



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

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: Discuss and Consider Approval of the Proposed Fiscal Year 2027 Budget

BACKGROUND

NBU’s Proposed Budget and Capital Improvement Plan (“CIP”) for Fiscal Years 2027-2031 was presented at the Budget Workshop that was held on June 11, 2026. The proposed Budget and CIP has not been modified from the material that was presented at the Budget Workshop. The Fiscal Year 2027 Budget and CIP include the following assumptions: incorporates a 2.2% inflation rate on Operating and Maintenance expenses; a maximum of 5.0% interest rate for long-term debt; the addition of 17 new positions for Fiscal Year 2027; a 5% average merit increase; and an aging infrastructure replacement target of 2.5% of plant in service.

FINANCIAL IMPACT

For Fiscal Year 2027, Net Revenues Available for Capital Expenditures are projected to be \$24.8 Million, which is a \$1.7 Million increase from the Fiscal Year 2026 budget of \$23.1 Million. Projected capital expenditures for Fiscal Year 2027 are estimated to be \$244.2 Million, which is a \$39.7 Million decrease from the Fiscal Year 2026 budget. This is mostly due to a decrease in support projects as the headquarters project is underway. Overall, the \$244.2 Million funding requirement due to the items above will be provided as follows:

- Utilization of NBU’s Commercial Paper Program of \$125.0 Million
- New Bond Issuance of \$15.8 Million
- Prior Fiscal Year Debt Issuance of \$49.4 Million
- Impact fees of \$19.2 Million
- Contribution in Aid of Construction and Grants of \$4.5 Million
- Texas Water Development Board Funding of \$5.6 Million
- Revenue and excess funds of \$24.7 Million

The Fiscal Year 2027 budget incorporates the following service revenue requirements, as previously approved by the Board in May 2025 and City Council in June 2025 as part of the Fiscal Year 2026 and Fiscal Year 2027 rate plan:

- Electric revenue requirements of 3.2% effective August 1, 2026.
- Water revenue requirements of 9.9% effective August 1, 2026.
- Wastewater revenue requirements of 7.7% effective August 1, 2026.

Over the projected five (5) Fiscal Years, capital expenditures are estimated to total \$899.6 Million, while total borrowings are estimated to be \$404.3 Million. NBU's projected Debt Service Coverage ratio in the last year of the Financial Operating Plan (Fiscal Year 2031) is estimated to be 3.07x and remains above the policy minimum. NBU's Debt-to-Capitalization ratio is estimated to decrease from 54.63% (Fiscal Year 2030 of Fiscal Year 2026-2030 Financial Operating Plan) to 51.60% (Fiscal Year 2031 of Fiscal Year 2027-2031 Financial Operating Plan) in the last year of the plan and remains below the policy limit.

If approved, the budget would be effective for Fiscal Year 2027, beginning on August 1, 2026.

LINK TO STRATEGIC PLAN

Financial Excellence

EXHIBITS

1. Fiscal Year 2027 Budget Presentation