New Braunfels Utilities

Rate Review and Community Education Consultant Study

Final Report / May 1, 2025

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May 1, 2025

Mr. Ryan Kelso
New Braunfels Utilities
Chief Executive Officer
1488 South Seguin Ave
New Braunfels, Texas 78130

Subject: Rate Review and Community Education Consultant Study - Draft Report

Dear Mr. Kelso:

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this Rate Review and Community Education Consultant Study Report (Report or Study) for the New Braunfels Utilities, TX (NBU). The major objectives of the Study included the following:

- Review the current rate structure considering various pricing objectives such as revenue stability, affordability, and equity.
- Review and assess current financial results, and assumptions to create a 5-year financial plan (FY 2026-2030) for water, wastewater, and electric funds.
- Promote financial stability, compliance with policies, and evaluate fund self-sufficiency.
- Recommend rate adjustments to support operational needs, capital improvements, debt service, and reserves.
- Develop flexible financial models for future planning and communicate findings and recommendations to NBU's staff, NBU's Board of Directors, New Braunfels City Council, Community Advisory Panel (CAP), and community groups and other key stakeholders through a series of meetings and presentations.
- Provide education to the CAP on Revenue Requirement process.

The Report describes our analyses and discusses the key findings and recommendations related to the Study. It has been a pleasure working with you, and we thank you and NBU's staff for the support provided during the course of this study. We also express our gratitude to members of the CAP; a group that provided critical insights and guidance to our team throughout the process.

Very truly yours,

Angie Flores

Angie Flores
Vice President

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1. Executive Summary

1.1. Study Scope

New Braunfels Utilities (NBU) engaged the services of Raftelis Financial Consultants, Inc. (Raftelis) to assess the current rate structure, review the financial health of the water, wastewater, and electric utilities, and provide recommendations for future rate adjustments, financial policies, and industry best practices.

NBU's Board Financial Policy includes limitations around certain financial metrics. Per the Financial Policy, "NBU will establish rates and debt financing structures, terms, and repayment schedules sufficient to generally maintain a system wide debt to capitalization ratio of 55% or less and a debt service coverage ratio of at least 2.4x".

The Financial Policy is intended to form the framework within which NBU will preserve its financial integrity in order to meet its long-term goals. The proposed rate increases included in this report allow NBU to fund its financial operating plan while remaining in compliance with NBU's Financial Policy metrics.

Raftelis held multiple meetings with NBU staff to collect the necessary data and insights for the study. Raftelis utilized the information to educate the Community Advisory Panel (CAP) about the rate study timeline and collect their feedback. NBU's engagement with Raftelis aimed to achieve the goals and objectives outlined by the key stakeholders and supported by NBU staff. The specific goals and objectives of the Study included:

- NBU and Raftelis developed models independently to remove bias and assist in verifying the results and recommendations
- Review the current rate structures considering various pricing objectives
- Review recent historical financial results and underlying assumptions that serve as the basis for rate requirements
- Validated a 5-year financial plan (FY 2026 – FY 2030) for water, wastewater, and electric funds to promote long-term financial stability and viability
- Evaluate the self-sufficiency of each fund
- Review compliance with internal financial policies and debt covenants
- Recommend water, wastewater, and electric rate adjustments supporting system operations and maintenance (O&M), capital repair and replacement, system improvements and expansions, debt service, debt service coverage, and reserve requirements
- Develop flexible model(s) that NBU can use for financial planning and rate development in the future
- Communicate the basis and merits of the findings and recommended utility rate adjustments to NBU's staff, NBU's Board of Directors, New Braunfels City Council, and the CAP through a series of meetings and presentations

As part of this analysis, Raftelis has developed a model to forecast annual revenue requirements, customer demand, rates, and system revenues over a five-year planning period for each of the three utilities. The

model provides a mechanism for analyzing each fund's current financial position and the future impacts of the recommended rate adjustments on the system and its customers. Additionally, as part of the scope of work, NBU requested a written report that outlines all methodologies, assumptions, public input, calculations, and relevant data used to support the development of the recommendations.

1.2. Purpose of the Study

NBU engaged Raftelis to perform an analysis of NBU's recent financial results, revenue projections, and the assumptions behind rate requirements. Raftelis developed a 5-year financial planning model for FY 2026-2030 using NBU's historical revenue requirements, billing determinants, connections, and FY 2026 budget. Raftelis worked closely with NBU's staff to incorporate these projections into this analysis. We reviewed current rates and structures to validate they generate enough revenue to cover the revenue requirements forecast during the planning horizon. Additionally, we evaluated the rate plan based on NBU's goals and objectives. Based on this analysis and discussion with NBU staff, we recommended rate adjustments that align with industry standards.

1.2.1. Background of the Utility

NBU provides water, wastewater, and electric services to residents and businesses within its service area. Located in Central Texas, NBU serves a growing population and manages its utilities through enterprise funds to promote financial sustainability. NBU, a municipally owned utility, oversees the provision of these essential services, including:

- Electric power, transmission, and distribution, serving over 60,000 customers
- Water treatment and distribution serving over 56,000 customers
- Wastewater treatment and collection serving over 36,000 customers

NBU operates with a commitment to reliability, conservation, and long-term infrastructure planning to support NBU's expanding needs.

1.2.2. Rate Study Process

Raftelis utilizes a systematic approach for rate assessment and setting, tailored to NBU's goals and objectives. The first step was the identification of study goals and pricing objectives. Raftelis conducted a pricing objectives workshop with NBU's CAP members to identify the most important pricing objectives and to discuss the overall rate-setting process.

The next step was the development of financial plans that summarized revenue requirements and projected revenues for the five-year planning period while monitoring annual debt service requirements and reserve fund balances. Raftelis has developed two financial planning and rate models to forecast annual revenue requirements, customer demand, rates, and system revenues. The water and wastewater utilities are analyzed in one model, while the electric utility is covered in another model. The models allow NBU to analyze its current financial position and the future impacts of the recommended program of rate adjustments to the system and its customers. The models provide NBU with a simulated environment to experiment with future rate adjustments, allowing them to analyze the financial and customer bill impacts of various rate scenarios before any actual changes are implemented.

1.3. Revenue Requirements

Raftelis has reviewed NBU's historical costs, or revenue requirements, and has projected the revenue requirements over the forecast period. The forecast period consists of the approved Fiscal Year (FY) 2025 budget and proposed FY 2026-2030 budget, with the Raftelis financial model projecting a full 10-year outlook; FY 2035. Revenue requirements included operations and maintenance (O&M) expenses, debt service, cash financing of the capital improvement plan (CIP), and transfers. Raftelis projected O&M expenses based on the FY 2025 and FY 2026 operating budgets according to historical trends for the utilities and observed industry cost increases. Raftelis also reviewed NBU's 5-year CIP and discussed funding sources for each utility. Given these assumptions, Raftelis projects the following shifts in revenue requirements from FY 2026 to FY 2030.

- **Electric:** FY 2026 revenue requirements for electric are projected to increase from $190.8 to $235.9M in FY 2030 (an increase of $45.1M, or 23.7%)
- **Water:** FY 2026 revenue requirements for water are projected to increase from approximately $58.7M million to $88.7M in FY 2030 (an increase of $30.0M or approximately 51.2%)
- **Wastewater:** FY 2026 revenue requirements for wastewater are projected to increase from $45.2M to $96.7M in FY 2030 (an increase of $25.6M or 66.5%)
- The capital needs of the utilities primarily drive revenue requirement increases with minimal impacts from O&M expenses and transfers

1.4. Forecasted Deficits Under Existing Rates

Under a scenario which utility revenues are not increased, the utilities will be put in a challenging financial situation over the planning horizon as the utilities would run annual deficits, could deplete all fund balances and reserves, and fail to meet target debt service coverage ratios. Therefore, it is essential that revenues increase over the planning horizon. Raftelis recommends the following rate increases for FY 2026 and provides a projection of rates over the forecast period to improve or maintain the financial integrity of each of the utilities:

- **Electric*:** 14.0% rate increase
- **Water:** 9.9% rate increase
- **Wastewater:** 7.7% rate increase

The following table shows rates from FY 2026 through FY 2030.

