

FINANCIAL INFORMATION REGARDING THE CITY

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | | |
|---|-------------------|--------------------------|
| 2012 Market Valuation Established by Lubbock Central Appraisal District | | \$ 13,778,536,815 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Residential Homestead Exemptions | \$ 221,680,201 | |
| Homestead Cap Adjustment | 9,495,931 | |
| Disabled Persons | 15,118,568 | |
| Disabled Veterans | 46,961,489 | |
| Prorated Exempt Property | 701,587 | |
| Agricultural/Open-Space Land Use Reductions | 84,167,335 | |
| Pollution Exemptions | 1,832,068 | |
| Lease Vehicles Exempt | 45,932,697 | |
| House Bill 366 | 333,614 | |
| Energy | 15,708,000 | |
| Freeport Exemptions | 80,300,453 | |
| Tax Abatement Reductions ^(a) | 52,681,218 | |
| Mixed Use Vehicle | 956,018 | |
| Low Income Housing | 3,466,530 | |
| Market Value Reduction for Protested Properties | <u>98,994,008</u> | <u>678,329,717</u> |
| 2012 Taxable Assessed Valuation | | \$ 13,100,207,098 |
| | | |
| City Funded Debt Payable from Ad Valorem Taxes (as of 03/30/13) | | \$ 928,760,000 |
| Less: Self Supporting Debt (as of 03-30-13)^(c) | | |
| Waterworks System General Obligation Debt | \$ 328,857,753 | |
| Sewer System General Obligation Debt | 129,223,713 | |
| Solid Waste Disposal System General Obligation Debt | 16,818,546 | |
| Drainage Utility System General Obligation Debt | 145,808,959 | |
| Tax Increment Financing General Obligation Debt | 32,641,481 | |
| Electric Light and Power System General Obligation Debt | 53,328,019 | |
| Cemetery General Obligation Debt | 534,446 | |
| Gateway General Obligation Debt | 91,444,756 | |
| Hotel Occupancy Tax Debt | 970,817 | |
| Airport General Obligation Debt | 10,986,648 | |
| Internal Service Fund General Obligation Debt | <u>476,200</u> | <u>811,091,337</u> |
| General Purpose Funded Debt Payable from Ad Valorem Taxes (as of 03/30/13) | | \$ 117,668,663 |
| | | |
| Audited General Obligation Interest and Sinking Fund (as of 09/30/12) | | \$ 1,252,271 |
| | | |
| Ratio Total Funded Debt to Taxable Assessed Valuation | | 7.09% |
| Ratio General Purpose Funded Debt to Taxable Assessed Valuation | | 0.90% |
| | | |
| 2012 Estimated Population ^(d) | | 235,398 |
| Per Capita Taxable Assessed Valuation | | \$55,651 |
| Per Capita Total Funded Debt Payable from Ad Valorem Taxes | | \$3,945 |
| Per Capita General Purpose Funded Debt Payable from Ad Valorem Taxes | | \$500 |

^(a) See "AD VALOREM TAX INFORMATION - TAX ABATEMENT POLICIES."

^(b) The statement of indebtedness does not include the City's outstanding Electric Light and Power System Revenue Bonds, payable solely from the Net Revenues of the Lubbock Power and Light System.

^(c) Includes the Certificates. As a matter of policy, the City provides debt service on general obligation debt issued to fund improvements to its Waterworks System, Sewer System, Solid Waste System, Drainage System, Tax Increment Finance Reinvestment Zone, Electric Light and Power System, Drainage System, Cemetery, Gateway Streets, Hotel Occupancy Tax projects, Airport projects, and its Internal Service Fund (see "TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION," "TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS," "TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS," AND "TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT").

The City's Waterworks System General Obligation Debt has been issued to finance or refinance Waterworks System improvements, and is being paid, or is expected to be paid, from Waterworks System revenues. The City has no outstanding Waterworks System Revenue Bonds but has obligated revenues of the Waterworks System under water supply contracts.

The City's Sewer System General Obligation Debt has been issued to finance Sewer System improvements, and that is being paid, or is expected to be paid, from Sewer System revenues. The City has no outstanding Sewer System Revenue Bonds.

The City's Solid Waste Disposal System General Obligation Debt has been issued for Solid Waste System improvements, and is being paid, or is expected to be paid, from revenues derived from Solid Waste service fees. The City has no outstanding Solid Waste Disposal System Revenue Bonds.

The City's Drainage Utility System General Obligation Debt has been issued for Drainage System improvements, and is being paid, or is expected to be paid, from revenues derived from Drainage Utility System fees. The City has no outstanding Drainage Utility System Revenue Bonds.

The City's Tax Increment Financing General Obligation Debt has been issued to finance or refinance construction of improvements in the North Overton TIF, and is being paid or is expected to be paid, from revenues derived from the Pledged Tax Increment Revenues. The City has no outstanding Tax Increment Financing Revenue Bonds. In FY 2013, the City anticipates that tax increment revenues will not be adequate to cover debt requirements on the general obligation refunding debt that refunded the Series 2003 Tax Increment Certificates of Obligation. In the instance that tax increment revenues are not sufficient to pay debt service, the City intends to make an interfund loan to cover the debt service and, if the projected development in the North Overton TIF proceeds as expected, repay such loan from revenues received in future years. There could be years in which the TIF may not produce revenues in amounts sufficient to cover all debt issued for it, at least until the TIF has reached full build-out status. If revenues are insufficient and no interfund loan is made, the City is obligated to pay such obligations from ad valorem taxes.

The City's Electric Light and Power System General Obligation Debt has been issued to finance or refinance Electric Light and Power System improvements, and is being paid or is expected to be paid, from revenues derived from the Lubbock Power and Light System. The City has \$63,720,000 of outstanding Electric Light and Power System Revenue Bonds payable from a pledge of system revenues.

The City's Gateway General Obligation Debt has been issued to finance or refinance Gateway Streets improvements, and is being paid, or is expected to be paid from franchise fees. The City has no outstanding Gateway Fund Revenue Bonds.

The City's Hotel Occupancy Tax General Obligation Debt has been issued to finance tourism projects and is being paid, or is expected to be paid, from hotel occupancy taxes. The City has no Hotel Occupancy Tax Bonds.

The City's Airport General Obligation Debt has been issued to finance or refinance Airport improvements, and is being paid, or is expected to be paid from revenues derived from the Airport. The City has no outstanding Airport Revenue Bonds.

The City's Internal Service Fund General Obligation debt has been issued to finance or refinance fleet and equipment purchased by the City that is utilized by specific departments and is being paid by departmental charges. The City has no outstanding Internal Service Fund Revenue Bonds.

^(d) Source: the City.

TABLE 2 - TAXABLE ASSESSED VALUATION BY CATEGORY

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|-------------------------------------|---|------------|--------------------------|------------|--------------------------|------------|
| | 2013 | | 2012 | | 2011 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 7,500,177,258 | 54.43 | \$ 7,379,749,603 | 55.18 | \$ 7,165,857,674 | 55.03 |
| Real, Residential, Multi-Family | 1,143,927,454 | 8.30 | 1,042,962,625 | 7.80 | 989,766,593 | 7.60 |
| Real, Vacant Lots/Tracts | 183,575,994 | 1.33 | 185,474,650 | 1.39 | 174,666,981 | 1.34 |
| Real, Acreage (Land Only) | 96,223,564 | 0.70 | 98,270,604 | 0.73 | 101,272,811 | 0.78 |
| Real, Farm & Ranch Improvements | 12,657,438 | 0.09 | 12,758,919 | 0.10 | 13,212,130 | 0.10 |
| Real, Commercial and Industrial | 2,935,102,992 | 21.30 | 2,849,907,566 | 21.31 | 2,735,738,473 | 21.01 |
| Real, Oil, Gas & Other Minerals | 65,116,450 | 0.47 | 52,087,440 | 0.39 | 43,067,370 | 0.33 |
| Real & Tangible Personal, Utilities | 164,327,945 | 1.19 | 173,808,380 | 1.30 | 177,400,625 | 1.36 |
| Tangible Personal, Business | 1,554,470,273 | 11.28 | 1,465,860,057 | 10.96 | 1,511,990,690 | 11.61 |
| Tangible Personal, Other | 10,372,056 | 0.08 | 10,357,779 | 0.08 | 10,231,156 | 0.08 |
| Real Property, Inventory | 36,253,327 | 0.26 | 37,725,308 | 0.28 | 41,182,129 | 0.32 |
| Special Inventory | 76,332,064 | 0.55 | 64,639,928 | 0.48 | 58,111,352 | 0.45 |
| Other/Adjustments | - | - | - | - | - | - |
| Total Appraised Value | | | | | | |
| Before Exemptions/Reductions | 13,778,536,815 | 100.00 | 13,373,602,859 | 100.00 | 13,022,497,984 | 100.00 |
| Less: Total Exemptions/Reductions | (678,329,717) | | (743,993,594) | | (734,137,286) | |
| Taxable Assessed Value | <u>\$ 13,100,207,098</u> | | <u>\$ 12,629,609,265</u> | | <u>\$ 12,288,360,698</u> | |

| Category | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|-------------------------------------|---|------------|--------------------------|------------|--------------------------|------------|
| | 2010 | | 2009 | | 2008 | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | \$ 6,947,946,941 | 53.35 | 6,687,368,655 | 54.61 | 6,321,729,050 | 55.01 |
| Real, Residential, Multi-Family | 997,043,862 | 7.66 | 922,530,900 | 7.53 | 931,507,661 | 8.11 |
| Real, Vacant Lots/Tracts | 189,296,951 | 1.45 | 201,167,097 | 1.64 | 202,703,022 | 1.76 |
| Real, Acreage (Land Only) | 104,927,547 | 0.81 | 106,628,878 | 0.87 | 103,474,361 | 0.90 |
| Real, Farm & Ranch Improvements | 13,502,162 | 0.10 | 11,977,889 | 0.10 | 10,948,790 | 0.10 |
| Real, Commercial and Industrial | 2,686,373,355 | 20.63 | 2,476,922,746 | 20.23 | 2,246,869,059 | 19.55 |
| Real, Oil, Gas & Other Minerals | 32,632,310 | 0.25 | 39,976,390 | 0.33 | 26,864,150 | 0.23 |
| Real & Tangible Personal, Utilities | 168,123,979 | 1.29 | 173,239,955 | 1.41 | 181,023,472 | 1.58 |
| Tangible Personal, Business | 1,502,932,704 | 11.54 | 1,494,921,128 | 12.21 | 1,340,911,089 | 11.67 |
| Tangible Personal, Other | 10,943,476 | 0.08 | 11,981,462 | 0.10 | 13,018,766 | 0.11 |
| Real Property, Inventory | 43,022,634 | 0.33 | 43,435,213 | 0.35 | 41,291,828 | 0.36 |
| Special Inventory | 69,422,082 | 0.53 | 76,063,260 | 0.62 | 72,685,000 | 0.63 |
| Other/Adjustments | 21,102 | 0.00 | 216,600 | 0.00 | (115,001) | (0.00) |
| Total Appraised Value | | | | | | |
| Before Exemptions/Reductions | 12,766,189,105 | 98.03 | 12,246,430,173 | 100.00 | 11,492,911,247 | 100.00 |
| Less: Total Exemptions/Reductions | (763,572,925) | | (573,356,041) | | (595,700,684) | |
| Taxable Assessed Value | <u>\$ 12,002,616,180</u> | | <u>\$ 11,673,074,132</u> | | <u>\$ 10,897,210,563</u> | |

