Financial Operating Plan for Fiscal Year 2027

Budget and Forecasted Fiscal Years 2027-2031

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NEW BRAUNFELS UTILITIES

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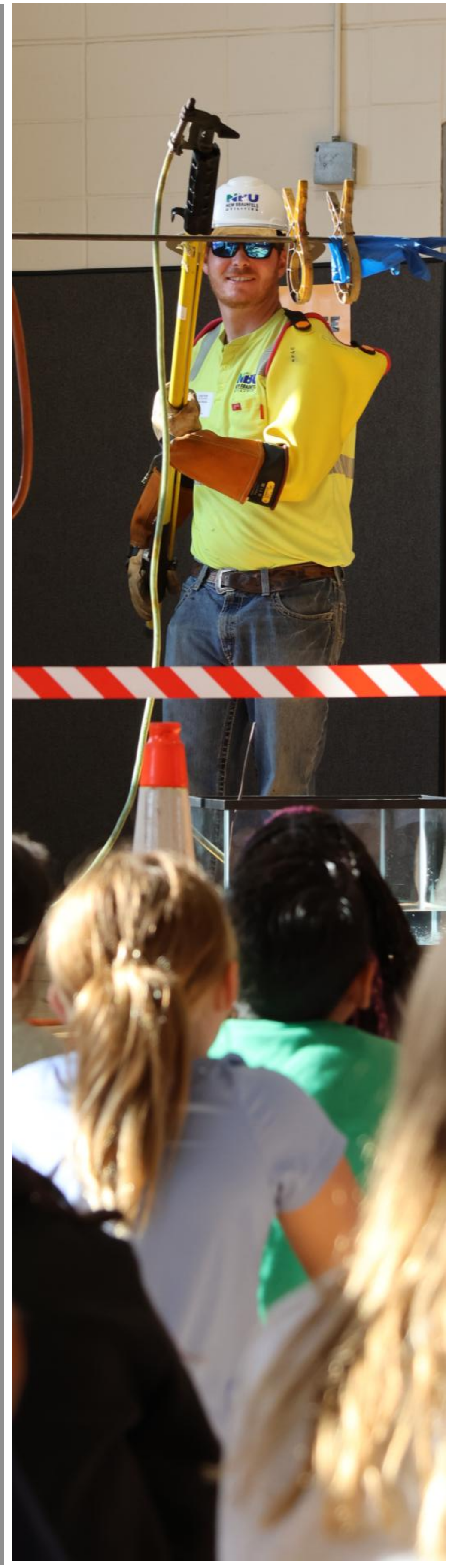


Introduction

New Braunfels Utilities (NBU) is a municipally owned, non-profit utility responsible for providing electric, water, and wastewater services within its certificated territories. Dedicated to serving the community by providing reliable, essential services, NBU strives to build lasting customer confidence through dedicated service. This commitment is reflected in the organization's core values: prioritizing safety, embracing a family approach to teamwork, acting with integrity, serving as accountable public stewards, and putting people first with a customer-focused mindset.

Supported by utility revenues rather than taxes, ownership of NBU resides with its customers, who fund locally established rates for electric, water, and wastewater services. Governed by a Board of Trustees composed of local residents appointed by the New Braunfels City Council, customers have a voice in how NBU is maintained and operated.

NBU's financial planning process is deliberate, with a focus on sustaining financial strength, maintaining and expanding infrastructure, meeting customer needs, and responsibly managing long-term affordability.

The process is multifaceted and incorporates the impact of changing variables such as customer growth, regulatory compliance, infrastructure requirements, operating costs, capital investment needs, and the economic climate.

Development of the Financial Operating Plan involves participation from management and senior leadership and is inclusive of the Board of Trustees, where communication, guidance, and feedback are encouraged. The Financial Operating Plan focuses on identifying the funding necessary to continue essential utility services, replace aging infrastructure, meet community goals, account for growth, and support reinvestment in the utility system.

During development of the fiscal year 2027 budget and financial plan, NBU management evaluated staffing, operating, and capital needs to reduce costs where appropriate while maintaining regulatory compliance, system reliability, and long-term financial sustainability. NBU's fiscal year 2027 budget is balanced, with revenues and other financing sources aligned with expenditures, capital investment, and other financing uses.

Financial Summary

New Braunfels Utilities (NBU) continues to experience increasing service demands, driven by customer growth, system needs, and expectations for reliable utility services. The Fiscal Year 2027 Budget and Fiscal Year 2027–2031 Financial Operating Plan (FOP) are designed to address these needs while supporting regulatory compliance and preserving long-term financial sustainability.

For Fiscal Year 2027, NBU projects $370.5 million in total operating revenues and $309.6 million in total operating expenses. NBU has also budgeted $244.2 million for capital expenditures to address service demands, renew and replace existing infrastructure, support system reliability, meet regulatory compliance, and maintain customer service levels.

Weather patterns, customer growth, usage trends, and approved revenue sufficiency adjustments influence revenue projections. During development of the FOP, NBU reviewed revenue assumptions, operating costs, staffing needs, capital project timing, debt requirements, and liquidity targets to refine the plan and support long-term affordability.

Overall, the Fiscal Year 2027 Budget and Fiscal Year 2027–2031 FOP position NBU to support the community's future service needs while investing in critical infrastructure, maintaining financial policy compliance, and supporting customer expectations for reliable utility services.

Income and Cash Flow

The Fiscal Year 2027 FOP sets total operating expenses of $309.6 million, including purchased power, purchased water, operating expenses, and depreciation. This represents an increase of $24.1 million, or 8.4%, over the Fiscal Year 2026 budget of $285.5 million. The increase consists of $7.1 million in purchased power costs, $1.4 million in purchased water costs, $5.8 million in operating expenses, and $9.8 million in depreciation. The operating budget was developed to support NBU's commitment to providing reliable electric, water, and wastewater services while remaining attentive to cost management and long-term affordability.

Total operating revenues are projected at $370.5 million for Fiscal Year 2027, an increase of $41.7 million from the Fiscal Year 2026 budget of $328.8 million. This total comprises operating revenues from NBU's Electric, Water, and Wastewater lines of business, as detailed in the respective financial statements presented later in the FOP. The increase reflects approved revenue sufficiency adjustments, customer growth, usage assumptions, and other planning factors across the three lines of business.

For Fiscal Year 2027, Net Revenues Available for Capital are projected to total $24.8 million, an increase of $1.7 million from the Fiscal Year 2026 budget of $23.1 million.

These net revenues represent operating revenues remaining after funding operating expenses, debt service, and other required obligations. They are not an accumulated surplus or unassigned fund balance; rather, they are a planned component of NBU's financial strategy and provide an important source of funding for infrastructure projects included in the capital improvement plan.

Projected capital expenditures for Fiscal Year 2027 total $244.2 million, a decrease of $39.7 million from the Fiscal Year 2026 budget of $283.9 million. The decrease primarily reflects updated project schedules, revised capital assumptions, and changes in planned support-related capital spending. In addition to the current capital plan, NBU has identified potential future infrastructure needs within the Water Services capital program based on current growth projections and system capacity analyses. These potential future needs are presented separately in the Water Services capital schedule and are not included in the $244.2 million Fiscal Year 2027 capital expenditure total. The need, timing, and scope of certain projects will depend on actual customer growth and system demand, and funding sources have not been finalized. NBU will reevaluate these projects through future capital-planning and budget processes while considering system reliability, financial sustainability, and customer affordability.

NBU will continue to monitor revenues, operating expenses, debt service requirements, capital spending, and liquidity to ensure that cash flows remain sufficient to support reliable utility service, infrastructure investment, and financial stability.

Revenue

Residential electric and water consumption are significantly influenced by weather conditions, customer growth, usage patterns, and approved revenue sufficiency adjustments. Due to the potential for fluctuations in weather and customer usage, NBU analyzes historical consumption patterns, forecasted customer growth, rate assumptions, and other planning factors to develop revenue projections for each line of business.

Electric sales by rate class are projected at $235.9 million. The projection reflects historical consumption trends, anticipated customer growth, applicable rates, approved revenue sufficiency adjustments, and projected residential, commercial, and industrial kilowatt-hour sales. Including recoveries associated with allocated indirect costs and other electric operating revenue categories, total electric operating revenues are projected at $261.4 million.

Water service revenues are projected at $58.2 million. Water consumption is particularly sensitive to weather, seasonality, drought conditions, and potential usage restrictions. NBU develops its water revenue projection using anticipated customer growth, historical consumption, weather and drought assumptions, and projected usage by customer class and billing tier. Projected consumption is then applied to the applicable rates. Including other water operating revenue and antenna lease revenue, total water operating revenues are projected at $59.1 million.

Wastewater service revenues are projected at $49.6 million. The projection reflects anticipated customer growth, customer classifications, applicable rates, and approved revenue sufficiency adjustments. Including other wastewater operating revenue, total wastewater operating revenues are projected at $50.0 million.

Customer growth remains a primary driver of NBU's revenue projections and long-range financial planning. For Fiscal Year 2027, NBU is projecting net customer growth, based on service connection assumptions, of 4.71% for electric, 3.71% for water, and 3.02% for wastewater. Continued customer demand in New Braunfels and the surrounding service area is expected to place additional pressure on NBU's electric, water, and wastewater systems. The Fiscal Year 2027 Budget and Fiscal Year 2027–2031 FOP include initiatives and capital investments intended to ensure NBU maintains sufficient system capacity to meet customer demand and service expectations

Operating Expenses

NBU's Fiscal Year 2027 operating expense budget, excluding purchased power, purchased water, and depreciation, totals $76.4 million, compared to the Fiscal Year 2026 budget of $70.6 million. The increase primarily reflects personnel costs and other non-personnel expenses associated with operating and maintaining NBU's electric, water, and wastewater systems.

For the Fiscal Year 2027 budget, personnel planning includes 17 additional full-time equivalent positions focused on operational needs, increased service demands, regulatory compliance, and reliability.

NBU also reviewed operating and capital equipment budgets during the budget development process to align staffing, service levels, and infrastructure needs with long-term affordability and financial sustainability.

Capital Funding and Debt Metrics

For Fiscal Year 2027, NBU has budgeted $244.2 million for capital expenditures. The capital plan includes investments in electric, water, and wastewater systems, technology, facilities, and other infrastructure needed to support system capacity, renewal and replacement, reliability, regulatory compliance, and customer service. The capital plan also includes continued funding for the development of NBU's new headquarters.

The Fiscal Year 2027 capital funding requirement is expected to be funded through a combination of debt financing, internally generated funds, impact fees, and external funding sources. Funding of $190.1 million is expected to come from new and existing debt sources, including $140.7 million in new debt and $49.4 million in prior debt proceeds. The remaining funding is expected to include $19.2 million in impact fees, $4.5 million in Contributions in Aid of Construction and grants, $5.6 million in Texas Water Development Board funding, and $24.8 million in revenues and excess funds. NBU utilizes long-term debt financing and short-term commercial paper as funding strategies.

Over the five-year FOP period, capital expenditures are estimated to total $899.6 million, while planned new debt principal borrowings are estimated to total $404.3 million. NBU's projected Debt Service Coverage ratio is estimated at 3.07x in Fiscal Year 2031, the final year of the FOP, and remains above the policy minimum. NBU's Debt-to-Capitalization ratio is also projected to remain within policy limits, reaching an estimated 51.60% in Fiscal Year 2031.

The projected debt and leverage ratios reflect NBU's planned use of debt financing to support a significant capital improvement program while maintaining compliance with NBU's financial policies. NBU also continues to evaluate future capital funding needs through the annual budget and long-range financial planning processes as project scopes, timing, cost estimates, and funding sources are refined.

Financial Policy Compliance and Stewardship

The Fiscal Year 2027 Budget and Fiscal Year 2027–2031 FOP remain compliant with NBU's financial policies, including Debt Service Coverage, Debt-to-Capitalization, and liquidity targets. Maintaining adequate liquidity supports operating flexibility, capital planning, emergency response, and long-term financial stability throughout the five-year planning period.

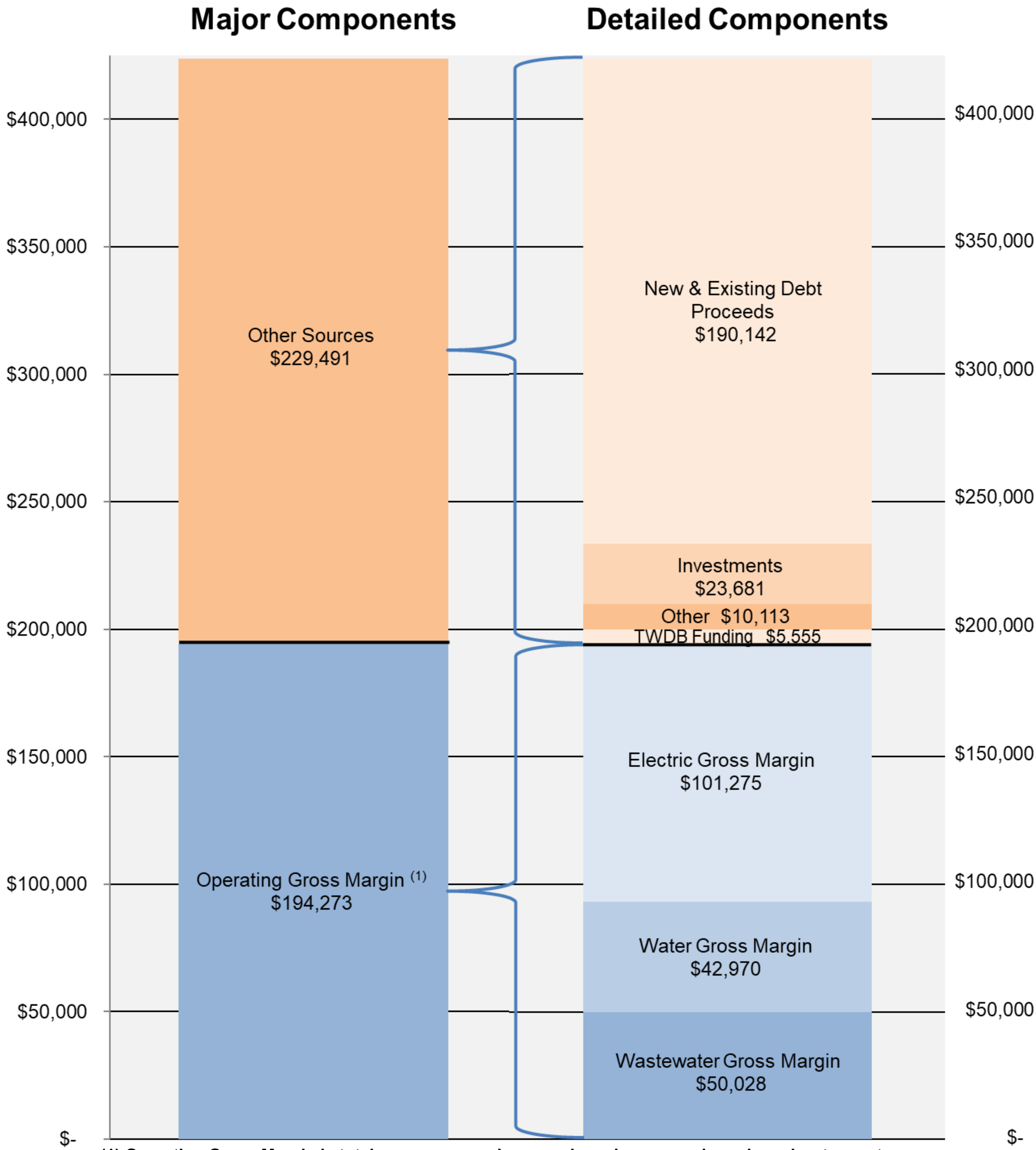
During development of the FOP, NBU reviewed revenue assumptions, operating costs, staffing needs, capital project timing, debt requirements, and liquidity targets to refine the plan and support long-term affordability. These refinements updated projected revenue sufficiency needs in the outer years of the plan based on current assumptions, while aligning capital investment with available funding sources and supporting reliability, regulatory compliance, infrastructure investment, and long-term financial sustainability.

Combined Operating Budget $ In Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Volumes/Rates					
kWh (,000)	2,016,203	2,096,801	2,163,021	2,230,397	2,299,233
Rate per kWh	$ 0.12665	$ 0.13191	$ 0.12955	$ 0.13349	$ 0.14126
Gal (,000)	4,490,328	4,657,398	4,777,903	4,948,979	5,131,844
Rate per gal (,000)	$ 12.97	$ 13.66	$ 13.93	$ 14.89	$ 15.59
Operating Revenues					
Electric Services	$ 240,359	$ 261,579	$ 280,209	$ 297,733	$ 324,801
Water Services	58,219	63,609	66,536	73,711	80,016
Sewer Services	49,618	53,578	57,835	62,492	67,513
PCA - Power Stabilization Fund	15,000	15,000	-	-	-
Electric Other	1,556	1,632	1,712	1,795	1,883
Transmission Cost of Service	3,698	3,698	3,698	3,698	3,698
Pole Attachments	722	758	795	834	875
Water Other	661	681	701	722	744
Water Antenna Lease	254	262	270	278	286
Sewer Other	410	423	436	450	464
Total Operating Revenues	**$ 370,498**	**$ 401,220**	**$ 412,193**	**$ 441,713**	**$ 480,280**
Operating Expenses					
Purchased Power	$ 160,061	$ 174,869	$ 185,839	$ 195,393	$ 214,441
Purchased Water	16,164	15,553	15,939	18,309	19,276
Operating Expenses	76,444	78,644	83,917	88,120	93,397
Depreciation	56,966	67,189	76,820	86,972	91,429
Total Operating Expenses	**$ 309,635**	**$ 336,254**	**$ 362,514**	**$ 388,794**	**$ 418,542**
Net Operating Income	**$ 60,863**	**$ 64,966**	**$ 49,679**	**$ 52,918**	**$ 61,737**
Non-Operating Revenue/(Expense)					
Interest Income	$ 7,104	$ 6,546	$ 6,187	$ 6,391	$ 6,820
Interest Expense	(42,015)	(43,643)	(49,694)	(51,962)	(51,396)
Intergovernmental Expense	(14,220)	(15,910)	(17,982)	(19,848)	(21,122)
Impact Fees	22,976	29,503	35,639	39,138	40,965
Capital Participation Fee (GBRA)	1,184	1,723	587	-	-
Development Fee (Mayfair)	3,916	5,221	5,221	6,527	7,832
Services & Jobbing	1,048	1,079	1,112	1,145	1,179
Other/G&A/Capital Contributions-Electric	(3,140)	(3,680)	(4,305)	(5,052)	(5,957)
Total Nonoperating Rev/(Exp)	**$ (23,147)**	**$ (19,160)**	**$ (23,235)**	**$ (23,661)**	**$ (21,679)**
Change in Net Position	**$ 37,716**	**$ 45,806**	**$ 26,444**	**$ 29,258**	**$ 40,059**
Add Back					
Depreciation	$ 56,966	$ 67,189	$ 76,820	$ 86,972	$ 91,429
Interest Expense	42,015	43,643	49,694	51,962	51,396
Intergovernmental Expense	14,220	15,910	17,982	19,848	21,122
Net Available for Debt Service	**$ 150,917**	**$ 172,548**	**$ 170,940**	**$ 188,039**	**$ 204,006**
Minus					
Debt Service	$ (53,535)	$ (56,528)	$ (64,905)	$ (68,653)	$ (68,773)
Restricted Funds	(22,976)	(29,503)	(35,639)	(39,138)	(40,965)
Intergovernmental Expense	(14,220)	(15,910)	(17,982)	(19,848)	(21,122)
Power Stabilization Fund	(15,000)	(15,000)	-	-	-
Reserve Funding	(20,403)	(19,400)	(26,080)	(5,253)	(7,929)
Net Revenues Available for Capital	**$ 24,784**	**$ 36,207**	**$ 26,333**	**$ 55,147**	**$ 65,217**
Capital Expenditures					
Electric Projects	$ 41,159	$ 32,350	$ 51,619	$ 42,368	$ 34,098
Water Projects	66,010	76,988	48,329	54,224	34,868
Wastewater Projects	69,444	74,223	63,481	62,253	57,423
Support Projects	62,122	10,631	160	85	85
Total Capital Projects	**$ 238,734**	**$ 194,192**	**$ 163,588**	**$ 158,930**	**$ 126,475**
Total Capital Equipment	5,428	3,219	2,733	2,300	3,990
Total Capital Expenditures	**$ 244,162**	**$ 197,411**	**$ 166,321**	**$ 161,230**	**$ 130,465**
Capital Expenditures – Funding					
New Debt Requirement¹	$ 140,767	$ 81,716	$ 101,383	$ 64,445	$ 16,038
Impact Fees - Capital Projects	19,205	22,809	27,844	33,439	40,965
CIAOC & Grants	4,476	6,426	8,935	5,570	4,790
Revenue	18,512	16,208	14,658	34,671	35,307
LOB Transfer/CIP Funding	6,272	19,999	11,675	20,476	29,911
TWDB Funding	5,555	629	1,827	2,629	3,455
Prior Debt Proceeds Available	49,376	49,624	-	-	-
Total Capital Funding	**$ 244,162**	**$ 197,411**	**$ 166,321**	**$ 161,230**	**$ 130,465**
Excess Funds Utilized to Fund Capital	**$ 6,272**	**$ 19,999**	**$ 11,675**	**$ 20,476**	**$ 29,911**
Debt Service Excluding Commercial Paper	**$ 51,148**	**$ 54,297**	**$ 62,674**	**$ 66,422**	**$ 66,541**
Debt Service Coverage	**2.95**	**3.18**	**2.73**	**2.83**	**3.07**
Adj. Debt Service Coverage (Including City Transfer)	**2.67**	**2.88**	**2.44**	**2.53**	**2.75**

¹New debt requirement may vary from actual debt issued.

