

**Summary of Debt**

The City of Lubbock issues debt as authorized by State Statute and City Charter in one of the following three ways: General Obligation Bonds, Revenue Bonds, or Certificates of Obligation.

- General Obligation Bonds are payable from the proceeds of annual property tax, levied within the limitations of the law. The full faith and credit of the City guarantee the payment of General Obligation Bonds. General Obligation Bonds must be authorized by a vote of the citizens.
- The principal and interest of Revenue Bonds are payable exclusively from net revenues of the City's Enterprise Funds, which are funds established to account for operations financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.
- Certificates of Obligation are guaranteed from the proceeds of an annual property tax, levied within the limitations of the law, and most are payable from and secured by the surplus revenues of the City's Enterprise Funds. The City of Lubbock operates the following Enterprise Funds: Lubbock Power & Light, Water, Wastewater, Solid Waste, Airport, and Storm Water Utility.

**Debt Limitations**

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 assessed valuation. Administratively, the State of Texas Attorney General will permit allocation of \$1.50 of the \$2.50 maximum rate for general obligation debt service. As of October 1, 2007, the tax rate for debt service is \$0.07125 per \$100 assessed valuation.

**Debt Structure**

City of Lubbock debt is generally structured on a level payment basis. The level payment structure allows the total debt service to be allocated in equal annual installments throughout the life of the debt. This method allows the City to keep tax rates and user fees level and stable.

**Bond Ratings**

The City has maintained excellent ratings for many years. The City's bond ratings as of September 30, 2007, are as follows:

	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fitch Ratings</u>
General Obligation Bonds	Aa3	AA	AA
Certificates of Obligation	Aa3	AA	AA
LP&L Revenue Bonds	A3	BBB	BBB+

During FY 2006-07 Moody's Investor's Service, Standard & Poor's and Fitch Ratings, Inc., upgraded the City of Lubbock's financial bond ratings. The rating reports issued by each of the rating agencies cited strengthened financial operations resulting from the implementation of prudent fiscal management, and the City's willingness and ability to substantially improve the financial position of the General Fund, as reasons for the upgrades.

- Fitch Ratings and Standard & Poor's bond ratings range from AAA to D. Bonds rated in the top four categories (AAA, AA, A, BBB) generally are regarded as eligible for bank investment. The bond rating of AA signifies that the City's capacity to meet its financial commitment on the obligations is very strong. A BBB rating shows adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
- Moody's has nine basic rating categories for long-term obligations. They range from Aaa (highest quality) to C (lowest quality). Moody's applies numerical modifiers 1, 2, and 3 in each generic rating classification from Aa to Caa. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic category.

Following is a table that illustrates the City's bond rating history since April 2003:

Date	Moody's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
04/25/03	Aa3	Negative				
07/14/03			AA+	Stable		
08/22/03					AA-	Stable
09/16/04	A1	Stable				
09/17/04			AA-	Stable		
09/21/04			AA-	Stable		
09/23/04					AA-	Negative
02/16/05			AA-	Stable		
02/18/05					AA-	Stable
02/23/05	A1	Stable				
06/22/05			AA-	Stable		
06/23/05	A1	Stable				
06/24/05					AA-	Stable
07/07/05	A1	Stable				
07/22/05			AA-	Stable		
08/23/05	A1	Stable	AA-	Stable	AA-	Stable
11/22/05	A1	Positive				
04/11/06			AA-	Positive		
04/17/06	A1	Positive				
04/21/06					AA-	Positive
12/27/06	A1	Positive	AA-	Positive		
12/29/06					AA-	Positive
05/03/07	Aa3	Stable				
05/11/07			AA	Stable		
06/05/07					AA	Stable

**Debt Service/Capital Projects**

The Debt Service Fund is used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. The City budgets for debt service in ten funds: General Debt Service, Water, Wastewater, Solid Waste, Storm Water, Lubbock Power & Light, Airport, Cemetery, Gateway, and North Overton Tax Increment Finance Reinvestment Zone (TIF).