Note: Valuations shown are certified taxable assessed values reported by the Lubbock Central Appraisal District to the City for purposes of establishing and levying the City's annual ad valorem tax rate and to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

| Fiscal Year Ended 30-Sep | Estimated City Population ^(a) | Taxable Assessed Valuation | Per Capita Taxable Assessed Valuation | General Purpose Funded Tax Debt ^(b) | Ratio Tax Debt to Assessed Valuation ^(b) | Tax Debt Per Capita | Tax Year |
|---------------------------------|---|-----------------------------------|--|---|--|----------------------------|-----------------|
| 2008 | 214,847 | \$ 10,897,210,563 | \$50,721 | \$ 101,185,953 | 0.93% | \$ 470.97 | 2007 |
| 2009 | 218,327 | 11,673,074,132 | 53,466 | 106,303,936 | 0.91% | 486.90 | 2008 |
| 2010 | 229,573 | 12,002,616,180 | 52,282 | 108,479,132 | 0.90% | 472.53 | 2009 |
| 2011 | 231,937 | 12,288,360,698 | 52,981 | 112,922,591 | 0.92% | 486.87 | 2010 |
| 2012 | 233,651 | 12,629,609,265 | 54,053 | 125,688,049 | 1.00% | 537.93 | 2011 |
| 2013 | 235,398 | 13,100,207,098 | 55,651 | 117,668,663 | 0.90% | 499.87 | 2012 |

^(a) Source: Population estimates as provided by the City, except for 2010, which reflects U.S. Census figures.

^(b) Does not include self-supported debt.

TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT

The following table sets forth certain information with respect to the City's general purpose and self-supporting general obligation debt. The City is revising its capital improvement plan, but the City expects to issue additional general purpose and self-supporting general obligation debt within the year. See "Anticipated Issuance of General Obligation Debt" below.

| Fiscal Year Ended 30-Sep | Funded Tax Debt Outstanding at End of Year | Less: Self-Supporting Funded Tax Debt | General Purpose Funded Tax Debt Outstanding at End of Year |
|---------------------------------|---|--|---|
| 2008 | \$633,065,000 | \$531,879,047 | \$101,185,953 |
| 2009 | 683,305,000 | 577,001,064 | 106,303,936 |
| 2010 | 837,410,000 | 728,930,868 | 108,479,132 |
| 2011 | 961,165,000 | 848,242,409 | 112,922,591 |
| 2012 | 989,040,000 | 863,351,951 | 125,688,049 |
| 2013 ^(a) | 927,140,000 | 809,471,337 | 117,668,663 |

^(a) Projected.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

| Fiscal YE 09/30 | Tax Rate Distribution | | | Tax Rate | Tax Levy | Percent Collected | | Tax Year |
|------------------------|------------------------------|-----------------------------|----------------------------------|-----------------|-----------------|--------------------------|-----------------------|-----------------|
| | General Fund | Economic Development | Interest and Sinking Fund | | | Current | Total | |
| 2008 | \$ 0.35380 | \$ 0.03000 | \$ 0.07125 | \$ 0.45505 | \$ 49,195,247 | 98.41% | 99.62% | 2007 |
| 2009 | 0.32540 | 0.03000 | 0.09100 | 0.44640 | 51,616,589 | 97.78% | 98.87% | 2008 |
| 2010 | 0.33240 | 0.03000 | 0.08400 | 0.44640 | 53,455,322 | 98.19% | 99.38% | 2009 |
| 2011 | 0.33240 | 0.03000 | 0.09377 | 0.45617 | 55,783,339 | 98.27% | 99.73% | 2010 |
| 2012 | 0.34200 | 0.03000 | 0.10200 | 0.47400 | 59,220,369 | 99.79% | 99.32% | 2011 |
| 2013 | 0.35683 | 0.02937 | 0.10591 | 0.49211 | 59,220,369 | 94.19% ^(a) | 94.65% ^(a) | 2012 |

^(a) Partial collections as of January 31, 2013.

TABLE 5 - TEN LARGEST TAXPAYERS

| <u>Name</u> | 2012 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-------------------------------------|--|--|
| Macerich Lubbock Ltd. | \$ 125,431,960 | 0.96% |
| United Supermarkets OFC | 59,858,509 | 0.46% |
| Southwestern Bell Telephone | 36,855,721 | 0.28% |
| Plains Co-op Oil Mill, Inc. | 48,002,953 | 0.37% |
| Texland Petroleum | 44,461,302 | 0.34% |
| 1859 Management Partners | 30,963,485 | 0.24% |
| Wal-Mart Real Estate Business Trust | 34,000,000 | 0.26% |
| Atmos Energy West Texas Division | 43,136,880 | 0.33% |
| Lubbock Property LLC | 33,027,354 | 0.25% |
| TTUC, LLC | 30,500,000 | 0.23% |
| Total | \$ 486,238,164 | 3.71% |

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| <u>Taxing Jurisdiction</u> | <u>Gross Debt (As of 03/30/13)^(a)</u> | <u>Estimated % Overlapping</u> | <u>Overlapping Debt</u> |
|--|--|------------------------------------|-----------------------------|
| Frenship ISD | \$ 163,064,388 | 73.50% | \$ 119,852,325 |
| Idalou ISD | 14,870,000 | 3.81% | 566,547 |
| Lubbock County | 60,740,000 | 81.60% | 49,563,840 |
| Lubbock ISD | 205,915,000 | 94.49% | 194,569,084 |
| Lubbock-Cooper ISD | 121,463,349 | 62.98% | 76,497,617 |
| Roosevelt ISD | 10,910,000 | 3.71% | 404,761 |
| Estimated Overlapping Debt | | | \$ 441,454,174 |
| City of Lubbock | \$ 117,668,663 ^(b) | 100.00% | 117,668,663 ^(b) |
| Total Direct & Estimated Overlapping Debt | | | \$ 559,122,836 |
| As a % of 2012 Taxable Assessed Valuation | | | 4.27% |
| Per Capita Total Direct & Estimated Overlapping Debt | | | \$ 2,375 |

^(a) Source of overlapping issuer debt - Texas Municipal Reports.

^(b) Net of the City's self-supporting debt.

TABLE 7 - TAX ADEQUACY ^(a)

| | |
|--|---------------|
| Average Annual Debt Service Requirements (2013-2034): | \$ 61,804,478 |
| \$0.4766 per \$100 AV against the 2012 Taxable AV, at 99% collection, produces | \$ 61,811,231 |
| Maximum Annual Debt Service Requirements (2013/14): | \$ 97,574,627 |
| \$0.7524 per \$100 AV against the 2012 Taxable AV, at 99% collection, produces | \$ 97,580,299 |

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

| | |
|--|------------------------------|
| General Purpose General Obligation Debt Service Requirements, FYE Sept. 30, 2013 | \$ 13,294,030 ^(a) |
| Fiscal Agent Fees | 15,500 |
| Interest and Sinking Fund Balance, Sept. 30, 2012 | \$ 1,252,271 |
| Interest and Sinking Fund Tax Levy @ 99.0% | 13,210,350 |
| Estimated Interest Earnings | <u>31,648</u> |
| | <u>14,494,269</u> |
| Projected Interest & Sinking Fund Balance, Sept. 30, 2013 | \$ 1,184,739 |

^(a) Reflects debt service net of self-supported debt and net of the expected Federal Subsidy on the City's Series 2010B Bonds (BABs) and Series 2010B Certificates of Obligation (BABs).

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TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| FYE | Outstanding Debt ^(a) | | | |
|--------|---------------------------------|-----------------------|--------------------------------|-------------------------|
| | Principal | Interest | Federal Subsidy ^(b) | Net Total Debt Service |
| 30-Sep | | | | |
| 2013 | \$ 55,300,000 | \$ 44,421,616 | \$ 2,146,989 | \$ 97,574,627 |
| 2014 | 58,035,000 | 40,970,964 | 2,146,989 | 96,858,975 |
| 2015 | 57,445,000 | 38,595,285 | 2,146,989 | 93,893,295 |
| 2016 | 57,875,000 | 36,192,585 | 2,146,989 | 91,920,596 |
| 2017 | 59,355,000 | 33,772,802 | 2,146,989 | 90,980,813 |
| 2018 | 61,285,000 | 31,227,914 | 2,091,059 | 90,421,855 |
| 2019 | 60,575,000 | 28,565,597 | 1,976,230 | 87,164,366 |
| 2020 | 58,505,000 | 25,988,938 | 1,853,973 | 82,639,965 |
| 2021 | 57,140,000 | 23,386,183 | 1,725,679 | 78,800,505 |
| 2022 | 53,290,000 | 20,829,777 | 1,592,297 | 72,527,481 |
| 2023 | 52,750,000 | 18,339,661 | 1,449,499 | 69,640,162 |
| 2024 | 53,235,000 | 15,817,323 | 1,296,761 | 67,755,563 |
| 2025 | 54,065,000 | 13,233,031 | 1,126,536 | 66,171,495 |
| 2026 | 52,125,000 | 10,620,035 | 939,167 | 61,805,867 |
| 2027 | 48,025,000 | 8,150,484 | 744,304 | 55,431,180 |
| 2028 | 44,375,000 | 5,884,478 | 541,681 | 49,717,797 |
| 2029 | 35,435,000 | 3,931,591 | 330,931 | 39,035,660 |
| 2030 | 33,000,000 | 2,252,530 | 111,735 | 35,140,795 |
| 2031 | 18,725,000 | 997,469 | - | 19,722,469 |
| 2032 | 7,210,000 | 381,538 | - | 7,591,538 |
| 2033 | 2,290,000 | 159,525 | - | 2,449,525 |
| 2034 | 2,400,000 | 54,000 | - | 2,454,000 |
| | \$ 982,440,000 | \$ 403,773,324 | \$ 26,514,798 | \$ 1,359,698,526 |

All General Obligation Debt

| | |
|---|---------------|
| Average Annual Debt Service Requirements (2013-2034): | \$ 61,804,478 |
| Maximum Annual Debt Service Requirements (2013/14): | \$ 97,574,627 |

^(a) Does not include lease/purchase obligations. Includes the City's self-supporting debt and the Refunded Obligations. See "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Division of General Obligation Debt Service Requirements."