**Minor discrepancies in totals are due to independent rounding.*

SOURCES OF NET FUNDS AVAILABLE
$ in Thousands



(1) Operating Gross Margin is total gross revenue less purchased power and purchased water costs.

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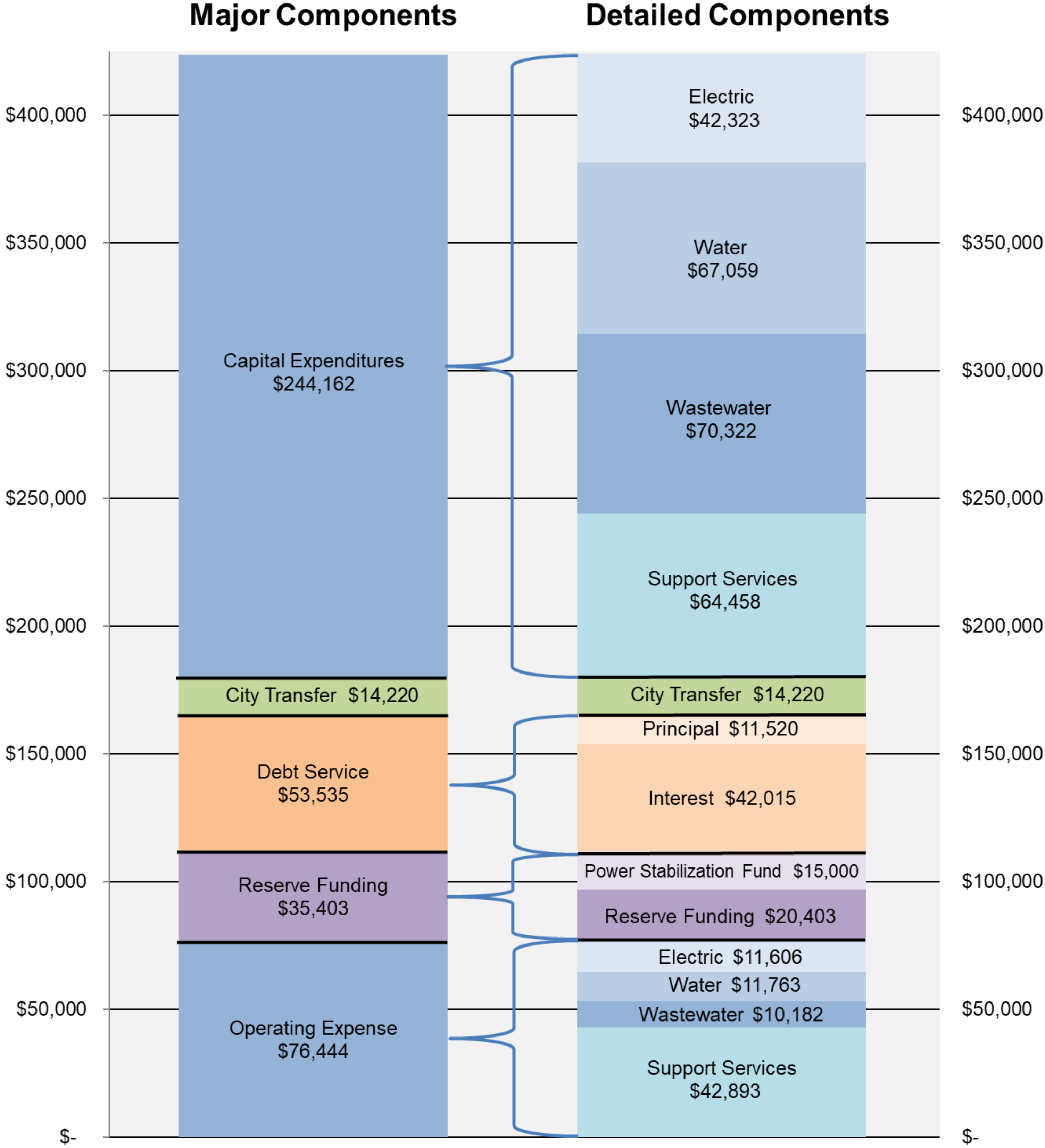
USES OF NET FUNDS AVAILABLE
$ in Thousands



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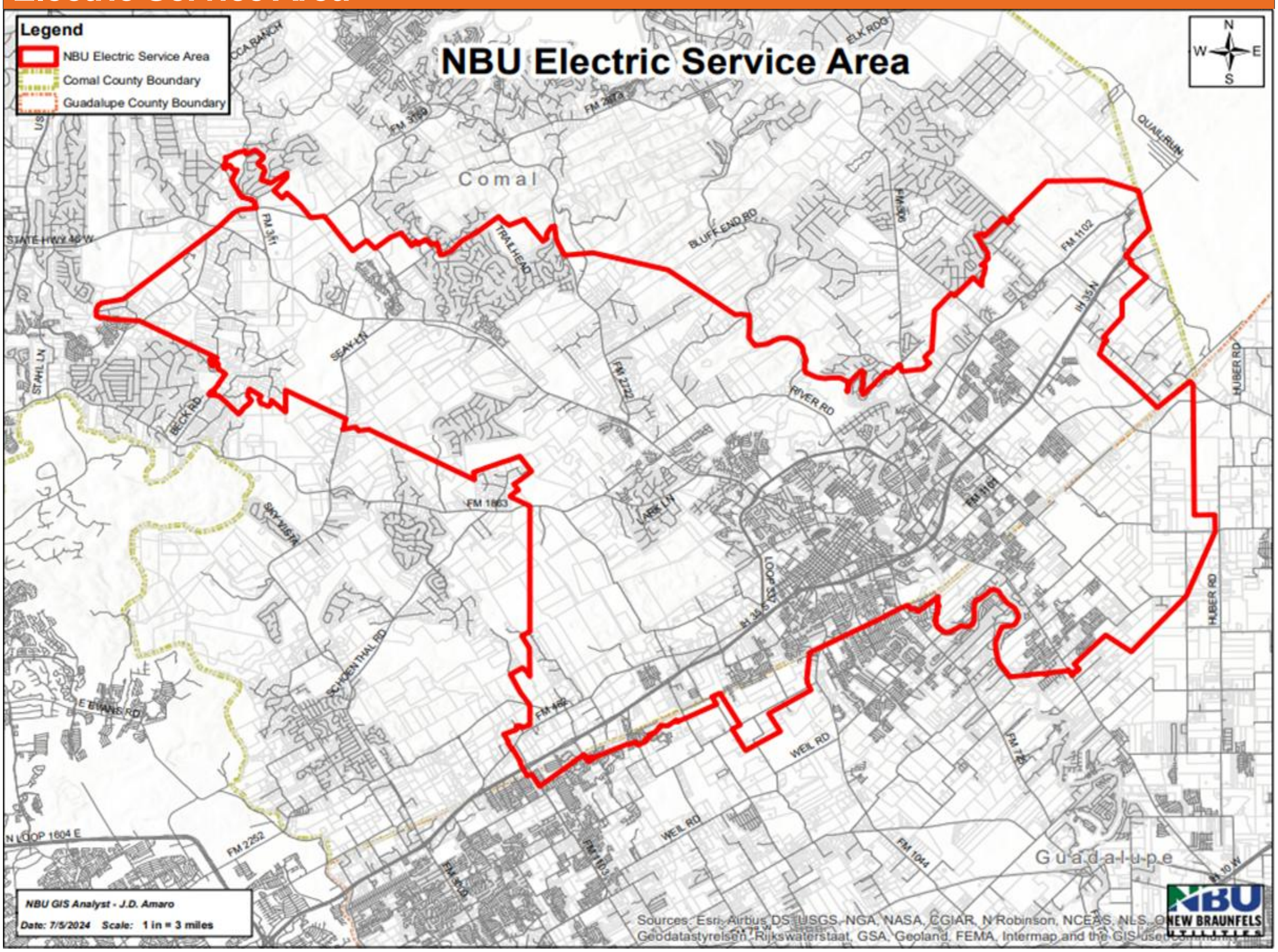
ELECTRIC SERVICES

Electric Statistics	Fiscal Year 2026
Megawatt-hours Sold (in thousands)	1,867
Active Electric Meters	64,929
Residential Electric Meters	58,076
Miles of Overhead Distribution	628.8 miles
Miles of Underground Distribution	514.0 miles
Number of Substations	12
System Average Interruption Duration Index (SAIDI)	42.17 minutes
Customer Average Interruption Duration Index (CAIDI)	58.40 minutes
Coincident Peak Demand	391.6 MW
Non-Coincident Peak Demand	447.6 MW

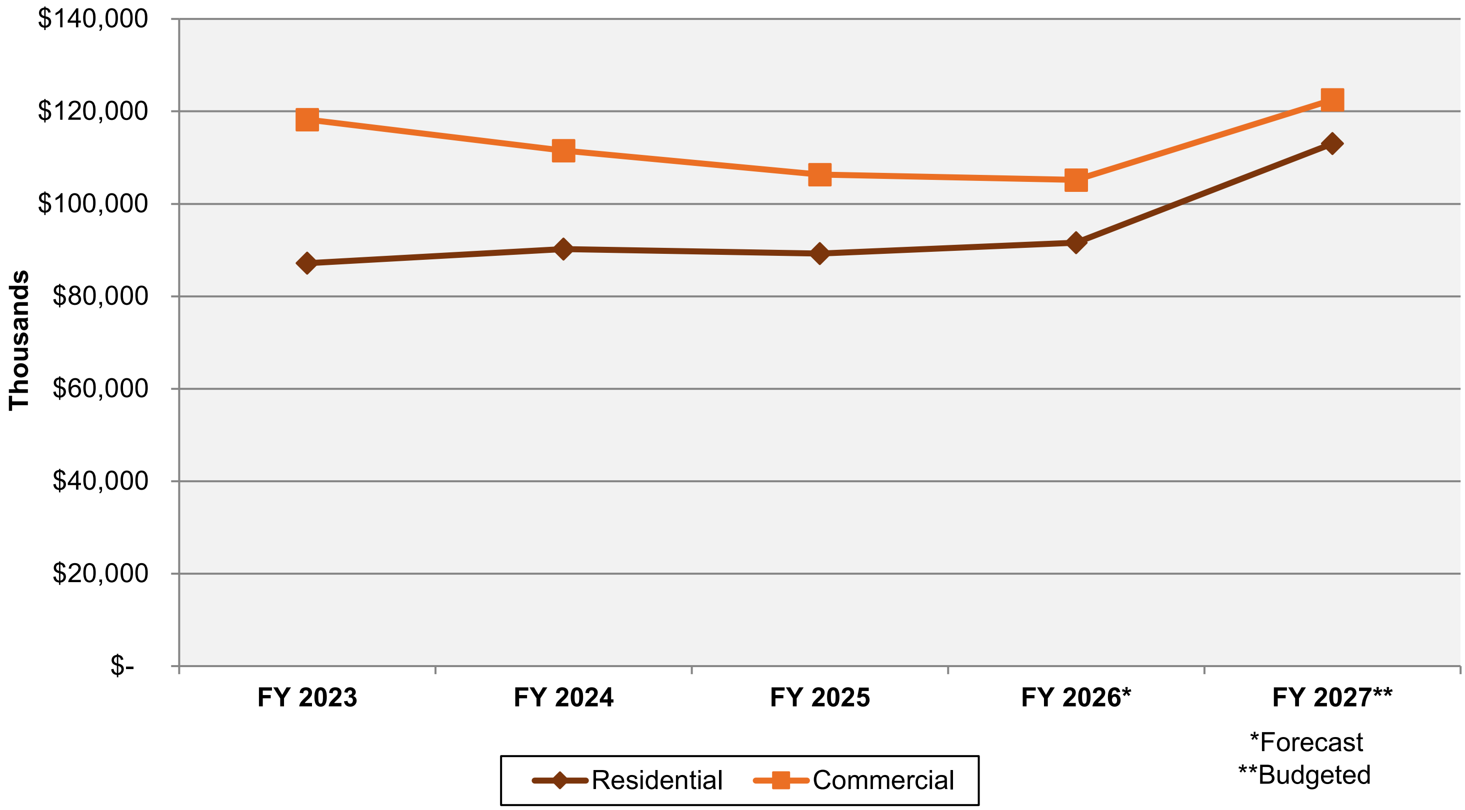
Electric Service Area



Electric Operating Budget $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Operating Revenues					
Electric Service	$ 240,359	$ 261,579	$ 280,209	$ 297,733	$ 324,801
PCA-Power Stabilization Fund	15,000	15,000	-	-	-
Electric / Penalties	1,556	1,632	1,712	1,795	1,883
Transmission Cost of Service	3,698	3,698	3,698	3,698	3,698
Pole Attachment Lease	722	758	795	834	875
Total Operating Revenues	**$ 261,335**	**$ 282,667**	**$ 286,414**	**$ 304,060**	**$ 331,257**
Operating Expenses					
Purchased Power	$ 160,061	$ 174,869	$ 185,839	$ 195,393	$ 214,441
Operating Expenses	11,606	11,959	13,003	13,762	14,585
Depreciation	15,245	17,461	19,391	20,964	22,010
Total Operating Expenses	**$ 186,912**	**$ 204,289**	**$ 218,234**	**$ 230,119**	**$ 251,036**
Net Operating Income	**$ 74,423**	**$ 78,379**	**$ 68,180**	**$ 73,941**	**$ 80,221**
Non-Operating Revenue/(Expense)					
Merchandise	$ 1	$ 1	$ 1	$ 1	$ 1
Miscellaneous	1,269	1,331	1,396	1,465	1,536
General & Administrative					
Bad Debt	(601)	(654)	(701)	(744)	(812)
Interest Expense	(7,329)	(7,506)	(9,565)	(9,947)	(11,009)
Total Non-Operating Revenue/(Expense)	**$ (6,660)**	**$ (6,827)**	**$ (8,869)**	**$ (9,226)**	**$ (10,284)**
Net Income Before Allocation	**$ 67,764**	**$ 71,551**	**$ 59,311**	**$ 64,715**	**$ 69,937**
Income Allocation	$ 3,890	$ 3,618	$ 3,448	$ 3,567	$ 3,801
Expense Allocation	(27,745)	(29,196)	(31,895)	(34,356)	(36,624)
Change in Net Position	**$ 43,908**	**$ 45,973**	**$ 30,865**	**$ 33,926**	**$ 37,114**
Add Back					
Depreciation	$ 15,245	$ 17,461	$ 19,391	$ 20,964	$ 22,010
Interest Expense	7,329	7,506	9,565	9,947	11,009
Intergovernmental Expense	10,575	11,790	13,298	14,694	15,531
Net Available for Debt Service	**$ 77,057**	**$ 82,729**	**$ 73,120**	**$ 79,531**	**$ 85,664**
Minus					
Debt Service	$ (9,505)	$ (9,923)	$ (12,595)	$ (13,305)	$ (14,492)
Intergovernmental Expense	(10,575)	(11,790)	(13,298)	(14,694)	(15,531)
Power Stabilization Fund	(15,000)	(15,000)	-	-	-
Reserve Funding	(15,314)	(15,778)	(20,692)	(3,188)	(5,785)
Net Revenues Available for Capital	**$ 26,663**	**$ 30,238**	**$ 26,534**	**$ 48,344**	**$ 49,857**
Capital Expenditures					
Projects	$ 41,159	$ 32,350	$ 51,619	$ 42,368	$ 34,098
Equipment	1,165	1,481	440	578	1,285
Support Services Allocated Capital	15,491	2,879	336	303	291
Total Capital Expenditures	**$ 57,814**	**$ 36,710**	**$ 52,394**	**$ 43,249**	**$ 35,674**
Capital Expenditures – Funding					
New Debt Requirement	$ 21,460	$ 11,238	$ 28,600	$ 9,811	$ 10,938
CIAOC & Grant Funding	4,096	4,488	8,935	5,570	4,790
Revenue	20,392	10,239	14,859	27,868	19,946
Prior Debt Proceeds Available	11,866	10,744	-	-	-
Total Capital Funding	**$ 57,814**	**$ 36,710**	**$ 52,394**	**$ 43,249**	**$ 35,674**
Excess Funds Utilized to Fund Capital	**$ 6,272**	**$ 19,999**	**$ 11,675**	**$ 20,476**	**$ 29,911**
Debt Service Excluding Commercial Paper	**$ 9,142**	**$ 9,616**	**$ 11,966**	**$ 12,966**	**$ 12,970**
Debt Service Coverage	**8.43**	**8.60**	**6.11**	**6.13**	**6.60**
Adjusted Debt Service Coverage (Including City Transfer)	**6.99**	**7.15**	**4.75**	**4.87**	**4.84**

**Minor discrepancies in totals are due to independent rounding.*

Electric Revenue by Rate Class



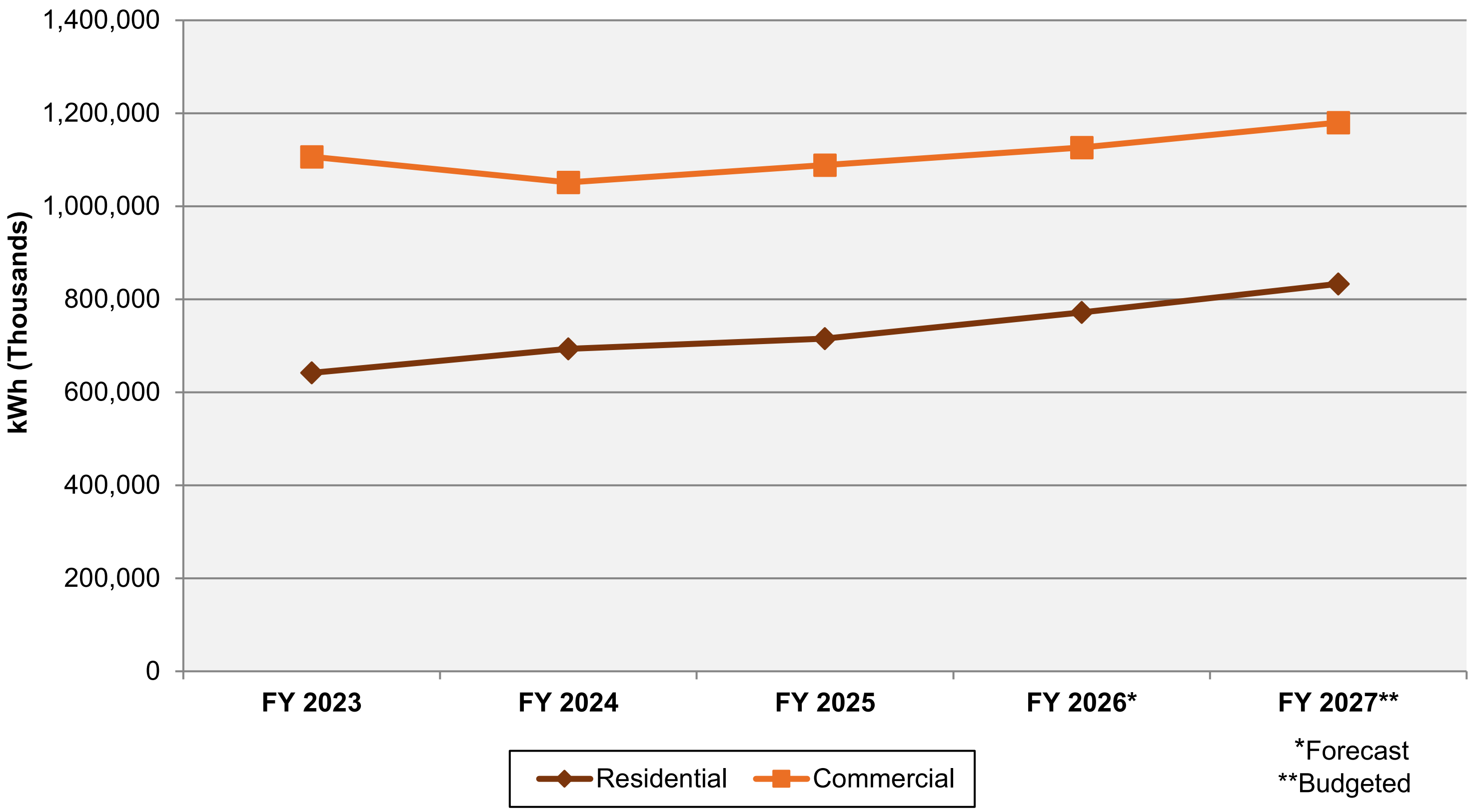
*Forecast
**Budgeted

Electric Revenue by Rate Class $ in Thousands	Actual FY 2023	Actual FY 2024	Actual FY 2025	Forecast FY 2026	Budget FY 2027
Residential	$ 87,158	$ 90,183	$ 89,243	$ 91,565	$ 113,019
Commercial	118,250	111,543	106,365	105,184	122,494
Other	334	327	323	333	355
TOTAL	**$ 205,742**	**$ 202,053**	**$ 195,931**	**$ 197,082**	**$ 235,868**

Note: Electric Service revenue reported in the financial statements includes the electric sales shown above plus $4.5 million in recoveries of allocated indirect costs. As a result, Electric Service revenue differs from the sales-by-rate-class total shown here.