Table 1. Projection of Revenue Requirements Adjustments*

Revenue Requirement Adjustments	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Electric	4.70%	3.20%	1.20%	1.60%	1.30%
Water	9.90%	9.90%	9.90%	9.90%	9.90%
Wastewater	7.70%	7.70%	7.70%	7.70%	7.70%

** Proposed electric rate increases are applied to the Delivery Charge and Service Availability Charge (14.0% percent in FY 2026 and 9.5% in FY 2027), which results in the corresponding **estimated** percentage increases to the overall electric bill.*

The proposed and projected rates are based on the assumptions outlined in this study.

2. Community Advisory Panel

2.1. Community Advisory Panel (CAP) Engagement

The CAP's participation promotes transparency, public engagement, and informed decision-making throughout the New Braunfels Utilities' Rate Study. Representing diverse stakeholders, CAP members provided input on rate-setting principles, infrastructure funding strategies, and customer bill impacts, contributing to the proposed rates.

2.1.1. CAP's Contributions to the Rate Study Process

The CAP serves as a bridge between the technical study team, NBU staff, and NBU customers, helping refine rate recommendations by:

- Reviewing and providing feedback on rate-setting objectives and guiding principles
- Examining capital project funding priorities, particularly regarding system growth and asset reinvestment
- Assessing rate structure proposals, including customer bill impact analysis
- Addressing affordability considerations, striving to make sure that rate adjustments remained fair for all customer classes

CAP members participated in workshops and discussions that shaped the rate study's direction, incorporating community values into financial decision-making. CAP discussions led to several critical refinements in the rate study:

- **Growth-Focused Funding Approach:** CAP reviewed the meter growth forecast and capital improvement projects for reasonableness based on anticipated system expansion.
- **Balance Between Cash and Debt Financing:** CAP weighed in on the cash vs. debt funding strategies, advocating for financial sustainability while minimizing immediate rate shocks.
- **Infrastructure Prioritization:** CAP guided discussions on repair vs. replacement strategies, helping to focus investments on the most urgent and critical system needs.

2.1.2. CAP's Role in Transparency and Public Trust

By actively involving community members in the rate-setting process, the CAP's engagement:

- Ensured that public concerns were addressed early in the process
- Prioritized reliability of the system
- Reinforced fairness and equity in the proposed rate adjustments
- Increased customer confidence by demonstrating that community priorities shaped rate recommendations
- Provided a community perspective to the final rate study report

3. Financial Planning Process

Raftelis utilizes a systematic approach for rate setting tailored to NBU's goals and objectives. The first step in the rate-setting process was to identify pricing and financial objectives, which Raftelis gathered from the CAP through a pricing objectives workshop. These objectives were evaluated against NBU's financial goals which included the financial viability of the funds, revenue sufficiency, building reserves, and minimization of customer bill impact.

- Financial viability means the utility funds must be self-sufficient and cannot depend on external funds to meet their revenue needs
- Revenue sufficiency refers to ensuring that the projected revenue requirements are met each year
- Reserves refer to the utility having cash reserves on hand to cover unexpected revenue requirements, whether on an emergency basis or due to requirements for matching grants or other necessary spending
- Minimizing customer bill impacts refers to mitigating the annual impacts associated with increasing rates by implementing consistent increases annually rather than periodic increases of a greater magnitude, which can lead to what is commonly referred to as "rate shock"

The next step in the rate-setting process was the development of financial plans, which summarized the revenue requirements and projected revenues for a five-year planning period. The financial plan projects; any revenue shortfalls under NBU's existing rates; the additional revenue necessary to support the projected revenue requirements; and for each utility to meet or advance toward its pricing and financial objectives over the planning period.

Revenue requirements include O&M costs, cash-funded capital, annual debt service requirements, and any transfers and reserve contributions required to maintain financial viability. After identifying the revenue requirements, Raftelis analyzed customer demand for revenue calculation purposes. NBU's billing data for the utility customers was reviewed to develop a projection of the future number of customer accounts and billable consumption and demand, upon which revenues were forecasted using the existing rates.

After the financial plan was developed, revenue adjustment scenarios and rates to recover the revenue shortfall were identified and the financial planning process began. Based on a holistic view of the utility revenue and revenue requirement projections, Raftelis developed rate recommendations for each utility to address the primary pricing and financial objectives.

4. Electric Utility Financial Plan

This section presents the financial plan for the five-year forecast period from Fiscal Year (FY) 2026 to FY 2030 and recommended rate results for the electric utility.

4.1. Revenue Requirements

The first major task in establishing a financial plan is understanding a utility's revenue requirements during the forecast period. Revenue requirements refer to the utility's annual costs that must be recovered through user rates, fees, and charges. Revenue requirements include O&M costs, cash-funded capital, annual debt service requirements, and any transfers and reserve contributions required to maintain financial viability.

4.1.1. Operations and Maintenance Expenses

O&M expenses include the regular, recurring costs required to operate and maintain the electric system throughout NBU's fiscal year, from August 1 to July 31. Projections of operating costs for the electric utility are based on prior year actuals and the FY 2025 and FY 2026 operating budgets.

The electric utility operating expenses for the first 6 years of the forecast period are presented in Table 2.

Table 2. Electric Utility Operating Expenses

Electric System O&M Summary	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Purchased Power	$ 148,475,005	$ 140,164,764	$ 152,118,801	$ 160,282,299	$ 166,182,333	$ 172,767,013
Electric Engineering	852,988	712,492	747,167	794,490	844,273	897,522
Electric Operations	7,945,132	8,043,459	8,718,401	9,264,793	9,812,451	10,420,038
Substation	1,702,016	1,830,441	2,009,265	2,131,090	2,273,622	2,420,486
Power Supply - Front Office	1,108,455	2,029,205	2,043,513	2,057,831	2,193,310	2,268,110
Power Supply - Middle & Back Office	1,303,895	1,360,691	1,764,915	1,603,295	2,097,806	1,852,271
Support Services Costs	13,781,185	15,140,902	16,421,994	16,912,212	18,074,971	19,091,188
Total Electric O&M	**$ 175,168,675**	**$ 169,281,954**	**$ 183,824,057**	**$ 193,046,009**	**$ 201,478,764**	**$ 209,716,629**

4.1.2. Existing Debt Service

Existing debt service refers to previously issued debt and the associated annual payments that NBU is obligated to pay, including principal and interest. The electric utility currently has three outstanding Utility System Revenue Bonds: Series 2004, Series 2018, and Series 2024. It also has four outstanding Utility System Revenue Refunding Bonds: Series 2016, Series 2020, Series 2021, and Series 2022. In FY 2026, the electric utility's total existing debt service is approximately $5.1 million.

Table 3. Existing Debt Service

Electric System Existing Debt Service	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Revenue Bonds						
Series 2004	$ 275,000	$ 275,000	$ 275,000	$ -	$ -	$ -
Series 2018	1,033,047	1,012,815	994,527	974,007	827,487	758,511
Series 2024	1,297,387	1,302,148	1,298,957	1,307,416	1,317,799	1,314,760
Refunding Loans						
Series 2016	$ 277,381	$ 278,758	$ 279,851	$ 288,287	$ 316,654	$ 354,160
Series 2020	769,522	766,148	765,121	833,777	832,897	803,887
Series 2021	544,805	552,623	560,366	559,107	565,553	564,479
Series 2022	889,865	880,365	869,868	861,270	851,628	841,938
Total Electric Existing Debt Service	**$ 5,087,008**	**$ 5,067,858**	**$ 5,043,690**	**$ 4,823,863**	**$ 4,712,018**	**$ 4,637,734**

4.1.3. Capital Improvement Plan

A significant part of any utility's revenue requirements is funding its capital improvement plan. NBU provided Raftelis with its latest capital plan, which projects infrastructure investments through FY 2030. The study projects annual capital spending starting in FY 2026. NBU plans to spend approximately $271.2 million for the electric utility between FY 2026 and FY 2030. The capital financing plan assumes these capital projects will be funded by cash, debt, and grants, as indicated by NBU staff.

