



Meeting Date: May 26, 2026 **Agenda Type:** Action Items

From: Jessica Coleman **Reviewed by:** John Warren
Financial Planning and Director of Financial Planning and
Analysis Manager Analysis

Submitted by: Jessica Williams **Approved by:** Ryan Kelso
Chief Financial Officer Chief Executive Officer

RECOMMENDED ACTION: Discuss and Consider Adoption of Resolution R-2026-216 Relating to the Issuance of Short Term Obligations and Resolving Other Matters Incident and Related Thereto

BACKGROUND

As a participant in the Electric Reliability Council of Texas (“ERCOT”) wholesale electric market, NBU is required to maintain financial collateral to support market activities and satisfy ERCOT credit requirements to cover NBU’s Total Potential Exposure (TPE). This exposure includes financial obligations arising from settlements in the Day-Ahead Market (DAM) and Real-Time Market (RTM). ERCOT accepts three primary forms of collateral: cash, surety bond, and letter of credit (“LOC”).

NBU is pursuing this LOC to replace its current cash collateral, which will release approximately \$9 million in cash back to the NBU’s operational funds. By utilizing an LOC, NBU will maintain its required market standing with ERCOT while increasing its cash liquidity for other infrastructure projects and operational needs.

NBU’s municipal advisor solicited proposals from several qualified financial institutions for the LOC, and Wells Fargo Bank, N.A. was selected based on their competitive terms and compliance with ERCOT’s strict issuer rating and concentration limits.

The proposed LOC will:

- Satisfy ERCOT collateral and credit support requirements.
- Reduce the amount of NBU cash required to remain on deposit with ERCOT.
- Improve liquidity and financial flexibility.
- Preserve cash reserves for operating needs, emergencies, and capital funding needs.
- Diversify NBU’s collateral management strategy.

The LOC does not represent new debt issued for capital spending purposes, but rather a contingent credit support instrument used to support participation in the ERCOT market.

NBU staff requests that the Board approve resolution #R-2026-216 authorizing the issuance of the LOC facility in an amount not to exceed \$25,005,000.00 and authorizing the execution of related agreements and documents necessary to support ERCOT collateral requirements. The proposed timeline includes City Council authorization of the issuance of the LOC facility on June 8, 2026, and access to the LOC by mid-June 2026.

FINANCIAL IMPACT

Approval of the LOC is expected to release to NBU approximately \$9 million of currently restricted cash collateral held by ERCOT. NBU will incur annual bank fees associated with maintaining the LOC facility; however, NBU staff believes the liquidity and financial flexibility benefits outweigh the associated costs.

The LOC transaction is expected to:

- Improve available liquidity and cash management flexibility.
- Reduce reliance on maintaining large cash balances as ERCOT collateral.
- Support ongoing financial resiliency and operational readiness.
- Provide flexibility in managing future ERCOT collateral requirements.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Resolution# R-2026-216