OFFICIAL STATEMENT
Dated April 15, 2020

NEW ISSUE
BOOK-ENTRY-ONLY

RATINGS: Moody's - "Aa1"
S&P - "AA"
(See "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" herein)

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the City (defined herein) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Ordinance (defined herein) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds will be excludable from the gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions, subject to the matters described under "TAX MATTERS" herein.

$88,100,000
CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

Dated Date: May 1, 2020 **Due: July 1, as shown on inside cover page**

The City of New Braunfels, Texas Utility System Revenue Refunding Bonds, Series 2020 (the "Bonds") are special obligations of the City of New Braunfels, Texas (the "City" or the "Issuer") payable solely from the revenues derived from the operation and ownership of the City's electric, waterworks and sewer systems (the "System") operated by the Board of Trustees of the New Braunfels Utilities (the "NBU"). The Bonds, together with certain outstanding Previously Issued Bonds, are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The Bonds do not constitute general obligations of the City, the State of Texas or any political subdivision of the State of Texas. **The holder or owner of the Bonds shall never have the right to demand payment out of funds raised or to be raised from taxation**. The Bonds are authorized to be issued pursuant to the Constitution and general laws of the State of Texas, particularly Texas Government Code, Chapter 1207, as amended, and a bond ordinance authorizing the issuance of the Bonds adopted by the City Council of the City on April 13, 2020 (the "Bond Ordinance") in which the City Council delegated to certain City and NBU officials (the "Pricing Officers") the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate" which completes the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance").

The Bonds initially will be issued in book-entry form only and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), and only beneficial interests in the Bonds held by DTC are offered hereby. While the Bonds are held in the DTC book-entry system, payments of principal of and interest on the Bonds will be made by the Paying Agent/Registrar, which initially is Zions Bancorporation, National Association, Houston, Texas, to Cede & Co., and payments of such principal and interest to the purchasers of such beneficial interests will be the responsibility of the Participants in DTC and not the City, the Paying Agent/Registrar, or their agents. The registration of the Bonds under the DTC book-entry system may be terminated as described herein and the Bonds subsequently will be registered in the names of the beneficial owners at their direction. The Bonds will be issued in fully registered form in the denomination of $5,000 principal amount, or any integral multiple thereof within a stated maturity. Interest on the Bonds will accrue from May 1, 2020 and be payable on January 1 and July 1 of each year commencing July 1, 2020 until maturity or prior redemption. The principal or redemption price of the Bonds will be payable upon presentation and surrender of the Bonds at the designated office of the Paying Agent/Registrar.

Proceeds from the sale of the Bonds will be used to (i) provide funds sufficient for the discharge and final payment of certain outstanding obligations of the City, as identified in Schedule I attached hereto (the "Refunded Bonds" and the "Refunded CP Notes," respectively; collectively the "Refunded Obligations"), for debt service savings, with respect to the Refunded Bonds, and to convert short-term, variable rate obligations into long-term fixed rate obligations, with respect to the Refunded CP Notes, and (ii) pay for the costs of issuing the Bonds. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)

SEE PAGE II HEREIN FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof *named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. Certain legal matters also will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. It is expected the Bonds will be available for delivery through the services of The Depository Trust Company, New York, New York, on or about May 12, 2020.*

Piper Sandler & Co.

Frost Bank HilltopSecurities J. P. Morgan

MATURITY SCHEDULE, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS

$88,100,000

CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

CUSIP No. Prefix 642577[(1)]

$57,050,000 Serial Bonds

Stated Maturity 7/1	Principal Amounts ($)	Interest Rates (%)	Initial Yields (%)	CUSIP No. Suffix[(1)]
2020	1,000,000	5.000	1.060	UW8
2021	1,885,000	5.000	1.050	UX6
2022	1,975,000	5.000	1.060	UY4
2023	1,870,000	5.000	1.100	UZ1
2024	1,955,000	5.000	1.130	VA5
2025	2,060,000	5.000	1.190	VB3
2026	2,140,000	5.000	1.210	VC1
2027	2,240,000	5.000	1.200	VD9
2028	2,820,000	5.000	1.270	VE7
2029	2,955,000	5.000	1.310	VF4
2030	2,905,000	5.000	1.400	VG2
2031	3,075,000	4.000	1.660[(2)]	VH0
2032	3,195,000	4.000	1.810[(2)]	VJ6
2033	3,320,000	4.000	1.940[(2)]	VK3
2034	3,470,000	4.000	1.950[(2)]	VL1
2035	3,420,000	4.000	1.980[(2)]	VM9
2036	4,575,000	4.000	2.040[(2)]	VN7
2037	4,760,000	4.000	2.100[(2)]	VP2
2038	2,380,000	4.000	2.140[(2)]	VQ0
2039	2,475,000	4.000	2.180[(2)]	VR8
2040	2,575,000	4.000	2.220[(2)]	VS6