**Minor discrepancies in totals are due to independent rounding.*

Electric Volume by Rate Class



*Forecast
**Budgeted

Electric Volume by Rate Class kWh in Thousands	Actual FY 2023	Actual FY 2024	Actual FY 2025	Forecast FY 2026	Budget FY 2027
Residential	641,766	693,590	715,459	771,668	833,167
Commercial	1,106,834	1,051,422	1,088,794	1,126,420	1,179,977
Other	3,865	3,563	3,430	3,673	3,059
TOTAL	**1,752,465**	**1,748,575**	**1,807,683**	**1,901,761**	**2,016,203**

Purchased Power $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Generation	$ 129,591	$ 141,862	$ 150,668	$ 158,007	$ 174,765
Transmission	30,469	33,007	35,171	37,387	39,676
TOTAL	**$ 160,061**	**$ 174,869**	**$ 185,839**	**$ 195,393**	**$ 214,441**

**Minor discrepancies in totals are due to independent rounding.*

Five Major Capital Investments: Five-Year Financial & Project Overview

Systemwide – Extensions, Transformers & Meters – Growth & Replacement – $62.7M

SYSWD – EXT – XFMR – MTRS – GROWTH & REPL

These annual expenditures provide general on-site service and extensions to accommodate system growth. Between FY27 and FY31 NBU estimates electric meter connections to increase by a total of 19.1 percent, ultimately exceeding 79,700 meters. It is estimated that twelve miles of distribution overhead primary will be added and one-hundred twenty miles of underground distribution will be added. Specific System Extensions include those within Veramendi, Mayfair, Sky Ranch, Purlsong, and many other developments.

Smithson Valley/Systemwide – Distribution & Substation Replacement – $23.6M

DIST/SUB – SMITHSON VLY/SYSWD – REPL

This pair of ongoing projects consists of replacing aging infrastructure within the system. Utility poles, overhead wire, pad-mounted equipment, and underground cable are included and bring NBU infrastructure up to current standards upon completion. In particular, newer and technologically superior materials are anticipated to have a greater lifespan and duty cycle. For example, new underground cable is designed for a minimum 40-year service life. Critical utility poles are designed for a minimum 80-year service life. NBU's Aging Infrastructure replacement program is now expanded to include substation equipment as well, including replacement of substation switches, breakers, battery banks, and other critical equipment. Previously, substation equipment was replaced as needed only through Operation & Maintenance.

Sheriff's Posse – Marion (T340) – Transmission Line Upgrade – $13.0M

TX LINE – SHERIFFS POSSE–MARION (T-340) – LINE UPG

NBU owns 19.5 circuit miles of 138kV transmission across its service territory, including five bulk circuit lines which are part of the 55,000 linear miles of ERCOT grid. One of those transmission lines is NBU's T-340 which routes between NBU's Sheriff's Posse Substation to LCRA's Marion Substation, a transmission substation and switchyard. Transmission Planning Studies have identified NBU's T-340 could become overloaded during certain contingencies. In addition, the line consists of many legacy transmission structures including lattice towers. A full reconstruction and upgrade of the T-340 line is proposed, which will upgrade the transmission capacity from 900 Amps to 1600 Amps. This project eliminates the capacity bottleneck and improves the resiliency of the grid in the larger region. This project is fully transmission related and is reimbursable to NBU over time through Transmission Cost of Service (TCOS).

FM 3009 Area – New Substation – $10.8M

SUB – FM3009 AREA – NEW SUB

NBU is proposing construction of a new distribution substation within FY29. The location is proposed at the intersection of FM 3009 and the existing LCRA owned transmission line, T-610. This location eliminates the need for LCRA or NBU to extend 138kV transmission to reach and serve the substation. The location provides strong routing for three distribution feeders initially and six feeders ultimately. The substation's primary purpose will be to serve residential growth of the Meyer Ranch and Waldsanger master planned communities. A future 1,400 lot subdivision is proposed in the region as well. Industrial growth of the Vulcan Materials Rock Quarry and commercial growth of an HEB store and retail complex are also anticipated. 3,000 Acres of land area remains undeveloped at this time as well, but which could develop long term. The substation relieves and provides resiliency backup to Hwy. 46 Substation, which is approaching capacity limits particularly during Winter Peak conditions.

FM 1101 & Kohlenberg Road/Mayfair East Corridor – New Substation – $9.1M

SUB – FM1101 & KOHLENBERG RD / MAYFAIR E CORR – NEW SUB

NBU has identified the need for additional transformation and distribution feeder capacity along FM 1101, near Kohlenberg Road. Growth within the region includes that of Overlook at Creekside subdivision, Sky Ranch, the Mayfair project, and adjacent industrial load including Aumovio, formerly Continental Autonomous Mobility. The substation requires a 2.9 mile transmission extension, and a backside transmission extension at a later time in order to provide looped redundancy. Two Power Transformers and six distribution feeders are proposed to be constructed and energized all within three years timeframe, in essence building straight to the master plan.

Electric Services Capital Projects	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr. Plan
ELE - SUB - FM1101 & KOHLENBERG RD / MAYFAIR E CORR - NEW SUB	$ 9,132,900	$ -	$ -	$ -	$ -	**$ 9,132,900**
ELE - DIST (OH/UD) - SVC TERR-WD - EXT	6,896,329	7,545,071	7,351,789	7,811,591	8,484,893	**38,089,672**
ELE - DIST CONV - WALNUT EST - UG	3,934,687	-	-	-	302,696	**4,237,383**
ELE - DIST - SMITHSON VLY / SYSWD - REPL	3,531,665	3,979,808	3,994,193	4,371,322	4,890,540	**20,767,529**
ELE - XFMR - SYSWD - XFMR GROWTH	2,207,330	2,439,124	2,400,408	2,576,041	2,826,058	**12,448,961**
ELE - XFMR - SYSWD - XFMR REPL	1,087,192	1,201,360	1,182,290	1,268,797	1,391,939	**6,131,578**
ELE - SUB - FREIHEIT SUB - BKR ADD	2,990,055	-	-	-	-	**2,990,055**
ELE - DIST ADJ - CNB PROJ (VAR) - RELOC	2,155,588	-	-	-	-	**2,155,588**
ELE - MTRS - SYSWD - GROWTH	1,530,641	1,674,629	1,631,730	1,733,784	1,883,223	**8,454,007**
ELE - MTRS - SYSWD - REPL	382,660	418,657	407,933	433,446	470,806	**2,113,502**
ELE - SUB - FM3009 AREA - NEW SUB	1,231,608	4,898,286	4,647,329	-	-	**10,777,223**
ELE - FEED BKR - SYSWD SUBS - BKR ADD	1,210,788	-	-	-	-	**1,210,788**
ELE - FEED UPG - CITYWD - EXT (3PH)	1,040,025	1,137,860	1,164,037	1,178,054	1,279,593	**5,799,569**
ELE - FEED - CONRADS RD / FM1102 / HUNTER RD - FEED UPG	873,531	-	-	-	-	**873,531**
ELE - XFMR+FEED - COMAL SUB / CO33 CORR - XFMR REPL	699,553	-	-	-	-	**699,553**
ELE - TX LINE - SHERIFFS POSSE–MARION (T-340) - LINE UPG	603,214	775,202	11,637,475	-	-	**13,015,891**
ELE - SUB - SYSWD - REPL	480,009	540,918	542,873	594,131	664,701	**2,822,633**
ELE - FEED - EC MORN SUB / SCHWAB RD / FM482 - NEW FEED	389,735	-	-	-	-	**389,735**
ELE - TX ACC - SYSWD - WILDLIFE PROT	281,901	308,420	300,519	319,315	346,837	**1,556,992**
ELE - PWR XFMR - GPI / CEMEX BALCONES - XFMR REPL	204,808	4,357,478	-	-	302,696	**4,864,982**
ELE - FIB/COMM - HUECO SPR / KOHLENBERG / FM3009 SUBS - FIB EXT	130,277	11,663	237,899	-	30,270	**410,108**
ELE - PWR XFMR - SHERIFFS POSSE SUB - XFMR ADD	82,107	1,749,388	2,122,741	5,037,127	-	**8,991,363**
ELE - TX LINE - COMAL SUB - BKR-HALF CONFIG	82,107	262,408	5,864,487	-	-	**6,209,002**
ELE - PWR XFMR - FREIHEIT SUB - XFMR REPL	-	816,381	2,655,617	-	-	**3,471,998**
ELE - FEED - HUECO DR CORR - NEW FEED	-	233,252	2,157,689	-	-	**2,390,940**
ELE - DIST ADJ - TXDOT CORR (VAR) - RELOC	-	-	1,549,110	4,852,340	-	**6,401,449**
ELE - DIST TIE - HUECO SPR–LONE OAK - NEW DIST TIE	-	-	1,217,158	3,548,885	-	**4,766,042**
ELE - FEED - ECKHARDT RD CORR - NEW FEED	-	-	442,603	1,717,202	-	**2,159,805**
ELE - FEED - GREEN VLY RD CORR - NEW FEED	-	-	110,651	2,976,484	-	**3,087,135**
ELE - SUB LAND - SCHWARZLOSE RD - LAND ACQ	-	-	-	2,862,004	6,719,850	**9,581,853**
ELE - FEED EXT - 3009 SUB FM11 CORR - EXT	-	-	-	1,087,561	4,504,115	**5,591,677**
TOTAL CAPITAL PROJECTS - ELECTRIC	**$ 41,158,710**	**$ 32,349,905**	**$ 51,618,530**	**$ 42,368,082**	**$ 34,098,216**	**$ 201,593,444**

**Minor discrepancies in totals are due to independent rounding.*

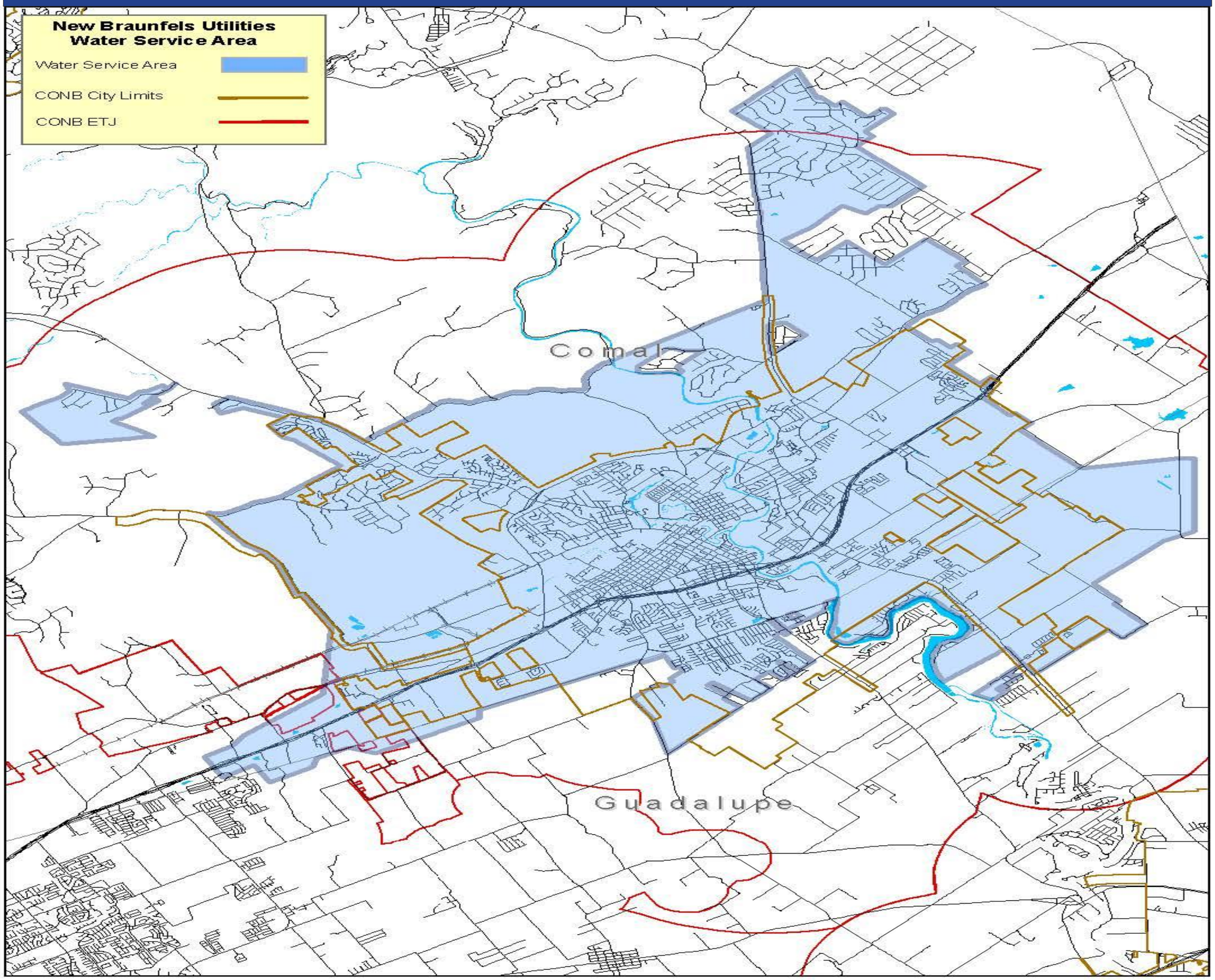
Electrical Services Capital Equipment	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr Plan
Ford Ranger	$ 40,000	$ -	$ -	$ -	$ -	$ 40,000
GPS Unit	33,000	-	-	-	-	33,000
GPS Unit	-	33,000	-	-	-	33,000
Ford Ranger	-	40,000	-	-	-	40,000
Ford Ranger	-	-	-	40,000	-	40,000
Ford Ranger	-	-	-	40,000	-	40,000
Ford Ranger	-	-	-	40,000	-	40,000
Total Electric Engineering	**$ 73,000**	**$ 73,000**	**$ -**	**$ 120,000**	**$ -**	**$ 266,000**
Altec AM 60E	$ 315,000	$ -	$ -	$ -	$ -	$ 315,000
Ford F-550 Electric/International CV	150,000	-	-	-	-	150,000
Ford F-550 Electric/International CV	150,000	-	-	-	-	150,000
Ford F-350	85,000	-	-	-	-	85,000
Cargo Trailer	40,000	-	-	-	-	40,000
Cargo Trailer	25,000	-	-	-	-	25,000
Altec AM 60E	-	315,000	-	-	-	315,000
SR Cable Puller	-	300,000	-	-	-	300,000
SR Cable Puller	-	300,000	-	-	-	300,000
Altec Small Service Bucket	-	175,000	-	-	-	175,000
SR Duct Dawg	-	150,000	-	-	-	150,000
Ford F-150	-	56,000	-	-	-	56,000
Ford F-150	-	56,000	-	-	-	56,000
BB Three Reel Trailer	-	-	100,000	-	-	100,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
BB Swivel Reel Trailer	-	-	20,000	-	-	20,000
BB Swivel Reel Trailer	-	-	20,000	-	-	20,000
BB Swivel Reel Trailer	-	-	20,000	-	-	20,000
Ford F-550 Electric	-	-	-	120,000	-	120,000
Ford F-550 Electric	-	-	-	120,000	-	120,000
Ford F-150	-	-	-	56,000	-	56,000
Ford F-150	-	-	-	56,000	-	56,000
Ford F-150	-	-	-	56,000	-	56,000
Equipment Trailer	-	-	-	25,000	-	25,000
Equipment Trailer	-	-	-	25,000	-	25,000
Digger Derrick	-	-	-	-	500,000	500,000
Altec AM 60E	-	-	-	-	300,000	300,000
Altec AM 60E	-	-	-	-	300,000	300,000
Vermeer VX 50	-	-	-	-	120,000	120,000
Pole Trailer	-	-	-	-	25,000	25,000
Pole Trailer	-	-	-	-	25,000	25,000
Dump Trailer	-	-	-	-	15,000	15,000
Total Electric Operations	**$ 765,000**	**$ 1,352,000**	**$ 384,000**	**$ 458,000**	**$ 1,285,000**	**$ 4,244,000**
Ford F-550 Electric/International CV	$ 170,000	$ -	$ -	$ -	$ -	$ 170,000
Ford F-250	140,000	-	-	-	-	140,000
Vanguard EZCT-2000c Plus Current Transformer Test Set	16,500	-	-	-	-	16,500
Ford F-150	-	56,000	-	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
Total Electric Substation	**$ 326,500**	**$ 56,000**	**$ 56,000**	**$ -**	**$ -**	**$ 438,500**
TOTAL CAPITAL EQUIPMENT - ELECTRIC	**$ 1,164,500**	**$ 1,481,000**	**$ 440,000**	**$ 578,000**	**$ 1,285,000**	**$ 4,948,500**

**Minor discrepancies in totals are due to independent rounding.*

WATER SERVICES

WATER STATISTICS	FISCAL YEAR 2026
Gallons of Water Sold (in millions)	4,452
Number of Water Meters	60,821
Raw Water Supply	54,575 acre feet
Miles of Water Main	723 miles
Peak Annual Usage	5.3 billion gallons
Treatment Capacity	8 MGD surface / 33.3 MGD wells / 7.1 MGD purchased
Storage Capacity	31.6 million gallons

