



Meeting Date: March 30, 2023 **Agenda Type:** Action Items

From: Kimberly Huffman **Reviewed by:** Dawn Schriewer
Accounting Manager Chief Financial Officer

Submitted by: Dawn Schriewer **Approved by:** Ian Taylor
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Approval of the Fiscal Year 2024 Budget and Five Year Operating Plan

BACKGROUND

NBU’s Proposed Budget and Financial Operating Plan (“FOP”) for fiscal years 2024-2028 was presented at the Budget Workshop that was held on March 27, 2023. The proposed Budget and FOP has not been modified from the material that was presented at the Budget Workshop. The fiscal year 2024 Budget and FOP include the following assumptions: incorporates a growth model that averages out to a 4.9% growth rate for the combined lines of businesses across the five years; inclusion of capital contributions from the Mayfair development; the addition of 34 new personnel positions for fiscal years 2024 and 2025, and 21 new positions in fiscal years 2026, 2027, and 2028; and an inflation factor for personnel and non-personnel expenses for all years of the plan due to rising costs. Additionally, the plan includes a modified plan for filling the Power Stabilization Fund to a target balance of \$95M by fiscal year 2028 based on a statistical analysis conducted by The Energy Authority. The budget plan includes acting on recommendations from the cost of service study with a target to have electric capital at 50% cash funded by fiscal year 2027, and ensure water revenues are increased enough for a positive net available for capital funding.

FINANCIAL IMPACT

For fiscal year 2024, Net Revenues Available for Capital Expenditures are projected to be \$21.1 Million, which is a \$32.7 Million change from the FY23 budget of \$(11.6) Million. Projected capital expenditures for fiscal year 2024 are estimated to be \$211.6 Million, which is a \$76.3 Million increase from the fiscal year 2023 budget. This is mostly due to shifting out major capital projects like the main headquarters. Overall, the \$211.6 Million funding requirement due to the items above will be provided as follows:

- Utilization of NBU’s Commercial Paper Program of \$74.8 Million
- New Bond Issuance of \$50.4 Million
- Impact fees of \$16.8 Million
- Contribution in Aid of Construction and Grants of \$16.8 Million
- Texas Water Development Board Funding of \$29.8 Million
- Revenue and excess funds of \$23.0 Million

The five-year fiscal year 2024 FOP incorporates the following preliminary service revenue requirements:

- Electric revenue requirements of 4.8% effective August 1, 2023. Requirements of 5.9% effective August 1, 2024, 4.6% effective August 1, 2025, 3.8% effective August 1, 2026, and 1.2% effective August 1, 2027.
- Water revenue requirements of 9.1% effective August 1, 2023, 13.4% effective August 1, 2024, 13.6% effective August 1, 2025, 11.8% effective August 1, 2026 and 2027.
- Wastewater revenue requirements of 7.3% effective August 1, 2023 and 2024, and 7.7% effective August 1, 2025, 2026 and 2027.

Over the projected five fiscal years, capital expenditures are estimated to total \$1,003.3 Million, while total borrowings are estimated to be \$586.6 Million. NBU's projected Debt Service Coverage ratio in the last year of the FOP (FY28) is estimated to be 2.86x. NBU's Debt to Capitalization ratio is estimated to decrease from 54% (FY 2027 of FY 2023-2027 FOP) to 53% (FY 2027 of FY 2024-2028 FOP).

- The fiscal year 2024 Budget and FOP advances NBU's goal of maintaining a capital plan that will proactively meet the demands of growth in the New Braunfels area. The projections reflect NBU's continued commitment to be fiscally responsible and control costs. If approved, the FOP would be effective for fiscal year 2024 beginning on August 1, 2023.

LINK TO STRATEGIC PLAN

Customers and Community

Financial Excellence

EXHIBITS

None