- **General Debt Service.** General obligation debt service, which includes general obligation bonds and certificates of obligation, is budgeted in the General Debt Service Fund. The projects funded by debt issued out of the general debt service fund include voter-approved projects and other projects that are financed with tax proceeds. The last bond election, held in May 2004, approved \$30 million in new debt issuance to finance improvements in parks, streets, libraries, civic centers, police, fire, and the animal shelter. Total general debt service is budgeted at \$10,569,744 for FY 2007-08.
- **Water Fund.** Through the issuance of bonds, the Water Fund financed the Water Treatment Plant upgrade, Lake Alan Henry Reservoir construction, Canadian River Municipal Water Authority (CRMWA) projects, and new water lines throughout the City. Total general debt requirements for FY 2007-08 are \$14,626,777. Contract Obligation bonds with CRMWA total \$2,936,108 for FY 2007-08.
- **Wastewater Fund.** With bond issues, the Wastewater Fund financed wastewater facilities improvements and major sewer line replacements. Total general debt requirements for FY 2007-08 are \$7,548,648.
- **Solid Waste Fund.** Bonds were issued enabling the Solid Waste Fund to finance certain projects required by EPA regulations such as landfill liner enhancements and landfill closure costs. Total general debt requirements for FY 2007-08 are \$1,228,801.
- **Storm Water Fund.** The South Central and South Lubbock Drainage Projects were the first and second phases of the drainage system in the southern portion of the City. The total general debt requirements for FY 2007-08 are \$4,363,313.
- **Lubbock Power & Light.** Projects such as transformers, overhead and underground electric lines, and substations were funded with debt supported by Electric Fund revenues (Lubbock Power & Light). The total electric revenue requirements for FY 2007-08 are \$3,429,060 (revenue bonds). The total general debt requirements (certificates of obligation) for FY 2007-08 are \$5,703,698.
- **Airport.** Through the issuance of bonds, the Airport Fund financed parking lot and runway improvements. Total general debt requirements for FY 2007-08 are \$622,877, and Public Facility Charge (PFC) funded requirements are \$168,480.
- **Cemetery.** The mausoleum at the City of Lubbock cemetery was funded through the issuance of bonds during FY 2005-06. The total general debt requirements for FY 2007-08 are \$39,536.
- **Gateway Fund.** The construction of Milwaukee Avenue from 34<sup>th</sup> Street to 98<sup>th</sup> Street was financed with bonds issued in the Gateway Fund. The total general debt requirements for FY 2007-08 are \$3,070,090.
- **North Overton Tax Increment Finance Reinvestment Zone (TIF).** Projects that include street improvements, drainage, curbs, gutters, landscaping, sidewalks, curb ramps, utility line relocation, traffic signalization, acquisition of land and rights-of-way thereof, and acquiring and improving land for park

purposes were financed with debt in the TIF Fund. The total general debt requirements for FY 2007-08 are \$1,833,411.

#### Debt Capacity

Prior to the 2004 bond election, the Finance Committee of the Citizens Advisory Committee determined that the City could issue \$30 million in a 6-year period and keep the debt service tax rate level. The debt service tax rate at that time was \$0.10066 per \$100 valuation. Due to faster than anticipated growth in property values and interest earnings from bond funds being deposited in the Debt Service Fund, the City has been able to lower the debt tax rate. In 2007-08, the adopted debt service tax rate is \$0.07125, which is 3.041cents lower than the tax rate at the time of the 2004 bond election.

The City will utilize approximately \$3.14 million in fund balance and interest earnings from the Debt Service fund in FY 2007-08. The fund balance is a result of interest on bond funds that was earned in FY 2005-06 and FY 2006-07. Following is a table illustrating the projected debt issuance capacity using tax rates that do not exceed \$0.10066 per \$100 valuation for voter authorized debt. The City has issued approximately \$13 million of the \$30 million that was approved in May 2004. The remaining \$17 million will be issued in FY 2007-08 and FY 2008-09.

	Assessed Valuations	Debt Tax Rate	Tax Proceeds	Application of over 65 Tax Ceiling	Application of Debt Service Fund Balance	Estimated Debt Service Requirement	Debt Service Capacity Available	Estimated Debt Service Capacity Available	Debt Issuance Capacity
2007-08	\$ 9,516,738,767	0.07125	6,712,870	713,227	3,148,647	10,569,744	0	0	0
2008-09	9,897,408,338	0.06900	9,308,513	747,297	1,050,000	10,340,596	765,213	765,213	9,212,439
2009-10	10,293,304,650	0.10088	10,249,476	777,180	-	9,486,904	1,539,761	774,548	9,324,817
2010-11	10,705,036,876	0.09789	10,374,369	808,278	-	9,426,483	1,756,162	216,401	2,695,368
2011-12	11,133,238,310	0.09290	10,239,351	840,607	-	9,039,889	2,040,069	283,907	3,417,965
2012-13	11,578,567,842	0.08872	10,169,780	874,231	-	8,964,307	2,079,705	39,636	477,180
2013-14	12,041,710,556	0.08473	10,100,912	909,204	-	8,890,150	2,119,963	40,258	484,671

#### Assumptions:

- 40% increase in property values
- 20 year debt amortization
- 5.50% interest rate for all bond issues
- 99% collection rate

**Debt Service Fund**

City of Lubbock, TX

Following is a table illustrating the projected debt issuance capacity with the addition of the Streets Maintenance Program proposed in the Capital Improvement Program. The Streets Maintenance Program requires the issuance of \$8.8 million to \$9.4 million per year for the purpose of pavement repair of City streets including seal coat, asphalt milling, asphalt milling and overlay, full or partial depth pavement repair, crack sealing, patching, concrete joint sealing, brick street repair, and other activities necessary for the routine maintenance of the street network. The issuance of this debt will create increases in future tax rates from the current rate of 7.125 cents to 14.515 cents by FY 2013-14.