Table 4 presents the combined revenue requirements for the electric utility.

Table 4. Electric Utility Revenue Requirements

Electric System Revenue Requirements	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Operating Expenses	$ 175,168,675	$ 169,281,954	$ 183,824,057	$ 193,046,009	$ 201,478,764	$ 209,716,629
Current Debt Service	5,087,008	5,067,858	5,043,690	4,823,863	4,712,018	4,637,734
Future Debt Service	-	2,733,130	5,190,377	6,323,768	6,738,259	7,118,456
Transfer to City Fund	11,354,550	12,144,352	12,559,222	13,341,161	14,008,580	14,445,304
Transfer to Contingency Fund	1,577,345	1,530,373	-	-	-	-
Total Electric Revenue Requirements	**$ 193,187,578**	**$ 190,757,666**	**$ 206,617,347**	**$ 217,534,801**	**$ 226,937,621**	**$ 235,918,124**

4.2. Existing Rates and Revenues

The electric utility is an enterprise fund, which means the main source of revenue it can rely on is the user charges and rates.

4.2.1. Customer Demand

Given that most revenues are generated directly from user charge revenues, Raftelis examined customer trends to estimate NBU's future customer base for each utility. Raftelis was given access to historical NBU billing data for FY 2023 and FY 2024, which was used as the basis for future projections. Based on discussions with NBU staff, and industry trends of declining per-capita consumption, Raftelis has assumed 4.98% growth in residential and residential solar, 3.20% growth in small general service and small general service solar, 3.86% in growth in large general service and large general service solar customer accounts, while all other customer classes are assumed to remain flat throughout the projection period. These factors have been applied to the number of accounts, usage, and demand based on discussion with NBU staff.

Table 5, Table 6, and Table 7 show customer bills, usage, and demand projections over the forecast period.

Table 5. Electric Utility Projections for Number of Customer Bills

Electric System Bills by Customer Class	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	612,689	643,201	675,232	708,859	744,160	781,219
Small General Service	60,046	61,968	63,951	65,997	68,109	70,288
Large General Service	17,706	18,390	19,099	19,837	20,602	21,398
Residential Solar	12,691	13,323	13,986	14,683	15,414	16,182
Small General Service Solar	49	50	52	54	55	57
Large General Service Solar	130	135	140	145	151	157
Very Large Power	188	188	188	188	188	188
Athletic Field Lights	130	130	130	130	130	130
Industrial	24	24	24	24	24	24
IH-35 Lights	60	60	60	60	60	60
MV Lights	9,672	9,672	9,672	9,672	9,672	9,672
Total Electric Bills	**713,385**	**747,140**	**782,535**	**819,648**	**858,566**	**899,375**

Table 6. Electric Utility Projections for Usage

Electric System Usage by Customer Class (kWh)	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	733,489,552	770,017,332	808,364,195	848,620,732	890,882,044	935,247,970
Small General Service	71,443,831	73,730,033	76,089,394	78,524,255	81,037,031	83,630,216
Large General Service	418,435,179	434,586,777	451,361,826	468,784,393	486,879,470	505,673,018
Residential Solar	7,805,066	8,193,758	8,601,807	9,030,177	9,479,880	9,951,978
Small General Service Solar	130,100	134,264	138,560	142,994	147,570	152,292
Large General Service Solar	9,567,054	9,936,342	10,319,885	10,718,233	11,131,957	11,561,650
Very Large Power	145,971,889	145,971,889	145,971,889	145,971,889	145,971,889	145,971,889
Athletic Field Lights	434,478	434,478	434,478	434,478	434,478	434,478
Industrial	435,572,082	435,572,082	435,572,082	435,572,082	435,572,082	435,572,082
IH-35 Lights	98,930	98,930	98,930	98,930	98,930	98,930
Total Electric Usage	**1,822,948,160**	**1,878,675,884**	**1,936,953,046**	**1,997,898,162**	**2,061,635,330**	**2,128,294,502**

Table 7. Electric Utility Projections for Demand

Electric System Demand by Customer Class (kW)	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Large General Service	1,218,846	1,279,545	1,343,266	1,410,161	1,480,387	1,554,110
Residential Solar	68,797	68,797	68,797	68,797	68,797	68,797
Small General Service Solar	514	534	554	576	598	621
Large General Service Solar	26,165	26,165	26,165	26,165	26,165	26,165
Very Large Power	362,019	362,019	362,019	362,019	362,019	362,019
Athletic Field Lights	435,387	435,387	435,387	435,387	435,387	435,387
Industrial	578,878	578,878	578,878	578,878	578,878	578,878
Total Electric Demand	**2,690,606**	**2,751,325**	**2,815,067**	**2,881,983**	**2,952,231**	**3,025,977**

The bills, usage, and demand data shown in the tables above directly inform the projection of revenue calculations. The number of bills is multiplied by the monthly fixed charges, the projected usage is multiplied by usage charges, and the demand is multiplied by the demand charge for each fiscal year. NBU's FY 2026 and FY 2027 rates for the residential and small general service classes are shown below in Table 8.

Table 8. Electric Utility FY 2026 and FY 2027 Rates*

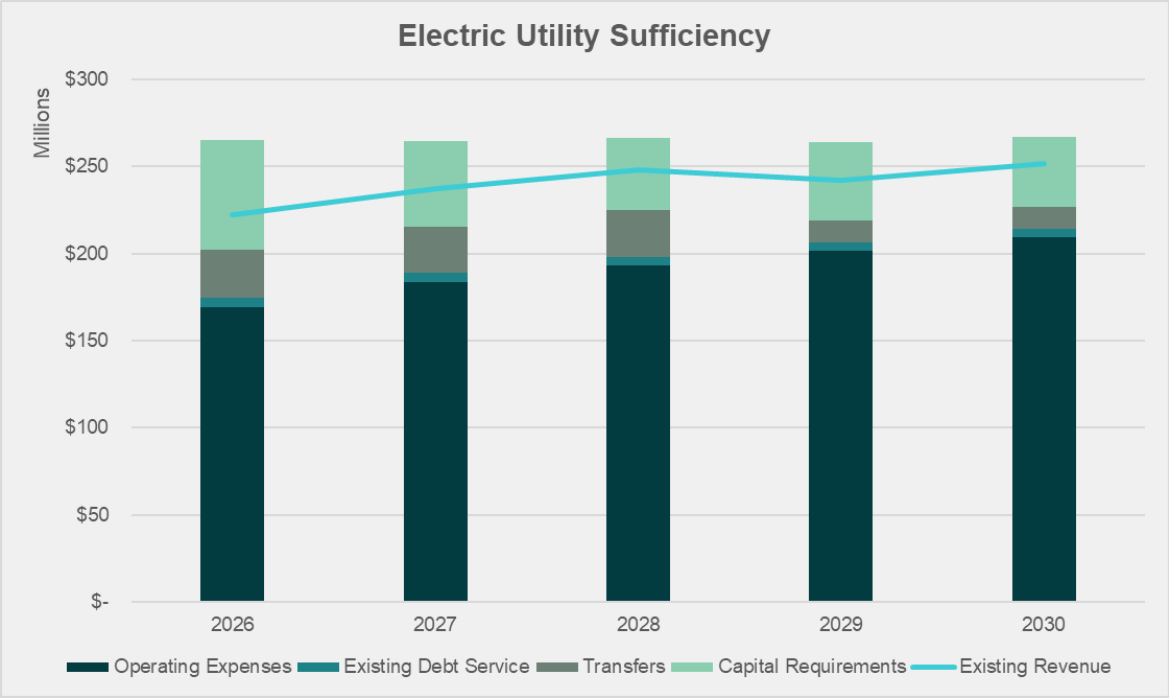
Electric System Residential Rates	FY 2026 *Projected*	FY 2027 *Projected*
Fixed		
Availability Charge	$ 22.80	$ 24.97
Variable		
Delivery Charge	$ 0.03016	$ 0.03303

** Proposed electric rate increases are applied to the Delivery Charge and Service Availability Charge (14.0% percent in FY 2026 and 9.5% in FY 2027), which results in the corresponding **estimated** percentage increases to the overall electric bill.*

4.2.2. Financial Health Under the Status Quo – No Rate Increase or Changes

If NBU does not increase its rates over the forecast period, the electric utility's financial health could be negatively impacted. Figure 1 displays the electric utility's projected revenue requirements along with the projected revenues under NBU's existing rates. As the graphs show, the revenue generated from the current user charges would not be sufficient to meet the utility's revenue requirements in any future year.