^(b) Federal Subsidy reflects the expected subsidy payments from the federal government equal to 35% of the interest payments on the City's Series 2010B Bonds (Build America Bonds, or "BABs") and Series 2010B Certificates of Obligation (BABs); however the subsidy amounts shown are subject to reduction as follows. On September 14, 2012, the United States Office of Management and Budget ("OMB") delivered a report to Congress (the "OMB Report") that provides estimates of cuts to federal programs that are necessary to reduce spending to levels under the congressionally-mandated sequestration process of the Budget Control Act of 2011. Unless Congress took action during calendar year 2012, the first cuts required under sequestration were to be ordered by the President on January 2, 2013 (the "Sequester Cuts"), for federal fiscal year ending September 30, 2013 ("FFY 2013"). Congress could also rescind or alter the Sequester Cuts after they are ordered to take effect by the President. On January 2, 2013, the President signed into law the American Taxpayer Relief Act of 2012 ("ATRA") which delays implementation of the Sequester Cuts. Additionally, ATRA reduced the amount of budget cuts for fiscal year 2013 from \$109.3 billion to \$85.3 billion. The cuts identified in the OMB Report include cuts to the subsidy payments to be made by the federal government to issuers of "direct-pay" tax credit bonds, such as BABs. While the OMB Report is preliminary, OMB estimated that federal payments to issuers of direct-pay, tax credit bonds (such as BABs) would be reduced by 7.6% in FFY 2013. However, as a result of the reduction in budget cuts under ATRA, the OMB's estimate of reductions in BAB payments will range from 7.6% to 5.3%. Because the time frame during which the cuts must be taken has been reduced to seven months from nine months, however, it is possible that BAB issuers receiving payments between March 1 and September 30 of 2013 will see reductions in payments in excess of 5.3%.

TABLE 10 - DIVISION OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS^{(a)(b)}

| FYE 9/30 | Waterworks System Debt Service | Sewer System Debt Service | Solid Waste Disposal System Debt Service | Drainage Utility System Debt Service | Tax Increment Financing Debt Service | Electric Light & Power System Debt Service | Cemetery Debt Service | Gateway Debt Service | HOT Debt Service | Airport Debt Service | Internal Service Fund Debt Service | General Purpose Debt Service | Total G.O. Debt Service |
|-------------|--------------------------------------|---------------------------------|---|---|---|---|-----------------------------|----------------------------|------------------------|----------------------------|---|------------------------------------|-------------------------------|
| 2013 | \$ 32,119,047 | \$ 15,126,209 | \$ 1,790,318 | \$ 14,638,802 | \$ 3,378,795 | \$ 5,810,825 | \$ 55,234 | \$ 8,296,726 | \$ 97,323 | \$ 2,927,881 | \$ 39,438 | \$ 13,294,030 | \$ 97,574,627 |
| 2014 | 32,146,363 | 14,900,859 | 1,795,745 | 14,590,346 | 3,375,993 | 6,359,892 | 55,217 | 8,245,946 | 97,280 | 2,022,086 | 38,922 | 13,230,326 | 96,858,975 |
| 2015 | 31,984,383 | 13,066,133 | 1,768,985 | 14,600,032 | 3,364,279 | 6,286,290 | 55,227 | 8,242,275 | 97,328 | 2,018,597 | 38,915 | 12,370,851 | 93,893,295 |
| 2016 | 31,982,287 | 12,256,306 | 1,786,028 | 14,625,681 | 3,367,655 | 6,214,329 | 55,223 | 8,244,127 | 97,248 | 1,125,632 | 38,908 | 12,127,172 | 91,920,596 |
| 2017 | 31,986,400 | 12,213,067 | 1,762,118 | 14,648,579 | 3,367,073 | 6,130,956 | 55,206 | 8,245,542 | 97,248 | 1,128,517 | 38,925 | 11,307,181 | 90,980,813 |
| 2018 | 31,837,404 | 11,961,044 | 1,748,237 | 14,660,111 | 3,360,142 | 6,063,487 | 55,204 | 8,249,309 | 97,317 | 1,126,671 | 38,924 | 11,224,005 | 90,421,855 |
| 2019 | 31,434,256 | 11,924,419 | 1,561,330 | 13,576,547 | 3,361,730 | 4,518,388 | 55,217 | 8,245,281 | 97,290 | 1,124,618 | 38,913 | 11,226,377 | 87,164,366 |
| 2020 | 28,676,818 | 11,209,720 | 1,548,349 | 12,521,497 | 3,363,580 | 4,520,039 | 55,222 | 8,248,875 | 97,242 | 1,126,964 | 38,912 | 11,232,750 | 82,639,965 |
| 2021 | 26,646,596 | 11,046,119 | 1,544,931 | 11,451,004 | 3,356,127 | 4,521,079 | 55,210 | 8,243,613 | 97,327 | 1,128,005 | 38,917 | 10,671,578 | 78,800,505 |
| 2022 | 22,977,224 | 10,906,221 | 1,418,295 | 10,401,650 | 3,358,665 | 4,524,367 | 55,238 | 8,241,626 | 97,339 | 546,583 | 38,912 | 9,961,361 | 72,527,481 |
| 2023 | 22,204,614 | 10,626,614 | 1,422,362 | 9,344,182 | 3,368,120 | 4,517,017 | 55,204 | 8,243,729 | 97,258 | 546,637 | 38,927 | 9,175,497 | 69,640,162 |
| 2024 | 22,220,647 | 10,625,543 | 1,419,809 | 9,319,474 | 3,366,058 | 3,532,499 | 55,202 | 8,243,043 | 97,289 | 546,081 | 38,920 | 8,290,999 | 67,755,562 |
| 2025 | 21,538,638 | 10,584,774 | 1,158,593 | 9,320,918 | 3,093,086 | 3,540,489 | 55,207 | 8,239,525 | 97,308 | 545,839 | 38,912 | 7,958,206 | 66,171,495 |
| 2026 | 21,269,293 | 10,006,352 | 1,158,475 | 9,324,824 | 2,380,188 | 3,056,221 | 55,212 | 7,099,516 | 97,305 | 321,049 | 38,908 | 6,998,525 | 61,805,867 |
| 2027 | 19,965,478 | 8,836,601 | 794,932 | 8,679,647 | 1,872,149 | 2,569,484 | 15,689 | 6,879,216 | 97,270 | 121,536 | 38,917 | 5,560,261 | 55,431,180 |
| 2028 | 18,557,415 | 8,621,097 | 687,905 | 8,216,958 | 502,659 | 1,514,001 | - | 6,876,857 | - | 88,715 | 38,915 | 4,613,275 | 49,717,797 |
| 2029 | 15,638,051 | 4,232,878 | 585,889 | 7,655,605 | 347,127 | 994,071 | - | 5,191,902 | - | 88,723 | 38,905 | 4,262,508 | 39,035,660 |
| 2030 | 15,254,981 | 4,233,126 | 550,914 | 7,510,097 | 270,070 | 442,353 | - | 2,784,608 | - | 88,751 | 38,912 | 3,966,982 | 35,140,795 |
| 2031 | 3,239,334 | 4,002,217 | 504,061 | 7,398,967 | 111,910 | - | - | 2,110,874 | - | 88,689 | 38,908 | 2,227,509 | 19,722,469 |
| 2032 | 944,122 | 660,176 | - | 4,893,828 | - | - | - | - | - | 88,733 | 18,975 | 985,704 | 7,591,538 |
| 2033 | - | - | - | 2,449,525 | - | - | - | - | - | - | - | - | 2,449,525 |
| 2034 | - | - | - | 2,454,000 | - | - | - | - | - | - | - | - | 2,454,000 |
| 2035 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 462,623,351</u> | <u>\$ 197,039,472</u> | <u>\$ 25,007,276</u> | <u>\$ 222,282,274</u> | <u>\$ 48,965,405</u> | <u>\$ 75,115,786</u> | <u>\$ 788,712</u> | <u>\$ 138,172,591</u> | <u>\$ 1,459,369</u> | <u>\$ 16,800,308</u> | <u>\$ 758,885</u> | <u>\$ 170,685,097</u> | <u>\$ 1,359,698,526</u> |

^(a) Includes the Obligations.

^(b) Outstanding debt service is reduced to reflect the expected subsidy payments from the federal government equal to 35% of the interest payments on the City's Series 2010B Bonds (BABs) and Series 2010B Certificates of Obligation (BABs). See footnote Table 9 describing changes in federal legislation that have impacted and may impact the BABs Federal Subsidy.

TABLE 11 - COMPUTATION OF SELF-SUPPORTING DEBT

THE WATERWORKS FUND ^(a)

| | |
|---|-------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ 48,719,050 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-13 | - |
| Balance Available for Other Purposes | <u>48,719,050</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | 32,119,047 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Waterworks Fund general obligation debt to a segregated account in the Waterworks Fund. FY 2013 revenue includes a planned transfer of \$2,881,655 from general water fund balance.

THE SEWER FUND ^(a)

| | |
|---|-------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ 17,659,966 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-13 | - |
| Balance Available for Other Purposes | <u>17,659,966</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | 15,126,209 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Sewer Fund general obligation debt to a segregated account in the Sewer Fund.