(Interest to accrue from the Dated Date)

$31,050,000 Term Bonds

$14,225,000 3.000% Term Bonds Due July 1, 2045 Priced to Yield 2.730%[(2)] CUSIP No. Suffix VX5[(1)]
$16,825,000 4.000% Term Bonds Due July 1, 2050 Priced to Yield 2.500%[(2)] CUSIP No. Suffix WC0[(1)]

(Interest to accrue from the Dated Date)

The Bonds stated to mature on and after July 1, 2029 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 (and if less than all within a stated maturity by lot, by the Paying Agent/Registrar), on July 1, 2028, or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. The Bonds maturing on July 1 in each of the years 2045 and 2050 (the "Term Bonds") are also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption Provisions of the Bonds” herein.

[(1)] CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the City, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

[(2)] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on July 1, 2028, the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.

MEMBERS OF CITY COUNCIL

Barron Casteel, Mayor/At Large

Shane Hines, District 1 Councilmember	Justin Meadows, District 2 Councilmember
Harry Bowers, District 3 Councilmember	Matthew E. Hoyt, District 4 Councilmember
Wayne Peters, District 5 Councilmember/Mayor Pro Tem	Leah A. Garcia, District 6 Councilmember

ADMINISTRATORS - CITY OF NEW BRAUNFELS

Robert Camareno, City Manager	Kristi Aday, Assistant City Manager
Patrick Aten, City Secretary	Jordan Matney, Assistant City Manager
Jared Werner, Chief Financial Officer	Valeria Acevedo, City Attorney

MEMBERS OF UTILITY BOARD

John A. Harrell, President

Judith Dykes-Hoffmann, PhD, Vice-President	Atanacio Campos, Trustee
Bob Gray, Trustee	Barron Casteel, Mayor and Trustee

SENIOR MANAGEMENT - NEW BRAUNFELS UTILITIES

Ian Taylor, Chief Executive Officer
Ryan Kelso, Chief Operations Officer
Dawn Schriewer, Chief Financial Officer
Janice Jessen, Executive Director of Strategy and People
Melissa Krause, Executive Director of Communications and External Affairs
Connie Lock, General Counsel and Chief Ethics Officer
Robin Britton, Chief Technology and Security Officer

CONSULTANTS AND ADVISORS

Baker Tilly Virchow Krause, LLP Austin, Texas	Auditors
Norton Rose Fulbright US LLP Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc. San Antonio, Texas	Financial Advisor

For Additional Information Contact:

Duane L. Westerman, Managing Director SAMCO Capital Markets, Inc. 1020 N.E. Loop 410, Suite 640 San Antonio, Texas 78209 Phone (210) 832-9760 Fax (210) 832-9794 Email: dwesterman@samcocapital.com	Or	Dawn Schriewer, CFO New Braunfels Utilities Post Office Box 310289 (263 E. Main Plaza) New Braunfels, Texas 78131-0289 Phone (830) 629-8463 Fax (830) 629-8435 Email: dschriewer@nbutexas.com