Figure 1. Electric Utility Financial Plan with No Rate Changes



4.3. Recommended Financial Plan – Revenue Adjustments

Raftelis has carefully reviewed the electric utility's financial condition and developed rate increase recommendations. These rate increases will be applied to specific components, including the availability charge ($/month), delivery charge ($/kWh), and delivery demand charge ($/kW), as outlined in the table below. Table 9 shows the average increase of the all-in rate from one year to the next. These rate adjustments balance the CAP's pricing objectives, which include rate and revenue stability, financial sufficiency, and minimal customer bill impacts, with NBU's financial performance objectives.

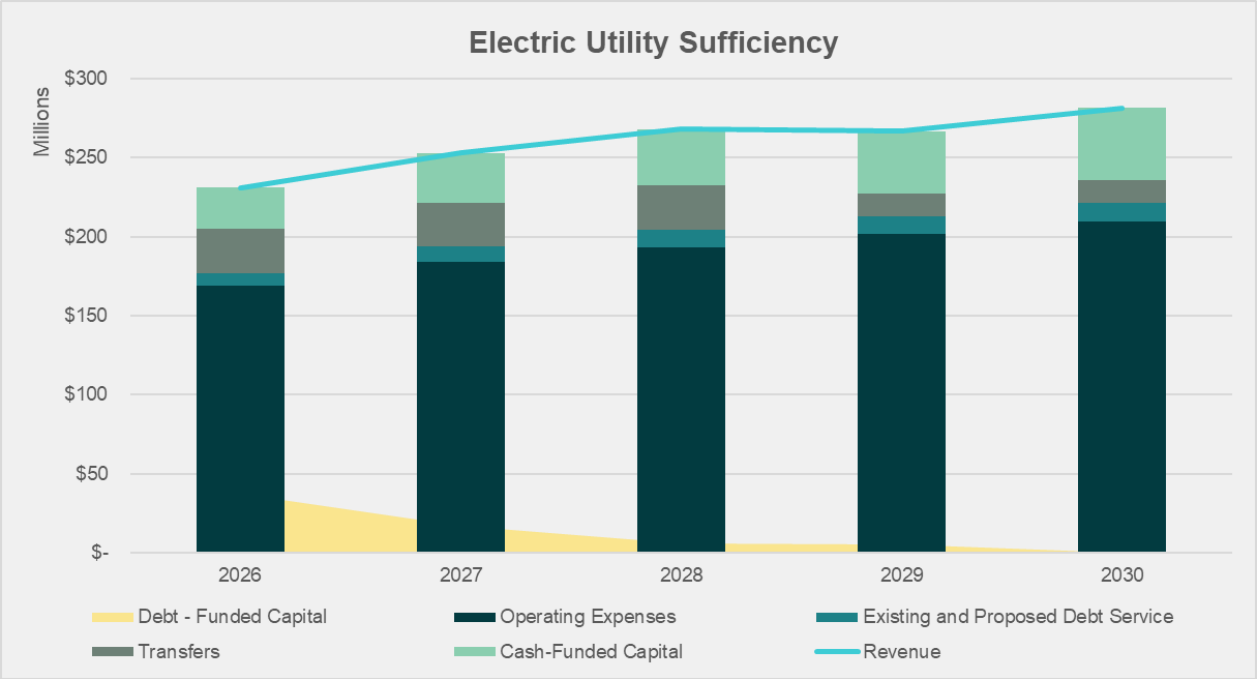
Table 9. Electric Utility Proposed Rate Increases*

Electric System Rate Increase	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Availability Charge	14.00%	9.50%	3.50%	4.80%	4.00%
Delivery Charge	14.00%	9.50%	3.50%	4.80%	4.00%
Delivery Demand Charge	14.00%	9.50%	3.50%	4.80%	4.00%

** Proposed electric rate increases are applied to the Delivery Charge and Service Availability Charge (14.0% percent in FY 2026 and 9.5% in FY 2027), which results in the corresponding **estimated** percentage increases to the overall electric bill.*

The electric utility financial plan with the recommended rate adjustments for electric utility is presented below in Figure 2.

Figure 2. Electric Utility Recommended Financial Plan



5. Water Utility Financial Plan

This section presents the financial plan for the five-year forecast period from Fiscal Year (FY) 2026 to FY 2030 and recommended rate results for the water utility.

5.1. Revenue Requirements

The first major task in establishing a financial plan is understanding a utility's revenue requirements during the forecast period. Revenue requirements refer to the utility's annual costs that must be recovered through user rates, fees, and charges. Revenue requirements are comprised of cash-based expenses, including O&M expenses, cash-funded capital projects, debt service principal and interest payments, and any transfers and reserve contributions.

5.1.1. Operations and Maintenance Expenses

O&M expenses represent normal, recurring expenses necessary to sustainably operate and maintain the system during NBU's fiscal year, which runs from August 1 to July 31. Projections of operating costs for the water utility are based on prior year actuals and the FY 2025 and FY 2026 operating budgets. The operating expenses are presented in Table 10.

Table 10. Water Utility Operating Expenses

Water System O&M Summary	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Purchased Water	$ 14,994,842	$ 14,772,619	$ 15,920,090	$ 15,992,871	$ 16,715,166	$ 17,337,683
Water Engineering	1,136,168	1,056,520	1,105,653	1,080,052	1,349,258	1,328,553
Water Operations	3,195,541	3,068,863	3,287,367	3,505,246	3,732,304	3,975,318
Water Treatment & Compliance	6,803,717	6,716,325	7,413,704	7,870,509	8,396,648	8,863,499
Support Services Costs	14,829,772	14,519,395	17,049,989	17,845,058	18,981,103	20,073,461
Total Water O&M	**$ 40,960,040**	**$ 40,133,722**	**$ 44,776,804**	**$ 46,293,736**	**$ 49,174,480**	**$ 51,578,514**

5.1.2. Existing Debt Service

Existing debt service refers to previously issued debt and the associated annual payments, including both principal and interest, that NBU is obligated to pay. The water utility currently has five outstanding Utility System Revenue Bonds: Series 2004, Series 2015, Series 2018, and Series 2022A TWDB. Additionally, the water utility currently has four outstanding Utility System Revenue Refunding Bonds: Series 2016, Series 2020, Series 2021, Series 2022, and Series 2024. In FY 2026, the water utility's total debt service is approximately $13.0 million.