THE SOLID WASTE FUND ^(a)

| | |
|---|------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ 8,193,752 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | - |
| Balance Available for Other Purposes | <u>8,193,752</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | 1,790,318 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Solid Waste Fund general obligation debt to a segregated account in the Solid Waste Fund. FY 2013 revenue includes a planned transfer of \$2,212,771 from general solid waste fund balance.

THE DRAINAGE FUND ^(a)

| | |
|---|-------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ 15,025,514 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | - |
| Balance Available for Other Purposes | <u>15,025,514</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | 14,638,802 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Drainage Fund general obligation debt to a segregated account in the Drainage Fund. FY 2013 revenue includes a planned transfer of \$2,543,227 from general drainage fund balance.

THE ELECTRIC LIGHT AND POWER FUND ^(a)

| | |
|---|-------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ 35,654,683 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | 9,754,440 |
| Balance Available for Other Purposes | <u>25,900,243</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | 5,810,825 |
| Percentage of Fund General Obligation Debt Self-Supporting | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Electric Light and Power Fund general obligation debt to a segregated account in the Electric Light and Power Fund.

THE GATEWAY FUND ^(a)

| | | |
|---|----|------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ | 8,245,939 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | | - |
| Balance Available for Other Purposes | | <u>8,245,939</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | | 8,296,726 |
| Percentage of Fund General Obligation Debt Self-Supporting | | 99.39% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Gateway Fund general obligation debt to a segregated account in the Gateway Fund. FY 2013 budget includes the planned utilization of net assets totaling \$1,244,428.

THE AIRPORT FUND ^(a)

| | | |
|---|----|------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ | 5,378,055 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | | - |
| Balance Available for Other Purposes | | <u>5,378,055</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | | 2,927,881 |
| Percentage of Fund General Obligation Debt Self-Supporting | | 100.00% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Airport Fund general obligation debt to a segregated account in the Airport Fund. FY 2013 revenue includes a planned transfer of \$2,516,537 from the Airport Passenger Facility Change Fund.

THE TAX INCREMENT FINANCING FUND ^(a)

| | | |
|---|----|------------------|
| Net System Revenue Available, Fiscal Year Ended 9-30-12 | \$ | 3,372,391 |
| Less: Requirements for Revenue Bonds, Fiscal Year Ended 9-30-12 | | - |
| General Obligation Debt (as of 03-15-12) ^(b) | | <u>3,372,391</u> |
| Requirements for Fund General Obligation Debt, Fiscal Year Ending 9-30-13 | | 3,378,795 |
| Percentage of Fund General Obligation Debt Self-Supporting | | 99.81% |

^(a) Each Fiscal Year the City transfers an amount equal to debt service requirements on the Tax Increment Financing Fund general obligation debt to a segregated account in the Tax Increment Financing Fund. FY 2013 revenue includes a planned transfer of \$472,843 from the Hotel Occupancy Tax Special Revenue Fund. The remainder of revenue needed, if any, to support Tax Increment Financing Fund general obligation debt is transferred from the City's Solid Waste Fund.

[Remainder of page left intentionally blank]

TABLE 12 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS^(a)

| <u>Purpose</u> | <u>Date Authorized</u> | <u>Amount Authorized</u> | <u>Issued To Date</u> | <u>Unissued</u> |
|---|------------------------|--------------------------|-----------------------|---------------------|
| Street Improvements | 05/15/04 | \$ 9,210,000 | \$ 8,764,000 | \$ 446,000 |
| Police/Municipal Court Facilities | 05/15/04 | 3,350,000 | 945,000 | 2,405,000 |
| Animal Shelter Renovations & Improvements | 05/15/04 | 1,045,000 | 160,000 | 885,000 |
| Street Improvements | 11/03/09 | 43,085,000 | 37,360,000 | 5,725,000 |
| Fire Stations | 11/03/09 | 7,500,000 | 5,250,000 | 2,250,000 |
| | | <u>\$ 64,190,000</u> | <u>\$ 52,479,000</u> | <u>\$11,711,000</u> |

^(a) In addition to the authorized but unissued general obligation bonds described in Table 12, approximately \$3,742,000 of general obligation bonds approved by voters at elections held on May 21, 1977, October 17, 1987 and May 1, 1993 remain unissued; however, the City does not currently expect to issue general obligation bonds pursuant to such elections.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City Council adopted a resolution during the 1984-85 budget process establishing capital maintenance funds for capital projects. 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. Under current City policy, for a project to be funded as a capital project it must have a cost of \$25,000 or more and a life of seven or more years. For FY 2012-13, the City Council approved \$136.8 million in total expenditures for capital projects for all general purpose projects, as well as projects for the electric fund, water fund, sewer fund, solid waste fund, stormwater funds and airport fund. The Capital Projects Fund budget for FY 2012-13 also included an additional \$558.1 million in future improvements for all City departments over the five succeeding fiscal years. The improvements included in the City's capital improvement plan are generally funded from a blend of bond proceeds, reserves or current year revenue sources.

As shown in Table 12, the City has \$11,711,000 of authorized but unissued bonds from the May 15, 2004 and November 2009 bond elections. The City typically issues voted bonds for general purpose City projects, such as streets, parks, libraries, civic centers public safety improvements. However, the City has incurred substantial non-voted tax supported debt to fund portions of the capital budget of the Electric Fund, Water Fund, Sewer Fund, Solid Waste Fund, Storm Water Fund, Tax Increment Fund, Gateway Fund, and Airport Fund. Such enterprise fund indebtedness is generally anticipated to be self-supporting from enterprise fund revenues. In addition to the authorized but unissued general obligation bonds described in Table 12, approximately \$3,742,000 of general obligation bonds approved by voters at elections held on May 21, 1977, October 17, 1987 and May 1, 1993 remain unissued; however, the City does not currently expect to issue general obligation bonds pursuant to such elections.

On February 28, 2013, the City Council adopted a resolution authorizing the publication of notices of intention to issue Tax and Waterworks System Surplus Revenue Certificates of Obligation not to exceed \$64,800,000 total principal amount and General Obligation Bonds not to exceed \$9,000,000 total principal amount.

[Remainder of page left intentionally blank]

TABLE 13 - OTHER OBLIGATIONS

The City has various capital leases outstanding. The debt service of the leases is detailed below.

| FYE 30-Sep | Governmental Capital Lease Minimum Payment | Business-Type Capital Lease Minimum Payment | Total Capital Lease Minimum Payment |
|-----------------------|---|--|--|
| 2013 | \$ 5,114,037 | \$ 5,828,714 | \$ 10,942,751 |
| 2014 | 4,922,318 | 3,836,568 | 8,758,886 |
| 2015 | 3,765,859 | 2,736,139 | 6,501,998 |
| 2016 | 2,749,762 | 1,587,900 | 4,337,662 |
| 2017 | 2,096,852 | 1,427,781 | 3,524,633 |
| 2018-2022 | 3,723,045 | 3,240,397 | 6,963,442 |
| Less Interest | (2,134,087) | (1,686,656) | (3,820,743) |
| | \$ 20,237,786 | \$ 16,970,843 | \$ 37,208,629 |

The City also has obligations to pay various contract revenue bonds issued through the Department of Housing and Urban Development and the Canadian Municipal River Authority. All Contract Revenue Bonds are payable from water revenues. The debt service requirements of the contract revenue bonds are detailed below.

| FYE 30-Sep | Contract Revenue Bonds | | |
|-----------------------|-------------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2013 | \$ 2,833,188 | \$ 3,154,837 | \$ 5,988,025 |
| 2014 | 2,967,149 | 3,025,011 | 5,992,160 |
| 2015 | 3,106,709 | 2,885,229 | 5,991,938 |
| 2016 | 3,256,887 | 2,731,713 | 5,988,600 |
| 2017 | 3,422,081 | 2,567,217 | 5,989,298 |
| 2018-2031 | 50,910,659 | 15,822,980 | 66,733,639 |
| | \$ 66,496,673 | \$ 30,186,987 | \$ 96,683,660 |

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TABLE 14 - CHANGES IN NET ASSETS

| | Fiscal Year Ended September 30 | | | | |
|---|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| REVENUES | | | | | |
| Program Revenues | | | | | |
| Changes for Services | \$ 9,700,508 | \$ 9,405,110 | \$ 9,989,833 | \$ 9,665,449 | \$ 12,676,752 |
| Operating Grants and Contributions | 21,056,415 | 22,231,742 | 20,803,413 | 20,291,850 | 25,153,702 |
| General Revenues | | | | | |
| Property Taxes | 60,935,080 | 57,534,225 | 55,064,777 | 52,598,485 | 50,330,322 |
| Sales Taxes | 57,303,792 | 53,672,769 | 51,008,384 | 50,705,301 | 50,548,865 |
| Other Taxes | 6,370,625 | 6,165,640 | 5,457,767 | 5,451,314 | 5,370,708 |
| Franchise Taxes | 9,727,782 | 8,307,268 | 11,702,985 | 10,765,289 | 12,977,686 |
| Other | 10,031,764 | 5,854,394 | 5,726,310 | 5,398,433 | 10,316,286 |
| Total Revenues | <u>\$ 175,125,966</u> | <u>\$ 163,171,148</u> | <u>\$ 159,753,469</u> | <u>\$ 154,876,121</u> | <u>\$ 167,374,321</u> |
| EXPENDITURES | | | | | |
| Administrative Services | \$ 11,564,122 | \$ 11,786,924 | \$ 12,005,910 | \$ 11,078,376 | \$ 12,372,316 |
| Community Services | 5,493,264 | 10,707,989 | 12,231,817 | 7,037,569 | 6,874,065 |
| Cultural and Recreation | 16,968,404 | 16,832,528 | 16,590,119 | 15,039,074 | 16,660,378 |
| Economic Development | 15,100,595 | 15,944,038 | 15,335,806 | 37,221,152 | 12,378,335 |
| Fire | 41,335,751 | 39,619,927 | 36,803,080 | 33,097,947 | 31,789,223 |
| Health | 5,437,035 | 6,332,178 | 5,599,276 | 5,818,547 | 6,141,386 |
| Police | 58,549,406 | 56,537,522 | 54,171,638 | 48,342,376 | 46,849,826 |
| Other Public Safety | 6,881,024 | 5,919,681 | 6,343,372 | 6,325,692 | 6,677,751 |
| Streets and Traffic | 26,411,247 | 21,244,252 | 28,180,967 | 30,138,853 | 16,357,025 |
| Interest on Long-Term Debt | 13,653,174 | 13,290,050 | 12,207,377 | 9,840,431 | 8,367,167 |
| Total Expenditures | <u>\$ 201,394,022</u> | <u>\$ 198,215,089</u> | <u>\$ 199,469,362</u> | <u>\$ 203,940,017</u> | <u>\$ 164,467,472</u> |
| Changes in net assets before special items & transfers | \$ (26,268,056) | \$ (35,043,941) | \$ (39,715,893) | \$ (49,063,896) | \$ 2,906,849 |
| Special items | - | - | - | - | - |
| Transfers | 25,571,122 | 22,844,004 | 19,869,774 | 10,039,415 | (4,703,317) |
| Changes in net assets | \$ (696,934) | \$ (12,199,937) | \$ (19,846,119) | \$ (39,024,481) | \$ (1,796,468) |
| Net Assets - | | | | | |
| Beginning of Year | \$ 68,861,875 | \$ 81,061,812 | \$ 100,907,931 | \$ 139,932,412 | \$ 141,728,880 |
| Restatement | (4,982,777) | - | - | - | - |
| Net assets - End of Year | <u>\$ 63,879,098</u> | <u>\$ 68,861,875</u> | <u>\$ 81,061,812</u> | <u>\$ 100,907,931</u> | <u>\$ 139,932,412</u> |

