Financial Roadmap Phase 2

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NEW BRAUNFELS UTILITIES

Glossary

Strategic Planning & Policy

Budget Policy
Establishes the principles and framework for developing, adopting, managing, and monitoring the budget.

Debt Policy
Establishes guidelines for when and how debt is used, structured, and managed to support capital needs and long-term financial stability.

Financial Roadmap
NBU's coordinated approach to aligning capital funding, rates, budgeting, financial policies, and long-term financial planning.

Rate Policy
Establishes principles for setting and adjusting utility rates to support cost recovery, financial sustainability, affordability, and rate stability.

Three-Year Rate Plan
A multi-year rate strategy designed to align revenues with projected operating costs, capital investment, debt requirements, and long-term financial needs.

Capital & Infrastructure Financing

Capital Improvement Program (CIP)
A multi-year plan identifying major capital projects, their estimated costs, timing, and funding needs.

Commercial Paper (CP)
Short-term debt used to provide flexible, interim financing for capital projects before permanent financing is issued.

Impact Fee
A fee assessed on new development to recover an appropriate share of infrastructure costs necessary to serve growth.

Impact Fee Study
An analysis of projected growth, infrastructure needs, and eliglble capital costs used to calculate and support impact fees.

LSLR
Lead Service Line Replacement - A program to identify and replace lead service lines within the water system.

Principal Forgiveness
Financing assistance under which an eligible portion of borrowed funds does not have to be repaid.

Reimbursement Resolution
Establishes an organization's intent to reimburse itself with future debt proceeds for eligible capital expenditures paid before the debt is issued.

Accounting, Reporting & Agencies

ACFR
Annual Comprehensive Financial Report - NBU's annual audited financial statements and related financial information.

GASB
Governmental Accounting Standards Board - Establishes accounting and financial reporting standards for U.S. state and local governments.

GASB 103
A financial reporting standard that updates the financial reporting model, including MD&A; and the presentation of operating and nonoperating revenues and expenses.

GASB 104
A financial reporting standard that expands disclosures for certain types of capital assets.

GFOA
Government Finance Officers Association - A professional organization that establishes recognized best practices for public-sector financial management.

ERCOT
(Electric Reliability Council of Texas) - The organization that manages Texas's electric grid and wholesale electricity market, helping ensure reliable electric service by balancing supply and demand.

Strategic Roadmap for Financial Excellence

- Organizational Alignment
- Budget Modernization
- Transparency Enhancements
- Capital & Debt Strategy
- Governance
- Liquidity Optimization

Where We Are. Where We're Going. Why It Matters.

Pending Phase 1 Initiatives

Core Systems Integration

Enterprise Resource Planning (ERP)
IN PROGRESS

Fund Accounting
IN PROGRESS

Executed in conjunction with the ERP implementation.

GFOA Compliance & Awards

Budget Award
IN PROGRESS

Updating budget documents and creating reports based on GFOA Budget Award criteria in preparation for future award submission

Popular Annual Financial Report (PAFR)
COMPLETE

Pending award submission results from GFOA.

Completed Phase 1 Initiatives

Phase 1 Accomplishments: Strengthening Our Financial Foundation

Capital & Financing

Series 2026 Bond Issuance: Completed long-term financing supporting capital investment and refunding existing obligations.

TWDB LSLR Series 2026A: Completed Phase 1 financing. Included **$490K** in zero-interest financing and **$510K** in principal forgiveness.

Commercial Paper Program: Increased capacity to provide flexibility for capital funding and short-term liquidity.

ERCOT LOC: **$9M** collateral returned to NBU and replaced with a Letter of Credit.

Policy & Governance

Financial & Investment Policies: Updated and received approval, strengthening governance and aligning with current practices.

Budget Integration: Incorporated policies directly into the budget document, connecting financial policy, planning, and budgeting.

Budget in Brief: created first budget in brief document for the FY2026 - FY2027 Budget.