Table 11. Water Utility Existing Debt Service

Water System Existing Debt Service	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Revenue Bonds						
Series 2004	$ 137,500	$ 137,500	$ 137,500	$ -	$ -	$ -
Series 2015	74,243	74,243	74,243	74,243	74,243	74,243
Series 2018	1,291,309	1,266,019	1,243,159	1,217,509	1,034,359	948,139
Series 2022A	1,450,933	1,547,633	1,643,473	1,663,223	1,681,248	1,748,408
Series 2024	2,956,583	2,967,432	2,960,161	2,979,437	3,003,099	2,996,173
Refunding Loans						
Series 2016	$ 1,252,010	$ 1,258,228	$ 1,263,159	$ 1,301,236	$ 1,429,276	$ 1,598,566
Series 2020	1,768,275	1,760,522	1,758,162	1,915,925	1,913,902	1,847,241
Series 2021	1,702,425	1,726,854	1,751,051	1,747,114	1,767,259	1,763,902
Series 2022	2,334,725	2,309,800	2,282,258	2,259,701	2,234,402	2,208,978
Total Water Existing Debt Service	**$ 12,968,002**	**$ 13,048,230**	**$ 13,113,165**	**$ 13,158,387**	**$ 13,137,787**	**$ 13,185,650**

5.1.3. Capital Improvement Plan

A significant part of any utility's revenue requirements is the funding of its capital improvement plan. NBU provided Raftelis with its latest capital plan, which projects infrastructure investments through FY 2030. NBU has budgeted approximately $460.5 million in necessary capital spending from FY 2026 to FY 2030. Several of these projects are estimated to be funded with impact fee funds ($19.0M in 2026), and grant funding ($11.9M in 2026). Aside from the impact fee funded and grant funded projects, funding will be transferred to city fund, contingency fund, and the impact fee fund. The rest of the planned projects will need to be either debt or cash funded. The utility will also be issuing revenue bonds annually from FY 2026 to FY 2030 for a total $307.1M issued.

Table 12 presents the revenue requirements for the water utility.

Table 12. Water Revenue Requirements

Water System Revenue Requirements	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Operating Expenses	$ 40,960,040	$ 40,959,761	$ 45,651,383	$ 47,224,583	$ 50,205,898	$ 52,643,630
Current Debt Service	12,968,002	13,048,230	13,113,165	13,158,387	13,137,787	13,185,650
Future Debt Service	-	1,907,262	4,584,518	10,659,072	16,387,265	19,600,118
Transfer to City Fund	1,205,327	1,520,590	1,787,144	2,143,413	2,501,802	2,904,523
Transfer to Contingency Fund	1,274,077	1,236,136	-	-	-	395,858
Total Water Revenue Requirements	**56,407,446**	**58,671,979**	**65,136,209**	**73,185,456**	**82,232,753**	**88,729,779**

5.2. Existing Rates and Revenues

As an Enterprise Fund, NBU's revenues come principally from each utility's customer user charges and rates, with some supplemental revenue generated from other operating and non-operating sources.

5.2.1. Customer Demand

Given that the majority of revenues are generated directly from customers, Raftelis examined customer trends to estimate NBU's future customer base for each utility. Raftelis was given access to historical NBU billing data for FY 2021 to FY 2024, which was used as the basis for future projections. Based on Raftelis' discussions with NBU staff, Raftelis has assumed the following growth factors for customer accounts as shown in Table 13.

Table 13. Water Utility Customer Accounts Growth Factors

Water System Customer Accounts Growth Factors	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	4.35%	3.70%	3.70%	3.70%	3.70%	3.70%
Residential Irrigation	11.60%	10.50%	10.50%	10.50%	10.50%	10.50%
Small General Service	1.29%	1.10%	1.10%	1.10%	1.10%	1.10%
Commercial Irrigation	3.83%	3.30%	3.30%	3.30%	3.30%	3.30%
Multi-Unit Residential 2-4	0.78%	1.90%	1.90%	1.90%	1.90%	1.90%
Multi-Unit Residential 5+	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Commercial-Reuse Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Sales (Fire Hydrant)	4.87%	3.50%	3.50%	3.50%	3.50%	3.50%
Large General Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Table 14 and Table 15 show customer bills and usage projections over the forecast period.

Table 14. Water Utility Projections for Number of Customer Bills

Water System Bills by Customer Class	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	38,068	39,477	40,937	42,452	44,023	45,652
Residential Irrigation	15,652	17,295	19,111	21,118	23,335	25,786
Small General Service	4,408	4,456	4,505	4,555	4,605	4,655
Commercial Irrigation	951	982	1,014	1,048	1,082	1,118
Multi-Unit Residential 2-4	522	532	542	552	563	574
Multi-Unit Residential 5+	9,815	10,040	10,271	10,508	10,749	10,996
Commercial-Reuse Water	1	1	1	1	1	1
Other Sales (Fire Hydrant)	107	111	115	119	123	128
Large General Service	167	168	169	169	170	171
Total Water Bills	**69,690**	**73,063**	**76,666**	**80,522**	**84,652**	**89,081**

Table 15. Water Utility Projections for Usage

Water System Usage by Customer Class (kgal)	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	2,355,610	2,436,660	2,520,500	2,607,224	2,696,932	2,796,718
Residential Irrigation	670,531	739,085	814,647	897,934	989,737	1,093,659
Small General Service	353,241	356,234	359,252	362,296	365,365	369,384
Commercial Irrigation	262,486	270,471	278,698	287,175	295,910	305,675
Multi-Unit Residential 2-4	19,257	19,574	19,896	20,223	20,556	20,946
Multi-Unit Residential 5+	303,538	309,743	316,075	322,536	329,130	336,700
Commercial-Reuse Water	8,545	8,523	8,502	8,481	8,460	8,460
Other Sales (Fire Hydrant)	70,608	72,896	75,259	77,698	80,217	83,024
Large General Service	486,278	487,487	488,700	489,916	491,134	493,590
Total Water Usage	**4,530,093**	**4,700,673**	**4,881,528**	**5,073,483**	**5,277,440**	**5,508,157**

The bills and usage data shown in tables 14 and 15 directly above inform the projection of revenue calculations. The number of bills are multiplied by the correlated yearly fixed charges, and the usage amounts are multiplied by the correlating charge for each fiscal year. NBU's budget for FY 2026 and projected FY 2027 rates are shown below in Table 16.

Table 16. Water Utility FY2026 and FY2027 Rates

Water System Residential Rates	FY 2026 *Projected*	FY 2027 *Projected*
Fixed		
Base (5/8")	$ 17.64	$ 19.39
Variable		
Tier 1: 0 - 3,000 gallons	2.36	2.60
Tier 2: 3,000 - 6,000 gallons	5.71	6.28
Tier 3: 6,000 - 12,000 gallons	8.79	9.66
Tier 4: 12,000+ gallons	13.46	14.80
Water Supply Fee (per kgal in tiers 3 & 4)	$ 2.43	$ 2.97

5.2.2. Analysis of Water Rate Structure Changes

One of the key pricing objectives identified by the CAP was Essential Use Affordability. Essential use refers to domestic water consumption necessary for basic needs, such as bathing, drinking, and washing. In NBU's most recent study, a four-tier rate structure was implemented. The first tier offered a low-cost rate, covering essential use of up to 3,000 gallons per month for low-water users. This tiered structure increases rates as customers use more water, encouraging conservation.

Through an analysis of 7,000 residential water accounts with a domestic and irrigation meter, it was identified that consumption in the 4th tier was reduced over time through the domestic meters. This indicates that users have reduced their consumption since implementation of the four tiers.

5.2.3. Additional Scenarios

With these pricing objectives identified above, Raftelis provided three scenarios for consideration:

- Scenario one shows an across-the-board increase
- Scenario two has no increase for tier one, and the other tiers receive a larger increase
- Scenario three shows a slight increase to tier one, and the other tiers receive larger increases that are less than scenario two

Both scenarios two and three implement a larger increase in the upper tiers versus lower, promoting essential use affordability and offering a conservation signal.