Note: Data shown in Table 14 reflects general governmental activities reported in accordance with GASB Statement No. 34. The financial statements include a management discussion and analysis of the operating results of such fiscal year, including restatements to beginning fund balances and net assets. As of the date of this Official Statement, a copy of the FY2012 financial statement can be accessed through the City's website, <http://www.mylubbock.us/departamental-websites/departments/finance/home>.

TABLE 15 - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

| | Fiscal Year Ended September 30 | | | | |
|---|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| REVENUES | | | | | |
| Taxes | \$ 95,329,895 | \$ 90,355,175 | \$ 86,888,762 | \$ 84,711,760 | \$ 85,345,082 |
| Franchise Taxes | 5,820,803 | 4,986,937 | 7,025,122 | 6,459,207 | 7,786,611 |
| Licenses and Permits | 2,396,476 | 2,076,776 | 2,493,594 | 2,213,041 | 2,663,139 |
| Intergovernmental | 489,332 | 451,684 | 484,543 | 503,889 | 530,389 |
| Charges for Services | 2,993,191 | 3,114,280 | 2,964,001 | 2,930,335 | 3,339,148 |
| Fees and Fines | 3,447,931 | 2,996,315 | 3,047,293 | 3,315,472 | 3,279,911 |
| Miscellaneous | 2,787,312 | 2,311,429 | 2,158,723 | 1,757,534 | 2,574,448 |
| Interest | 96,249 | 25,379 | 48,895 | 327,401 | 1,052,842 |
| Total Revenues & Transfers | \$ 113,361,189 | \$ 106,317,975 | \$ 105,110,933 | \$ 102,218,639 | \$ 106,571,570 |
| EXPENDITURES | | | | | |
| Admin/General Government | \$ 10,383,779 | \$ 10,214,049 | \$ 10,572,200 | \$ 9,611,385 | \$ 11,047,039 |
| Cultural and Recreation | 12,581,932 | 11,835,432 | 11,859,275 | 11,515,865 | 12,253,380 |
| Economic & Bus. Development | 458,816 | 911,739 | 982,508 | 966,068 | 1,215,978 |
| Police | 51,853,715 | 47,799,452 | 45,018,594 | 43,539,601 | 42,831,016 |
| Fire | 37,157,096 | 33,831,932 | 31,874,544 | 30,479,464 | 29,630,222 |
| Health | 2,758,566 | 3,568,300 | 3,217,069 | 4,069,411 | 4,133,917 |
| Other Public Safety | 5,164,942 | 4,291,114 | 4,690,621 | 4,872,418 | 4,703,249 |
| Streets and Traffic | 6,624,079 | 6,162,640 | 8,904,450 | 8,013,700 | 8,168,462 |
| General Obligation Debt | 4,462,313 | 4,284,852 | 4,299,215 | 2,840,461 | 2,396,605 |
| Capital Outlay | 4,668,303 | 5,749,537 | 4,135,290 | 8,412,831 | 3,966,065 |
| Total Expenditures | \$ 136,113,541 | \$ 128,649,047 | \$ 125,553,766 | \$ 124,321,204 | \$ 120,345,933 |
| Excess (Deficiency) of Revenues and Transfers over Expenditures | \$ (22,752,352) | \$ (22,331,072) | \$ (20,442,833) | \$ (22,102,565) | \$ (13,774,363) |
| Capital Leases | \$ 5,537,998 | \$ 3,588,154 | \$ 4,015,386 | \$ 8,714,556 | \$ 3,011,141 |
| Transfer In | 26,161,287 | 24,741,193 | 19,805,805 | 19,303,155 | 17,729,361 |
| Transfer Out | (2,655,369) | (3,938,993) | (3,449,174) | (5,996,006) | (6,129,512) |
| Net Change in Fund Balance | 6,291,564 | 2,059,282 | (70,816) | (80,860) | 836,627 |
| Fund Balances - | | | | | |
| Beginning of Year | \$ 21,869,881 | \$ 19,810,599 | \$ 19,881,415 | \$ 19,962,275 | \$ 19,125,648 |
| End of Year | \$ 28,161,445 | \$ 21,869,881 | \$ 19,810,599 | \$ 19,881,415 | \$ 19,962,275 |
| Less: Nonspendable ^(a) | (105,079) | (155,079) | (128,880) | (124,955) | (168,657) |
| Unassigned Fund Balance ^{(a),(b)} | \$ 28,056,366 | \$ 21,714,802 | \$ 19,681,719 | \$ 19,756,460 | \$ 19,793,618 |

^(a) The City changed its method of accounting for fund balances per GASB Statement No. 54 as of FY 2011. Historical fund balance figures have not been restated.

^(b) The City's financial policies target a General Fund unassigned balance of at least 20% of operating revenues. The FY 2012 unassigned fund balance is at 123.8% of the target established by the City's financial policies.

TABLE 16 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations or other debt of the City. In addition, in January, 1995, voters of the City approved the imposition of an additional sales and use tax of one-eighth of a cent as authorized by Chapter 323 Texas Tax Code, as amended. Collection for the additional tax commenced in October, 1995 with the proceeds from the one-eighth cent sales tax designated for the use and benefit of the City to replace property tax revenues lost as a result of the adoption of the tax. At an election held in the City on November 4, 2003, voters approved an additional one-quarter cent sales and use tax, with the proceeds to be dedicated to the reduction of ad valorem taxation, and an additional one-eighth cent sales and use tax under Chapter 504 of the Texas Local Government Code to be used for economic development in Lubbock. The City began to receive proceeds of these taxes in October 2004. Collection and enforcement of the City's sales tax are effected through the offices of the Comptroller of Public Accounts, State of Texas. The Comptroller remits the proceeds of the tax to the City on a monthly basis after the deduction of a 2% service fee. Historical collections of the City's local Sales and Use Tax are shown below:

| FYE 30-Sep | Total Collected ^(a) | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita ^(b) |
|-----------------------|---|---|--|--------------------------------------|
| 2008 | \$ 50,548,865 | 102.75% | \$ 0.4639 | \$ 235.28 |
| 2009 | 50,705,301 | 98.23% | 0.4344 | 232.24 |
| 2010 | 51,008,384 | 95.42% | 0.4250 | 222.19 |
| 2011 | 53,672,769 | 96.22% | 0.4368 | 231.41 |
| 2012 | 57,303,792 | 96.76% | 0.4537 | 245.25 |

^(a) Excludes bingo tax receipts.

^(b) Based on population estimates of the City.

Effective as of October 1, 2006, the sales tax breakdown for the City is as follows:

| | Sales Tax Allocation % |
|---|-----------------------------------|
| City Sales & Use Tax | \$ 1.000 |
| City Sales & Use Tax for Property Tax Relief | 0.375 |
| City Sales & Use Tax for Economic Development | 0.125 |
| County Sales & Use Tax | 0.500 |
| State Sales & Use Tax | 6.250 |
| Total | <u>\$ 8.250</u> |

[Remainder of page left intentionally blank]

TABLE 17 - CURRENT INVESTMENTS

As of January 31, 2013, the City's investable funds were invested in the following categories:

| <u>Type</u> | <u>Par</u> | <u>Book Value</u> | | <u>Estimated Market Value^(a)</u> | |
|--|-----------------------|-----------------------|-------------------|---|-------------------|
| | | <u>Value</u> | <u>Value</u> | <u>% of Total</u> | <u>% of Total</u> |
| | | | <u>Book Value</u> | | <u>Market</u> |
| | | | | <u>Value</u> | <u>Value</u> |
| United States Agency Obligations | \$ 61,350,000 | \$ 61,441,814 | 13.44% | \$ 61,445,931 | 13.44% |
| Money Market Mutual Funds ^(b) | 28,434 | 28,434 | 0.01% | 28,434 | 0.01% |
| Bank Accounts | 24,599,456 | 24,599,456 | 5.38% | 24,599,456 | 5.38% |
| Local Government Investment Pools ^(c) | 371,139,016 | 371,139,016 | 81.17% | 371,139,016 | 81.17% |
| | \$ 457,116,906 | \$ 457,208,720 | 100.00% | \$ 457,212,837 | 100.00% |

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

^(b) Money Market Funds are held at Wells Fargo Bank, Texas N.A.

^(c) Local government investment pools consist of entities whose investment objectives are preservation and safety of principal, liquidity, and yield. The pool seeks to maintain a 1.00 value per share as required by the PFIA.