Expanded Financing Capacity | **Reduced Financing Costs** | **Strengthened Liquidity** | **Enhanced Financial Governance**

Priorities & Timeline

Strategic Focus

Capital Funding → Reporting → Growth Funding → Rate Strategy → Budget Alignment → Financial Governance

Sep 2026
FY 2027 Reimbursement Resolution (based on CIP funding needs)
NBU Board approval

FY2026 Financial Audit
December 2026 – Board presentation, including GASB Statement No. 103 and No. 104 updates

Mar/Apr 2027
Impact Fee Study
March 2027 – 1st & 2nd City Council readings and approval
April 2027 – NBU Board approval

Mar/Apr 2027
Three-Year Rate Plan
March 2027 – NBU Board approval
April 2027 – 1st & 2nd City Council readings and approval

June 2027
FY2028 Budget
June 2027 – NBU Board adoption

Policy Updates: Develop and adopt Debt, Rate and Budget Policies to align with the Financial Road Map and long-range financial planning.

Bridging Capital: Reimbursement Resolutions

60 Days

Intent must be declared within 60 days of expenditure.

18 Months

Reimbursement generally executed within 18 months.

CRITICAL GOVERNANCE: This resolution **does NOT authorize debt issuance.** Separate Council approval is strictly required to issue bonds.

FY 2026 Audit & Reporting Updates

Implementing **GASB 103 & 104** for clearer, more consistent, and transparent governmental financial statements.

Board Takeaway: Updates impact reporting presentation and disclosure only.

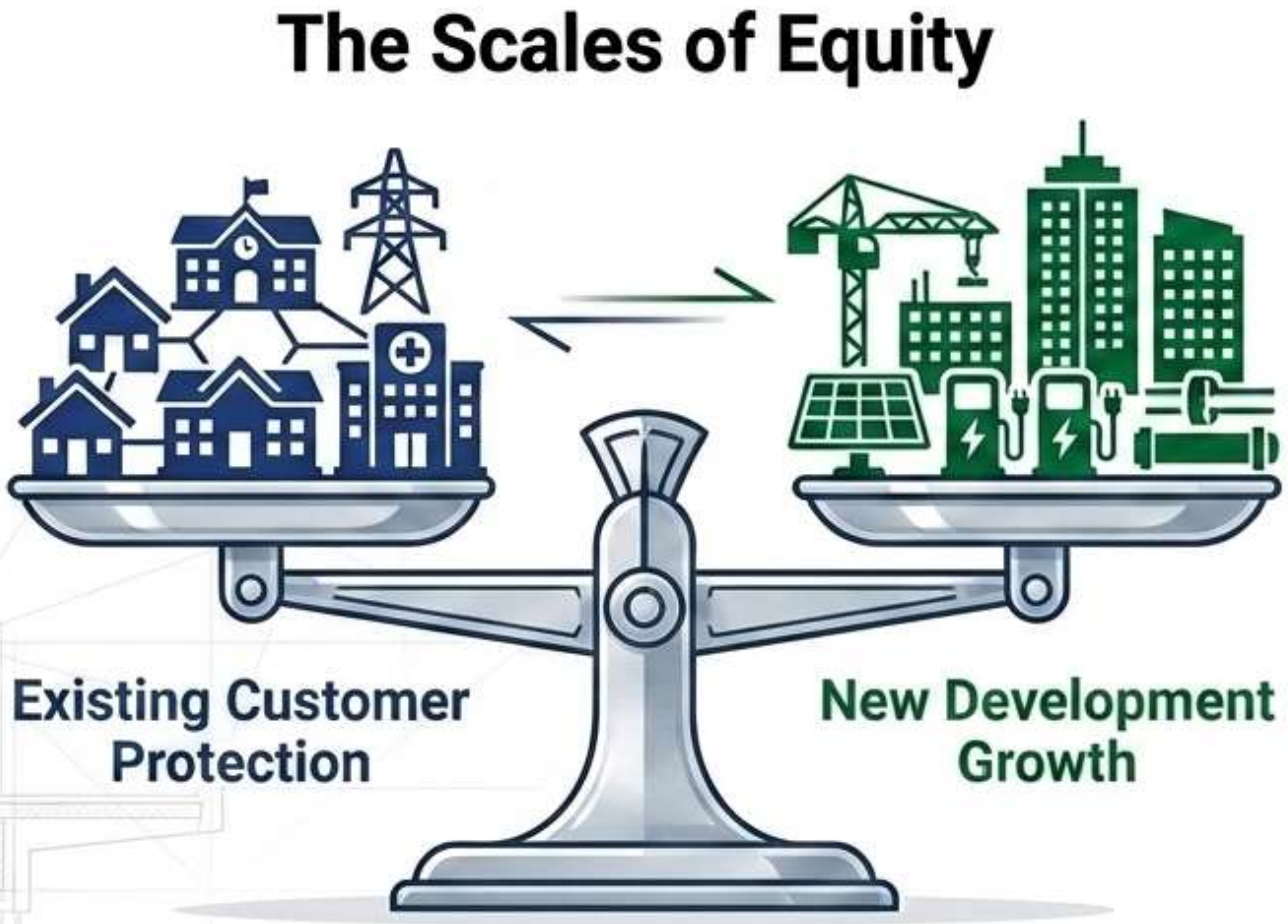
GASB 103: Financial Reporting Model Improvements