Table 17. Water Utility FY 2026 Rate Scenarios

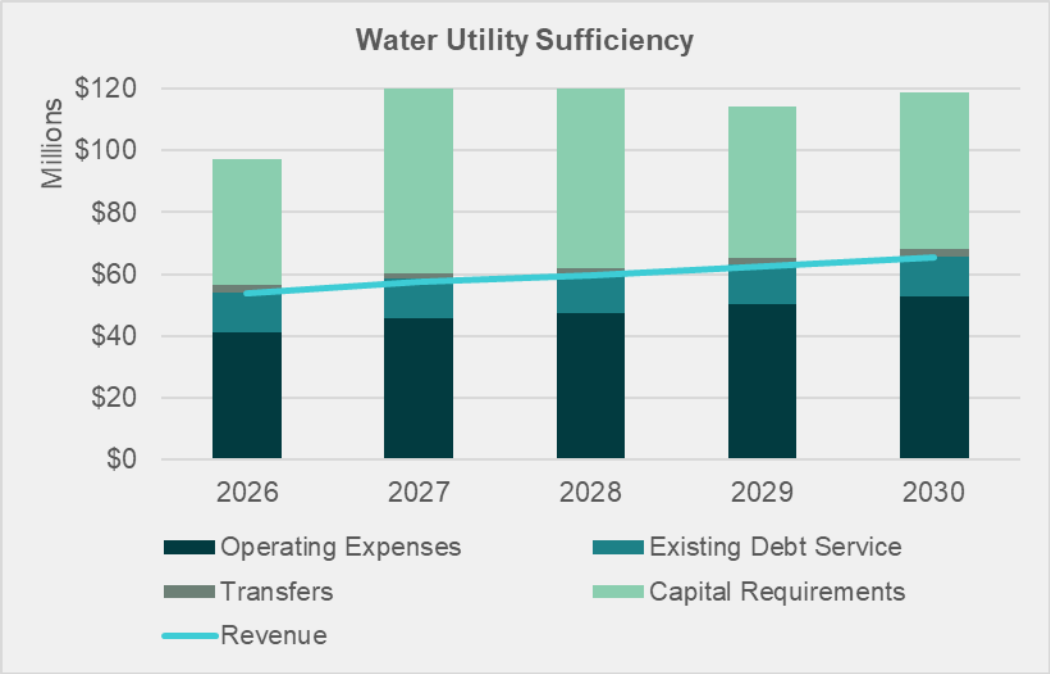
Water System Rate Scenarios	Existing	Scenario 1	Scenario 2	Scenario 3
Rates				
Tier 1	$ 2.15	$ 2.36	$ 2.15	$ 2.25
Tier 2	5.20	5.71	5.75	5.62
Tier 3	8.00	8.79	9.11	9.00
Tier 4	12.25	13.46	14.02	13.95
% Increase				
Tier 1		9.90%	0.00%	4.64%
Tier 2		9.90%	10.50%	8.16%
Tier 3		9.90%	13.87%	12.49%
Tier 4		9.90%	14.41%	13.86%
$ Increase				
Tier 1		$ 0.21	$ -	$ 0.10
Tier 2		0.51	0.55	0.42
Tier 3		0.79	1.11	1.00
Tier 4		1.21	1.77	1.70

5.2.4. Financial Health Under the Status Quo – No Rate Increase or Changes

Should NBU elect not to increase its rates over the forecast period, the financial health of the water utility could be negatively impacted.

Figure 3 shows the projected revenue requirements for the water utility along with the projected revenues under NBU's existing rates. As reflected in the Figure 3, the revenue generated from the current user charges would not be sufficient to meet the revenue requirements in any future year for the water utility.

Figure 3. Water Utility Financial Plan with No Rate Changes



5.3. Recommended Financial Plan – Revenue Adjustments

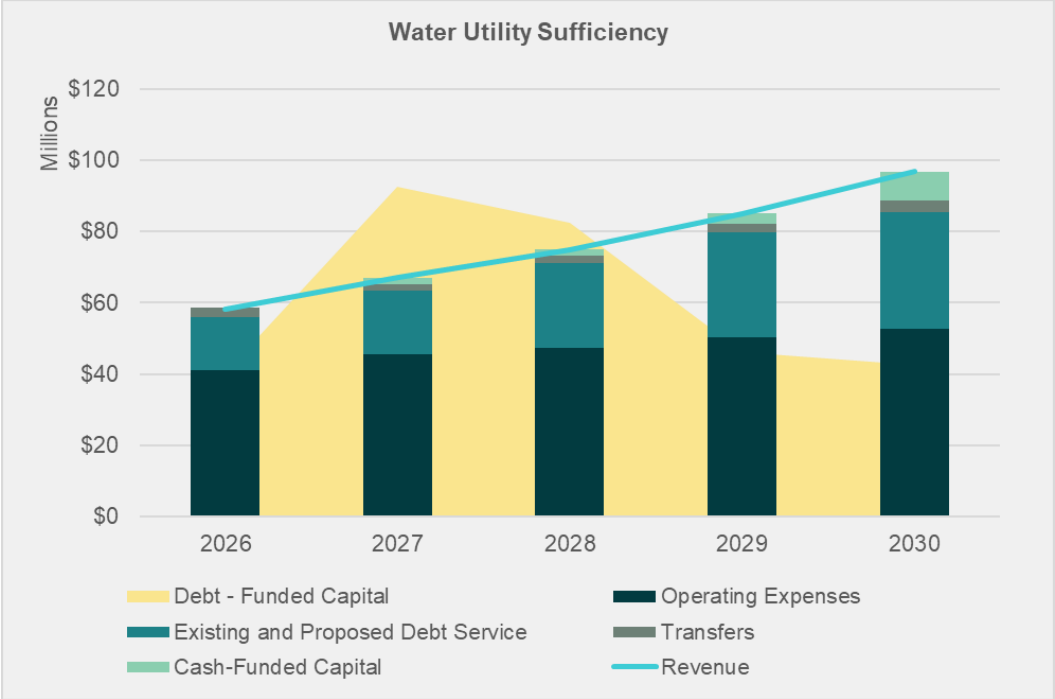
Raftelis has carefully reviewed the water utility's financial condition and recommends the rate increases displayed in Table 18, which are to be applied across the board to NBU's current rates. These rate adjustments balance NBU's pricing objectives, which include essential use affordability, revenue stability, and conservation pricing signals, while insuring the utility's financial viability.

Table 18. Water Utility Proposed Rate Increases

Water System Rate Increase	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	9.90%	9.90%	9.90%	9.90%	9.90%
Residential Irrigation	9.90%	9.90%	9.90%	9.90%	9.90%
Small General Service	9.90%	9.90%	9.90%	9.90%	9.90%
Commercial Irrigation	9.90%	9.90%	9.90%	9.90%	9.90%
Multi-Unit Residential 2-4	9.90%	9.90%	9.90%	9.90%	9.90%
Multi-Unit Residential 5+	9.90%	9.90%	9.90%	9.90%	9.90%
Commercial-Reuse Water	9.90%	9.90%	9.90%	9.90%	9.90%
Other Sales (Fire Hydrant)	9.90%	9.90%	9.90%	9.90%	9.90%
Large General Service	9.90%	9.90%	9.90%	9.90%	9.90%

The water utility financial plan with the recommended rate adjustments is presented below in Figure 4. Raftelis believes that the rate increases presented will help NBU to improve its financial performance over time and strike an optimal balance between its competing interests.

Figure 4. Water Utility Recommended Financial Plan



6. Wastewater Utility Financial Plan

This section presents the financial plan and recommended results for the wastewater utility.

6.1. Revenue Requirements

The first major task in establishing a financial plan is developing an understanding of the revenue requirements of a utility during the forecast period. Revenue requirements refer to the utility's annual costs that must be recovered through user rates, fees, and charges. Revenue requirements are comprised of cash-based expenses including O&M expenses, cash-funded capital projects, debt service principal and interest payments, and any transfers and reserve contributions.