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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The cover page hereof, the appendices and schedule attached hereto, and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE ISSUER.............................	The City of New Braunfels, Texas (the "Issuer" or the "City)" and New Braunfels Utilities ("NBU").
THE BONDS.............................	$88,100,000 City of New Braunfels, Texas Utility System Revenue Refunding Bonds, Series 2020. The Bonds will mature on the dates indicated on page -ii- hereof. Interest shall accrue from the Dated Date and is payable initially on July 1, 2020 and semiannually on January 1 and July 1 thereafter until the earlier of maturity or prior redemption.
DATED DATE	May 1, 2020.
REDEMPTION	The Bonds stated to mature on and after July 1, 2029 are subject to optional redemption on July 1, 2028 or any date thereafter, at a price of par (100%) plus accrued interest to the date fixed for redemption. The Bonds maturing on July 1 in each of the years 2045 and 2050 (the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas.
SECURITY FOR THE BONDS	The Bonds constitute special obligations of the City and, together with certain Previously Issued Bonds, are payable solely from, and equally and ratably secured by a first lien on and pledge of, the Net Revenues of the System. See "THE BONDS - Security for Payment" herein.
BOOK-ENTRY-ONLY SYSTEM	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method and timing of payment as to principal and interest of the Bonds and the method of transfer.
TAX MATTERS	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from the gross income of the owners thereof for federal income tax purposes under existing law subject to matters described under the caption "TAX MATTERS" and "APPENDIX D - Form of Opinion of Bond Counsel" herein.
USE OF BOND PROCEEDS	The proceeds of the Bonds will be used to (i) provide funds sufficient for the discharge and final payment of certain outstanding obligations of the City, as identified in Schedule I attached hereto (the "Refunded Bonds" and the "Refunded CP Notes," respectively; collectively the "Refunded Obligations"), for debt service savings, with respect to the Refunded Bonds, and to convert short-term, variable rate obligations into long-term fixed rate obligations, with respect to the Refunded CP Notes. (See "SOURCES AND USES OF FUNDS" and "PLAN OF FINANCING" herein.)
RATINGS	Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of "Aa1" and "AA," respectively, to the Bonds. See "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" herein.
FUTURE BOND ISSUES	The Issuer maintains an active Commercial Paper Program. The refunding of the Refunded CP Notes will restore issuance capacity of this program to $74,750,000. The Issuer expects to draw down additional authorized funds from the program, within its authorized capacity, over the next 12 months. See APPENDIX A - "Three to Five Year Capital Project Requirements."
PAYMENT RECORD	The Issuer has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated on or about May 12, 2020.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

FINANCIAL HIGHLIGHTS*

Net Income Available for Debt Service for Fiscal Year Ending 7/31/2019	$40,182,629
Annual NBU Debt Service Requirement for Fiscal Year 2019..	$10,866,119
Coverage of Net Revenues Available Over all NBU Debt	3.70x

Number of Customers (at July 31, 2019): Electric - 43,606; Water - 41,074; Sewer - 28,775

* *See Appendix A for financial information.*

OFFICIAL STATEMENT

relating to

$88,100,000
CITY OF NEW BRAUNFELS, TEXAS
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties)
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

INTRODUCTION

General

This Official Statement, which includes the cover page, the Schedule, and the appendices hereto, provides certain information in connection with the issuance by the City of New Braunfels, Texas (the "City" or the "Issuer") of its Utility System Revenue Refunding Bonds, Series 2020 (the "Bonds") in the aggregate principal amount of $88,100,000. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined herein), except as otherwise indicated herein. See "APPENDIX E - EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

There follows in this Official Statement a description of the plan of financing, the Bonds and certain information about the Issuer and its finances. ***All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document***. Copies of such documents may be obtained from the Issuer and, during the offering period from the Financial Advisor to New Braunfels Utilities ("NBU"), upon payment of reasonable copying, handling, and delivery charges.

In accordance with authority conferred by Texas Government Code, Section 1502.070, the complete management and control of the City's electric light and power, waterworks, and sanitary sewer system (the "System") has been placed in the hands of the New Braunfels Utilities Board of Trustees (the "Board") consisting of five members. Whenever a reference is made herein to the City with respect to the operations, management or control of the System, such reference shall be deemed to be the Board unless otherwise specified.

The Ordinance (defined below) authorizes the issuance and prescribes the terms, conditions and provisions for payment of the principal of and interest on the Bonds. Set forth below is a description of the Bonds and a summary of certain provisions of the Ordinance. Such summary is not a complete description of the entire Ordinance and is qualified by reference to the Ordinance, copies of which are available from the Board or the Financial Advisor. See APPENDIX E - "EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE" herein for a description of the City's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance (defined below).

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was first detected in China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization declared a pandemic. On March 17, 2020, the Mayor of the City issued a disaster declaration, activating the emergency management plan. The City is authorized to "take any actions necessary to promote health and suppress disease, including quarantine, and regulation of hospitals, regulating ingress and egress from the City, and fining those who do not comply with the City's rules."