- Updates financial statement and MD&A presentation.
- Clarifies operating vs. nonoperating revenue/expense definitions.
- Enhances consistency and comparability of financial information.

GASB 104: Disclosure of Certain Capital Assets

- Expands capital asset disclosures.
- Requires more detail on leases, subscriptions, intangibles, and assets held for sale.
- Improves transparency of capital asset nature and composition.

What is an Impact Fee?



Project.
Forecast future growth and anticipated demand for utility services to identify necessary capacity-building capital projects.

Calculate.
Determine eligible infrastructure costs that can be recovered and mathematically calculate the maximum allowable impact fee.

Balance.
Support the development, consideration, and adoption of recommended fees to balance growth-related costs.

Policy Alignment

	Debt Policy	Rate Policy	Budget Policy
Strategic Framework	Establishes guidelines for when and how debt is structured and managed to support long-term capital needs and financial stability.	Establishes the framework for setting utility rates to ensure sufficient revenues for operations, capital, debt, and sustainability.	Establishes guiding principles for developing, adopting, and monitoring the annual budget while supporting long-term stability.
GFOA Best Practice Mandates	Adopt a comprehensive, written debt management policy and conduct periodic reviews.	Establish formal policies and strategies for user fees, defining purpose, cost-recovery objectives, and periodic review.	Formally adopt written financial policies guiding operating budgets, structural balance, reserves, revenues, and long-term planning.

Financial Roadmap: Status Dashboard

COMPLETED: Phase 1 Foundation

Capital & Liquidity Optimization

- Executed Series 2026 Bond issuance and TWDB financing.
- Expanded Commercial Paper capacity; returned $9M in ERCOT collateral.

Policy & Governance Wins

- Approved updated Financial & Investment Policies.
- Created FY2026-FY2027 Budget in Brief and finalized the PAFR.

PENDING: Active Initiatives

Core System Modernization

- Implementing Enterprise Resource Planning (ERP) integration with new Fund Accounting system.

Ongoing Compliance

- Updating budget documents for GFOA Budget Award submission.

NEW: Phase 2 Integration

Regulatory Transparency

- Implementing GASB 103 and 104 for FY2026 audit.
- Executing FY2027 Reimbursement Resolution
- Impact Fee Study
- Debt, Rate, and Budget Policies
- Three-year rate plan
- FY2028 Budget Adoption


Questions?