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TABLE 18 - MONTHLY WATER RATES

On September 13, 2012, the Lubbock City Council adopted water rate changes, effective December 1, 2012, that are designed to cover water expenses the 2012-13 fiscal year and that fully fund the debt service for a number of major water supply projects.

| <u>Base Rate ^(a)</u> | <u>Effective 12/01/12</u> | | |
|---|-------------------------------|----------------|----------------|
| 3/4" meter | | | 21.00 |
| 1" meter (single family residential) | | | 35.06 |
| 1" meter (other than residential) | | | 35.06 |
| | | | |
| <u>Flow Rate Charge per 1,000 Gallons</u> | <u>Block 1</u> | <u>Block 2</u> | <u>Block 3</u> |
| Single Family Residential | 4.00 | 5.46 | 6.55 |
| Single Family Residential Irrigation | n/a | 5.46 | 6.55 |
| Multi-Family Residential, Commercial and Public | 4.00 | 5.46 | 6.55 |
| Non-Residential Irrigation | n/a | 5.46 | 6.55 |
| Schools | 4.00 | n/a | n/a |
| Wholesale | 4.00 | 5.46 | 6.55 |

^(a) The Base Rate is for water service; Base Rates shown are for a 3/4" water meter and a 1" meter for residential and commercial customers; higher Base Rates apply to meters ranging from 1.5" to 10".

TABLE 19 - HISTORICAL WATER CONSUMPTION (MILLIONS GALLONS)

| <u>Calendar Year</u> | <u>Average Daily Consumption</u> | <u>Maximum Consumption Day/Year</u> |
|--------------------------|--|---|
| 2005 | 34.606 | 62.539 |
| 2006 | 38.400 | 68.770 |
| 2007 | 29.398 | 47.297 |
| 2008 | 32.947 | 57.176 |
| 2009 | 32.180 | 54.240 |
| 2010 | 32.690 | 50.400 |
| 2011 | 41.207 | 64.117 |
| 2012 | 36.200 | 58.100 |

TABLE 20 - WATERWORKS SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30, | | | | |
|----------------------------------|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| REVENUE | | | | | |
| Operating Revenues | \$ 73,013,404 | \$ 74,184,937 | \$ 59,474,560 | \$ 51,989,393 | \$ 42,527,445 |
| Non-Operating Revenues | 473,408 | 428,632 | 319,290 | 580,276 | 2,123,853 |
| Gross Revenues | <u>73,486,812</u> | <u>74,613,569</u> | <u>59,793,850</u> | <u>52,569,669</u> | <u>44,651,298</u> |
| EXPENSE | | | | | |
| Operating Expense ^(a) | <u>24,767,762</u> | <u>24,019,142</u> | <u>22,582,295</u> | <u>23,034,101</u> | <u>23,543,862</u> |
| Net Revenues | <u>\$ 48,719,050</u> | <u>\$ 50,594,427</u> | <u>\$ 37,211,555</u> | <u>\$ 29,535,568</u> | <u>\$ 21,107,436</u> |
| Number of Water Meters | 80,164 | 80,479 | 79,762 | 79,200 | 78,312 |

^(a) Operating expense includes construction repayment costs and operation and maintenance charges paid to Canadian River Municipal Water Authority and excludes depreciation and capital expenditures.

Note: The City has no outstanding or authorized Waterworks System Revenue Bonds, however, there is \$347,935,978 of general obligation debt outstanding which was issued for water system purposes on which annual debt service is provided from revenues of the System.

TABLE 21 - HISTORICAL WASTEWATER PLANT TREATMENT

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

| <u>Calendar Year</u> | <u>Average Treatment</u> |
|--------------------------|------------------------------|
| 2006 | 21.0 mgd |
| 2007 | 23.0 mgd |
| 2008 | 22.8 mgd |
| 2009 | 20.7 mgd |
| 2010 | 20.7 mgd |
| 2011 | 19.2 mgd |
| 2012 | 20.8 mgd |

TABLE 22 - MONTHLY WASTEWATER RATES

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

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

In July 2007, the City adopted the Strategic Water Supply Plan. The Plan recommends the Southeast Water Reclamation Plant be improved to treat all wastewater to stream discharge quality standards. On September 13, 2012, the Lubbock City Council adopted a rate increase effective December 1, 2012.

| <u>Residential</u> | <u>12/01/12</u> |
|---|-----------------|
| Base Rate ^(a) | \$14.00 |
| Flow Rate (Water Consumption) | 2.25 |
| | |
| <u>Commercial/Industrial ^(b)</u> | |
| Base Rate ^(a) | \$24.66 |
| Flow Rate (Water Consumption) | 2.25 |

^(a) The Base Rate is for wastewater service; Base Rates shown are for a 3/4" water meter for residential consumers and a 1 1/2" water meter for commercial consumers; higher Base Rates apply to larger meters ranging from 2" to 10".

^(b) Industrial waste that exceeds allowable limits is subject to surcharge for treating biochemical oxygen demand ("B.O.D.") and total suspended solids ("T.S.S."). Present surcharge rate for B.O.D. is \$0.1973/lb. and for T.S.S. is \$0.1837/lb.

TABLE 23 - WASTEWATER SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | <u>Fiscal Year Ended September 30</u> | | | | |
|----------------------------------|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| REVENUE | | | | | |
| Operating | \$ 31,626,539 | \$ 29,942,844 | \$ 26,720,757 | \$ 24,479,551 | \$ 21,095,745 |
| Non-Operating Revenues | 198,298 | 253,664 | 149,122 | 1,155,952 | 1,954,744 |
| Gross Revenues | <u>31,824,837</u> | <u>30,196,508</u> | <u>26,869,879</u> | <u>25,635,503</u> | <u>23,050,489</u> |
| EXPENSE | | | | | |
| Operating Expense ^(a) | <u>14,070,990</u> | <u>11,248,152</u> | <u>11,180,968</u> | <u>11,138,683</u> | <u>11,705,156</u> |
| Net Revenues | <u>\$ 17,753,847</u> | <u>\$ 18,948,356</u> | <u>\$ 15,688,911</u> | <u>\$ 14,496,820</u> | <u>\$ 11,345,333</u> |
| Number of Wastewater Records | 74,976 | 74,230 | 72,539 | 73,213 | 72,389 |

^(a) Operating expense excludes depreciation and capital expenditures.

TABLE 24 - MONTHLY SOLID WASTE RATES

Summarized below are the current solid waste rates of the City as of October 1, 2012.*

| | |
|---------------------------------|-------------------------|
| <u>Residential Garbage Rate</u> | |
| Monthly Rate | \$ 15.25 |
| <u>Commercial Garbage Rate</u> | |
| <u>Container Size</u> | <u>Monthly Rate</u> |
| 2 cubic yards | \$ 40.57 |
| 3 cubic yards | 60.14 |
| 4 cubic yards | 79.70 |
| 6 cubic yards | 115.38 |
| 8 cubic yards | 151.06 |
| <u>Landfill Fees</u> | |
| Tipping Fees | \$ 28.25/ton |

*Rates do not include state surcharge fees or sales tax.

TABLE 25 - SOLID WASTE SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | <u>Fiscal Year Ended September 30</u> | | | | |
|--|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
| Operating Revenues | \$ 19,483,045 | \$ 18,807,531 | \$ 17,037,506 | \$ 16,979,975 | \$ 16,754,438 |
| Non-Operating Revenues | 1,080,198 | 536,771 | 407,711 | 358,381 | 1,046,895 |
| Gross Revenues | <u>20,563,243</u> | <u>19,344,302</u> | <u>17,445,217</u> | <u>17,338,356</u> | <u>17,801,333</u> |
| Operating Expense ^(a) (excluding depreciation) | <u>12,369,491</u> | <u>11,664,568</u> | <u>13,645,668</u> | <u>12,353,610</u> | <u>12,119,969</u> |
| Net Revenues | <u><u>\$ 8,193,752</u></u> | <u><u>\$ 7,679,734</u></u> | <u><u>\$ 3,799,549</u></u> | <u><u>\$ 4,984,746</u></u> | <u><u>\$ 5,681,364</u></u> |

^(a) Operating expense excludes depreciation and capital expenditures.

TABLE 26 - MONTHLY MUNICIPAL DRAINAGE RATES

On September 8, 2011, the City Council adopted a new Drainage System rate ordinance, which became effective on October 1, 2011. The current rates are shown below.

| | Current Rates |
|---|--------------------------|
| <u>Residential Property:</u> | |
| Single Family Residential | \$ 14.00 |
| Multi-Family Residential B duplex, triplex and quadraplex (per unit): | 14.00 |
| Residential Water Sprinklers | Exempt |
| Mobile Homes and Mobile Home Parks | 14.00 |
| Construction - Residential | 14.00 |
| <u>Non-residential Property:</u> | |
| Multi-Family Commercial (per unit): | \$ 14.00 |
| Apartment Complex ^(a) | 92.92 |
| Private Schools, Churches, Federal Government | 92.92 |
| Commercial - Retail, Service, Industrial | 92.92 |
| Construction - Commercial | 92.92 |
| All Non-Residential Water Sprinklers | 92.92 |

^(a) Sprinkler meters for all apartment complexes are subject to the residential rate.

TABLE 27 - DRAINAGE UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30 | | | | |
|--|---------------------------------------|----------------------|---------------------|------------------|------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Operating Revenues | \$ 19,043,611 | \$ 16,195,959 | \$ 12,118,701 | 8,108,040 | 6,633,255 |
| Non-Operating Revenues | 135,203 | 115,841 | 68,125 | 317,750 | 951,903 |
| Gross Revenues | 19,178,814 | 16,311,800 | 12,186,826 | 8,425,790 | 7,585,158 |
| Operating Expense ^(a) (excluding depreciation) | 4,153,300 | 3,611,232 | 3,112,898 | 3,968,722 | 4,337,754 |
| Net Revenues | \$ 15,025,514 | \$ 12,700,568 | \$ 9,073,928 | 4,457,068 | 3,247,404 |

^(a) Operating expense excludes depreciation and capital expenditures.

TABLE 28 - GENERATING STATIONS

| <u>Manufacturer</u> | <u>Year Installed</u> | <u>Station</u> | <u>Prime Mover</u> | <u>Fuel</u> | <u>Generator Capacity (in MW)</u> | <u>Dependable Capacity (in MW)</u> |
|---------------------|-----------------------|------------------------------|--------------------|-------------|-----------------------------------|------------------------------------|
| Westinghouse | 1957 | J.R. Massengale No. 6 | Steam Turbine | Gas | 22 | - |
| Westinghouse | 1958 | J.R. Massengale No. 7 * | Steam Turbine | Gas | 22 | 17 |
| Westinghouse | 1964 | Cooke GT 1 | Gas Turbine | Gas | 13 | 11 |
| General Electric | 1965 | Cooke Steam 1 | Steam Turbine | Gas or Oil | 46 | 37 |
| Worthington | 1971 | Cooke GT 2 | Gas Turbine | Gas | 21 | 15 |
| General Electric | 1974 | Cooke GT 3 | Gas Turbine | Gas | 24 | 15 |
| General Electric | 1978 | Cooke Steam 2 | Steam Turbine | Gas or Oil | 54 | 39 |
| General Electric | 1990 | TX Tech (Brandon 1) | Gas Turbine | Gas | 20 | 21 |
| General Electric | 2000 | J.R. Massengale No. 8 | Gas Turbine | Gas | 40 | 39 |
| | | | | | <u>262</u> | <u>194</u> |

Note: **Bolded Units** reflect primary generation turbines.

