP&L provides medical and dental insurance for all full-time employees that are accounted for in the City's 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 Agreement. The City purchases excess coverage totaling $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 trends, claims history, and utilization, assists in the determination of the individual deductible. The actuarially determined calculation of the claim liability was $1.87 million at September 30, 2021 for all health insurances including medical, prescription drugs, and dental. The City charges LP&L for health insurance, and LP&L reimburses the City through direct charges.

The City also provides full-time employees basic term life insurance. The life insurance policy has a face value totaling $10,000 per employee.

Full-time employees may elect to purchase medical insurance for eligible dependents at a reduced rate. Employees may elect to purchase dental insurance for eligible dependents. Employees may also elect, at their cost, to participate in several voluntary insurance programs such as vision insurance, voluntary life, and personal accident insurance.

NOTE 15: LITIGATION

LP&L is involved in various legal and regulatory proceedings. The following represents the outstanding claims against the City that relate to LP&L during the time period covered by the financial statements:

Chelsea Schumacher v. City of Lubbock, Cause No. 2020-541,386, proceeding in the 72nd District Court of Lubbock County, Texas. Plaintiff Chelsea Schumacher has filed suit regarding alleged damages related to an alleged vehicle collision. Plaintiff's Original Petition alleges damages in the amount of monetary relief over $200,000, but not more than $250,000. The City of Lubbock, acting by and through Lubbock Power & Light ("LP&L"), denies all liability and damages alleged, and is defending the claims. On June 22, 2021, LP&L filed a Motion for Summary Judgment, and that motion remains pending.

Claims Related to Winter Storm Uri. LP&L has received multiple alleged claim letters purportedly related to Winter Storm Uri and the Electric Reliability Council of Texas ("ERCOT"), which occurred in February 2021. At this time, no litigation has been filed related to these allegations against LP&L. LP&L denies any liability or damages related to these claims and will defend any such claims.

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2021

LP&L's Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (TMRS)

	2021	2020	2019	2018	2017	2016
Total pension liability						
Service Cost	$ 3,541,721	$ 3,401,281	3,250,256	$ 3,094,041	$ 2,944,598	$ 2,875,400
Interest (on the total pension liability)	9,609,708	9,296,376	9,077,328	8,538,646	8,107,660	7,972,442
Difference between expected and actual experience	(1,388,028)	(645,102)	(1,199,095)	(133,708)	(21,609)	(424,313)
Change of assumptions	-	325,118	-	-	-	199,125
Benefit payments, including refunds of employee contributions	(7,589,769)	(7,031,899)	(6,984,288)	(6,658,022)	(5,962,200)	(5,926,334)
Net Change in Total Pension Liability	4,173,631	5,345,773	4,144,201	4,840,957	5,068,449	4,696,320
Total Pension Liability - Beginning	138,482,596	133,136,822	128,992,621	124,151,664	119,083,215	114,386,897
Total Pension Liability - Ending (a)	$ 142,656,227	$ 138,482,596	133,136,822	$ 128,992,621	$ 124,151,664	$ 119,083,217
Plan Fiduciary Net Position						
Contributions - Employer	$ 3,658,326	$ 3,560,090	3,469,374	$ 3,276,308	$ 3,112,712	$ 3,207,998
Contributions - Employee	1,457,670	1,407,267	1,345,605	1,277,854	1,213,195	1,209,360
Net Investment Income	9,703,780	17,469,554	(3,583,095)	14,484,811	6,642,534	145,404
Benefit payments, including refunds of employee contributions	(7,589,769)	(7,031,899)	(6,984,288)	(6,658,022)	(5,962,200)	(5,926,334)
Administrative Expense	(62,836)	(98,770)	(69,274)	(75,081)	(75,034)	(88,569)
Other	(2,451)	(2,967)	(3,619)	(3,806)	(4,042)	(4,374)
Net Change in Plan Fiduciary Net Position	7,164,720	15,303,276	(5,825,298)	12,302,064	4,927,165	(1,456,516)
Plan Fiduciary Net Position - Beginning	122,915,792	107,612,516	113,437,814	101,135,750	96,208,585	97,665,101
Plan Fiduciary Net Position - Ending (b)	$ 130,080,512	$ 122,915,792	107,612,516	$ 113,437,814	$ 101,135,750	$ 96,208,585
City's Net Pension Liability - Ending (a) - (b)	$ 12,575,715	$ 15,566,804	25,524,306	$ 15,554,807	$ 23,015,914	$ 22,874,630
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.18%	88.76%	80.83%	87.94%	81.46%	80.79%
Covered Payroll	20,821,404	20,102,133	19,220,910	18,243,168	17,476,056	17,259,301
City's Net Pension Liability as a Percentage of Covered Payroll	60.40%	77.44%	132.79%	85.26%	131.70%	132.54%