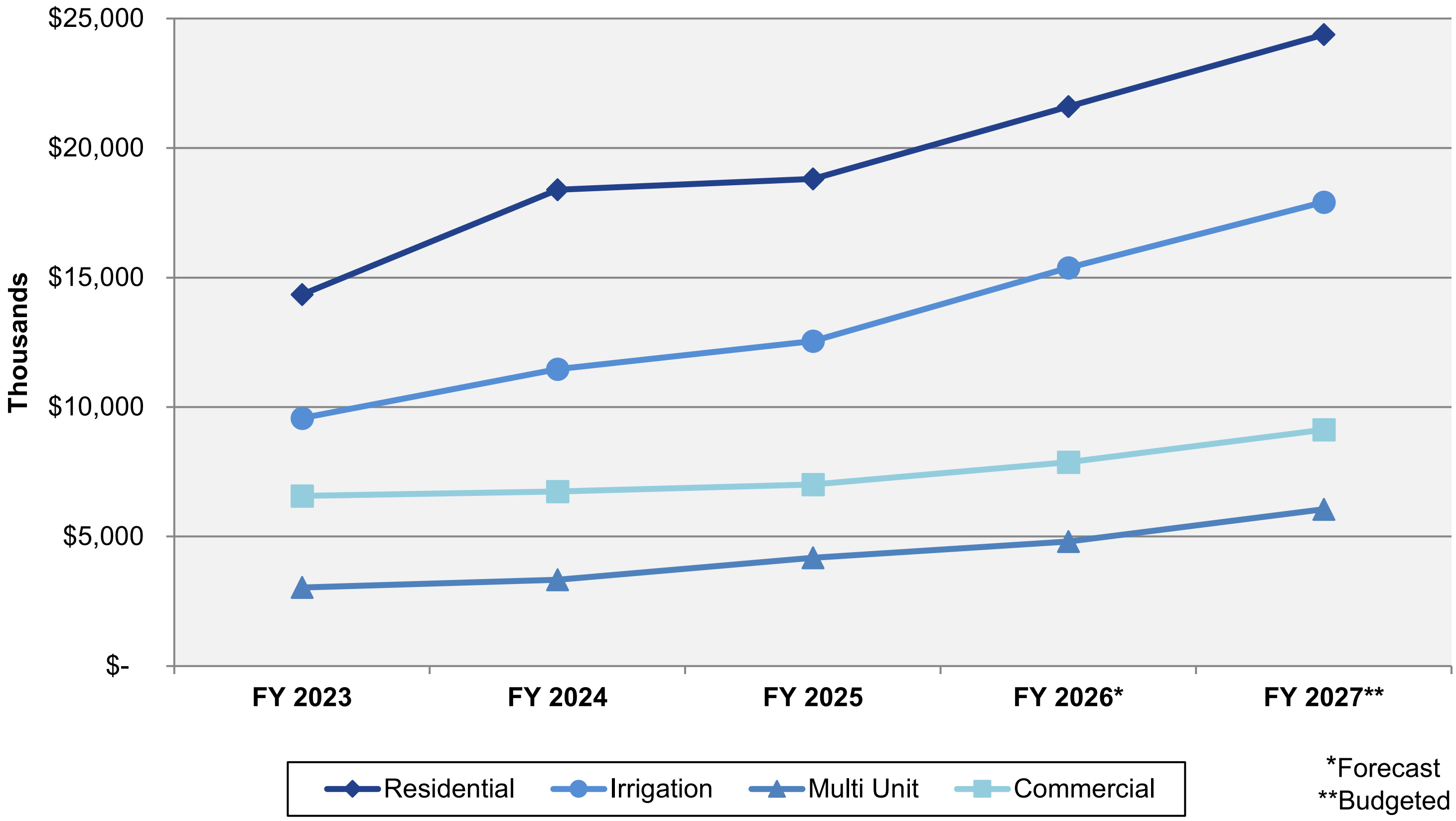
Water Service Area



Water Operating Budget $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Operating Revenues					
Water Service	$ 58,219	$ 63,609	$ 66,536	$ 73,711	$ 80,016
Water Other	661	681	701	722	744
Water Antenna Lease	254	262	270	278	286
Total Operating Revenues	**$ 59,134**	**$ 64,552**	**$ 67,507**	**$ 74,711**	**$ 81,047**
Operating Expenses					
Purchased Water	$ 16,164	$ 15,553	$ 15,939	$ 18,309	$ 19,276
Operating Expenses	11,763	12,537	13,627	14,365	15,276
Depreciation	18,913	21,563	26,200	29,233	30,537
Total Operating Expenses	**$ 46,839**	**$ 49,653**	**$ 55,765**	**$ 61,907**	**$ 65,088**
Net Operating Income	**$ 12,295**	**$ 14,899**	**$ 11,742**	**$ 12,804**	**$ 15,958**
Non-Operating Revenue/(Expense)					
Impact Fees	$ 17,164	$ 22,199	$ 26,921	$ 29,678	$ 31,084
Water Services	1,043	1,074	1,106	1,139	1,174
Jobbing	5	5	6	6	6
Miscellaneous	267	275	283	291	300
Development Fee (Mayfair)	1,856	2,475	2,475	3,093	3,712
General & Administrative					
Bad Debt	(116)	(127)	(133)	(147)	(160)
Interest Expense	(18,193)	(19,017)	(20,365)	(21,060)	(20,190)
Total Non-Operating Revenue/(Expense)	**$ 2,025**	**$ 6,884**	**$ 10,292**	**$ 13,001**	**$ 15,926**
Net Income Before Allocation	**$ 14,320**	**$ 21,782**	**$ 22,035**	**$ 25,804**	**$ 31,884**
Income Allocation	$ 1,670	$ 1,553	$ 1,480	$ 1,531	$ 1,632
Expense Allocation	(18,251)	(19,084)	(20,558)	(21,857)	(23,496)
Change in Net Position	**$ (2,261)**	**$ 4,251**	**$ 2,957**	**$ 5,479**	**$ 10,020**
Add Back					
Depreciation	$ 18,913	$ 21,563	$ 26,200	$ 29,233	$ 30,537
Interest Expense	18,193	19,017	20,365	21,060	20,190
Intergovernmental Expense	1,651	1,895	2,225	2,470	2,693
Net Available for Debt Service	**$ 36,496**	**$ 46,726**	**$ 51,746**	**$ 58,242**	**$ 63,439**
Minus					
Debt Service	$ (23,220)	$ (24,635)	$ (26,751)	$ (28,008)	$ (27,435)
Restricted Funds - Impact Fees	(17,164)	(22,199)	(26,921)	(29,678)	(31,084)
Intergovernmental Expense	(1,651)	(1,895)	(2,225)	(2,470)	(2,693)
Reserve Funding	(3,377)	(2,558)	(3,615)	(1,412)	(1,320)
Net Revenues Available for Capital	**$ (8,916)**	**$ (4,562)**	**$ (7,765)**	**$ (3,325)**	**$ 908**
Capital Expenditures					
Projects	$ 66,010	$ 76,988	$ 48,329	$ 54,224	$ 34,868
Equipment	1,050	166	612	244	855
Support Services Allocated Capital	26,717	4,966	579	522	502
Total Capital Expenditures	**$ 93,776**	**$ 82,120**	**$ 49,520**	**$ 54,990**	**$ 36,225**
Capital Expenditures - Funding					
New Debt Requirement	$ 59,936	$ 39,919	$ 30,494	$ 21,468	$ 778
Impact Fees - Capital Projects	13,393	15,505	19,126	23,980	31,084
CIAOC & Grant Funding	207	1,057	-	-	-
Revenue	(8,916)	(4,562)	(7,765)	(3,325)	908
LOB Transfer/CIP Funding	3,136	9,999	5,837	10,238	
TWDB Funding	5,555	629	1,827	2,629	3,455
Prior Debt Proceeds Available	20,465	19,571	-	-	-
Total Capital Funding	**$ 93,776**	**$ 82,120**	**$ 49,520**	**$ 54,990**	**$ 36,225**
Debt Service Excluding Commercial Paper	**$ 22,203**	**$ 23,545**	**$ 26,079**	**$ 27,265**	**$ 27,327**
Debt Service Coverage	**1.64**	**1.98**	**1.98**	**2.14**	**2.32**
Adjusted Debt Service Coverage (Including City Transfer)	**1.50**	**1.82**	**1.85**	**1.99**	**2.21**

**Minor discrepancies in totals are due to independent rounding.*

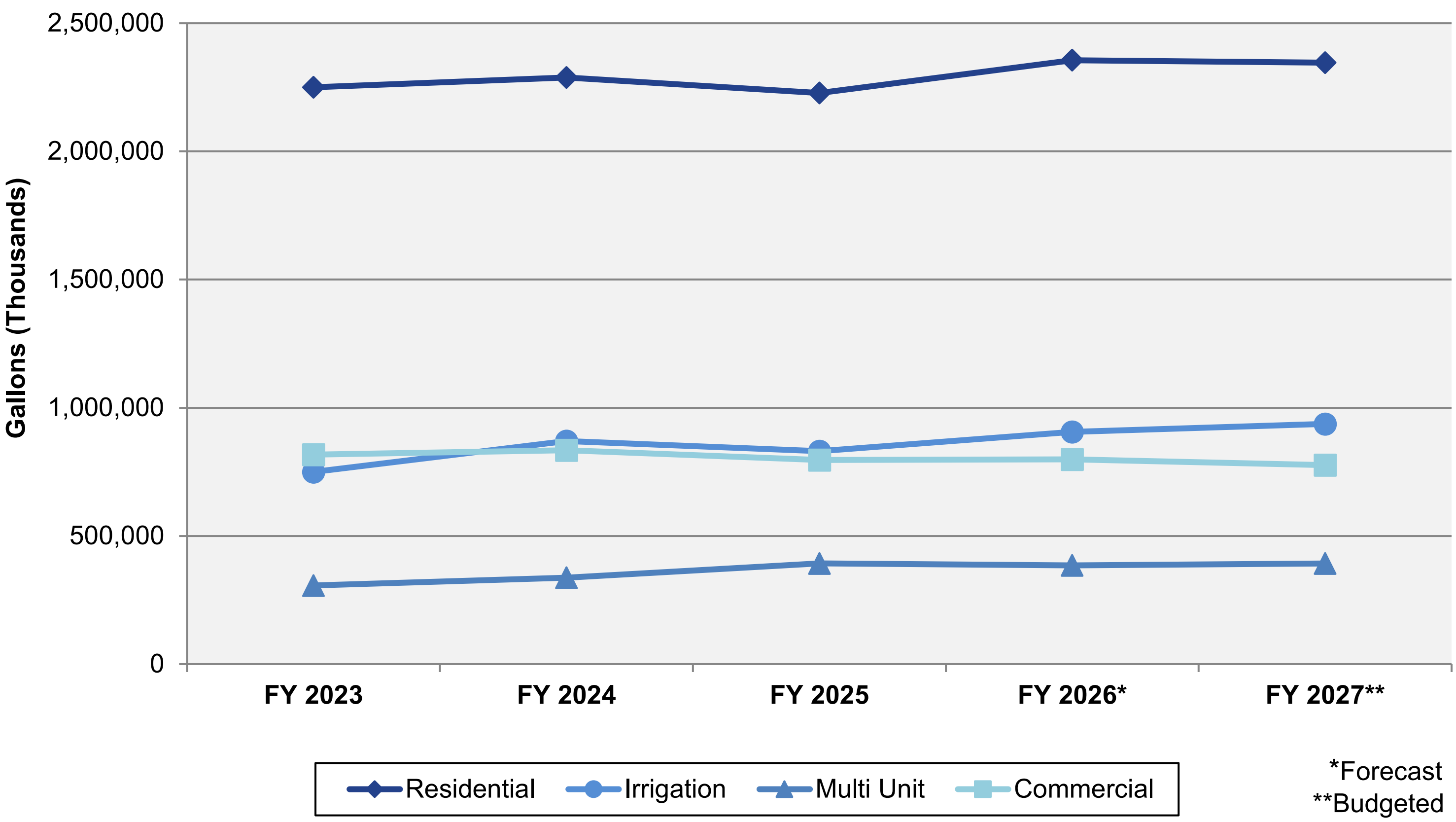
Water Revenue by Rate Class



Water Revenue by Rate Class $ in Thousands	Actual FY 2023	Actual FY 2024	Actual FY 2025	Forecast FY 2026	Budget FY 2027
Residential	$ 14,346	$ 18,394	$ 18,813	$ 21,601	$ 24,379
Irrigation	9,574	11,463	12,545	15,379	17,916
Multi Unit	3,032	3,327	4,185	4,813	6,055
Commercial	6,571	6,742	7,008	7,874	9,125
Other Services	1,364	1,155	1,298	1,328	745
TOTAL	**$ 34,887**	**$ 41,082**	**$ 43,849**	**$ 50,995**	**$ 58,219**

**Minor discrepancies in totals are due to independent rounding.*

Water Volume by Rate Class



Water Volume by Rate Class Gallons in Thousands	Actual FY 2023	Actual FY 2024	Actual FY 2025	Forecast FY 2026	Budget FY 2027
Residential	2,250,028	2,287,870	2,227,877	2,355,549	2,345,927
Irrigation	749,775	870,274	830,887	905,579	937,066
Multi Unit	306,896	337,379	392,961	384,685	392,105
Commercial	817,322	834,231	796,674	798,608	776,278
Other	112,997	81,444	84,526	73,193	38,951
TOTAL	**4,237,019**	**4,411,198**	**4,332,926**	**4,517,614**	**4,490,328**

**Minor discrepancies in totals are due to independent rounding.*

Purchased Water $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Surface Water:					
Guadalupe-Blanco River Authority (GBRA) - Canyon Rights	$ 3,662	$ 3,845	$ 4,037	$ 4,239	$ 4,451
Guadalupe-Blanco River Authority (GBRA) - Gonzales Carrizo Water	7,616	7,828	7,988	10,122	10,842
Ground Water:					
City of Seguin	2,599	2,599	2,599	2,599	2,599
Edward's Aquifer Authority (EAA)	926	954	983	1,012	1,042
Green Valley	1,039	-	-	-	-
Texas Commission on Environmental Quality (TCEQ)	155	160	164	169	174
Comal Trinity Groundwater Conservation District	168	168	168	168	168
TOTAL PURCHASED WATER COSTS	**$ 16,164**	**$ 15,553**	**$ 15,939**	**$ 18,309**	**$ 19,276**

**Minor discrepancies in totals are due to independent rounding.*

Five Major Capital Investments: Five-Year Financial & Project Overview

FM 1101 – New Pump Station, Ground Storage Tank & Discharge Main – $33.7M

PS – GST – DISCH MAIN – FM 1101 – NEW CAP

This project includes a new pump station located near the intersection of FM 1101 and Barbarosa Road and a 24-inch pipeline that will convey flow from the Downtown Pressure Zone (PZ) to the Kohlenberg PZ. The initial firm pumping capacity of the facility will be 10 MGD and will include a 2.5 MG ground storage tank (GST).

Future Surface Water Treatment Plant Site Planning & Acquisition – $17.9M

TRMT PLT – SWTP SITE – NEW

The future project is expected to include a new surface water treatment plant, raw-water intake infrastructure, and a discharge line along State Highway 46, with an initial capacity of 8 million gallons per day (MGD) and the ability to expand to 16 MGD. The current investment includes site selection, feasibility analysis, and property acquisition. NBU will evaluate the timing and scope of future design and construction based on actual growth, projected water demand, system capacity, and future needs.

Multiple Locations – Ground Storage Tank Rehabilitation (Phases 2–4) – $16.5M

GST – MULTI LOC – RH (PH2 –PH4)

The purpose of this phased project is to fully rehabilitate select NBU existing elevated and ground storage tanks to extend their service life. The Loop GST and Countyline Standpipe were completed in Phase 1, and tanks included in Phases 2-4 are the Kerlick EST, Newks EST, Gruene EST, Mission Hills Ranch EST, Hoffmann Standpipe, Voss Farms EST, and the Westpointe EST.

Bretzke → Hoffman Pressure Zone – New Pump Station & Discharge Main – $14.8M

PS – DISCH MAIN – BRETZKE → HOFFMANN PZ – NEW CAP

This project includes a new pump station located at the existing Bretzke Pump Station and Ground Storage Tank site and a new 16-inch pipeline that will convey flow from the Downtown Pressure Zone (PZ) directly to the Hoffmann and River Chase PZs. The new infrastructure will provide a secondary water feed to the area, expand capacity to meet future growth, and maintain steady water pressure and reliable service for all existing and new customers within the PZs.

Altgelt – New Elevated Storage Tank – $14.3M

EST – ALTGELT – NEW CAP

This project includes a 2 MG elevated storage tank (EST) along Loop 337 close to Altgelt Lane. The Altgelt EST will provide additional elevated storage for the Downtown Pressure Zone in order to continue to exceed the minimum TCEQ criteria for elevated storage capacity per customer for years to come as growth continues.

Water Services Capital Projects	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr. Plan
WTR - PS+GST - SOLMS - NEW CAP	$ 8,191,439	$ 5,804,146	$ -	$ -	$ -	**$ 13,995,585**
WTR - PZ CONV - WESTERN DNTN→MSIDE PZ - PRV & SHORT MAINS	7,085,888	1,058,508	-	-	-	**8,144,395**
WTR - PS+GST - FM 1101 - NEW CAP	6,675,061	9,572,031	3,705,039	-	-	**19,952,131**
WTR - GST - MULTI LOC - RH (PH2)	5,338,838	-	-	-	-	**5,338,838**
WTR - PZ CONV - DNTN→LOOP PZ - PRV & SHORT MAINS	3,607,904	-	-	-	-	**3,607,904**
WTR - TM - FM 1101 - PS DISCH MAIN	3,158,598	9,178,356	1,377,728	-	-	**13,714,682**
WTR - PZ CONV - CENTRAL DNTN→MSIDE PZ - PRV & SHORT MAINS	2,932,116	9,706,597	-	-	-	**12,638,713**
WTR - TM - RIO→KUEHLER - RIVER XING	2,393,259	-	-	-	-	**2,393,259**
WTR - DIST M&S - SOLMS - REPL	2,343,356	-	-	-	-	**2,343,356**
WTR - ASR - SYSWD - ASR DEV (PH1)	2,051,929	605,948	-	-	-	**2,657,876**
WTR - EST - FM 1044 - NEW CAP	1,953,635	-	-	-	-	**1,953,635**
WTR - METERING - SYSWD - NEW SVCS / GROWTH	1,940,815	1,904,457	2,091,391	2,073,894	2,389,111	**10,399,669**
WTR - METERING - SYSWD - REPL / AGING	1,940,815	1,904,457	2,091,391	2,073,894	2,389,111	**10,399,669**
WTR - DIST M&S - MULTI LOC - REPL	1,918,725	-	-	-	-	**1,918,725**
WTR - EMERG PWR / GEN - SYSWD - (PH2)	1,499,134	1,063,879	-	-	-	**2,563,013**
WTR - DIST M&S - MULTI LOC - (PKG 2)	1,352,161	-	-	-	-	**1,352,161**
WTR - DIST M&S - MULTI LOC - REPL (PKG 3)	1,065,374	-	-	-	-	**1,065,374**
WTR - DIST M&S - SYSWD - REPL	913,847	896,727	984,747	976,508	1,124,930	**4,896,758**
WTR - DIST M&S - SAN ANTONIO ST CNB - UTILITY RELOC (PH3)	902,898	-	-	-	-	**902,898**
WTR - DIST M&S - BALCONES - REPL (PH2)	798,729	771,726	-	-	-	**1,570,455**
WTR - DIST M&S - KOWALD LN CNB - UTILITY RELOC	706,607	799,684	255,870	-	-	**1,762,161**
WTR - DIST M&S - CNB - UTILITY RELOC	651,100	5,262,939	1,925,043	183,095	-	**8,022,177**
WTR - DIST M&S - COLL ST CNB - UTILITY RELOC	612,492	579,054	-	-	-	**1,191,547**
WTR - PS - BRETZKE→HOFFMANN PZ - NEW CAP	580,349	1,128,663	5,028,632	825,229	-	**7,562,873**
WTR - TM - BRETZKE→HOFFMANN PZ - PS DISCH MAIN	571,840	1,651,341	5,009,255	-	-	**7,232,436**
WTR - TM - BARBAROSA CNB - UTILITY RELOC	558,359	4,898,081	5,260,110	-	-	**10,716,550**
WTR - TRMT PLT - SWTP SITE - EXP	542,617	114,330	-	-	-	**656,946**
WTR - GST - MULTI LOC - RH (PH3)	525,678	4,859,015	-	-	-	**5,384,693**
WTR - DIST MAIN - SYSWD - SYS EXT	484,990	332,394	338,507	335,675	386,695	**1,878,260**
WTR - PZ CONV - DNTN HIGH ELEV - PRV & SHORT MAINS	362,134	383,005	1,373,420	-	-	**2,118,558**
WTR - PS - LOOP GST SITE - SITE & EQPT IMPR	350,452	2,560,987	484,210	-	-	**3,395,649**
WTR - TM - HWY 46 (MISSION AREA) - NEW CAP	308,917	2,517,554	2,645,673	-	-	**5,472,145**
WTR - EST - ALTGELT - NEW CAP	292,043	-	894,320	5,975,363	7,103,443	**14,265,169**
WTR - EST - RIVER CHASE - NEW CAP	292,043	-	638,800	2,390,145	4,486,385	**7,807,374**
WTR - DIST M&S - GOODWIN–CONRADS CNB - UTILITY RELOC	257,754	-	-	-	-	**257,754**
WTR - WELL - WELL 6 - SITE & EQPT IMPR	245,316	4,458,861	384,656	-	-	**5,088,833**
WTR - LSL - SYSWD - LSL REPL	216,112	628,814	1,826,967	2,629,160	3,454,517	**8,755,570**
WTR - EMERG PWR / GEN - SYSWD - (PH3)	189,289	1,670,708	1,866,964	-	-	**3,726,960**
WTR - DIST MAIN - FM1044 - SYS EST	87,613	1,257,627	574,920	-	-	**1,920,160**
WTR - TM - COUNTY LINE - PS DISCH MAIN	57,115	594,515	2,817,107	7,988,116	2,392,739	**13,849,593**
WTR - DIST M&S - FREDERICKSBERG - REPL	52,426	154,497	218,958	-	-	**425,881**
WTR - DIST M&S - AUSTIN ST AREA - REPL	-	314,407	1,188,168	1,169,913	-	**2,672,488**
WTR - DIST M&S - MATHER ST - REPL	-	285,824	1,941,951	-	-	**2,227,776**
WTR - VALVES - SYSWD - CRIT VALVE RENEW (PH2)	-	68,598	1,041,244	-	-	**1,109,842**
WTR - PS - COUNTY LINE - EXP	-	-	1,660,879	4,591,595	9,421,409	**15,673,883**
WTR - GST - MULTI LOC - RH (PH4)	-	-	702,680	5,094,783	-	**5,797,463**
WTR - TRMT PLT - SWTP SITE - NEW	-	-	-	17,916,713	-	**17,916,713**
WTR - TM - FM 1863 - NEW CAP	-	-	-	-	897,277	**897,277**
WTR - TM - LOOP 337 - NEW CAP	-	-	-	-	822,504	**822,504**
TOTAL CAPITAL PROJECTS - WATER	**$ 66,009,771**	**$ 76,987,729**	**$ 48,328,628**	**$ 54,224,083**	**$ 34,868,121**	**$ 280,418,332**

Water Services Capital Projects – Potential Future Capital Funding Needs	FY 2027	Planning Estimates FY 2028	FY 2029	FY 2030	FY 2031	Total 5-Yr. Estimate
WTR - TRMT PLT - SWTP SITE – EXP[1]	$ -	$ -	$ 35,288,768	$ 35,326,858	$ 35,174,500	**$ 105,790,126**
WTR - TRMT PLT - SWTP SITE – NEW[2]	$ -	$ 312,230	$ 309,000	$ 759,000	$ 309,000	**$ 1,689,230**
TOTAL POTENTIAL FUTURE WATER PROJECT COSTS	**$ -**	**$ 312,230**	**$ 35,597,768**	**$ 36,085,858**	**$ 35,483,500**	**$ 107,479,356**

Planning Note: The projects and amounts shown in the Potential Future Capital Funding Needs table are planning estimates and are not included in NBU's current capital plan or the Fiscal Year 2027 capital expenditure total. Beyond the five-year planning period, the ASR-SYSWD-ASR DEV (PH2) project represents an additional estimated funding need of $11.5 million beginning in Fiscal Year 2032. All estimates are subject to change.