6.1.1. Operations and Maintenance Expenses

O&M expenses include the routine, ongoing costs required to effectively run and sustain the utility throughout NBU's fiscal year, which spans from August 1 to July 31. Projections of operating costs for the

wastewater utility are based on prior year actuals and the FY 2025 and FY 2026 operating budgets. The operating expenses are presented in Table 19.

Table 19. Wastewater Utility Operating Expenses

Wastewater System O&M Summary	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Wastewater Engineering	$ 500,105	$ 571,936	$ 599,912	$ 543,762	$ 678,257	$ 754,304
Wastewater Operations	2,062,319	2,041,441	2,208,452	2,354,859	2,511,638	2,679,539
Wastewater Treatment & Compliance	$ 7,215,239	$ 6,913,055	$ 7,320,245	$ 7,676,183	$ 7,954,362	$ 8,335,616
Support Services Costs	10,008,782	11,710,325	11,569,878	12,140,153	12,958,390	13,758,577
Total Wastewater O&M	**$ 19,786,446**	**$ 21,236,756**	**$ 21,698,488**	**$ 22,714,956**	**$ 24,102,648**	**$ 25,528,036**

6.1.2. Existing Debt Service

Existing debt service refers to NBU's obligations related to previous debt issuances, including annual payments for both principal and interest. The wastewater utility currently has three outstanding Utility System Revenue Bonds: Series 2004, Series 2015, and Series 2018. Additionally, the wastewater utility currently has five outstanding Utility System Revenue Refunding Bonds: Series 2016, Series 2020, Series 2021 and Series 2022, and Series 2024. In FY 2026, the wastewater utility's total debt service is approximately $10.1 million.

Table 20. Wastewater Utility Existing Debt Service

Wastewater System Existing Debt Service	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Revenue Bonds						
Series 2004	$ 137,500	$ 137,500	$ 137,500	$ -	$ -	$ -
Series 2015	234,975	234,975	234,975	234,975	234,975	234,975
Series 2018	545,219	534,541	524,889	514,059	436,729	400,325
Series 2024	2,149,718	2,157,607	2,152,320	2,166,335	2,183,540	2,178,504
Refunding Loans						
Series 2016	$ 1,390,409	$ 1,397,314	$ 1,402,790	$ 1,445,077	$ 1,587,270	$ 1,775,274
Series 2020	2,707,753	2,695,880	2,692,267	2,933,849	2,930,751	2,828,673
Series 2021	1,428,920	1,449,423	1,469,733	1,466,429	1,483,338	1,480,519
Series 2022	1,458,910	1,443,335	1,426,125	1,412,029	1,396,221	1,380,334
Total Wastewater Existing Debt Service	**$ 10,053,404**	**$ 10,050,576**	**$ 10,040,599**	**$ 10,172,753**	**$ 10,252,824**	**$ 10,278,605**

6.1.3. Capital Improvement Plan

A key component of the wastewater utility's revenue requirements is funding its capital improvement plan. NBU provided Raftelis with its latest capital plan, outlining projected infrastructure investments through FY 2030. NBU has budgeted approximately $426.6M for necessary capital spending from FY 2026 to FY 2030. Some of these projects are expected to be funded through impact fee funds ($6.8M in 2026), and grant funding $1.1M in 2026). However, the remaining projects will require either debt or cash funding. The wastewater utility plans to issue revenue bonds annually from FY 2026 to FY 2030, totaling $368.7M.

Table 21 presents the revenue requirements for the wastewater utility.

Table 21. Wastewater Revenue Requirements

Wastewater System Revenue Requirements	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Operating Expenses	$ 19,786,446	$ 21,236,756	$ 21,698,488	$ 22,714,956	$ 24,102,648	$ 25,528,036
Current Debt Service	10,053,404	10,050,576	10,040,599	10,172,753	10,252,824	10,278,605
Future Debt Service	-	4,696,603	11,905,226	17,508,582	22,185,986	25,531,297
Transfer to City Fund	1,464,783	1,632,816	1,805,949	1,993,682	2,188,751	2,403,025
Transfer to Contingency Fund	1,064,693	1,032,987	-	196,569	456,227	468,621
Total Wastewater Revenue Requirement	**$ 32,369,325**	**$ 38,649,738**	**$ 45,450,261**	**$ 52,586,543**	**$ 59,186,437**	**$ 64,209,583**

6.2. Existing Rates and Revenues

As an Enterprise Fund, the wastewater utility primarily generates revenue through customer user charges and rates, with additional funding coming from various operating and non-operating sources.

6.2.1. Customer Demand

Since most revenue comes directly from customers, Raftelis analyzed customer trends to project the future customer base for each utility. Historical NBU billing data from FY 2021 to FY 2024 was used as the foundation for these projections. Based on Raftelis' discussions with NBU staff, Raftelis has assumed the following growth factors for customer accounts as shown in Table 22.

Table 22. Wastewater Utility Customer Accounts Growth Factors

Wastewater System Customer Accounts Growth Factors	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	4.82%	4.82%	2.41%	2.41%	2.41%	2.41%
Multi Unit 2-4	0.87%	0.87%	0.44%	0.44%	0.44%	0.44%
Multi Unit 5+	3.18%	3.18%	1.59%	1.59%	1.59%	1.59%
Small General Service	1.34%	1.34%	0.67%	0.67%	0.67%	0.67%
Schertz	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
GBRA - Wastewater Only	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Table 23 and Table 24 show customer bills and usage projections over the forecast period.

Table 23. Wastewater Utility Projections for Number of Customer Bills

Wastewater System Bills by Customer Class	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	34,967	36,653	37,536	38,441	39,367	40,316
Multi Unit 2-4	492	496	498	500	503	505
Multi Unit 5+	9,922	10,237	10,400	10,565	10,733	10,904
Small General Service	4,634	4,696	4,728	4,760	4,791	4,824
Schertz	1	1	1	1	1	1
GBRA - Wastewater Only	1	1	1	1	1	1
Total Wastewater Bills	**50,017**	**52,085**	**53,164**	**54,268**	**55,397**	**56,550**

Table 24. Wastewater Utility Projections for Usage

Wastewater System Usage by Customer Class (kgal)	FY 2025 *Budget*	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	1,293,526	1,355,874	1,388,551	1,422,015	1,456,286	1,491,382
Multi Unit 2-4	9,560	9,643	9,685	9,728	9,771	9,814
Multi Unit 5+	300,042	309,583	314,505	319,506	324,586	329,747
Small General Service	732,844	742,664	747,640	752,649	757,692	762,768
Schertz	5,114	5,114	5,114	5,114	5,114	5,114
GBRA - Wastewater Only	4,748	4,772	4,795	4,819	4,844	4,868
Total Wastewater Usage	**2,345,833**	**2,427,649**	**2,470,290**	**2,513,831**	**2,558,291**	**2,603,692**

The bills and usage data presented in the tables above serve as the basis for revenue projections. Revenue calculations are determined by multiplying the number of bills by the corresponding annual fixed charges and usage amounts by the applicable volumetric rates for each fiscal year. NBU's FY 2026 and FY 2027 rates are detailed below in Table 25.