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the measurement date (December 31) of the net pension liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Changes in assumptions: In 2020, the payroll growth assumption was lowered from 3.0% to 2.75%. In 2016, the discount rate was lowered from 7.0% to 6.75%; the inflation rate was lowered from 3% to 2.5%; the experience study for retirement age was updated.

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2021

LP&L's Schedule of Contributions
Texas Municipal Retirement System (TMRS)

	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	$ 3,623,806	$ 3,673,229	$ 3,546,906	$ 3,351,716	$ 3,187,375	$ 3,090,958
Contributions in relation to the actuarially determined contribution	$ 3,623,806	$ 3,673,229	$ 3,546,906	$ 3,351,716	$ 3,187,375	$ 3,090,958
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	20,711,290	20,861,435	19,925,007	18,597,062	17,754,334	17,054,069
Contributions as a percentage of covered payroll	17.50%	17.61%	17.80%	18.02%	17.95%	18.12%

Notes to Schedule of Contributions

Valuation Date:	December 31, 2020
Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market, 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes	There were no benefit changes during the year.

NOTE: The City implemented GASB Statement No. 68 in FY 2015. Information in this table has been determined as of the City's most recent fiscal year-end (September 30). This table is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

Lubbock Power and Light
Required Supplementary Information
For the Year Ended September 30, 2021

LP&L's Schedule of Changes in Total OPEB Liability and Related Ratios

	2021	2020	2019
Total OPEB liability			
Service Cost	$ 1,162,014	$ 1,151,287	$ 1,071,285
Interest (on the total OPEB liability)	566,957	694,564	645,634
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(102,532)	(1,144,893)	(158,630)
Change of assumptions	1,822,960	935,059	(843,145)
Benefit payments	(559,435)	(536,953)	(501,443)
Net Change in Total OPEB Liability	2,889,965	1,099,064	213,701
Total OPEB Liability - Beginning	20,661,185	19,562,120	19,348,418
Total OPEB Liability - Ending (a)	$ 23,551,149	$ 20,661,185	$ 19,562,120
Covered Payroll	17,042,712	16,259,977	16,958,146
City's Total OPEB Liability as a Percentage of Covered Payroll	138.19%	127.07%	115.36%

NOTE: The City implemented GASB Statement No. 75 in FY 2018. Information in this table has been determined as of the measurement date (December 31) of the total OPEB liability. This table is intended to show information for ten years. Additional years' information will be displayed as it becomes availabe.

Changes in assumptions: reflects a change in the discount rate from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

APPENDIX D

FORM OF BOND COUNSEL OPINION

Orrick, Herrington & Sutcliffe LLP
300 W. 6th Street
Suite 1850
Austin, TX 78701

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September 7, 2022

We have acted as bond counsel to the City of Lubbock, Texas (the "City") in connection with the issuance of $56,480,000 aggregate principal amount of bonds designated as "City of Lubbock, Texas Electric Light and Power System Revenue Bonds, Series 2022" (the "Bonds"). The Bonds are authorized by an ordinance adopted by the City Council of the City (the "City Council") on August 9, 2022, and a pricing certificate executed by an authorized officer of the City on August 10, 2022 (together, the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Ordinance, the tax certificate of the City dated the date hereof (the "Tax Certificate"), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Ordinance or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certain proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute the valid and legally binding special obligations of the City, and the Bonds have been authorized and delivered in accordance with law.

2. The Bonds are special obligations of the City and are payable, both as to principal and interest, solely from, and secured by, a first lien on and pledge of the Net Revenues of the System. The City has reserved the right in the Ordinance to issue from time to time Additional Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues of the System.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. 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.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100