[1] **TRMT PLT - SWTP SITE – EXP:** The planned expansion will provide additional treatment capacity to support projected water demand and future system needs. NBU is evaluating funding strategies to support the project.

[2] **TRMT PLT - SWTP SITE – NEW:** NBU will evaluate the need, timing, and scope of a new surface water treatment plant as the service area grows. Future decisions will consider actual growth, projected water demand, system capacity and reliability needs, and funding availability.

**Minor discrepancies in totals are due to independent rounding.*

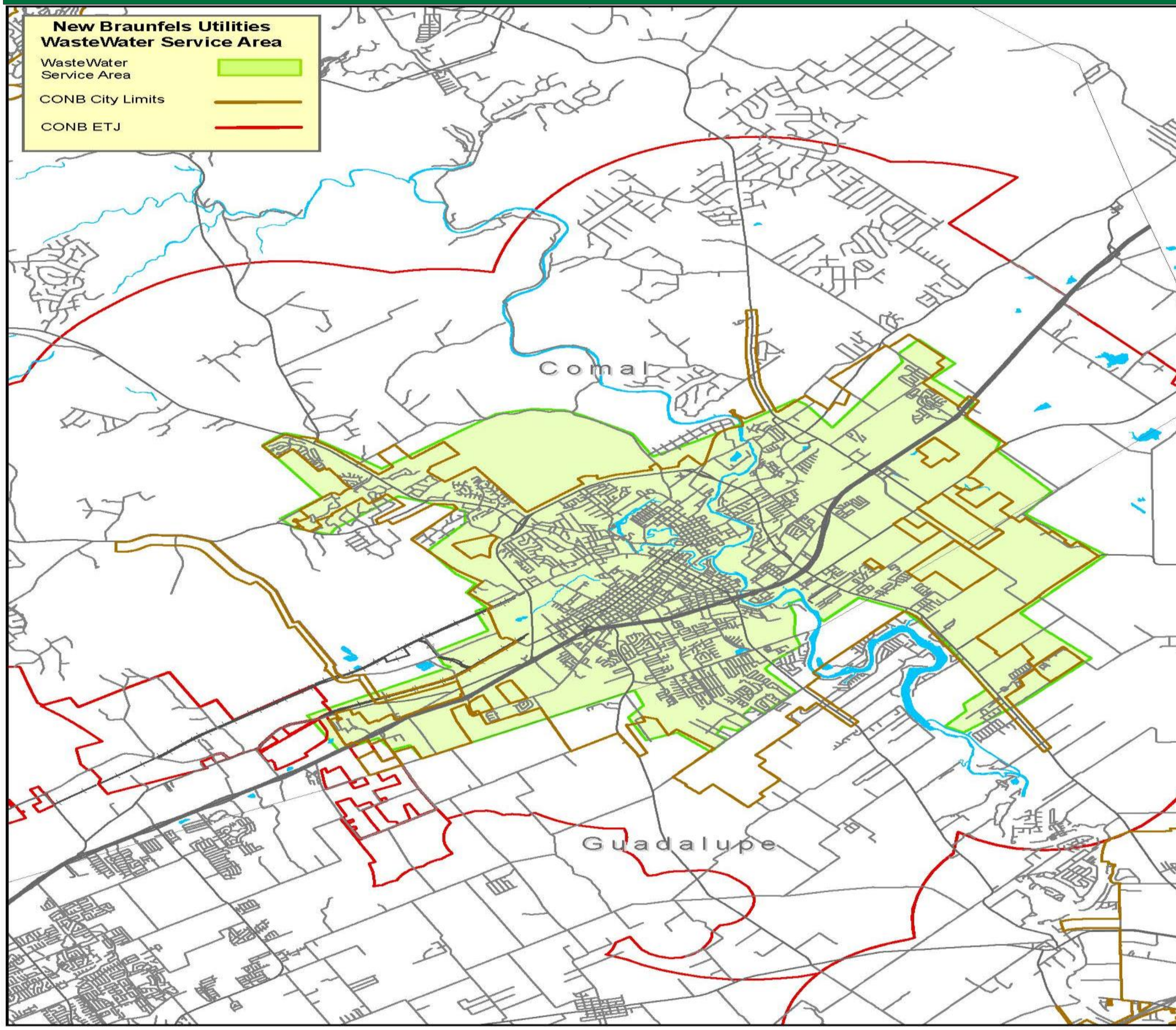
Water Services Capital Equipment	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr Plan
Ford F-550 Water/ International CV	$ 150,000	$ -	$ -	$ -	$ -	$ 150,000
Ford F-550 Water/ International CV	150,000	-	-	-	-	150,000
Ranger	32,000	-	-	-	-	32,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
CAT Skid Steer	-	-	-	-	65,000	65,000
CAT Skid Steer	-	-	-	-	65,000	65,000
Total Water Treatment & Compliance	**$ 332,000**	**$ -**	**$ 224,000**	**$ -**	**$ 130,000**	**$ 686,000**
TOTAL CAPITAL EQUIPMENT - WATER	**$ 332,000**	**$ -**	**$ 224,000**	**$ -**	**$ 130,000**	**$ 686,000**

**Minor discrepancies in totals are due to independent rounding.*

WASTEWATER SERVICES

WASTEWATER STATISTICS	FISCAL YEAR 2026
Number of Accounts	39,183
Miles of Sewer Main	538
Number of Wastewater Treatment Plants	4
Treatment Capacity	12.3 MGD
Total Reuse Water Output	6.1 MG

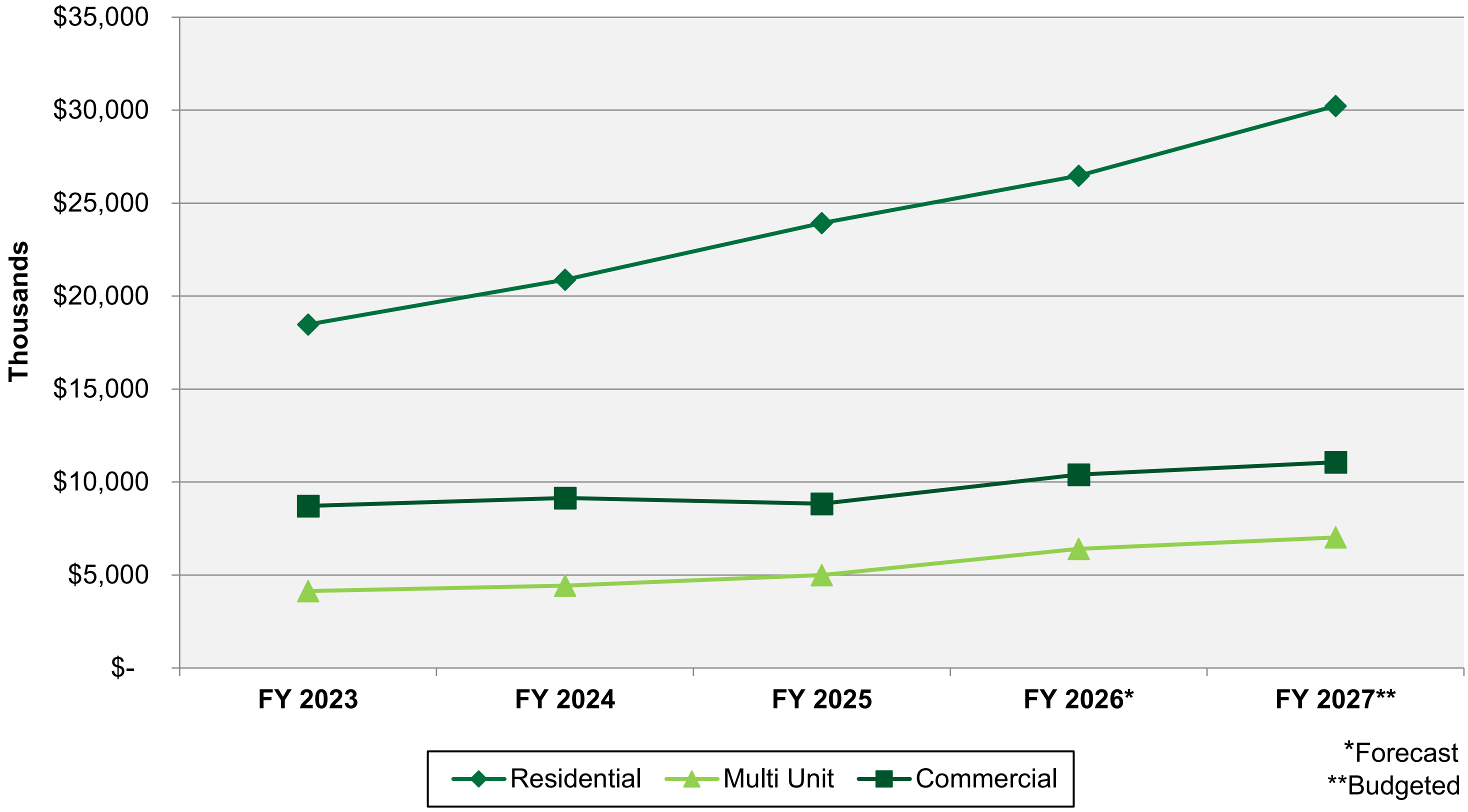
Wastewater Service Area



Wastewater Operating Budget $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Operating Revenues					
Sewer Services	$ 49,618	$ 53,578	$ 57,835	$ 62,492	$ 67,513
Sewer Other	410	423	436	450	464
Total Operating Revenues	**$ 50,028**	**$ 54,001**	**$ 58,271**	**$ 62,941**	**$ 67,976**
Operating Expenses					
Operating Expenses	$ 10,182	$ 10,607	$ 11,090	$ 11,615	$ 12,114
Depreciation	22,809	28,166	31,229	36,774	38,882
Total Operating Expenses	**$ 32,991**	**$ 38,772**	**$ 42,318**	**$ 48,389**	**$ 50,997**
Net Operating Income	**$ 17,038**	**$ 15,229**	**$ 15,953**	**$ 14,552**	**$ 16,980**
Non-Operating Revenue/(Expense)					
Impact Fees	$ 5,812	$ 7,304	$ 8,718	$ 9,460	$ 9,881
Capital Participation Fee (GBRA)	1,184	1,723	587	-	-
Development Fee (Mayfair)	2,060	2,747	2,747	3,433	4,120
General & Administrative					
Bad Debt	(149)	(161)	(174)	(187)	(203)
Interest Expense	(16,494)	(17,120)	(19,764)	(20,955)	(20,197)
Total Non-Operating Revenue/(Expense)	**$ (7,586)**	**$ (5,508)**	**$ (7,885)**	**$ (8,249)**	**$ (6,399)**
Net Income Before Allocation	**$ 9,451**	**$ 9,721**	**$ 8,068**	**$ 6,303**	**$ 10,581**
Income Allocation	$ 2,055	$ 1,912	$ 1,822	$ 1,885	$ 2,008
Expense Allocation	(15,438)	(16,051)	(17,268)	(18,335)	(19,665)
Change in Net Position	**$ (3,931)**	**$ (4,419)**	**$ (7,378)**	**$ (10,147)**	**$ (7,075)**
Add Back					
Depreciation	$ 22,809	$ 28,166	$ 31,229	$ 36,774	$ 38,882
Interest Expense	16,494	17,120	19,764	20,955	20,197
Intergovernmental Expense	1,994	2,225	2,459	2,684	2,898
Net Available for Debt Service	**$ 37,364**	**$ 43,092**	**$ 46,074**	**$ 50,266**	**$ 54,903**
Minus					
Debt Service	$ (20,810)	$ (21,970)	$ (25,559)	$ (27,341)	$ (26,846)
Restricted Funds - Impact Fees	(5,812)	(7,304)	(8,718)	(9,460)	(9,881)
Intergovernmental Expense	(1,994)	(2,225)	(2,459)	(2,684)	(2,898)
Reserve Funding	(1,712)	(1,063)	(1,773)	(653)	(825)
Net Revenues Available for Capital	**$ 7,036**	**$ 10,530**	**$ 7,564**	**$ 10,128**	**$ 14,452**
Capital Expenditures					
Projects	$ 69,444	$ 74,223	$ 63,481	$ 62,253	$ 57,423
Equipment	878	222	444	304	725
Support Services Allocated Capital	22,250	4,136	482	435	418
Total Capital Expenditures	**$ 92,572**	**$ 78,581**	**$ 64,407**	**$ 62,992**	**$ 58,566**
Capital Expenditures - Funding					
New Debt Requirement	$ 59,371	$ 30,559	$ 42,288	$ 33,166	$ 4,322
Impact Fees - Capital Projects	5,812	7,304	8,718	9,460	9,881
CIAOC & Grant Funding	173	880	-	-	-
Revenue	7,036	10,530	7,564	10,128	14,452
LOB Transfer/CIP Funding	3,136	9,999	5,837	10,238	29,911
Prior Debt Proceeds Available	17,044	19,309	-	-	-
Total Capital Funding	**$ 92,572**	**$ 78,581**	**$ 64,407**	**$ 62,992**	**$ 58,566**
Debt Service Excluding Commercial Paper	**$ 19,803**	**$ 21,135**	**$ 24,629**	**$ 26,191**	**$ 26,245**
Debt Service Coverage	**1.89**	**2.04**	**1.87**	**1.92**	**2.09**
Adjusted Debt Service Coverage (Including City Transfer)	**1.70**	**1.86**	**1.71**	**1.74**	**1.94**

**Minor discrepancies in totals are due to independent rounding.*

Wastewater Revenue by Rate Class



Wastewater Revenue by Rate Class $ in Thousands	Actual FY 2023	Actual FY 2024	Actual FY 2025	Forecast FY 2026	Budget FY 2027
Residential	$ 18,476	$ 20,880	$ 23,923	$ 26,477	$ 30,231
Multi Unit	4,139	4,435	5,005	6,408	7,021
Commercial	8,716	9,151	8,840	10,397	11,066
Other	653	821	969	1,082	1,300
TOTAL	**$ 31,984**	**$ 35,287**	**$ 38,737**	**$ 44,364**	**$ 49,618**

**Minor discrepancies in totals are due to independent rounding.*

Five Major Capital Investments:
Five-Year Financial & Project Overview

Gruene – Water Reclamation Facility – Expansion – $81.0M

WRF – GRUENE – EXP

This project includes expansion of the plant's treatment capacity from 2.5 MGD to 4.9 MGD including: construction of a new flow splitter box, expansion of the headworks facilities, construction of new biological treatment basins, construction of new secondary clarifiers, expansion of tertiary filters, expansion of ultra violet disinfection equipment, expansion of aerobic digestions, expansion of solids dewatering system, and construction of new electrical equipment, site piping, and miscellaneous site civil improvements. This project will increase treatment capacity to serve current and future growth in the area.

North & South Kuehler– Water Reclamation Facility – Rehabilitation – $70.9M

WRF – N & S KUEHLER – RH

The project includes replacing existing aeration equipment, walkways, and gates in all the aerations basins except the new basins at the south plant, replacing the existing clarifiers including the addition of a submerged effluent launder system at the south plant, replacing all existing blowers at the north and south plant, replacing the existing motor control centers (MCC) in the sludge pump buildings, replacing the MCC in the administration building at the south plant, rehabilitation of the existing buried return activated sludge piping at the south plant, replacing the existing drain return pumps at the north plant, addition of a new digester blower at the north plant, replacing the existing screening and grit treatment structures at both plants with a new common headworks with screens, aerated grit chambers, lift station, and elevated flow split structure, and a private vehicular traffic bridge across the north tributary.

Solms – New Lift Station/Force Main – $22.7M

LS/FM – SOLMS – NEW CAP

This project includes approximately 5,900 linear feet of force main which has reached the end of its service life and upsizing to a new dual force main for redundancy and expanding and relocating the existing lift station to 5.2 MGD capacity. The condition and capacity of these facilities currently limit growth in the South Kuehler basin.

I-35 Corridor → Rio Lift Station – Interceptor & Lift Station Upgrade – $15.6M

INTERC – I-35 CORR → RIO LS – CAP UPSIZE

This project includes approximately 7,500 linear feet of new 36, 30, 15, 12, and 8-inch diameter wastewater main, replacing existing interceptors conveying flow to the Rio Lift Station; a redesign and lowering of the Rio Bar Screen vault to eliminate backwater within the incoming interceptors; and, the addition of an odor control unit. This project will replace infrastructure at the end of its service life and increase transmission capacity to serve current and future growth in the area.

North Kuehler Basin – Interceptor Capacity Upgrade (Segment 3) – $13.0M

INTERC – N KUEHLER BASIN – CAP UPSIZE (SEG 3)

This project includes approximately 35,000 feet of new 36-inch wastewater main that will replace existing 21-inch and 24-inch interceptors conveying flow to the McKenzie Water Reclamation Facility. The existing lines are near their maximum capacity and must be replaced. This project will increase transmission capacity to serve current and future growth in the area.

Wastewater Services Capital Projects	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr. Plan
WWT - WRF - N & S KUEHLER - RH	$ 27,976,847	$ 29,305,808	$ 13,569,552	$ -	$ -	**$ 70,852,207**
WWT - WRF - MCKENZIE - EXP	10,131,984	-	-	-	-	**10,131,984**
WWT - WRF - GRUENE - EXP	4,334,475	2,935,680	1,098,608	31,567,008	41,064,317	**81,000,088**
WWT - INTERC - MCKENZIE BASIN - CAP UPSIZE	3,785,549	-	-	-	-	**3,785,549**
WWT - INTERC - N KUEHLER BASIN - CAP UPSIZE (SEG 3)	3,773,157	9,235,305	-	-	-	**13,008,462**
WWT - GRAV M&S - MULTI LOC - REPL (PKG 2)	2,419,197	-	-	-	-	**2,419,197**
WWT - INTERC - NORTH SAENGERHALLE BASIN - CAP UPSIZE	1,965,127	-	-	-	-	**1,965,127**
WWT - LS - GRUENE - EXP	1,656,496	4,526,224	-	-	-	**6,182,720**
WWT - GRAV M&S - MULTI LOC - REPL	1,608,673	-	-	-	-	**1,608,673**
WWT - WRF - COURTYARD DR - ACCESS RD	1,606,985	-	-	-	-	**1,606,985**
WWT - GRAV M&S - MULTI LOC - REPL (PKG 3)	1,555,519	-	-	-	-	**1,555,519**
WWT - LS/FM - SOLMS - NEW CAP	1,008,666	3,775,072	7,284,130	7,902,666	2,759,166	**22,729,700**
WWT - GRAV M&S - SYSWD - REPL	882,878	873,786	895,374	902,758	919,479	**4,474,275**
WWT - GRAV M&S - SAN ANTONIO ST CNB- UTILITY RELOC (PH3)	869,487	-	-	-	-	**869,487**
WWT - UTILITY RELOC - SYSWD - CNB CORR	704,601	5,462,200	1,957,601	173,184	-	**8,297,587**
WWT - MH - SYSWD - RH	662,158	655,339	671,530	677,069	689,609	**3,355,706**
WWT - GRAV M&S - COLL ST CNB - UTILITY RELOC	603,183	563,069	-	-	-	**1,166,252**
WWT - INTERC - FREDERICKSBERG - CAP UPSIZE	571,349	2,857,331	3,716,957	-	-	**7,145,637**
WWT - INTERC - I-35 CORR → RIO LS - CAP UPSIZE	568,098	4,680,410	7,873,354	2,456,909	-	**15,578,771**
WWT - TM - WALNUT HEIGHTS - CAP UPSIZE	469,029	200,113	6,219,721	1,270,019	-	**8,158,881**
WWT - INTERC - BLIEDERS CREEK - CAP UPSIZE	449,978	3,785,462	3,528,132	-	-	**7,763,573**
WWT - COLL (GRAV) - NORTH HICKORY - REPL	421,855	694,835	-	-	-	**1,116,690**
WWT - INTERC - S KUEHLER BASIN - CAP UPSIZE (PH2)	380,741	277,934	1,650,502	8,500,195	-	**10,809,373**
WWT - GRAV M&S - GOODWIN–CONRADS CNB - UTILITY RELOC	248,216	-	-	-	-	**248,216**
WWT - COLL (GRAV) - KOWALD LN CNB - UTILITY RELOC	226,820	259,203	76,397	-	-	**562,419**
WWT - TM - COMAL AVE - CAP UPSIZE	196,866	1,056,149	1,029,945	-	-	**2,282,960**
WWT - GRAV M&S - SYSWD - EXT	165,540	163,835	167,883	169,267	172,402	**838,926**
WWT - FM - DOVE XING LS → S KUEHLER INTERC - REPL	140,618	761,539	4,600,419	-	-	**5,502,577**
WWT - TM - BARBAROSA CNB - UTILITY RELOC	59,744	632,996	651,584	-	-	**1,344,323**
WWT - TM - RIVER GARDENS - CAP UPSIZE	-	383,549	1,625,024	1,281,565	-	**3,290,137**
WWT - TM - LOOP 337 - CAP UPSIZE	-	355,756	1,659,355	1,385,475	-	**3,400,586**
WWT - GRAV M&S - AUSTIN ST AREA - REPL	-	305,727	1,064,276	1,073,743	-	**2,443,747**
WWT - TM - E MATHER - CAP UPSIZE	-	277,934	2,483,311	-	-	**2,761,245**
WWT - INTERC - S KUEHLER BASIN - CAP UPSIZE (PH3)	-	109,223	845,009	1,833,728	11,022,733	**13,810,693**
WWT - LS - DAHLIA - DECOMM	-	88,939	371,924	-	-	**460,863**
WWT - TM - TORREY ST - CAP UPSIZE	-	-	440,587	2,655,494	-	**3,096,082**
WWT - TM - ORION DR - CAP UPSIZE	-	-	-	404,097	324,198	**728,295**
WWT - INTERC - SAENGERHALLE - CAP UPSIZE	-	-	-	-	471,561	**471,561**
TOTAL CAPITAL PROJECTS - WASTEWATER	**$ 69,443,835**	**$ 74,223,418**	**$ 63,481,174**	**$ 62,253,179**	**$ 57,423,466**	**$ 326,825,072**