	Assessed Valuations	Debt Tax Rate	Tax Proceeds	Application of over 65 Tax Ceiling	Application of Debt Service Fund Balance	Estimated Debt Service Requirement	Debt Service Capacity Available	Estimated Debt Service Capacity Available	Debt Issuance Capacity
2007-08	\$ 9,516,738,767	0.07125	6,712,870	713,227	3,143,647	10,569,744	0	0	0
2008-09	9,897,408,318	0.10880	10,464,728	747,297	1,050,000	10,340,596	1,156,215	1,156,215	8,802,989
2009-10	10,293,304,650	0.12344	12,578,995	777,189	-	9,486,904	2,329,519	1,173,304	8,933,096
2010-11	10,705,036,836	0.13111	13,899,020	808,276	-	9,426,483	3,520,651	1,191,132	9,068,835
2011-12	11,133,238,310	0.13881	14,968,850	840,607	-	9,099,889	4,729,500	1,208,849	9,203,722
2012-13	11,578,567,842	0.14069	16,126,988	874,231	-	8,964,307	5,957,208	1,227,708	9,347,310
2013-14	12,041,710,556	0.14515	17,300,757	909,201	-	8,890,150	7,202,846	1,245,638	9,483,819

**Assumptions:**

- 4.0% increase in property values
- 10 year debt amortization
- 5.50% interest rate for all bond issues
- 99% collection rate

## Debt Service Fund

City of Lubbock, TX

## Debt Service Fund Budget

	FY 2005-06 Actual	FY 2006-07 Projected	FY 2007-08 Budget	% Change from FY 2006-07
Beginning Fund Balance	\$ 2,624,340	3,081,538	2,716,290	(11.85)
Revenues:				
Tax Collections	5,641,670	6,881,639	7,418,964	7.81
Transfer in for TIF FY 04/05	286,725	-	-	n/a
Transfer in for TIF FY 05/06	997,403	-	-	n/a
Transfer in for Gateway FY 05-06	1,138,526	-	-	n/a
Unallocated CD Bond Interest - FY 04/05	1,877,238	1,994,815	1,500,000	(24.81)
Interest Earnings on Debt Service Cash	83,937	70,000	101,774	45.39
HUD 108 Loan Program	161,688	157,825	153,300	(2.87)
Bond Sale Charges Transfer In	50,151	-	-	n/a
Arbitrage Rebate Fees Transfer In	28,025	-	-	n/a
Total Revenues	\$ 10,265,362	9,104,279	9,174,038	0.77
Expenditures:				
General Fund Bonds	\$ 10,091,629	9,291,743	10,569,744	13.75
HUD 108 Loan Program	161,688	157,825	153,300	(2.87)
Fiscal Agent Fees	13,137	20,000	20,000	-
Risk Transfer for 1993 Bond Defeasance	32,915	-	-	n/a
Reverse Accrued Interest from previous year	(491,204)	-	-	n/a
Total Expenditures	\$ 9,808,164	9,469,568	10,743,044	13.45
Remaining Fund Balance	3,081,538	2,716,290	1,147,243	(57.76)

**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita**

The following table illustrates the ratio of debt that is paid entirely from property taxes. The column titled "Gross Bonded Debt" reports the total amount of debt that has been issued by the City and is repaid from property tax and utility revenues. Deducted from the "Gross Bonded Debt" is the fund balance in the debt service fund (amount in the column titled "Debt Service Monies Available") and the debt payable from enterprise revenues. The total in the column titled "Net Bonded Debt" is the actual amount of debt that is paid entirely from property taxes. The column titled "Ratio of Net Bonded Debt to Assessed Value" provides the percent value of the amount of net bonded debt as compared to the net assessed value. Finally, the last column titled "Net Bonded Debt Per Capita" shows the dollar amount of debt per capita within the City of Lubbock.

