



---

|                      |  |                     |  |
|----------------------|--|---------------------|--|
| <b>Meeting Date:</b> | <u>May 29, 2025</u>                              | <b>Agenda Type:</b> | <u>Action Items</u>                          |
| <b>From:</b>         | <u>Kimberly Huffman</u><br>Accounting Manager    | <b>Reviewed by:</b> | <u>John Warren</u><br>Director of Finance    |
| <b>Submitted by:</b> | <u>Dawn Schriewer</u><br>Chief Financial Officer | <b>Approved by:</b> | <u>Ryan Kelso</u><br>Chief Executive Officer |

**RECOMMENDED ACTION:** Discuss and Consider Approval of the Fiscal Year 2026 Budget and Five-Year Operating Plan

---

## BACKGROUND

---

NBU’s Proposed Budget and Financial Operating Plan (“FOP”) for Fiscal Years 2026-2030 was presented at the Budget Workshop that was held on May 15, 2025. The proposed Budget and FOP has not been modified from the material that was presented at the Budget Workshop. The Fiscal Year 2026 Budget and FOP include the following assumptions: incorporates a growth model that averages out to a 5.1% growth rate for the combined lines of businesses across the five (5) years; sewerage development fee for the Mayfair developer project; the addition of 28 new positions for Fiscal Year 2026, 33 new positions for Fiscal Year 2027, and 18 new positions for Fiscal Years 2028-2030; a 5% average merit increase; 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. The five-year budget plan includes \$142.0 Million in impact fee revenues, \$23.6 Million in capital contributions, and inclusion of the Main Office Plaza sale proceeds in fiscal years 2026-2028.

## FINANCIAL IMPACT

---

For Fiscal Year 2026, Net Revenues Available for Capital Expenditures are projected to be \$23.1 Million, which is a \$15.0 Million decrease from the FY25 budget of \$38.1 Million. Projected capital expenditures for fiscal year 2026 are estimated to be \$283.9 Million, which is a \$62.5 Million increase from the Fiscal Year 2025 budget. This is mostly due to shifting out major capital projects in water, wastewater, and support projects. Overall, the \$283.9 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 \$140.1 Million
- Impact fees of \$23.5 Million
- Contribution in Aid of Construction and Grants of \$4.1 Million
- Texas Water Development Board Funding of \$19.0 Million

- Revenue and excess funds of \$23.1 Million

The five-year Fiscal Year 2026 FOP incorporates the following preliminary service revenue requirements:

- Electric revenue requirements of 4.7% effective August 1, 2025. Requirements of 3.2% effective August 1, 2026, 1.2% effective August 1, 2027, 1.6% effective August 1, 2028, and 1.3% effective August 1, 2029. Electric rate increase are only applied to the delivery charge and electric services availability charge.
- Water revenue requirements of 9.9% effective August 1, 2025, and each year after for the remainder of the plan (fiscal years 2027-2030).
- Wastewater revenue requirements of 7.7% effective August 1, 2025, and each year after for the remainder of the plan (fiscal years 2027-2030).

Over the projected five (5) Fiscal Years, capital expenditures are estimated to total \$1,097.9 Million, while total borrowings are estimated to be \$711.5 Million. NBU's projected Debt Service Coverage ratio in the last year of the FOP (FY30) is estimated to be 2.62x. NBU's Debt-to-Capitalization ratio is estimated to increase from 54.33% (FY 2029 of FY 2025-2029 FOP) to 54.63% (FY 2030 of FY 2026-2030 FOP) in the last year of the plan.

- The Fiscal Year 2026 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 budget plan focuses on information technology infrastructure such as enhancing our customer information system and a new Enterprise Resource Planning (ERP) system that will create further efficiencies. The projections reflect NBU's continued commitment to be fiscally responsible and control costs, and demonstrates investments to meet the needs and expectations of the community and our customers. If approved, the FOP would be effective for fiscal year 2026, beginning on August 1, 2025.

## **LINK TO STRATEGIC PLAN**

### **Financial Excellence**

## **EXHIBITS**

None