Wastewater Services Capital Equipment	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr Plan
Ford F-550 Water w/Crane	$ 160,000	$ -	$ -	$ -	$ -	$ 160,000
Ford F-150	-	56,000	-	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
CAT Skid Steer	-	-	-	60,000	-	60,000
Total Wastewater Treatment & Compliance	**$ 160,000**	**$ 56,000**	**$ 56,000**	**$ 60,000**	**$ -**	**$ 332,000**
TOTAL CAPITAL EQUIPMENT - WASTEWATER	**$ 160,000**	**$ 56,000**	**$ 56,000**	**$ 60,000**	**$ -**	**$ 332,000**

**Minor discrepancies in totals are due to independent rounding.*

Shared Water / Wastewater Services Capital Equipment	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr Plan
SEA Combo Unit	$ 550,000	$ -	$ -	$ -	$ -	$ 550,000
Vermeer VX 50	185,000	-	-	-	-	185,000
Ford F-550 Water/ International CV	150,000	-	-	-	-	150,000
Ford F-550 Water/ International CV	150,000	-	-	-	-	150,000
Ford F-550 Water/ International CV	150,000	-	-	-	-	150,000
CAT 306 CR	100,000	-	-	-	-	100,000
Ford F-150	56,000	-	-	-	-	56,000
Ford Ranger	32,000	-	-	-	-	32,000
Ford Ranger	32,000	-	-	-	-	32,000
Dump Trailer	15,000	-	-	-	-	15,000
Dump Trailer	15,000	-	-	-	-	15,000
CAT Backhoe	-	140,000	-	-	-	140,000
Sewer Easement Machine	-	80,000	-	-	-	80,000
Ford F-150	-	56,000	-	-	-	56,000
Ford F-150	-	56,000	-	-	-	56,000
CCTV Truck	-	-	400,000	-	-	400,000
CAT Wheel Loader	-	-	160,000	-	-	160,000
International Dump Truck	-	-	135,000	-	-	135,000
Ford F-150	-	-	56,000	-	-	56,000
Equipment Trailer	-	-	25,000	-	-	25,000
Ford F-550 Water	-	-	-	130,000	-	130,000
Ford F-550 Water	-	-	-	130,000	-	130,000
CAT Mini Excavator	-	-	-	90,000	-	90,000
Ford F-150	-	-	-	56,000	-	56,000
Ford F-150	-	-	-	56,000	-	56,000
Kubota RTV	-	-	-	25,000	-	25,000
SEA Combo Unit	-	-	-	-	600,000	600,000
International Dump Truck	-	-	-	-	170,000	170,000
International Dump Truck	-	-	-	-	170,000	170,000
Ford F-550 Water/ International CV	-	-	-	-	150,000	150,000
CAT Backhoe	-	-	-	-	150,000	150,000
CAT Backhoe	-	-	-	-	150,000	150,000
Equipment Trailer	-	-	-	-	25,000	25,000
Cargo Trailer	-	-	-	-	20,000	20,000
Dump Trailer	-	-	-	-	15,000	15,000
Total Shared Water / Wastewater Operations	**$ 1,435,000**	**$ 332,000**	**$ 776,000**	**$ 487,000**	**$ 1,450,000**	**$ 4,480,000**
TOTAL CAPITAL EQUIPMENT - SHARED WATER/ WASTEWATER	**$ 1,435,000**	**$ 332,000**	**$ 776,000**	**$ 487,000**	**$ 1,450,000**	**$ 4,480,000**

**Minor discrepancies in totals are due to independent rounding.*

SUPPORT SERVICES

Support Services Operating Budget $ in Thousands	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031
Operating Expenses					
Operating Expenses	$ 42,893	$ 43,540	$ 46,197	$ 48,379	$ 51,421
Total Operating Expenses	**$ 42,893**	**$ 43,540**	**$ 46,197**	**$ 48,379**	**$ 51,421**
Non-Operating Revenue/(Expense)					
Interest Income	$ 7,104	$ 6,546	$ 6,187	$ 6,391	$ 6,820
Other Income	511	537	563	592	621
General & Administrative Expense					
Credit Card Processing	(1,856)	(2,227)	(2,673)	(3,207)	(3,849)
Property & Liability Insurance	(1,055)	(1,214)	(1,396)	(1,605)	(1,846)
Community Assistance Program	(524)	(554)	(587)	(622)	(660)
Rebates	(886)	(886)	(886)	(886)	(886)
Intergovernmental Expense	(14,220)	(15,910)	(17,982)	(19,848)	(21,122)
Total Non-Operating Revenue/(Expense)	**$ (10,926)**	**$ (13,708)**	**$ (16,773)**	**$ (19,186)**	**$ (20,922)**
Net Income Before Allocation	**$ (53,819)**	**$ (57,249)**	**$ (62,970)**	**$ (67,565)**	**$ (72,343)**
Income Allocation	$ (7,615)	$ (7,083)	$ (6,751)	$ (6,982)	$ (7,441)
Expense Allocation	61,434	64,332	69,721	74,548	79,784
Change in Net Position	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Capital Expenditures					
Projects	$ 62,122	$ 10,631	$ 160	$ 85	$ 85
Equipment	2,336	1,350	1,237	1,175	1,125
Total Capital Expenditures	**$ 64,458**	**$ 11,981**	**$ 1,397**	**$ 1,260**	**$ 1,210**
Capital Expenditures – Funding					
Grants & Other Proceeds	$ 500	$ 2,550	$ -	$ -	$ -
Other Funding Sources	63,958	9,431	1,397	1,260	1,210
Total Capital Funding	**$ 64,458**	**$ 11,981**	**$ 1,397**	**$ 1,260**	**$ 1,210**
Excess Revenue	**$ (64,458)**	**$ (11,981)**	**$ (1,397)**	**$ (1,260)**	**$ (1,210)**

Minor discrepancies in totals are due to independent rounding.

Support Services Capital Projects	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr. Plan
516 - Headwaters at the Comal						
SPRT - FAC - HW - EXP (PH3)	$ 2,472,815	$ -	$ -	$ -	$ -	**$ 2,472,815**
Total Headwaters at the Comal	**$ 2,472,815**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,472,815**
528 - Fleet / Facilities						
SPRT - FAC - SYSWD - HQ CAMPUS	$ 49,375,670	$ 3,791,144	$ -	$ -	$ -	**$ 53,166,814**
SPRT - FAC - SYSWD - RH PROG	85,000	85,000	85,000	85,000	85,000	**425,000**
SPRT - FAC - SYSWD - BOC	8,511	-	-	-	-	**8,511**
Total Fleet / Facilities	**$ 49,469,181**	**$ 3,876,144**	**$ 85,000**	**$ 85,000**	**$ 85,000**	**$ 53,600,325**
531 - Technology Systems						
SPRT - IT - SYSWD - FIB EXP	$ 250,000	$ -	$ -	$ -	$ -	**$ 250,000**
Total Technology Systems	**$ 250,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 250,000**
532 - Operational Technology						
SPRT - OT - SYSWD - SCADA REPL & INTEGRATION	$ 800,000	$ -	$ -	$ -	$ -	**$ 800,000**
SPRT - OT - SYSWD - SCADA CAP SUPP	200,000	-	-	-	-	**200,000**
SPRT - OT - SYSWD - MH & FH (IoT) SENS	100,000	-	-	-	-	**100,000**
Total Operational Technology	**$ 1,100,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,100,000**
533 - Data Strategy						
SPRT - IT - SYSWD - ERP (GP) REPL	$ 7,800,000	-	-	-	-	**$ 7,800,000**
SPRT - IT - SYSWD - GIS UTIL NET MIG	500,000	1,500,000	-	-	-	**2,000,000**
SPRT - IT - SYSWD - CIS REPL	-	5,180,000	-	-	-	**5,180,000**
Total Data Strategy	**$ 8,300,000**	**$ 6,680,000**	**$ -**	**$ -**	**$ -**	**$ 14,980,000**
534 - Security						
SPRT - FAC - SEC - ENH	$ 300,000	$ 75,000	$ 75,000	$ -	$ -	**$ 450,000**
Total Security	**$ 300,000**	**$ 75,000**	**$ 75,000**	**$ -**	**$ -**	**$ 450,000**
535 - Cyber Security						
SPRT - CYBER - SYSWD - CORE SYS	$ 230,000	$ -	$ -	$ -	$ -	**$ 230,000**
Total Cybersecurity	**$ 230,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 230,000**
TOTAL CAPITAL PROJECTS - SUPPORT	**$ 62,121,996**	**$ 10,631,144**	**$ 160,000**	**$ 85,000**	**$ 85,000**	**$ 73,083,140**

**Minor discrepancies in totals are due to independent rounding.*

Support Services Capital Equipment	Budget FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Total 5-Yr Plan
Indoor High Reach Truck	$ 100,000	$ -	$ -	$ -	$ -	$ 100,000
CAT Forklift Med	100,000	-	-	-	-	100,000
CAT Forklift Med	75,000	-	-	-	-	75,000
Indoor Cherry Picker	25,000	-	-	-	-	25,000
Ford Escape	-	25,000	-	-	-	25,000
Purchasing Total	**$ 300,000**	**$ 25,000**	**$ -**	**$ -**	**$ -**	**$ 325,000**
New HQ Garage equipment	$ 615,364	$ -	$ -	$ -	$ -	$ 615,364
Ford F-550 Water/ International CV	150,000	-	-	-	-	150,000
Ford F-150	56,000	-	-	-	-	56,000
Ford Explorer	40,000	-	-	-	-	40,000
Ford F-250	-	-	-	-	-	-
Ford F-150	-	-	56,000	-	-	56,000
Ford F-150	-	-	56,000	-	-	56,000
KUV Work Van	-	-	-	50,000	-	50,000
Total Purchasing	**$ 861,364**	**$ -**	**$ 112,000**	**$ 50,000**	**$ -**	**$ 1,023,364**
Ford Escape Plug-in Hybrid	$ -	$ 42,000	$ -	$ -	$ -	$ 42,000
Ford Escape Plug-in Hybrid	-	42,000	-	-	-	42,000
Ford Escape Plug-in Hybrid	-	42,000	-	-	-	42,000
Ford Escape Plug-in Hybrid	-	42,000	-	-	-	42,000
Total Fleet and Facilities	**$ -**	**$ 168,000**	**$ -**	**$ -**	**$ -**	**$ 168,000**
PC Replacements	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 2,000,000
Radio Equipment	120,000	120,000	120,000	120,000	120,000	600,000
Network Equipment	118,000	100,000	100,000	100,000	100,000	518,000
Telecommunications Equipment and Enhancements	65,000	65,000	65,000	65,000	65,000	325,000
iPads	30,000	30,000	30,000	30,000	30,000	150,000
UPS Replacement	25,000	25,000	25,000	25,000	25,000	125,000
Copiers and Printers	10,000	10,000	10,000	10,000	10,000	50,000
Technology Systems Total	**$ 768,000**	**$ 750,000**	**$ 750,000**	**$ 750,000**	**$ 750,000**	**$ 3,768,000**
OT Equipment Lifecycle Management	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 1,250,000
EGM Line Sensor	75,000	75,000	75,000	75,000	75,000	375,000
Ranger	-	32,000	-	-	-	32,000
Operational Technology Total	**$ 325,000**	**$ 357,000**	**$ 325,000**	**$ 325,000**	**$ 325,000**	**$ 1,657,000**
Security Equipment Lifecyle Management	50,000	50,000	50,000	50,000	50,000	250,000
Security Total	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 50,000**	**$ 250,000**
Ranger	32,000	-	-	-	-	32,000
Rates and Revenue Total	**$ 32,000**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 32,000**
TOTAL SUPPORT SERVICES	**$ 2,336,364**	**$ 1,350,000**	**$ 1,237,000**	**$ 1,175,000**	**$ 1,125,000**	**$ 7,223,364**

**Minor discrepancies in totals are due to independent rounding.*


TEREX
NBU
New Braunfels Utilities
SAFEhaven

Appendix:

Financial Policy

Financial Policy

NBU NEW BRAUNFELS UTILITIES

Policy Type	Approval Authority	Adopted	Effective
Board	NBU Board of Trustees	June 25, 2026	June 25, 2026
Responsible Department			
Finance			

Reviewed/Approved by Executive Director		Reviewed/Approved by General Counsel	
Name	Date Signed	Name	Date Signed
Jessica Williams		Connie Lock	7/16/2026
Jessica Williams		Connie Lock	
Signature		Signature	
Reviewed/Approved by CEO		**Reviewed/Approved by Board President**	
Name	Date Signed	Name	Date Signed
Ryan Kelso	07/09/2026	Wayne Peters	07/09/2026
Signature		Signature	

REVISION HISTORY

The NBU Financial Policy is subject to periodic review and revised as appropriate. This Financial Policy is effective as of the date of adoption stated above and replaces the Financial Policy adopted on December 14, 2023, in its entirety.

I. General Policy Statement

New Braunfels Utilities ("NBU") recognizes the importance of maintaining a strong financial position in order to fulfill its customer and public service responsibilities. It is NBU's policy to provide electric, water, and wastewater services at the lowest reasonable cost while maintaining high standards of reliability, service quality, and operational excellence.

This Financial Policy (the "Policy") establishes the framework for preserving NBU's long-term financial integrity, supporting strategic goals, and planning for system growth, capital investment, and changing business conditions. This Policy should be read in conjunction with the NBU Investment Policy and other Board-approved financial policies.

This Policy will be reviewed periodically and updated as necessary to reflect changing financial conditions, regulatory requirements, and industry best practices.

II. Definitions

In this Policy, the following terms and phrases have the meaning ascribed to each below:

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"O & M Expenses" means expenses of operating and maintaining the System, including but not limited to salaries, labor, materials, services, and repairs necessary to render efficient service. The term also includes purchases of power and water.

"System" means the electric, water, and wastewater systems operated by NBU and all property owned or acquired by NBU and used in connection with such systems.

III. Financial Objectives

The objectives of this Policy are as follows:

A. Financial Stability. NBU will maintain long-term financial stability and will not compromise long-term financial integrity for short-term benefits.

B. Funds from Operations. NBU will recommend that City Council for the City of New Braunfels approve rates and charges at levels sufficient to:

1. pay all operating, maintenance, depreciation, replacement, improvement, and principal and interest charges in connection with the System, including but not limited to costs necessary to support reliable operations and fund capital needs;

2. pay for an interest and sinking fund sufficient to pay any public securities issued or obligations incurred by NBU in connection with the System;

3. pay any outstanding debt; and

4. maintain financial metrics that support market access and credit quality.

NBU will seek to maintain debt service coverage levels above minimum bond covenant requirements in order to preserve financial flexibility and favorable borrowing terms.

IV. Flow of Funds

Available revenue will be applied in the following order of priority:

A. Operations. Payment of the necessary and reasonable O & M Expenses;

B. Senior Debt Obligations. Payment to those funds required by bond ordinances, including but not limited to debt service, interest and sinking, and reserve funds for priority lien bonds;

C. Subordinate Obligations. Payment of other debt or obligations payable from and secured by a lien that is junior and subordinate to the senior debt obligations referenced in Section IV.B.; and

D. Lawful Uses of Remaining Funds: Any revenue remaining after satisfying the above priorities or making adequate and sufficient provision for the payment thereof, may be used for any lawful purpose, including transfers to the City as permitted by applicable law and this Policy.

V. Revenue

NBU will primarily rely on electric, water, and wastewater service rates for recurring revenues. Additional revenues may be generated in accordance with approved policies, fees, and connection charges. Capital recovery fees, impact fees, and similar revenues will be separately accounted for and used for eligible capital purposes consistent with applicable law and policy. NBU will design rates to recover the cost of providing services while promoting revenue stability, equity, transparency, and predictability.

VI. Pricing, Rates, and Reserves

NBU will determine revenue sufficiency requirements based on sound financial practices and equitable allocation of costs. Rates may be cost-based, market-based, or a combination thereof, depending on the nature of the service and applicable business conditions. Cost-of-service studies and rate reviews will be performed periodically to evaluate actual and projected revenues, expenses, capital needs, and reserve requirements. Reserve levels will be evaluated regularly to support liquidity, risk mitigation, and financial stability. Reserves for the System Contingency Fund and the Power Stabilization Fund will be established in accordance with this Policy.

VII. Financing

The objective of NBU's capital structure is to maintain financial flexibility, preserve credit quality, and allocate costs equitably between current and future customers. Long-term debt is generally appropriate for assets with long, useful lives. NBU may finance infrastructure and capital improvements through a prudent combination of:

A. funds from operations;

B. existing reserves;

C. long-term debt;

D. short-term financing tools; or

E. other lawful financing mechanisms.

VIII. Financial Guidelines

A. Asset-Life Matching. Debt amortization schedules should generally align with the useful life of financed assets.

B. Debt. NBU will seek to maintain a system-wide debt to capitalization ratio of 55% or less and debt service coverage levels that meet or exceed 2.25x.

C. Liquidity. NBU will maintain a minimum of 140 days of unrestricted cash on hand.

D. Investments. NBU will maintain a Board-approved Investment Policy emphasizing preservation of principal, liquidity, and appropriate yield that complies with applicable law.

E. Risk Management Policies. NBU may maintain Board-approved policies addressing:

1. Energy Risk Management;

2. Credit Risk Management;

3. Power Stabilization;

4. Reserve Management; or

5. Other financial risks.

IX. City Transfers

The provisions of this Section apply to the administration of the transfer of certain funds to the City of New Braunfels by NBU.

A. Authority. Pursuant to Section 1502.059 of the Texas Government Code and Section 130-33 of the New Braunfels Code of Ordinances, the Board may, in its discretion, make an annual transfer of funds to the City of New Braunfels (the "City Transfer") after paying all higher priority obligations as stated above in Section IV.

B. Calculation. The City Transfer is based on a percentage of a rolling three-year average of electric, water, and sewer operating revenues. The City Transfer will be paid to the City in 12 equal monthly payments.

1. Transfer percentage amounts for each line of business are as follows:

   a. Electric – 7.45%

   b. Water – 5.00%

   c. Sewer – 5.00%

2. For purposes of estimating the City Transfer for the budget year, the three-year average of revenues included in the calculation is based on two previous actual fiscal year revenues and an estimate of revenues for the immediately preceding fiscal year.

3. Electric operating revenues included in the calculation are limited to base rate revenues collected from electric customers and will exclude generation cost recovery factor (GCRF) revenues, transmission cost recovery factor (TCRF) revenues, revenues to replenish reserves, and direct charges (pass-through) for transmission revenues.

4. Purchased water costs are capped at $2,500,000 per year so any purchased water costs above $2,500,000, in any fiscal year, will be excluded from total water operating revenues in the calculation of the City Transfer. Operating revenues from sewer are not limited and the full amount of such revenues will be used to calculate the amount of the City Transfer.

C. Timeline.

1. A preliminary calculation of the City Transfer will be made at the beginning of the fiscal year and will be taken to the Board for approval. The first

payment will be made after Board approval, with monthly payments thereafter.

2. The total City Transfer will be "trued up" after the immediately preceding fiscal year financial statements are audited and approved. The remaining monthly transfers in the then current fiscal year will be adjusted to reflect the average of the actual revenues for the most recent three years.

X. System Contingency Fund

This Section of the Policy establishes the System Contingency Fund ("SCF") and applies to the administration of the SCF by certain designees of the Chief Executive Officer ("CEO") identified herein. The SCF is an NBU fund intended to support financial resilience, maintain continuity of operations, and provide flexibility in responding to emergencies, disasters, or other unforeseen circumstances that impact NBU's financial position or liquidity in a manner that is consistent with industry best practices. The CEO retains the right, without first modifying this Policy, to limit the discretion of the CFO described in this Section X at any time should the circumstances warrant such action in the CEO's opinion.