The outbreak of the disease has affected, and will continue to affect, travel, commerce, and financial markets at local, State, national, and global levels. While the short and long-term economic and financial effects on the City cannot be predicted at this time, the continued spread of the outbreak and proactive measures taken in an effort to mitigate or reduce that spread, is expected to materially impact the City, its operations and the System, and the surrounding area's economy. These conditions may impact various areas of the City and the System differently.

As of the date hereof, major national and local event cancellations and travel limitations have occurred and are ongoing; domestic and international financial markets continue to experience unprecedented volatility attributed to COVID- 19 concerns. There is no way to predict the short or long-term impacts of these circumstances on the local, national, or global economies. Accordingly, the City cannot predict, and at this time makes no representations, regarding how long such modifications and restrictions in the City's operations and business and personal activities within the City and its surrounding area will remain in effect, whether additional measures may be instituted to address the COVID-19 situation, COVID-19's impact on its operations and finances, or the advisability of an investment decision regarding the Bonds.

PLAN OF FINANCING

Purpose

The Bonds are being issued to: (i) refund a portion of the City's currently outstanding debt, identified on Schedule I attached hereto (the "Refunded Bonds" and the "Refunded CP Notes," respectively; collectively, the "Refunded Obligations") for debt service savings with respect to the Refunded Bonds and to convert short-term, variable rate obligations into long-term fixed rate obligations, with respect to the Refunded CP Notes and (ii) pay the costs associated with the issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations, the call date of the Refunded Bonds at par, and the maturity date of the Refunded CP Notes.

Refunded Obligations

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled maturity dates and call date, as applicable, from funds to be deposited with Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent") pursuant to an Escrow and Trust Agreement dated as of April 15, 2020 (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the City, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will be held, in part, uninvested in cash and, in part, used to purchase certain obligations of the United States of America and obligations of agencies or instrumentalities of the United States, including obligations that are unconditionally guaranteed by the agency or instrumentality, that are noncallable and that were, on the date the order is to be adopted, rated as to investment quality by a nationally recognized rating firm not less than "AAA" (the "Federal Securities"). Such maturing principal of and interest on the Federal Securities will be available only to pay the debt service requirements on the Refunded Bonds and not the Bonds.

Prior to, or simultaneously with the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of Bond proceeds and cash with the Escrow Agent pursuant to the Escrow Agreement, and the investment thereof in the Federal Securities and cash, if any, the City will have effected the defeasance of the Refunded Bonds pursuant to the terms of the City ordinance authorizing their respective issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from the Net Revenues of the System but will be payable solely from the amounts on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the City for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds if for any reason the cash balance on deposit in the Escrow Fund should be insufficient to make such payment.

The principal of and interest on the Refunded CP Notes are to be paid on May 13, 2020 from funds deposited with Zions Bancorporation, National Association, Amegy Bank Division, related to the Series A Commercial Paper Notes, and JP Morgan Chase Bank, National Association, related to the Series B Commercial Paper Notes (jointly, the "Issuing and Paying Agent for the Refunded CP Notes"). By deposit with the Issuing and Paying Agent for the Refunded CP Notes, the City will have effected the defeasance of the outstanding Refunded CP Notes in accordance with law.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to authority conferred by the laws of the State of Texas, including Texas Government Code, Chapter 1207, and a bond ordinance to be adopted on April 13, 2020, by the City Council of the City authorizing the issuance and sale of the Bonds (the "Bond Ordinance"), in which the City Council delegated to certain City and NBU officials the authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate", which completes the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to as the "Ordinance"). **Excerpts of certain provisions of the Ordinance appears in Appendix E attached hereto**.

General Description

The Bonds will be dated May 1, 2020 (the "Dated Date"). The Bonds will accrue interest from the Dated Date, and such interest shall be payable on January 1 and July 1 in each year, commencing July 1, 2020, until maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts and will bear interest at the rates set forth on the inside cover page of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class, postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or redemption, upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 principal amount for any one maturity; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

Initially the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Security for Payment

The Bonds constitute special obligations of the City and, together with certain outstanding Previously Issued Bonds, are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The owners of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. The Ordinance does not create a lien or mortgage on properties of the System, except for the Net Revenues. See Appendix E - “EXCERPTS OF CERTAIN PROVISIONS OF THE BOND ORDINANCE - Security for the Bonds.”