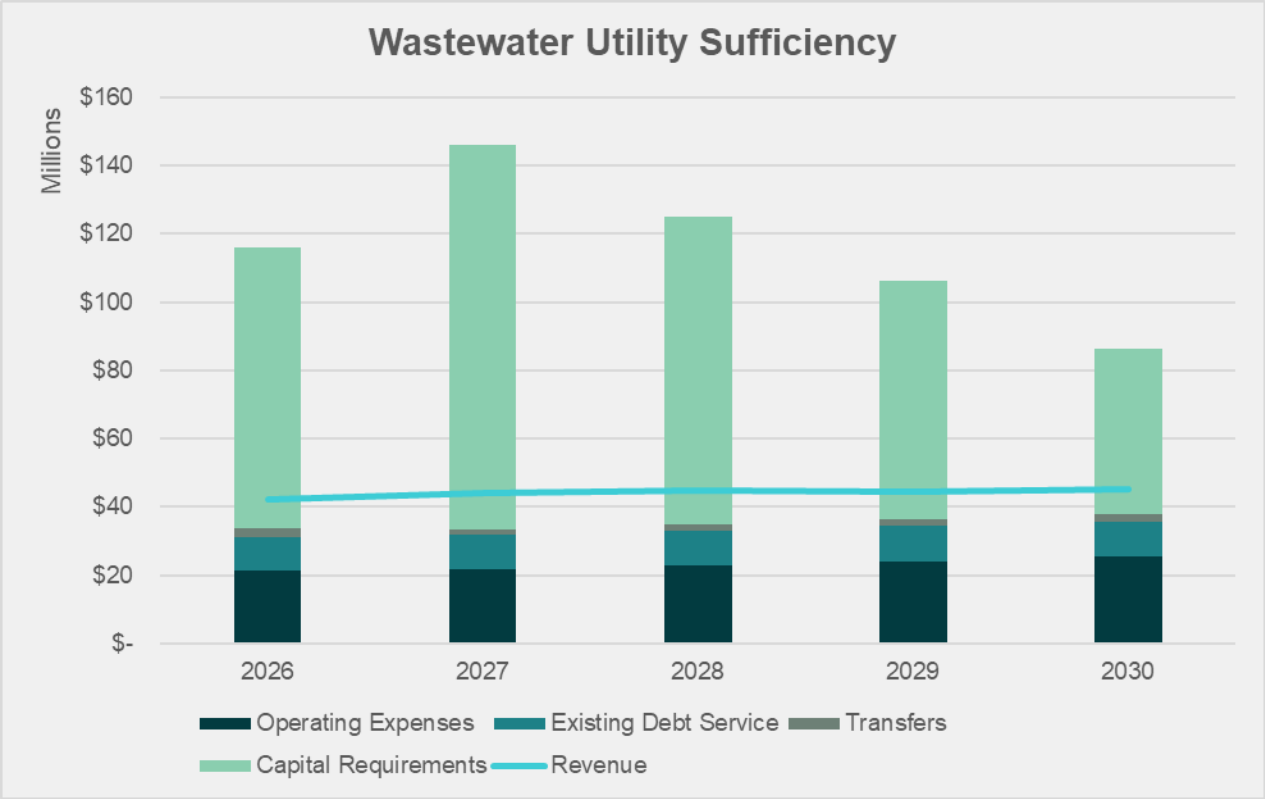
Table 25. Wastewater Utility FY 2026 and FY 2027 Rates

Wastewater System Residential Rates	FY 2026 *Projected*	FY 2027 *Projected*
Fixed		
Base (5/8")	$ 36.19	$ 38.97
Variable		
All Usage	$ 8.51	$ 9.16

6.2.2. Financial Health Under the Status Quo – No Rate Increase or Changes

Should NBU elect not to increase its rates over the forecast period, the wastewater utility's financial health could be negatively impacted. Figure 3 shows the projected revenue requirements for the wastewater utility along with the projected revenues under NBU's existing rates. As reflected in the graphs, the revenue generated from the current user charges would not be sufficient to meet the revenue requirements in any future year for the wastewater utility.

Figure 5. Wastewater Utility Financial Plan with No Rate Changes



6.3. Recommended Financial Plan – Revenue Adjustments

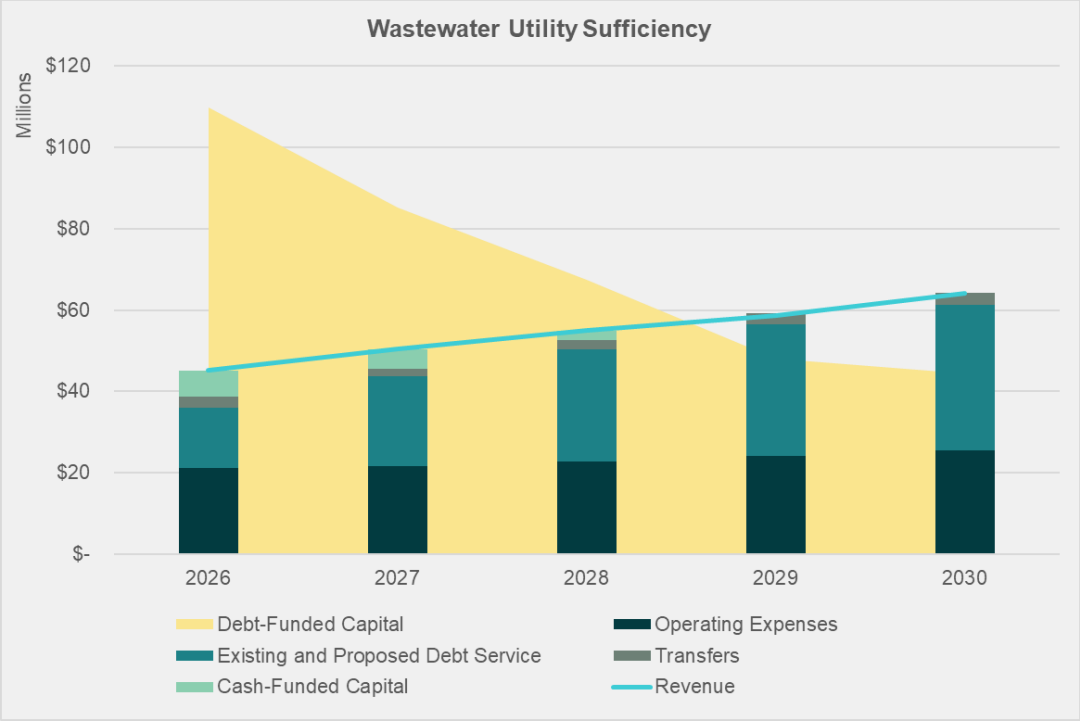
Raftelis has conducted a thorough review of the wastewater utility's financial condition and recommends the rate increases outlined in Table 26, which would be applied uniformly to NBU's existing rates. These adjustments are designed to balance NBU's pricing objectives, revenue stability, and ease of customer understanding while maintaining the utility's financial stability.

Table 26. Wastewater Utility Proposed Rate Increases

Wastewater System Rate Increase	FY 2026 *Projected*	FY 2027 *Projected*	FY 2028 *Projected*	FY 2029 *Projected*	FY 2030 *Projected*
Residential	7.70%	7.70%	7.70%	7.70%	7.70%
Multi Unit 2-4	7.70%	7.70%	7.70%	7.70%	7.70%
Multi Unit 5+	7.70%	7.70%	7.70%	7.70%	7.70%
Small General Service	7.70%	7.70%	7.70%	7.70%	7.70%

The wastewater utility financial plan with the recommended rate adjustments are presented below in Figure 6.

Figure 6. Wastewater Utility Recommended Financial Plan



1. Conclusion

The projected rate increases are essential for ensuring the long-term financial sustainability of the utilities while balancing customer impacts. NBU strategically utilizes debt financing to spread the cost of long-term infrastructure improvements over time, mitigating immediate rate impacts and promoting equity by ensuring future generations contribute to these benefits. In addition to debt, cash financing is a key component of a sound financial strategy. It reduces reliance on borrowing, helps manage debt levels, and minimizes long-term interest costs. The rate increases are necessary to align revenue with financial requirements and goals. Furthermore, the analysis of rate design scenarios during this process provided additional ways to balance affordability.

Adopting rate increases is not only a financial necessity but a strategic decision to uphold the utility's commitment to fiscal responsibility, system reliability, and service excellence. By proactively addressing revenue needs—leveraging both debt and cash financing while carefully considering rate design scenarios—NBU can balance affordability with the critical goal of sustaining and improving its infrastructure.