**CITY OF LUBBOCK, TEXAS**  
**RATIO OF NET GENERAL BONDED DEBT**  
**TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**  
**LAST FIVE FISCAL YEARS**

<b>Fiscal Year Ending</b>	<b>Population<sup>(1)</sup></b>	<b>Net Assessed Value- Thousands</b>	<b>Gross Bonded Debt<sup>(2)</sup></b>	<b>Debt Service Monies Available</b>	<b>Debt Payable from Enterprise Revenue</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt Per Capita</b>
2002	202,000	\$ 6,909,310	\$ 217,269,682	\$ 1,415,094	\$ 154,154,335	\$ 61,700,253	0.88%	\$ 305.45
2003	204,737	7,342,345	285,935,000	1,697,045	225,746,796	68,491,159	0.93%	334.53
2004	206,290	7,921,590	285,885,000	1,993,891	215,723,783	68,167,326	0.86%	330.44
2005	209,120	8,664,191	388,595,000	2,641,019	308,384,731	77,569,250	0.90%	370.93
2006	211,187	9,365,240	447,275,000	2,624,340	360,043,055	84,607,605	0.90%	400.63
2007 <sup>(3)</sup>	212,368	10,002,726	536,341,361	3,081,539	442,522,493	90,737,329	0.91%	427.27

<sup>(1)</sup> Source: City of Lubbock Business Development estimates.

<sup>(2)</sup> Includes all long-term general obligation debt principal.

<sup>(3)</sup> Projected.

**CITY OF LUBBOCK  
DEBT SERVICE FOR WHICH TAX IS LEVIED  
FISCAL YEAR 2007-08**

Series	Purpose of Issue	FY 2007-08 Debt Service
1993	Certificates of Obligation \$	9,000
1993	General Obligation	284,280
1998	Certificates of Obligation	760,576
1999	Refunding Bonds	3,446,328
1999	Certificates of Obligation	2,253,299
2000	General Obligation	313,930
2001	General Obligation	425,130
2001	Certificates of Obligation	989,045
2002	General Obligation	530,850
2002	Certificates of Obligation	487,708
2002A	Certificates of Obligation	199,163
2002	Refunding Bonds	1,299,456
2003	General Obligation	595,900
2003	Certificates of Obligation	3,732,628
2004	General Obligation	136,670
2004	Certificates of Obligation	201,990
2004	Refunding Bonds	2,797,105
2005	Refunding Bonds	2,424,050
2005	General Obligation	532,774
2005	Certificates of Obligation	10,099,998
2006	General Obligation	1,129,550
2006	Certificates of Obligation	6,183,650
2007	Refunding Bonds	4,136,038
2007	Certificates of Obligation	1,704,550
2007A	Certificates of Obligation	4,998,461
2007	General Obligation	103,287
<b>TOTAL TAX SUPPORTED BONDS** \$</b>		<b>49,775,375</b>

\*\*The total for FY 2007-08 debt service does not include \$20,000 for fiscal agent fees.

**CITY OF LUBBOCK  
OUTSTANDING DEBT - PRINCIPAL & INTEREST**

Fiscal Year Ending	General Obligation Bonds	Revenue and Contract Revenue Bonds	Total
2008	\$ 49,775,375	6,518,468	56,293,844
2009	48,838,042	5,588,567	54,426,609
2010	47,702,775	5,495,496	53,288,271
2011	47,381,146	5,397,421	52,778,567
2012	45,778,401	4,968,693	50,747,094
2013	45,375,673	4,772,897	50,148,570
2014	44,990,931	4,711,127	49,702,058
2015	41,830,839	4,644,749	46,475,588
2016	40,701,184	4,575,364	45,276,547
2017	39,679,757	4,512,364	44,192,121
2018	39,029,244	4,445,373	43,474,617
2019	36,895,204	3,920,295	40,815,499
2020	33,790,692	3,431,224	37,181,915
2021	31,229,536	3,407,229	34,636,764
2022	27,715,714	2,919,374	30,635,088
2023	26,090,520	2,916,582	28,967,102
2024	23,474,042	2,917,888	26,391,930
2025	21,810,119	2,918,057	24,728,176
2026	17,418,337	1,455,823	18,874,160
2027	10,971,896	1,452,842	12,424,648
2028	6,441,219	-	6,441,219
2029	6,442,143	-	6,442,143
2030	6,447,173	-	6,447,173
2031	6,445,949	-	6,445,949
2032	2,455,438	-	2,455,438
2033	2,449,525	-	2,449,525
2034	2,454,000	-	2,454,000
	<b>\$ 753,624,784</b>	<b>80,969,831</b>	<b>834,594,615</b>

Interest Payments = \$ 265,979,348

**Capital Project Overview and Detail**

The following pages present the FY 2007-08 through FY 2012-13 Capital Improvement Program for the General Fund. An Appropriation Summary and Funding Summary is included for each division within the General Fund, followed by detailed information on each capital project for the FY 2007-08 appropriation and future planning years.