Reserve Fund

The Ordinance reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Bonds) when money in the interest and sinking fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount in the Reserve Fund shall be equal to at least the average annual principal and interest requirement of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured then Outstanding was delivered). The amount currently on deposit to the credit of the Reserve Fund equals or exceeds $6,781,703.69 (the “Current Reserve”), and by reason of the issuance of the Bonds, the amount to be accumulated and maintained in such fund shall be $11,957,613.91 (the “Required Reserve”). The difference between the Current Reserve and the Required Reserve will be deposited into the Reserve Fund on the date of the delivery of the Bonds from price received from the sale of the Bonds. When and if the Reserve Fund at any time contains less than the Required Reserve, the City covenants and agrees, and the Board of Trustees is directed by the Ordinance, to cure the deficiency in the Required Reserve within twelve months from the date the deficiency in funds occurred with available Net Revenues of the System pledged to the payment of the Bonds, and the City, acting through the Board of Trustees, covenants and agrees in the Ordinance that, subject to the required payments to the Bond Fund for Bonds Similarly Secured, the Net Revenues of the System remaining in the Utility System Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount, as required by the terms of the ordinance authorizing the issuance of the Bonds and any other ordinance pertaining to Bonds Similarly Secured.

Certain Provisions of the Bond Ordinance

The Ordinance authorizing the issuance of the Bonds provides, among other things, for the following:

(1) The Bonds Similarly Secured are payable from and secured by a parity first lien on and a pledge of the Net Revenues (as defined in the Ordinance) of the System; and

(2) Substantially all income and revenues derived from the operation and ownership of the System are required to be deposited into a Utility System Fund.

The first priority on monies expended from the Utility System Fund is the payment of all the reasonable expenses of maintenance and operations of the System including contractual payment for the purchase of power, supply of water or other materials, goods or services to the extent authorized by law and the provisions of such contract.

The second priority on money from the Utility System Fund is the payment of debt service requirements of the Bonds Similarly Secured in equal monthly payments to meet the principal payment and the semi-annual payments of interest as they come due and the payment of the amounts to be deposited into the Reserve Fund maintained for the Bonds Similarly Secured to accumulate the Required Reserve.

The third priority on money is to the payment of other obligations or indebtedness payable from and secured by a lien on and pledge of the Net Revenues of the System that is junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

Any Net Revenues remaining in the Utility System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used by the Board for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058.

(3) Among the conditions required to be satisfied for the issuance of additional parity revenue bonds (i.e., on parity with the Bonds and the other Bonds Similarly Secured) is the requirement that the Net Earnings (as defined in the Ordinance) of the System for the previous fiscal year or for any consecutive twelve month period out of the fifteen months preceding the passage of the ordinance authorizing the issuance of such additional parity bonds, equal to at least 1.40 times the average annual debt service requirements of the Bonds Similarly Secured then Outstanding, plus the additional parity bonds then being issued.

(4) While the Bonds are Outstanding, rates and charges will be established, revised and modified to provide revenues sufficient to pay the costs of operation and maintenance of the System, and to pay the principal and interest of all of the Bonds Similarly Secured, and subordinate utility system revenue obligations and to maintain the Required Reserve as provided in their authorizing ordinances.

(5) Insurance coverage on property of the System is to be maintained of a kind and in an amount normally carried by municipalities in Texas operating a similar business or businesses.

See Appendix E attached hereto for selected portions of the Ordinance and a more detailed description of covenants, agreements and provisions pertaining to the Bonds and with respect to the System.

Redemption Provisions of the Bonds

Optional Redemption … The Bonds stated to mature on and after July 1, 2029 are subject to optional redemption, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if less than all within a stated maturity by lot, selected by the Paying Agent/Registrar), on July 1, 2028 or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

Mandatory Redemption … The Bonds maturing on July 1, in each of the years 2045 and 2050 (the "Term Bonds") are subject to mandatory redemption in part prior to maturity at the price of par plus accrued interest to the mandatory redemption date on the dates and in the principal amounts as follows:

Term Bonds - 3.00% Maturing July 1, 2045		Term Bonds - 4.00% Maturing July 1, 2050	
Redemption Date (7/1)	Principal Amount($)	Redemption Date (7/1)	Principal Amount($)
2041	2,680,000	2046	3,105,000
2042	2,760,000	2047	3,230,000
2043	2,840,000	2048	3,360,000
2044	2,930,000	2049	3,495,000
2045*	3,015,000	2050*	3,635,000

* *Stated maturity.*

Approximately forty-five (45) days prior to each mandatory redemption date that a Term Bond is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable stated maturity to be redeemed on the next following July 1 from money set aside for that purpose in the Debt Service Fund maintained for the payment of the Bonds. Any Term Bond not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the Issuer, by the principal amount of the Term Bonds which, at least fifty (50) days prior to the mandatory redemption date (i) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (iii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds for Redemption

If less than all of the Bonds are redeemed within a stated maturity at any time, the Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot or other customary method in multiples of $5,000 within any stated maturity.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books relating to the Bonds kept by the Paying Agent/Registrar (the "Security Register") at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Ordinance, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bond (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bond shall not be deemed to be Outstanding.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption may, at the option of the City, be conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Bonds, will mail any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds held by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Payment Record

The Issuer has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the global certificates deposited with DTC or be printed on the Bonds. A form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated on or about May 12, 2020.

Future Issues

The Issuer maintains an active Commercial Paper Program with maximum issuance authority equal to $75,000,000. After issuance of the Bonds and refunding the Refunded CP Notes, the Issuer will have capacity to issue $74,750,000 in principal amount of new money commercial paper notes under this program. The Issuer expects to draw down additional authorized funds from the Program within this authorized limit over the next 12 months to fund the costs of System improvements, ultimately refunding those commercial paper notes with additional parity lien revenue bonds that, upon issuance, will be Bond Similarly Secured.

Defeasance

Any Bond shall be deemed paid and shall no longer be considered to be outstanding within the meaning of the Ordinance when payment of the principal of and interest on such Bond to its stated maturity or redemption date shall have been made or shall have been provided by depositing with the Paying Agent/Registrar, or an authorized escrow agent, (i) money in an amount sufficient to make such payment, (ii) Government Obligations certified by an independent public accounting firm of national reputation, the City's Financial Advisor, or another qualified party to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (iii) a combination of money and Government Obligations together so certified sufficient to make such payment.

The term "Government Obligations" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the Issuer are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City, with the written consent of holders of Bonds aggregating in principal amount more than 50% of the aggregate principal amount of then Outstanding Bonds, shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (i) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount of the Bonds, or the rate of interest thereon, change the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required to be held by Holders for consent to any amendment, addition, or waiver.

Defaults and Remedies

The Ordinance does not specify events of default with respect to the Bonds. If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners of the Bonds may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the applicable Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so it rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. Cty of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. The Texas Supreme Court reviewed *Wasson* again and issued an opinion on October 5, 2018 clarifying that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach.

If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceedings brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Houston, Texas. The Bonds will be issued in fully registered form in multiples of $5,000 principal or integral multiple thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Successor Paying Agent/Registrar

The Issuer covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the Issuer shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Issuer will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the party to whom is payable the payment of interest on a Bond is the fifteenth (15th) day of the month next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration, Transfer and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.)

Limitation on Transferability of Bonds Called for Redemption

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed principal balance of a Bond called for redemption in part.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen, or lost, such new Bond will be delivered only (i) upon filing with the Issuer and the Paying Agent/Registrar evidence satisfactory to establish to the Issuer and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (ii) upon furnishing the Issuer and the Paying Agent/Registrar with bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

General

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of these regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates for each maturity of the Bonds are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates for each maturity of the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Financial Advisor, and the Underwriters take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the Issuer, printed certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds, along with a contribution from the City, will be applied approximately as follows:

Sources	
Par Amount of Bonds	$ 88,100,000.00
Original Issue Reoffering Premium on the Bonds	11,785,430.30
Issuer Contribution	230,111.39
Accrued Interest	110,605.00
Total Sources	$100,226,146.69
Uses	
Deposit to Commercial Paper Redemption Fund	$74,750,000.00
Deposit to Current Refunding Fund	19,292,818.75
Deposit to Debt Service Fund	110,605.00
Deposit to Debt Service Reserve Fund (DSRF)	5,175,910.22
Underwriters' Discount	542,607.25
Cost of Issuance	350,000.00
Contingency	4,205.47
Total Uses	$100,226,146.69

INVESTMENT POLICIES

The funds of NBU are controlled, managed and invested by NBU separate and apart from other funds of the City, which are under the control and management of other City officials. Texas law governs and regulates the type of investments eligible for public funds, including but not limited to the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code. The Board of Trustees of NBU approves investment policies and guidelines for the investment of funds of NBU, while the City Council of the City approves the investment policies and guidelines for the other funds. Both state law and NBU investment policies are subject to change.