*Planned unit repairs in fiscal year 2013 should bring Unit No. 7 up to 17 MW of dependable power.

TABLE 29 - HISTORICAL POWER SUPPLY REQUIREMENTS

| <u>Fiscal Year</u> | <u>Peak Demand</u> | | <u>Energy Sales^(a)</u> | | |
|--------------------|--------------------|-------------------|-----------------------------------|-------------------|------------------------|
| | <u>MW</u> | <u>% Increase</u> | <u>MWh</u> | <u>% Increase</u> | <u>Load Factor (%)</u> |
| 2007 | 367.1 | 0.93% | 1,535,287 | 0.70% | 47.74% |
| 2008 | 382.8 | 4.28% | 1,637,330 | 6.65% | 48.83% |
| 2009 | 399.8 | 4.44% | 1,648,375 | 0.67% | 47.07% |
| 2010 | 399.6 | -0.05% | 1,728,641 | 4.87% | 49.38% |
| 2011 | 598.4 | 49.75% | 2,587,518 | 49.69% | 49.36% |
| 2012 | 615.3 | 2.82% | 2,587,604 | 0.00% | 48.01% |

^(a) Does not include Off System sales.

| <u>Fiscal Year</u> | <u>Net System Requirements</u> | | |
|--------------------|--------------------------------|-------------------|------------------------|
| | <u>MWh</u> | <u>% Increase</u> | <u>Load Factor (%)</u> |
| 2007 | 1,614,479 | 2.09% | 50.20% |
| 2008 | 1,710,822 | 5.97% | 51.02% |
| 2009 | 1,714,673 | 0.23% | 48.96% |
| 2010 | 1,796,485 | 4.77% | 51.32% |
| 2011 | 2,709,385 | 50.82% | 51.69% |
| 2012 | 2,690,495 | -0.70% | 49.92% |

TABLE 30 - STATISTICAL DATA

| | Fiscal Year Ended September 30 | | | | |
|---|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| kWh TO SYSTEM | 3,320,107,690 | 3,339,083,410 | 2,325,235,379 | 2,048,270,571 | 2,220,605,178 |
| Sales of kWh | | | | | |
| Residential Service | 1,002,738,769 | 1,022,156,076 | 747,762,741 | 695,875,402 | 685,995,051 |
| Commercial Service | 1,398,738,900 | 1,393,503,942 | 814,428,208 | 792,398,559 | 788,148,421 |
| Municipal and Schools | 167,281,879 | 171,858,259 | 166,450,331 | 160,101,440 | 163,186,180 |
| Total Retail Sales | 2,568,759,548 | 2,587,518,277 | 1,728,641,280 | 1,648,375,401 | 1,637,329,652 |
| Wholesale Sales (Off System Sales) | 521,504,130 | 629,698,458 | 528,750,343 | 333,598,000 | 509,782,800 |
| Total Sales to All Customers | 3,217,216,735 | 3,217,216,735 | 2,257,391,623 | 1,981,973,401 | 2,147,112,452 |
| Loss and Unaccounted for | 102,890,955 | 121,866,675 | 67,843,756 | 66,297,170 | 73,492,726 |
| kWh To The System | 3,320,107,690 | 3,339,083,410 | 2,325,235,379 | 2,048,270,571 | 2,220,605,178 |
| EOFY Residential Meters | 86,474 | 83,690 | 66,816 | 65,779 | 65,063 |
| EOFY Commercial Meters | 13,471 | 12,621 | 8,003 | 7,863 | 7,808 |
| EOFY Municipal & School Meters | 1,091 | 1,052 | 1,008 | 1,010 | 1,033 |
| EOFY Total Meters | 101,036 | 97,363 | 75,827 | 74,652 | 73,904 |
| Total Plant Peak kW Demand ^(a) | 615,300 | 598,400 | 399,600 | 399,800 | 382,800 |

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

TABLE 31 - TEN LARGEST CUSTOMERS (ANNUAL CONSUMPTION AND REVENUE)

| | Fiscal Year Ended September 30, 2012 | | | |
|----------------------------------|--|-----------------------|-----------------|-----------------------|
| | Megawatt Hours^(a) Billed | % of Total | Revenues | % of Total |
| Top 10 Customers | 548,409,349 | 21.0% | \$ 30,574,893 | 16.0% |
| Top Two Customers ^(b) | 225,554,395 | 9.0% | \$ 13,930,644 | 7.0% |

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

^(b) LP&L and Texas Tech University ("Texas Tech"), the largest single customer of LP&L, entered into a 10-year agreement on July 1, 2004 under which Texas Tech agreed to purchase electricity from LP&L at the rate as provided in the agreement. Texas Tech may terminate the agreement upon reasonable notice to LP&L, in which event LP&L will wheel energy to Texas Tech in accordance with an energy delivery charge.

TABLE 32 - ANALYSIS OF ELECTRIC BILLS

| | Fiscal Year Ended September 30 | | | | |
|---------------------------------|---------------------------------------|-------------|-------------|-------------|-------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| <u>All Customer:</u> | | | | | |
| Average Monthly kWh Per Meter | 2,162 | 2,214 | 1,899 | 1,840 | 1,872 |
| Average Monthly Bill Per Meter | \$ 148.64 | \$ 162.41 | \$ 143.88 | \$ 142.38 | \$ 162.80 |
| Average Monthly Revenue Per kWh | 0.068751 | 0.073332 | 0.075737 | 0.077378 | 0.086986 |
| <u>Residential Customer:</u> | | | | | |
| Average Monthly kWh Per Meter | 981 | 1,018 | 933 | 882 | 891 |
| Average Monthly Bill Per Meter | \$ 80.67 | \$ 89.21 | \$ 82.25 | \$ 78.85 | \$ 86.95 |
| Average Monthly Revenue Per kWh | 0.082232 | 0.087651 | 0.088193 | 0.089442 | 0.097621 |
| <u>Commercial:</u> | | | | | |
| Average Monthly kWh Per Meter | 9,069 | 9,201 | 8,480 | 8,398 | 8,531 |
| Average Monthly Bill Per Meter | \$ 547.08 | \$ 590.56 | \$ 564.76 | \$ 573.97 | \$ 674.79 |
| Average Monthly Revenue Per kWh | 0.060324 | 0.064185 | 0.066596 | 0.068348 | 0.079096 |
| <u>Municipal and School:</u> | | | | | |
| Average Monthly kWh Per Meter | 13,269 | 13,620 | 13,760 | 13,213 | 13,291 |
| Average Monthly Bill Per Meter | \$ 776.45 | \$ 775.38 | \$ 806.19 | \$ 920.06 | \$ 1,068.48 |
| Average Monthly Revenue Per kWh | 0.058516 | 0.056929 | 0.058591 | 0.069633 | 0.080392 |

TABLE 33 - SIX-YEAR CAPITAL IMPROVEMENT PLAN

| Fiscal Year Ending September 30 | Total LP&L Capital Improvements |
|--|--|
| 2013 | \$ 18,894,000 |
| 2014 | 41,894,000 |
| 2015 | 37,640,000 |
| 2016 | 29,950,000 |
| 2017 | 27,350,000 |
| 2018 | 27,550,000 |
| | \$ 183,278,000 |

TABLE 34 - REVENUE BOND DEBT SERVICE REQUIREMENTS

| FY Ending 30-Sep | Outstanding Revenue Debt^(a) | | |
|---------------------------------------|---|----------------------|----------------------|
| | Principal^(b) | Interest | Total |
| 2013 | \$ 6,845,000 | \$ 2,909,440 | \$ 9,754,440 |
| 2014 | 7,100,000 | 2,632,190 | 9,732,190 |
| 2015 | 7,365,000 | 2,344,050 | 9,709,050 |
| 2016 | 7,660,000 | 2,022,850 | 9,682,850 |
| 2017 | 8,020,000 | 1,639,850 | 9,659,850 |
| 2018 | 8,380,000 | 1,258,160 | 9,638,160 |
| 2019 | 8,775,000 | 838,470 | 9,613,470 |
| 2020 | 9,115,000 | 473,800 | 9,588,800 |
| 2021 | 460,000 | 24,150 | 484,150 |
| | \$ 63,720,000 | \$ 14,142,960 | \$ 77,862,960 |
| Average Annual Principal and Interest | | 2013-2021 | \$ 8,651,440 |
| Maximum Annual Principal and Interest | | 2012/13 | \$ 9,754,440 |

^(a) Does not include The City's general obligation debt that is paid from System revenues

^(b) Principal paid October 15th of each year.

TABLE 35 - CONDENSED STATEMENT OF OPERATIONS

| | Fiscal Year Ended September 30 | | | | |
|-----------------------------|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| REVENUE | | | | | |
| Operating Revenues | | | | | |
| Charges for Services | \$ 189,882,643 | \$ 202,584,345 | \$ 143,894,317 | \$ 133,280,859 | \$ 153,679,000 |
| Non-Operating | | | | | |
| Income/(Expense) | (4,448,099) | (4,537,296) | (3,688,808) | (1,237,383) | 2,014,341 |
| Gross Revenues | <u>185,434,544</u> | <u>198,047,049</u> | <u>140,205,509</u> | <u>132,043,476</u> | <u>155,693,341</u> |
| OPERATING EXPENSE | | | | | |
| Personnel Services | \$ 17,668,284 | \$ 16,204,193 | \$ 15,157,181 | \$ 13,388,165 | \$ 12,305,453 |
| Supplies | 1,529,028 | 1,452,099 | 1,116,411 | 971,049 | 1,196,956 |
| Maintenance | 4,732,419 | 3,773,873 | 2,775,986 | 2,157,774 | 1,841,172 |
| Power Plant Fuel | 139,345 | 330,522 | 571,299 | 767,717 | 638,140 |
| Purchased Power | 125,783,206 | 133,482,888 | 87,893,388 | 76,193,108 | 112,214,828 |
| Uncollectible Accounts | 674,121 | 1,125,087 | 671,973 | 549,429 | 607,983 |
| Other Charges | 4,543,992 | 7,581,748 | 4,461,060 | 4,006,516 | 3,819,293 |
| Total Operating Expenses | <u>155,070,395</u> | <u>163,950,410</u> | <u>112,647,298</u> | <u>98,033,758</u> | <u>132,623,825</u> |
| Net Revenues ⁽¹⁾ | <u>\$ 30,364,149</u> | <u>\$ 34,096,639</u> | <u>\$ 27,558,211</u> | <u>\$ 34,009,718</u> | <u>\$ 23,069,516</u> |
| Electric Connections | 100,544 | 99,660 | 75,975 | 74,930 | 72,949 |

⁽¹⁾ 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.