A. Roles & Responsibilities. The Chief Financial Officer ("CFO") is responsible for the oversight and administration of the SCF, including investment management and fund utilization. The CFO has the discretion to determine the appropriate use, timing, and management of the SCF based on prevailing financial and operational conditions. CFO responsibilities include:

1. determining the duration and amount of transfers from the SCF to other NBU accounts to address liquidity needs during qualifying events;

2. monitoring SCF activity on at least a monthly basis during periods of use;

3. revoking or limiting use of the SCF as conditions warrant; and

4. communicating use of the SCF to the Board no later than the next Board meeting to support transparency and effective governance.

B. Funding Calculation & Targets. The SCF funding level is based on projected gross annual O & M Expenses, with a target of at least 120 days of projected gross annual O & M Expenses. This range reflects operational risk, revenue variability, and the need to maintain uninterrupted utility services. Management should generally maintain balances within this range; however, temporary deviations may occur based on operational or financial considerations.

C. Evaluation and Review. The SCF funding requirements will be reviewed on an annual basis during the budget process. Additional reviews may occur as needed based on changing financial conditions. The policy and funding levels will be reviewed periodically and updated as needed to reflect evolving risks, financial conditions, and industry best practices.

D. Use of Funds. The SCF may be used to offset a reduction to revenue or increase in obligations resulting from emergencies, disasters, or other unforeseen circumstances that impact NBU's financial position or liquidity. The determination of qualifying circumstances and the extent of SCF use will be made at the discretion of the CFO based on available information and operational needs.

E. Transfers. The SCF will be a separate cash fund on deposit with a managed pooled fund in accordance with the NBU Investment Policy. Transfers from the SCF account will be recorded with an accounting entry.

F. Replenishment. The CFO will determine the appropriate replenishment strategy based on the nature of the event, financial conditions, and operational priorities, while generally targeting timely restoration of fund levels.

G. Investments. SCF investments shall comply with the NBU Investment Policy, with emphasis on maintaining adequate liquidity. In the event of conflict between Section X of this Policy and the NBU Investment Policy, the provisions of the Investment Policy shall govern. The NBU Investment Policy contains guidelines on appropriate investment targets and timing.

XI. Power Stabilization Fund.

This Section of the Policy establishes the Power Stabilization Fund ("PSF") and applies to the administration of the PSF by certain designees of the CEO identified herein. NBU is authorized to collect for the PSF pursuant to Section 130-58 of the City of New Braunfels Code of Ordinances. Use of the PSF is limited to costs associated with NBU's Power Portfolio, including energy purchases, transmission, congestion, ancillary services, and collateral posting.

A. Purpose. The PSF is intended to:

1. stabilize electric rates by mitigating fluctuations in power supply costs;

2. reduce the need for unanticipated electric rate increases when costs exceed existing rate revenues;

3. provide financial flexibility to manage volatility in power-related costs; and

4. support operations during emergencies or unforeseen events having a financial impact on NBU electric operations.

To accomplish these purposes, annually, or more often if needed, NBU will establish an amount that is sufficient to ensure adequate financial capacity to manage power cost volatility while maintaining rate stability.

B. <u>Definitions</u>. As used in this Section, the following terms and phrases have the meaning ascribed to each below:

"Replenish Reserves Charge" means the rate used to collect reserves from customers to fund the PSF.

"Power Portfolio" means NBU's power supply cost components, including energy purchases, transmission, congestion, ancillary services, and collateral posting.

"Stochastic Risk Model" means a decision tool that uses probability and simulation to estimate a range of possible risks and outcomes under uncertainty.

"Expected Shortfall" means the average loss in the worst-case outcomes beyond a chosen confidence level threshold.

"Target Amount" means the amount of funds necessary to ensure adequate financial capacity to manage power cost volatility while maintaining rate stability, as determined by the CFO in the manner set forth in Section XI.D. of this Policy and approved at least annually by the Risk Oversight Committee.

C. <u>Roles & Responsibilities</u>.

1. The CFO is responsible for oversight and administration of the PSF. The CFO has the discretion to determine the timing, use, and management of the PSF within the framework of this Policy. CFO responsibilities include:

a. managing and monitoring PSF balances and activity;

b. establishing and adjusting the Replenish Reserves Charge, as appropriate;

c. determining the use of the PSF resources based on financial, operational, and market conditions;

e. setting the chosen confidence level used to determine the Expected Shortfall;

d. communicating changes in PSF strategy to the Board in a timely manner; and

e. communicating use of the PSF to the Board no later than the next Board meeting to support transparency and effective governance.

2. The Risk Oversight Committee is responsible for approving the Target Amount on an annual basis or more frequently as needed.

3. The Board provides oversight of the PSF through monthly review of the PSF funding levels and annual review of this Policy as part of the budget and rate-setting process.

4. The CEO retains the right, without first modifying this Policy, to limit the discretion of the CFO described in this Section XI at any time should the circumstances warrant such action in the CEO's opinion.

D. <u>Calculating the Target Amount</u>.

1. The Target Amount will be based on the Expected Shortfall calculated using a forward-looking Stochastic Risk Model of NBU's Power Portfolio that:

a. evaluates a range of potential scenarios, including extreme historical events; and

b. quantifies financial exposure across energy, transmission, congestion, and ancillary services.

2. Adjustments can be made to the calculation to account for the impact of significant events and changes to NBU's Power Portfolio.

E. Evaluation. PSF funding levels will be reviewed annually as a part of the budget process. Additional reviews may occur as needed based on changing market or operational conditions.

F. Use of Funds. The determination of qualifying circumstances and the extent of PSF use will be made at the discretion of the CFO based on available information and operational needs. The PSF may be used to:

1. offset higher than anticipated power costs;

2. smooth the recovery of power-related expenses over time;

3. mitigate rate volatility;

4. post collateral at ERCOT and margin calls with counterparties; and/or

5. serve any other purpose included in this Section of the Policy at the discretion of the CFO.

G. Transfers. The PSF will be a separate cash fund on deposit with a managed pooled fund in accordance with the NBU Investment Policy. Transfers from the PSF account will be recorded with an accounting entry.

H. Customer Reimbursement. If the PSF balance exceeds the Target Amount by 20% or more, excess funds may be returned to customers through adjustments to the Replenish Reserves Charge, and/or utilized to cover power costs to stabilize rates, as determined by the CFO and CEO.

I. Replenishment. Replenishment strategies will be determined based on severity of fund usage, financial conditions, and rate considerations, with the goal of restoring fund levels over time.

J. Investments. PSF investments shall comply with the NBU Investment Policy, with emphasis on maintaining adequate liquidity. In the event of conflict between this Section XI of the Policy and the Investment Policy, the Investment Policy shall prevail. The NBU Investment Policy contains guidelines on applicable investment targets and timing.

XII. Documentation and Reports

NBU will comply with all statutory, regulatory, bond, and debt reporting requirements on a timely basis. At a minimum, the following reports will be provided:

A. Monthly Financial Reporting. NBU will provide periodic operating and financial reports for Board review in such detail as deemed appropriate by the CFO and CEO in communication with the Board.

B. Annual Budget. NBU will provide an annual operating and capital budget to the Board for approval prior to the start of each fiscal year. Material budget amendments will be presented to the Board for consideration as appropriate. Budget matters may also be reviewed with the Budget Committee, as applicable.

C. Annual Audit. NBU will obtain an independent annual audit conducted by a qualified external auditing firm. The completed audit will be presented to the Board following fiscal year-end and shared with City Council as required or requested. Internal control and audit matters may also be reviewed with the Board or Audit Committee, as applicable.

XIII. Summary

This Policy provides financial management guidelines intended to preserve NBU's long-term financial integrity, maintain reliable utility service, promote rate stability, and support responsible stewardship of public resources. This Policy is intended to serve as a guiding framework and may evolve over time as financial conditions, operational needs, and strategic priorities change.

Investment Policy

Investment Policy

NEW BRAUNFELS UTILITIES

Policy Type		Approval Authority		Adopted	Effective
Board		NBU Board of Trustees		June 25, 2026	June 25, 2026
Responsible Department					
Finance					
Reviewed/Approved by Executive Director		Reviewed/Approved by General Counsel			
Name	Date Signed	Name		Date Signed	
Jessica Williams		Connie Lock		7/16/2026	
Jessica Williams Jessica Williams (Jul 15, 2026 09:08:17 CDT)		Connie C. Lock			
Signature		Signature			
Reviewed/Approved by CEO		Reviewed/Approved by Board President			
Name	Date Signed	Name		Date Signed	
Ryan Kelso	07/10/2026	Wayne Peters		07/10/2026	
Signature		Signature			
REVISION HISTORY					
This Policy replaces the previous Investment Policy adopted January 30, 2025.					

I. INVESTMENT AUTHORITY AND SCOPE OF POLICY

Policy Statement
This policy is designed to serve as a guideline for the investment of all New Braunfels Utilities' (NBU) funds by the individuals designated by the Chief Executive Officer (CEO) and the Board of Trustees as having the authority and responsibility for making such investments. This policy reflects the concept that NBU, by law, manages funds defined as public funds. NBU is a public trust for those assets acquired pursuant to City Charter and statutes.

This policy serves to satisfy the statutory requirements of Texas Government Code, Chapter 2256 (The Public Funds Investment Act, as amended, "PFIA") to define and adopt a formal investment policy. *See Attachment A: Certification of Board Action to Approve Investment Policy*. This policy will be reviewed and approved by the Board of Trustees at least annually according to Section 2256.005(e) of the PFIA.

NBU's excess funds shall be kept invested until required for payment of operating and maintenance expenses, debt service, construction costs, claims not covered by insurance, or any other debt or amount rightfully due and owed by NBU. NBU shall maintain a comprehensive cash management program which includes collection of accounts receivable, vendor payment in accordance with invoice terms, and prudent investment of its available cash.

Provisions and restrictions set forth in state and federal laws, in Bond Ordinances for each of the separate funds and in other ordinances (including subsequently adopted Bond Ordinances or State or Federal laws enacted), shall govern administration and investment of NBU funds. If there should ever be conflicts between this policy and other laws and ordinances, such other laws and ordinances will control.

Investments shall be made with the primary objectives of:

- Safety and preservation of principal
- Maintenance of sufficient liquidity to meet operating needs
- Maximization of yield on the portfolio
- Public trust from prudent investment activities

When determining the term of an investment, market trends and economic conditions shall be recognized factors within the parameters of projected cash requirements. Arbitrage regulations shall be strictly observed.

Portfolio composition and eligible investments shall be set forth in this policy. Tax-exempt securities within the portfolio shall be utilized primarily for compliance with arbitrage regulations. Arbitrage, as referred to in this policy, concerns the investment of bond proceeds (construction funds), interest and sinking funds, and reserve funds.

It shall be recognized that speculation is inappropriate, and that volatile instruments are to be avoided under any circumstances.

Funds Included

This investment policy applies to all financial assets of all funds of NBU at the present time and any funds to be created in the future.

Investment Officers

In accordance with Chapter 2256, Sec. 2256.005(f), the Board shall designate Investment Officers of NBU as stated in *Attachment B: Certification of Board Action to Designate Authorized Investment Officers*. Each of the employees designated to serve as Investment Officers shall be covered by a Public Employee Dishonesty Policy at a level of not less than $1,000,000, and will serve under the direction and authority of the Board.

If an Investment Officer has a personal business relationship with an entity -- or is related within the second degree by affinity or consanguinity to an individual -- seeking to sell an investment to NBU, the Investment Officer must file a statement disclosing that personal business interest -- or relationship -- with the Texas Ethics Commission and the Board of Trustees in accordance with Section 2256.005(i) of the PFIA.

Investment Officers shall refrain from personal business activity that could conflict with proper execution of the investment programs, or which could impair their ability to make impartial investment decisions. Investment Officers shall disclose to the Board any material financial interests in financial institutions that conduct business with NBU, and shall further disclose any large personal financial or investment positions that could be related to the performance of NBU's portfolio. Investment Officers shall subordinate their personal investment transactions to those of NBU, particularly with regard to the timing of purchases and sales.

The Investment Officers, pursuant to the delegation and authority of the Board, shall direct the investment program of NBU. No person may engage in an investment transaction except as provided under the terms of this policy. The designated Investment Officers, through the authority granted by the CEO and by the Board of Trustees, shall be responsible for all investment transactions undertaken and shall establish a system of controls to regulate the activities of subordinate employees.

The Investment Officers have the authority to purchase or sell, or contract to purchase or sell, any approved securities without limitation as to dollar amount, subject to the exceptions noted under Portfolio Management in this policy. Investment Procedures to supplement investment administration and to provide additional guidance on investments shall be prepared by the Investment Officers but are subject to revision without Board action. The Investment Procedures shall be available for review as requested by the Board.

II. INVESTMENT OBJECTIVES

General Statement

NBU funds will be invested in accordance with federal and state laws, this investment policy and applicable written administrative procedures. NBU will invest according to the investment strategy statements for each fund as approved by the Board of Trustees in accordance with Sec. 2256.005(d). *See Attachment C: Certification of Board Action to Approve Fund Investment Strategies*.

Safety and Maintenance of Adequate Liquidity

NBU's paramount objective in any investment transaction is the return of principal; therefore, safety of principal overrides other considerations in any investment transaction. NBU's investment portfolio must be structured in conformance with an investment management plan which provides for liquidity necessary to pay obligations as they become due. A portion of the portfolio will be placed in money market mutual funds or local government investment pools which offer same day liquidity for short term funds.

Diversification

The Investment Portfolio shall be diversified to minimize the risk of loss resulting from overconcentration of assets in a specific maturity, or a specific issuer, or a specific class or type of investment. Investments shall be selected that provide for stability of income and reasonable liquidity with active secondary or resale markets. NBU recognizes that investment risk can result from issuer defaults, market price changes, or various technical complications leading to temporary illiquidity. Risk is managed through portfolio diversification which shall be achieved by the following general guidelines:

- limiting investments to avoid concentration in securities from a specific issuer or business sector (excluding U.S. Treasury Securities),
- investing in securities with varying maturities,
- limiting investment in securities that have higher credit risks,
- continuously investing a portion of the portfolio in readily available funds such as a local government investment pool, or money market funds, to ensure that appropriate liquidity is maintained to meet ongoing obligations.

The NBU Board will establish for the NBU investment portfolio the maximum limits for each instrument as a percentage of total invested funds. These maximum limits are set forth in *Attachment C: Certification of Board Action to Approve Fund Investment Strategies*.

Yield
NBU's objective is to earn a market rate of return on its investments within the constraints imposed by its safety and liquidity objectives, investment strategies for each fund, arbitrage regulations, and state and federal law governing investment of public funds. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed.

Maturity
Portfolio maturities will be structured to meet NBU financial obligations first, and then, to achieve a market return of interest. When making investment decisions, maturity restraints will be determined based upon the investment strategy for each fund. Unless otherwise stated in the Investment Strategy Statements by Fund section, the maximum allowable stated maturity of any individual investment owned by NBU is five (5) years. However, NBU may invest funds up to ten (10) years for the Community Assistance Fund.

Disposition of Securities
NBU's Investment Portfolio should pursue a "buy and hold" portfolio strategy. Maturity dates of investments are selected based on cash flow requirements and investments are purchased with the intent to be held until maturity. However, securities may be sold before they mature if market conditions present an opportunity for NBU to benefit from the trade. Securities may be sold for the following reasons:

- A security with declining credit may be sold early to minimize loss of principal
- A security swap would improve the quality, yield, or target duration in the portfolio
- A security may be called by the issuer per the terms of its original issuance
- Liquidity needs of the portfolio require that the security be sold.

Prior to selling a security before its scheduled maturity date, approval of two Investment Officers or one Investment Officer and the CEO, is required.

Quality and Capability of Investment Management
Investment training is required pursuant to Section 2256.008(a) and (a-1) of the PFIA for the Board's Treasurer, the Chief Financial Officer (if the treasurer is not the CFO), and each Investment Officer through courses and seminars offered by qualified individuals, professional organizations and associations in order to insure the quality and capability of these individuals in making sound investment decisions and/or appropriately monitoring financial developments. Initial training of at least 10 hours of instruction must be completed within 12 months after taking office or assuming duties; and an additional minimum of 8 hours of additional investment training shall be completed not less than every two consecutive years, such period beginning on the first day of NBU's fiscal year. The training must be provided by an independent source approved by the Board of Trustees or the Investment Committee. *See Attachment H: Certification of Board Action to Approve Independent Sources to Provide Investment Training.*

Investment Strategy Statements By Fund

Bond Reserve Funds

NBU Bond Reserve Funds (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments appropriate to provide reserves to meet any shortfalls in NBU debt service funds. As Bond Reserve Funds are not anticipated to be utilized except in the case of extreme situations, maturities in these funds are generally expected to be invested for longer terms (one-three years) not to exceed five years. However, in no instance should an investment maturity exceed the latest established debt service requirement/payment date relating to the respective bond issuance. All Bond Reserve Fund investment instruments must meet credit and safety criteria as required by the PFIA and NBU Investment Policy. The nature of the Bond Reserve Funds is such that involuntary investment liquidations are unlikely, however should they become necessary, the comparatively longer-term nature of the instruments could result in material losses, depending on the financial and economic conditions existing at the time. Bond Reserve Fund investments will be structured to achieve the most competitive yields attainable, given appropriate diversification, maturity, arbitrage and safety requirements.

Bond Debt Service Funds (Interest and Principal Funds)
NBU Debt Service Funds (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments appropriate to meet periodic payments required by bond amortization schedules. As such, investment maturities are limited by pertinent debt service requirements and by related tax law addressing maximum funding levels for such funds' arbitrage considerations. All Debt Service Fund investment instruments must meet credit and safety criteria as required by the PFIA and NBU Investment Policy. Due to their specific purpose and short-term nature, involuntary investment liquidations are unlikely in these funds, however should they become necessary, their short-term nature would make material losses highly unlikely.

Investments will be structured to achieve the most competitive yields attainable, given the pertinent liquidity requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

Revenue Funds
The Revenue Funds (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments suitable for a fund requiring a high degree of liquidity. All investment instruments must meet credit and safety criteria as required by the PFIA and NBU Investment Policy. Additionally, Revenue Funds' investments shall be diversified among a variety of investment instruments. Due to their short-term nature, involuntary investment liquidations are unlikely for the Revenue Funds; however, should they become necessary, the short-term nature of the instruments would make material losses highly unlikely. Each of the Revenue Funds' investments will be structured to achieve the most competitive yields attainable, given the pertinent liquidity requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

System Contingency Fund
The System Contingency Fund (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments appropriate to meet any funding shortfalls encountered by NBU as in the case of a disaster, emergency, or other unforeseen circumstance that impacts NBU's financial position or liquidity. As the System Contingency Fund is not anticipated to be utilized except in the case of such events, maturities in these funds are generally expected to range from short-term to five years. No more than thirty (30%) percent of the funds may be invested in instruments beyond daily liquidity. At least seventy (70%) percent of the funds shall remain liquid and shall only be held in cash or cash equivalents. All System Contingency Fund investment instruments must meet credit and safety criteria as required by the PFIA, the NBU Investment Policy, and the System Contingency Fund Policy as adopted in Appendix A of NBU Financial Policy. The nature of the System Contingency Fund is such that involuntary investment liquidations are unlikely, however should they become necessary, any longer-term investment instruments could result in material losses depending on the financial and economic conditions existing at the time. System Contingency Fund investments will be structured to achieve the most competitive yields attainable, given appropriate diversification, maturity, arbitrage and safety requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

Construction Funds
NBU Construction Funds (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments appropriate to meet construction expenditure requirements for which the funds were acquired. Maturities are also limited by related tax law addressing required spending terms. Construction Funds' investment instruments must meet credit and safety criteria as required by the PFIA and NBU Investment Policy. Because investments are made in accordance with specific fund and

expenditure requirements, involuntary investment liquidations are unlikely. Investments will be structured to achieve the most competitive yields attainable, given the pertinent liquidity requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

Power Stabilization Fund

The Power Stabilization Fund shall include investments appropriate to meet any funding shortfalls encountered by NBU as in the case of emergencies, disasters, or other unforeseen circumstances that impact NBU's financial position or liquidity as it relates to electric power operations. Seventy (70%) percent of the funds shall remain liquid and shall only be invested in cash or cash securities. No more than thirty (30%) percent of the funds may be invested in instruments beyond daily liquidity. The maturity date of the invested amount shall not exceed one (1) year. All Power Stabilization Fund investment instruments must meet credit and safety criteria as required by the PFIA, the NBU Investment Policy, and the Power Stabilization Fund Policy as adopted in Appendix C of NBU Financial Policy. The nature of the Power Stabilization Fund is such that involuntary investment liquidations are unlikely, however should they become necessary, any longer-term investment instruments could result in material losses depending on the financial and economic conditions existing at the time. Power Stabilization Fund investments will be structured to achieve the most competitive yields attainable, given appropriate diversification, maturity, arbitrage and safety requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

Other Miscellaneous NBU Funds

Other NBU funds (as specified in *Attachment I: Certification of Board Action to Approve Investment Funds)* shall include investments suitable for their particular purposes, including their unique liquidity requirements. Similarly, the average maturity of investments will be tailored to the individual fund's purposes and requirements. All investment instruments must meet credit and safety criteria as required by the PFIA and NBU Investment Policy. Because investments are made in accordance with specific fund and expenditure requirements, involuntary investment liquidations are unlikely. Investments will be structured to achieve the most competitive yields attainable, given the pertinent liquidity requirements. Appropriately competitive and reasonable investment instruments will be compared prior to making an investment.

