



Meeting Date: June 25, 2026 **Agenda Type:** Consent Items for Action

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

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

RECOMMENDED ACTION: Approve Proposed Changes to the New Braunfels Utilities Financial Policy, Including the Addition of the Power Stabilization Fund

BACKGROUND

After a review of NBU’s current Financial Policy, NBU staff recommends that the policy be amended as described herein.

The proposed revisions streamline the Financial Policy by replacing narrative and historical language with clearer governance-focused guidance, defining key terms, and reorganizing the policy into a more structured framework. Major changes include clarifying financial objectives, emphasizing long-term financial stability, liquidity, credit quality, and market access; formalizing the flow of funds hierarchy; and updating the Debt Service Coverage (“DSC”) requirement to meet or exceed 2.25x. This DSC update aligns with rating agency recommendations for balancing financial resilience, capital funding needs, and long-term rate affordability.

The proposed revisions also update the City Transfer methodology for the water and wastewater systems by increasing the transfer percentage from 4.35% to 5.00%. This recommendation is the result of a benchmarking analysis of comparable municipal utilities and discussions between City staff and NBU staff regarding long-term financial practices. The updated percentage more closely aligns the transfer methodology with prevailing industry practices while maintaining a predictable and transparent framework for the City's return on its investment in the utility systems.

In addition, the revisions consolidate and simplify debt, investment, and risk management provisions and incorporate the Power Stabilization Fund (“PSF”) into the Financial Policy as a dedicated section, replacing the standalone PSF policy currently in place. Changes to the PSF and System Contingency Fund further clarify the framework for fund management and use and better align those reserves with the overall structure and objectives of the Financial Policy.

Overall, the proposed changes shift the policy from a largely descriptive document to a more concise, principle-based governance policy that reflects current financial management practices, supports long-term financial sustainability, and enhances Board oversight responsibilities.

NBU's Financial Policy was last reviewed and approved on December 14, 2023.

FINANCIAL IMPACT

The proposed revisions to the Financial Policy are not expected to have a material operational impact; however, the update to the City Transfer methodology for the water and wastewater systems will modestly increase the annual transfer to the City by increasing the transfer percentage from 4.35% to 5.00%.

This change reflects the results of a benchmarking analysis and aligns NBU's transfer methodology more closely with industry best practices and the shared objectives of the City and NBU. The anticipated financial impact is expected to increase proportionally with future growth in utility revenues and the associated expansion of the Capital Improvement Program, providing a sustainable and predictable framework that balances the City's financial interests with NBU's long-term infrastructure and operational needs.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Redlined Financial Policy
2. Clean Financial Policy