TABLE 36 - COVERAGE AND FUND BALANCES

| | |
|--|---------------|
| Electric Light and Power System Revenue Available, September 30, 2012 | \$ 30,364,149 |
| Electric Light and Power System Revenue Bonds Outstanding ⁽¹⁾⁽²⁾ | \$ 63,720,000 |
| Average Annual Principal and Interest Requirements, 2013-2021 ⁽²⁾ | \$ 8,651,440 |
| Coverage by Net Revenues, Fiscal Year Ended September 30, 2012 | 3.51 x |
| Maximum Principal and Interest Requirements, 2012/13 ⁽²⁾ | \$ 9,754,440 |
| Coverage by Net Revenues, Fiscal Year Ended September 30, 2012 | 3.11 x |
| Interest and Sinking Fund, September 30, 2012 | \$ - |
| Reserve Fund, ⁽¹⁾ September 30, 2012 | \$ 11,183,220 |

⁽¹⁾ 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 principal and interest requirements of all Bonds Similarly Secured, which will be calculated each fiscal year. The City will fund the additional required reserve amount with proceeds of the Bonds.

TABLE 37 - THE CITY'S EQUITY IN THE ELECTRIC LIGHT & POWER SYSTEM

| | Fiscal Year Ended September 30 | | | | |
|---|---------------------------------------|------------------------------|------------------------------|------------------------------|---------------------------|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| Property, Plant and Equipment | \$ 404,584,111 | \$ 382,709,702 | \$ 281,632,769 | \$ 265,953,287 | 265,347,620 |
| Less: Allowance for depreciation | <u>(170,432,509)</u> | <u>(153,479,169)</u> | <u>(137,884,565)</u> | <u>(126,733,351)</u> | <u>(126,673,526)</u> |
| | 234,151,602 | 229,230,533 | 143,748,204 | 139,219,936 | 138,674,094 |
| Construction in Progress | <u>13,498,536</u> | <u>9,067,641</u> | <u>9,586,902</u> | <u>15,766,414</u> | <u>14,207,964</u> |
| Net Fixed Asset Value | 247,650,138 | 238,298,174 | 153,335,106 | 154,986,350 | 152,882,058 |
| Plus: | | | | | |
| Capital Projects Fund | | | | | - |
| Permanent Capital Maint. Fund | 2,513,954 | 3,137,148 | 3,027,763 | 4,213,325 | 3,873,363 |
| System Improvement Fund | - | - | - | - | - |
| Economic Development Fund | - | - | - | - | - |
| Rate Stabilization | - | - | - | - | - |
| Advance to Other Funds | - | - | - | - | - |
| Deferred Charge | 2,277,776 | 2,411,110 | 2,544,443 | 2,677,777 | 2,811,110 |
| Working Capital | <u>35,709,192</u> | <u>58,836,211</u> | <u>74,503,477</u> | <u>72,104,336</u> | <u>54,118,821</u> |
| Value of the System | 288,151,060 | 302,682,643 | 233,410,789 | 233,981,788 | 213,685,352 |
| <u>Net Bond Debt</u> | | | | | |
| Bonds Outstanding ⁽¹⁾ | 131,025,147 | 142,460,036 | 82,761,209 | 81,840,943 | 79,821,135 |
| Less: Interest and Sinking Fund & Reserve Fund | <u>(11,183,220)</u> | <u>(11,039,987)</u> | <u>(10,065,838)</u> | <u>(6,073,904)</u> | <u>(5,974,427)</u> |
| | 119,841,927 | 131,420,049 | 72,695,371 | 75,767,039 | 73,846,708 |
| Plus: | | | | | |
| Accrued Revenue Bond Interest | 1,989,272 | 2,168,721 | 1,100,316 | 1,189,639 | 1,217,841 |
| Accrued Vacation and Sick Leave | 5,251,199 | 4,008,623 | 2,737,253 | 2,566,369 | 2,447,686 |
| Arbitrage Rebate Liability | - | - | 20,428 | 38,455 | 72,702 |
| Net Outstanding Bonds | 127,082,398 | 137,597,393 | 76,553,368 | 79,561,502 | 77,584,937 |
| City's Equity in System | <u>\$ 161,068,662</u> | <u>\$ 165,085,250</u> | <u>\$ 156,877,849</u> | <u>\$ 154,458,741</u> | <u>136,173,117</u> |
| Percentage City's Equity in System | 55.90% | 54.54% | 67.21% | 66.01% | 63.73% |

⁽¹⁾ 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 \$54,904,745 of the \$982,440,000 in general obligation bonds outstanding as of fiscal year-end 2012.

TABLE 38 - 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 57% of LP&L customers are billed under the Standard Residential rate schedule shown below with another 29% qualifying for a discounted winter residential rate by having whole house electric heating. Approximately 7.13% 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, Transmission General Service, Municipal, Street Light, Church and Small Municipal/School.

| | Residential | |
|--|-------------|-------------------|
| Service Availability Charge | | \$ 5.60 per month |
| All kilowatt hours ("kWh") per month @ \$0.053550 per kWh used during summer months. | | |
| All kWh per month @ \$0.043930 per kWh used during winter months (Standard Residential Rate) | | |
| All kWh per month @ \$0.033470 per kWh used during winter months (Space Heating Discount Residential Rate) | | |
| Summer Months: June - September | | |
| Winter Months: October - May | | |

Plus: Fuel/Power Cost Adjustment Factor ⁽¹⁾

| | Small General Service | |
|--|-----------------------|--------------------|
| Service Availability Charge | | \$ 10.91 per month |
| All kilowatt hours ("kWh") per month @ \$0.044450 per kWh used during summer months. | | |
| All kWh per month @ \$0.035040 per kWh used during winter months. | | |

Summer Months: June - September
 Winter Months: October - May

Plus: Fuel/Power Cost Adjustment Factor ⁽¹⁾

⁽¹⁾ FUEL/POWER COST

ADJUSTMENT FACTORS

APPLICABLE: To all rate classes except State University

TERRITORY: Lubbock, Texas

SECONDARY DISTRIBUTION FUEL COST ADJUSTMENT FACTOR: The Secondary Distribution Fuel Cost Adjustment factor (SFCA) will be determined in accordance with the following formula for retail customers when service is metered at secondary voltages of approximately 600 volts and below:

$$SFCA = (TGF + TWF +/- TA)/TES$$

TGF = Estimated total generation fuel costs, inclusive of all costs incurred by LP&L in procuring fuel, used for the month in LP&L's power plants to provide power to retail customers.

TWF = Estimated total of all wholesale purchased power fuel costs, including the cost of any wind energy in excess of the average cost of energy purchased, to be passed on to LP&L for the month to provide power to retail customers.

TA = Total adjustment for any under or over collected amounts, including interest, based on the secondary fuel cost adjustment factor from previous months.

TES = Estimated total energy sales in kWhs to retail customers.

PRIMARY DISTRIBUTION FUEL COST ADJUSTMENT FACTOR: The Primary Distribution Fuel Cost Adjustment factor (PFCA) will be determined in accordance with the following formula for retail customers when service is metered at primary voltages of approximately 12kV:

$$PFCA = 0.987440 \times SFCA$$

TRANSMISSION FUEL COST ADJUSTMENT FACTOR: The Transmission Fuel Cost Adjustment factor (TFCA) will be determined in accordance with the following formula for retail customers when service is metered at transmission voltages of approximately 69kV:

$$TFCA = 0.941347 \times SFCA$$

POWER COST ADJUSTMENT FACTOR: The Power Cost Adjustment Factor (PCAF) will be determined in accordance with the following formula for retail customers in order to recover purchased power costs, including wind energy, cogeneration purchases, and similar costs incurred through any wholesale purchases, that are considered to be in excess of amounts recovered in the base rates. For customers on a non-demand rate, the resulting power cost adjustment factor may be combined with the appropriate fuel cost adjustment factor for billing purposes. For customers on a demand rate, the power cost adjustment factor will be a separate charge.

$$PCAF = ((TPP +/- TA) * DAF) / (TES \text{ or } TDS)$$

- TPP = Estimated total of all purchased power costs for the month in excess of amounts recovered in the base rates.
- TA = Total adjustment for any under or over collected amounts, including interest, of the power cost recovery factor from previous months.
- TES = Estimated total energy sales in kWhs to retail customers on a non-demand rate.
- TDS = Estimated total demand sales in kW to retail customers on a demand rate.
- DAF = Demand allocation factor for each rate class as shown:

| Rate Class | Demand Allocation Factor |
|--------------------------|--------------------------|
| Residential | 0.307514 |
| Small General Service | 0.028577 |
| Commercial/Industrial | 0.630790 |
| Small Municipal & School | 0.001137 |
| Large Municipal & School | 0.028265 |
| Street Lighting | 0.003716 |
| Total | 1.000000 |

FUEL/POWER COST ADJUSTMENT: For competitive purposes, without further action being taken by the City Council of the City of Lubbock, Lubbock Power & Light may adjust the total Fuel/Power Cost Adjustment Factor, so that the total Fuel/Power Cost Adjustment Factor is no greater than all applicable fuel and power cost recovery factors charged by any electric utility certificated to serve within the corporate limits of Lubbock, Texas and approved by the Public Utility Commission of the State of Texas. Such factors may include but not be limited to base fuel factors, surcharge factors, surcharge interest factors, refunds, and power cost recovery factors.

EFFECTIVE DATE: For all electric meters read by LP&L on or after October 29, 2010.