III. AUTHORIZED AND PROHIBITED INVESTMENTS

Authorized Investments

NBU Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law (Government Code 2256):

A. Except as provided by Section 2256.009(b) of the PFIA, the following are authorized investments:

1. obligations, including letters of credit, of the United States or its agencies and instrumentalities;

2. direct obligations of the State of Texas or its agencies and instrumentalities, rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent;

3. other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or the explicit full faith and credit of the United States;

4. direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation;

5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

6. Bonds issued, assumed, or guaranteed by the State of Israel; and

7. Interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor.

B. Certificate of Deposit or Share Certificate if the Certificate is issued by a depository institution that has its main office or branch office in the State of Texas and is:

1. guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, or

2. secured by eligible collateral as listed in Section VI, *provided that*;

   1. the funds are invested through a depository institution that has its main office or a branch office in Texas,

   2. the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of NBU,

3. the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States,

4. the depository institution acts as custodian for NBU with respect to the certificates of deposit issued for the account of NBU, and

5. at the same time that the funds are deposited and the certificates of deposit are issued for the account of NBU, the depository institution receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by NBU through the depository institution selected under B(2)(1) above.

C. Commercial paper is an authorized investment if the commercial paper:

1. has a stated maturity of 365 days or fewer from the date of its issuance, and

2. is rated not less than A-1 or P-1 or an equivalent rating by at least:

a) two nationally recognized credit rating agencies, or

b) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

D. No load Money Market Mutual Funds as specified by Board approval *(see Attachment D: Certification of Board Action to Approve Authorized Money Market Mutual Funds)*, provided the mutual fund:

1. must be registered and regulated by the Securities and Exchange Commission;

2. provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; and

3. complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

As provided under Section 2256.014(b) of the PFIA, investment in a no-load Money Market Mutual Fund is also authorized if the mutual fund:

1. is registered and regulated by the Securities and Exchange Commission;

2. has an average weighted maturity of less than two years; and

3. either:

   a) has a duration of one year or more and is invested exclusively in obligations approved by the PFIA and this policy; or

   b) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

However, NBU may not (a) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in the Mutual Funds described in Section 2256.014(b) of the PFIA; invest any portion of bond proceeds, reserves and funds held for debt service, in Mutual Funds described in Section 2256.014(b) of the PFIA; or (c) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one Mutual Fund described in Section 2256.014(a) or Section 2256.014(b) of the PFIA in an amount that exceeds ten (10) percent of the total assets of the Mutual Fund.

E. Eligible specified investment pools (as permitted in Sections 2256.016-2256.019 of the PFIA) and as authorized by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the PFIA. *See Attachment E: Certification of Board Action to Approve Authorized Investment Pools.* In order to be eligible, an investment pool must meet the following conditions:

   1. must be continuously rated no lower than AAA, AAA-m, or an equivalent rating by at least one national recognized rating agency with a weighted average maturity no greater than 90 days;

   2. a Public Fund Investment Pool created to function as a Money Market Mutual Fund must mark its portfolio to market daily, and to the extent reasonably possible, stabilize at a $1.00 net asset value; the ratio of the market value to book value of the fund must be maintained between 0.995 and 1.005; and

   3. the Pool must establish an advisory board composed of qualified members representing participants and non-participants pursuant to Sec.2256.016.

4. To be eligible to receive funds from and invest funds on behalf of an entity under the PFIA, an investment pool must furnish to the Investment Officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

   a) the types of investments in which money is allowed to be invested;

   b) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;

   c) the maximum stated maturity date any investment security within the portfolio has;

   d) the objectives of the pool;

   e) the size of the pool;

   f) the names of the members of the advisory board of the pool and the dates their terms expire;

   g) the custodian bank that will safekeep the pool's assets;

   h) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;

   i) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;

   j) the name and address of the independent auditor of the pool;

   k) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;

   l) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios; and

   m) the pool's policy regarding holding deposits in cash.

5. To maintain eligibility to receive funds from and invest funds on behalf of an entity under the PFIA, an investment pool must furnish to the Investment Officer or other authorized representative of the entity:

   a) investment transaction confirmations; and

   b) a monthly report that contains, at a minimum, the following information:

      i. the types and percentage breakdown of securities in which the pool is invested;

      ii. the current average dollar-weighted maturity, based on the stated maturity date, of the pool;

      iii. the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;

      iv. the book value versus the market value of the pool's portfolio, using amortized cost valuation;

      v. the size of the pool;

      vi. the number of participants in the pool;

      vii. the custodian bank that is safekeeping the assets of the pool;

      viii. a listing of daily transaction activity of the entity participating in the pool;

      ix. the yield and expense ratio of the pool;

      x. the portfolio managers of the pool; and

      xi. any changes or addenda to the offering circular.

6. Yield shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the Federal Securities and Exchange Commission.

EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under Section III does not qualify as an authorized investment during the period the investment does not have the minimum rating. NBU Investment Officers shall take all prudent measures that are consistent with this investment policy to liquidate an investment that does not have the minimum rating.

Existing Investments

NBU is not required to liquidate investments that were authorized investments at the time of the purchase, except as provided by Texas Government Code Chapter 2270.

Prohibited Investments

NBU Investment Officers have no authority to use any of the following investment instruments which are strictly prohibited by Section 2256.009(b) of the PFIA. These include:

A. obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

B. obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

C. collateralized mortgage obligations that have a stated final maturity date of greater than ten (10) years; and

D. collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

IV. INVESTMENT RESPONSIBILITY AND CONTROL

Institutions Defined

Investment Officers shall invest NBU funds with any or all of the following institutions or groups consistent with federal and state law and the current Depository Bank Contract:

A. depository institution that has its main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or the National Credit Union Share Insurance Fund, or its successor, and

B. any government securities brokers and dealers who are licensed under the Texas Securities Act and authorized by the Board of Trustees or the Investment Committee to engage in investment transactions with NBU. *See Attachment F: Certification of Board Action to Approve Eligible Institutions for Investments.*

Depository Restrictions and Security of Funds
Other than for paying agent purposes, NBU shall utilize as depositories only federally or state financial institutions described above in sub-paragraph A of the preceding section and as approved by the Board of Trustees. Said depositories shall be subject to all restrictions set forth in NBU Bond Ordinances and in this policy for all types of investments.

NBU's staff will solicit proposals from qualified financial institutions for bank depository services in accordance with NBU's Purchasing Policy. NBU's staff will evaluate the respondents, submit a recommendation for award to the Investment Committee, and subsequently submit the recommendation for award to the Board of Trustees for approval.

Collateral or Insurance
NBU Investment Officers shall ensure that all funds are fully collateralized or insured consistent with federal and state law and the current Bank Depository Contract in one or more of the following manners:

A. FDIC or NCUSIF Coverage;

B. Certificates of Deposit issued by institutions that have a main office or branch office in the State of Texas to the extent same are insured by the FDIC or NCUSIF;

C. Obligations, including letters of credit, of the United States or its agencies and instrumentalities;

D. Obligations of the State of Texas or its agencies and instrumentalities rated as to investment quality by a nationally recognized investment rating firm not less than "AA" or its equivalent;

E. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; and

F. Direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation.

To the extent not covered by the FDIC or NCUSIF, funds held at a financial institution shall be collateralized at all times. Investment securities pledged as collateral shall at all times be at least equivalent to 102% in aggregate market value, excluding accrued interest, of the amount of funds on deposit plus interest accrued and to accrue thereon, to the extent not covered by the FDIC or NCUSIF. On a monthly basis, NBU will review investment securities pledged as collateral to ensure that sufficient collateral has been posted for the benefit of NBU.

Safekeeping
All purchased securities including Certificates of Deposit shall be held in safekeeping by NBU, or an NBU account in a third party non-affiliated financial institution, or with the Federal Reserve Bank. All pledged securities by the Depository Bank shall be held in safekeeping by NBU or an NBU account in a third party non-affiliated financial institution, or with the Federal Reserve Bank. For approved custodial safekeeping accounts, please see *Attachment G: Certification of Board Action to Approve Safekeeping Accounts.*

Safekeeping receipts must be issued to NBU in a timely manner and must provide the following information:

A. effective date of the safekeeping receipt;

B. description of pledged security;

C. amount pledged (par value);

D. maturity date and rate of interest;

E. coupon date; and

F. nationally recognized investment firm rating.

Securities are to remain pledged to NBU until written notification to release the securities from an NBU Investment Officer is received by the safekeeping financial institution. Securities may be released by an Investment Officer if the safekeeping financial institution provides written confirmation that there remains adequate pledged collateral to NBU as described above.

Securities owned by NBU and collateral securities pledged to NBU must be maintained in safekeeping at a third-party financial institution which is not owned or controlled by, or affiliated with, the same financial institution or holding company from which the security is purchased or from which the collateral is pledged.

Requirements for Investing
In accordance with 2256.005(k), a written copy of this investment policy shall be presented to any person seeking to sell NBU an authorized investment. The NBU Board of Trustees will adopt and annually review a list of qualified brokers authorized to engage in investment transactions with NBU (Attachment F). The registered principal of the business organization seeking to sell an authorized investment shall execute a written instrument substantially to the effect that the registered principal has:

A. had a qualified representative receive and thoroughly review NBU's Investment Policy; and

B. acknowledged that the organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of investment transactions conducted between NBU and the organization. The responsibility of the broker is limited to reviewing the investments to determine whether they are authorized by the policy.

An Investment Officer may not buy any securities from a person who has not delivered to NBU an instrument in substantially the form provided above according to Section 2256.005(l) of the PFIA.

NBU Board Members, Investment Officers and Consultants will evaluate the banking institution or broker/dealer's financial condition to the extent the Board considers necessary prior to establishing any accounts with the broker/dealer or financial institution. Investigation may include a review of appropriate public documents, rating agency reports, and call reports sent to the comptroller of the currency or other appropriate regulator. A banking institution or broker/dealer must be added to the approved list in Attachment F before any business can be transacted.

Certificate of Deposit or share certificate investments may be made with any financial institution so long as it is in full compliance with the requirements set forth in PFIA and this Policy, including, but not limited to, the provisions specified in *Section III – Suitable and Authorized Investments Policy – Investments, Paragraph B*. Any nominal funds incidental or necessary to the establishment of an account with the respective financial institution for purposes of investing in such Certificate of Deposit or share certificate may also be made.

NBU will conduct an ongoing review of publicly available financial records, reports, rating service information and any other data relevant to the financial soundness of any financial institution or broker/dealer with whom NBU is doing business.

Standards of Operation

Bidding Procedure: Investment of NBU funds may be made only after competitive bids are solicited from at least three qualified financial institutions (qualified and approved as set out above) and as provided by state statute. The bids may be solicited orally. If a financial institution has notified NBU that it is unable or unwilling to bid for investments, it may be presumed that the financial institution is unable or unwilling to bid for the investments until the financial institution notifies NBU otherwise in writing.

All investment decisions shall be internally documented and approved by an Investment Officer. All investments and fund transfers require two signatures from Investment Officers and/or authorized Investment Signatories with at least one being an Investment

Officer before execution. Investment Officers may order investments orally, but shall follow up the investment order with a written confirmation to the financial institution or broker/dealer. Written investment instructions shall contain information relative to the name and account number of the fund from which the investment was placed, disposition of interest to be earned, term, invested amount, rate of interest, yield, purchase date, and maturity date of the investment.

Delivery vs. Payment

All investment transactions, except investment pool funds and money market mutual funds, will be settled on "delivery versus payment" basis. That is, NBU shall authorize the release of funds only after it has received notification from the safekeeping bank that purchased the security has been received in NBU's safekeeping account. This notification may be oral, but the safekeeping bank must follow up with an original safekeeping receipt to NBU within 24 hours.

NBU must also have confirmation from a third-party safekeeping bank that adequate collateral has been pledged to NBU before releasing funds for the investment. This confirmation may be oral, but must be confirmed in writing within 24 hours with the original safekeeping receipt if additional pledging was required.

Audit Control

NBU will have an annual financial audit of all funds by an independent auditing firm, which will include an annual compliance audit of management controls on investments and adherence to the entity's established investment policies in accordance with Section 2256.005(m) of the PFIA. As part of the annual financial audit, the auditing firm will review the quarterly investment reports and report the results to the Board of Trustees.

Standard of Care

In accordance with Section 2256.006 of the PFIA, investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived as described in the Investment Objectives. Investment of funds shall be governed by the following investment objectives, in order of priority: preservation and safety of principal; liquidity; and yield.

In determining whether an Investment Officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

A. the investment of all funds, or funds under NBU's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and

B. whether the investment decision was consistent with the written investment policy of NBU.

The Board of Trustees, Investment Officers, and other Accounting Division personnel shall be personally indemnified in the event of investment loss, provided the Investment Policies of the Board of Trustees have been followed.

V. INVESTMENT REPORTING AND PERFORMANCE EVALUATION

Quarterly Report
In accordance with Section 2256.023 of the PFIA, not less than quarterly, the Investment Officers shall prepare, submit and present to the Board a written report of investment transactions for all funds for the preceding reporting period within a reasonable time after the end of the period. The report must:

A. describe in detail the investment position of NBU on the date of the report;

B. be prepared jointly by all Investment Officers;

C. be signed by each Investment Officer;

D. contain a summary statement of each pooled fund group that states the:

   1. beginning market value for the reporting period;

   2. ending market value for the period; and

   3. fully accrued interest for the reporting period

E. state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested;

F. state the maturity date of each separately invested asset that has a maturity date;

G. state the account or fund or pooled group fund for which each individual investment was acquired; and

H. state the compliance of the investment portfolio as it relates to:

   1. the investment strategy expressed in NBU's investment policy; and

   2. relevant provisions of the PFIA; and

l. be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by the independent auditor.

Market Valuation of Investments

The method used to monitor the market price of acquired investments shall be as follows:

- Pools - net asset value as reported by the investment pool on the last day of each month;

- All other investments - as provided by ICE Data Pricing & Reference Data, LLC or valuations acquired through approved brokers, dealers, financial institutions and/or third-party financial reporting service organizations.

Investment Policy and Strategy Revisions

This Investment Policy may only be amended by a resolution of the NBU Board of Trustees. An Investment Committee consisting of two (2) Board Members, the CEO, NBU Investment Officers, and the Financial Advisor will meet as needed and will review the Investment Policy and strategies annually. Recommended modifications to the policy will be submitted to the Board of Trustees for review and approval. The Board will document this review by formal action through a resolution, including a record of any changes made.

Attachment A:
Certification of Board Action to Approve Investment Policy

At the regular meeting of the Board of Trustees on June 25, 2026, the Board reviewed and approved the revised New Braunfels Utilities Investment Policy.

W. Peters

Wayne Peters
NBU Board President

Attachment B:
Certification of Board Action to Designate Authorized Investment Officers

At the regular meeting of the Board of Trustees on June 25, 2026, the Board approved that the following employees serving in the positions listed below are the designated Investment Officers of NBU:

Chief Financial Officer
Director of Financial Planning & Analysis
Financial Planning & Analysis Manager

As per Section I, subsection "Investment Officers" of this policy, "the CEO is authorized to serve as an investment signatory on demand and investment accounts, including the opening and closing of such accounts, as designated by action of the Board of Trustees."

Wayne Peters
NBU Board President

Attachment C:
Certification of Board Action to Approve Fund Investment Strategies

At the regular meeting of the Board of Trustees on February 27, 2020, the Board approved the following investment strategies in accordance with the investment objectives as stated in the New Braunfels Utilities Investment Policy- *Section II. Investment Objectives*:

The allowable range of permitted investments by security types are as follows:

1.	U.S. Treasury Securities	0 to 70%
2.	U.S Government Agencies and Instrumentalities	0 to 70%
3.	Certificates of Deposit	0 to 40%
4.	Money Market Mutual Funds and Authorized Pools (aggregate)	0 to 100%
5.	Obligations of the State of Texas or its agencies and instrumentalities	0 to 15%
6.	Federally Insured Cash Account (FICA)	0 to 50%

The NBU Investment Portfolio shall incorporate a:

- maximum Weighted Average Maturity to Call Date (WAMC) of 300 days or less calculated on the basis of each security's earlier of (i) maturity date or (ii) first call date (from date of measurement), if applicable.
- maximum Weighted Average Maturity (WAM) of 450 days or less.
- minimum amount equal to at least thirty (30) days of total operating expenses in investments which can be converted into next day liquid funds into cash or cash-equivalents without loss of principal. For purposes of this section, the thirty days of total operating expenses shall refer to the annual budgeted amounts for the current fiscal year divided by twelve (12).

John A. Harrell
NBU Board President

Attachment D:
Certification of Board Action to Approve Authorized Money Market Mutual Funds

At the regular meeting of the Board of Trustees on January 26, 2017, the Board approved the following list of authorized Money Market Mutual Funds:

- Federated Government Obligation Money Market Mutual Fund (Ticker: GOTXX)
- DWS Government Cash Institutional Money Market Mutual Fund (Ticker: DBBXX)
- Vanguard Admiral Treasury Money Market Mutual Fund (Ticker: VUSXX)
- Federally Insured Cash Account

Atanacio Campos
NBU Board President

Attachment E:
Certification of Board Action to Approve Authorized Investment Pools

At the regular meeting of the Board of Trustees on March 30, 2023, the Board approved the following list of authorized Investment Pools:

* Texas Local Government Investment Pool (TexPool)
* Texas Short Term Asset Reserve (TexSTAR)
* TexasDAILY (a portfolio established by Texas Range)
* Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS)

Judith Dykes-Hoffmann
NBU Board President

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Our Mission: Strengthening our community by providing resilient essential services.

Attachment F:
Certification of Board Action to Approve Eligible Institutions for Investments

At the regular meeting of the Board of Trustees on January 30, 2025, the Board approved the following list of authorized eligible Institutions for Investments:

Banking Institutions
* Frost Bank
* J.P. Morgan Chase Bank, New Braunfels
* Wells Fargo, New Braunfels
* Prosperity Bank, New Braunfels

Government Securities Brokers/ Dealers
* Merrill Lynch
* J.P. Morgan Securities Inc.
* Frost Bank
* Wells Fargo Bank N.A.
* FHN Financial
* Mischler Financial Group
* Seibert Williams Shank & Co., LLC

Other Investments Broker/ Dealer
* Hilltop Securities Inc.
* StoneCastle Cash Management, LLC
* US Bank Corporate Trust

Wayne Peters
NBU Board President

Attachment G:
Certification of Board Action to Approve Safekeeping Accounts

At the regular meeting of the Board of Trustees on February 27, 2020, the Board approved the following custodial safekeeping accounts:

* Wells Fargo Bank Texas
* JPMorgan Chase Bank
* Frost Bank
* FHN Financial
* Hilltop Securities Inc.
* StoneCastle Cash Management, LLC
* US Bank Corporate Trust
* The Bank of New York Mellon Trust Company, N.A.

John A. Harrell
NBU Board President

Attachment H:
Certification of Board Action to Approve Independent Sources to Provide Investment Training

At the regular meeting of the Board of Trustees on February 24, 2011, the Board approved as part of the Investment Policy the following list of independent sources approved by the Investment Committee to provide investment training for Investment Officers in accordance with the requirements of the Public Funds Investment Act:

* University of North Texas – Center for Public Management
* Government Treasurers of Texas (GTOT)
* Government Finance Officers Association (GFOA)
* Government Finance Officers Association of Texas (GFOAT)
* American Institute of Certified Public Accountants (AICPA)
* Texas Society of Certified Public Accountants (TSCPA)
* Texas Municipal League (TML)
* Texas State University

Guadalupe Castillo
NBU Board President

Attachment I:
Certification of Board Action to Approve Investment Funds

At the regular meeting of the Board of Trustees on June 25, 2026, the Board approved the following list of investment funds as indicated for their respective purposes:

Bond Reserve
- Reserve

Bond Debt Service Funds (Interest and Principal Funds) of Bonds approved for issuance by the Board of Trustees.

Revenue Funds
- Temporary Cash

System Contingency Fund
- System Contingency Fund

Power Stabilization Fund
- Power Stabilization Fund

Construction Funds
- Commercial Paper Proceeds
- Bond Proceeds
- Capital Recovery –Pro Rata
- Capital Recovery –Central Facilities
- Impact Fees –Water
- Impact Fees –Sewer
- Water Resource Development Fund

Other Miscellaneous NBU Funds
- Rate and Debt Flexibility
- Consumer Deposits
- Community Assistance Fund
- Power Supply Fund

Wayne Peters
NBU Board President

Reach Us by Phone:

830.629.8400

830.629.4628
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nbutexas.com

New Braunfels Utilities:

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Standard Operating Hours:
Monday through Friday
8:00 a.m. to 5:00 p.m.

En Español:

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