Legal Investment

Under Texas law, NBU is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) 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 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 by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as 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; (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; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025 Texas Government Code; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for NBU deposits, or (ii) where (a) the funds are invested by NBU through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by NBU as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by NBU; (b) the broker or the depository institution selected by NBU arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of NBU; (c) 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, and (d) NBU appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3

(17 C.F.R. Section 240.15c3-3) as custodian for NBU with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to NBU, held in NBU's name, and deposited at the time the investment is made with NBU or with a third party selected and approved by NBU and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to NBU, held in NBU's name and deposited at the time the investment is made with NBU or a third party designated by NBU; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with a stated maturity of 270 days or less will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides NBU with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract and is pledged to NBU and is deposited with NBU or with a third party approved by NBU other than the prohibited obligations described in the next succeeding paragraph.

NBU may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. NBU is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, NBU is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for NBU funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All NBU funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, NBU investments must 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." At least quarterly the investment officers of NBU shall submit an investment report detailing: (1) the investment position of NBU, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy policy and (b) state law. No person may invest NBU funds without express written authority from the Board of Trustees.

Additional Provisions

Under Texas law NBU is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt an ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in said ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to NBU to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require the qualified representative of firms offering to engage in an investment transaction with NBU to: (a) receive and review NBU's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between NBU and the business organization that are not authorized by NBU's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of NBU's entire portfolio or requires an interpretation of subjective investment standards or relates to investment transactions of NBU that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority, and (c) deliver a written statement in a form acceptable to NBU and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to NBU's investment policy; (6) provide specific investment training for the Chief Financial Officer and other investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of NBU's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with NBU.

Current Investments

As of February 29, 2020* NBU's investable funds were invested as indicated below:

Category of Investments	Amount ($ Thousands)	Percentage	Weighted Average Maturity
U.S. Treasuries **	$ 5,282,810	7.57%	0 days
Certificates of Deposit	4,500,000	6.45%	155 days
Investment Pools and Money Markets	52,350,813	75.06%	1 day
Cash Equivalents	7,612,695	10.92%	1 day
Total	$69,746,318	100.00%	

* *Unaudited.*

** *Weighted Average Maturity excludes a $5 million investment in the Community Assistance Fund having a remaining maturity of 10.0 years.*

As of such date, the market value of such investments (as determined by NBU by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of NBU are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect the Bonds are valid and legally binding special obligations of the City payable from a first and prior priority lien on and pledge of Net Revenues of the System and secured in the manner provided in the Ordinance and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto in Appendix D. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Bond Counsel was engaged by, and only represents, the City. Other than as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions "THE BONDS" (except for the subcaptions "Payment Record," "Defaults and Remedies," and "Future Issues"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS" (except for the subcaption "Litigation" and the last sentence of the next-to-last paragraph under "Legal Opinions," as to which no opinion is expressed), "TAX MATTERS," and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and APPENDIX E in the

Official Statement, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriters by their counsel, McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

Neither the Issuer nor NBU is a party to any litigation or other proceedings pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial conditions of the Issuer or NBU**.**

At the time of initial delivery of the Bonds, the Issuer will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the delivery of the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, to the effect that interest on the Bonds under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), of the owners thereof for federal income tax purposes, pursuant to Section 103 of the Code. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

In rendering such opinion, Bond Counsel will rely upon representations and certifications of the City and NBU made in a certificate pertaining to the use, expenditure, and investment of the proceeds of the Bonds and certain other funds of the City and NBU, and will assume continuing compliance with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City and NBU, on behalf of the City, with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of any arbitrage "profits" from the investment of the proceeds of the Bonds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof for federal income tax purposes from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City and NBU described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer", and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of the Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "TAX MATTERS - Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

