



Meeting Date: June 27, 2024 **Agenda Type:** Items from Staff

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

Submitted by: Dawn Schriewer **Approved by:** Ryan Kelso
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Approval of the Fiscal Year 2025 Budget and Five-Year Operating Plan

BACKGROUND

NBU’s Proposed Budget and Financial Operating Plan (“FOP”) for fiscal years 2025-2029 was presented at the Budget Workshop that was held on May 30, 2024. The proposed Budget and FOP has not been modified from the material that was presented at the Budget Workshop. The fiscal year 2025 Budget and FOP include the following assumptions: incorporates a growth model that averages out to a 3.9% growth rate for the combined lines of businesses across the five years; sewerage development fee for the Mayfair developer project; the addition of 31.5 new personnel positions for fiscal years 2025, and 21 new positions in fiscal years 2026-2029; and an inflation factor for personnel and non-personnel expenses for all years of the plan due to rising costs. Additionally, the plan includes filling the Power Stabilization Fund to a target balance of \$95.0 Million by fiscal year 2028 based on an evaluation by The Energy Authority. The five-year budget plan includes \$180.0 Million in impact fee revenues, \$27.9 Million in capital contributions, and the inclusion of the Main Office Plaza sale proceeds in fiscal years 2025-2028.

FINANCIAL IMPACT

For fiscal year 2025, Net Revenues Available for Capital Expenditures are projected to be \$38.1 Million, which is a \$16.7 Million change from the FY24 budget of \$21.1 Million. Projected capital expenditures for fiscal year 2025 are estimated to be \$221.4 Million, which is a \$9.8 Million increase from the fiscal year 2024 budget. This is mostly due to shifting out major capital projects in water and support projects like the main headquarters. Overall, the \$221.4 Million funding requirement due to the items above will be provided as follows:

- Utilization of NBU’s Commercial Paper Program of \$75.0 Million
- New Bond Issuance of \$36.8 Million
- Impact fees of \$25.2 Million
- Contribution in Aid of Construction and Grants of \$6.3 Million
- Texas Water Development Board Funding of \$40.0 Million
- Revenue and excess funds of \$38.1 Million

The five-year fiscal year 2025 FOP incorporates the following preliminary service revenue requirements:

- Electric revenue requirements of 5.9% effective August 1, 2024. Requirements of 4.6% effective August 1, 2025, 3.8% effective August 1, 2026, 1.2% effective August 1, 2027, and 1.6% effective August 1, 2028.
- Water revenue requirements of 13.4% effective August 1, 2024, 13.6% effective August 1, 2025, 11.8% effective August 1, 2026, 2027, and 2028.
- Wastewater revenue requirements of 7.7% effective August 1, 2024, and each year after for the remainder of the plan (fiscal years 2026-2028).

Over the projected five fiscal years, capital expenditures are estimated to total \$1,058.7 Million, while total borrowings are estimated to be \$645.7 Million. NBU's projected Debt Service Coverage ratio in the last year of the FOP (FY29) is estimated to be 2.40x. NBU's Debt to Capitalization ratio is estimated to increase from 53% (FY 2028 of FY 2024-2028 FOP) to 54% (FY 2029 of FY 2025-2029 FOP) in the last year of the plan.

- The fiscal year 2025 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 2025 beginning on August 1, 2024.

LINK TO STRATEGIC PLAN

Recognized as a Trusted Community Partner Dedicated to Excellence in Service

Maintain a Competitive Bond Rating

EXHIBITS

None