CONTINUING DISCLOSURE OF INFORMATION

The Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

Under Texas law, including but not limited to Chapter 103, as amended, Texas Local Government Code, the City and NBU must each keep their fiscal records in accordance with generally accepted accounting principles, must have their financial accounts and records audited by a certified public accountant, and must file each audit report in the office of the City Secretary within 180 days after the close of their respective fiscal years. The City and NBU's fiscal records and audit reports are available for public inspection during the regular business hours, and the City and NBU are each required to provide a copy of the audit report to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

NBU, on behalf of the City, will also provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement and included in APPENDIX A under the headings "UTILITY SYSTEM INDEBTEDNESS," "UTILITY SYSTEM REVENUE BONDS CONSOLIDATED DEBT REQUIREMENT SCHEDULE," "THE NEW BRAUNFELS UTILITIES - 'The Electric System,' 'The Water System,' 'The Sewer System'," "HISTORICAL OPERATING RESULTS" and in APPENDIX C. NBU will provide the updated information to the MSRB within 6 months after the end of each fiscal year ending in or after 2020. Additionally, NBU, on behalf of the City, will provide audited financial statements (if NBU commissions an audit and it is completed by the required time) when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year, NBU will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year when and if the audit report or such statements become available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as NBU may be required to employ from time to time pursuant to State law or regulation.

The current fiscal year-end for NBU is July 31. Accordingly, NBU must provide updated financial information by January 31 in each year and the audited financial statements (or unaudited financial statements if the audit is not available) by July 31 of each year, unless NBU changes its fiscal year. If NBU changes its fiscal year, it will notify the MSRB.

Notice of Certain Events

In the Ordinance, NBU, on behalf of the City, will file with the MSRB notice of any of the following events with respect to the Bonds not more than 10 business days after occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of NBU, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving NBU or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of NBU, if material, for agreement to covenant, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of NBU, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of NBU, any of which reflect financial difficulties. Neither the Bonds nor the Ordinance makes any provision for credit enhancement or liquidity enhancement. In addition, NBU will provide timely notice of any failure thereby to provide information, data, or financial statements in accordance with its respective agreement described above under "Annual Reports." NBU will provide each notice described in this paragraph to the MSRB.

For these purposes, an event described in clause (12) of the immediately preceding paragraph is considered to have occurred upon the happening of any of the following: the appointment of a receiver, fiscal agent, or similar officer for NBU in a proceeding under the United States Bankruptcy Code or in any other proceeding under the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of NBU, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of NBU. NBU intends the words used in the immediately preceding paragraph 15 and 16 and the definition of a Financial Obligation in this section to have the meanings ascribed to them in SEC RELEASE NO. 34-83885, dated August 20, 2018. In addition, NBU will provide timely notice of any failure by NBU to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

NBU has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

NBU, on behalf of the City, has agreed to update information and provide notices of certain specified events only as described above. NBU has not agreed to provide other information that may be relevant or material to a complete presentation of the financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. Neither the City nor NBU makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City and NBU disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of the continuing disclosure agreement or from any statement made pursuant to the agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the City and NBU to comply with its agreement.

NBU may amend the continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City or NBU, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. NBU may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If NBU amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

Over the last five years, NBU has complied in all material respects with all previous continuing disclosure agreements made by the City for which NBU has agreed to comply on the City's behalf, in accordance with the Rule.

OTHER PERTINENT INFORMATION

Authenticity of Financial Data and Other Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable.There is no guarantee that any of the assumptions or estimates contained herein will be realized.All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Municipal Bond Ratings

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of "Aa1" and "AA," respectively, to the Bonds.

An explanation of the significance of such ratings may be obtained from Moody's and S&P. The respective rating of the Bonds by Moody's and S&P reflects only the view of each company at the time the rating is given, and the City makes no representation as to the appropriateness of each rating. There is no assurance that the rating will continue for any given period of time, or that either rating will not be revised downward or withdrawn entirely by either Moody's or S&P, if, in the respective judgment of Moody's or S&P, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

Qualification of Bonds for Sale in Respective States

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The City agreed to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the Underwriters shall not be required to qualify as a foreign corporation or to execute a general or special consent to service in any jurisdiction.

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to NBU in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the Bond documentation with respect to the federal income tax status of the Bonds.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at the price equal to the initial offering prices to the public, as shown on the inside cover hereof, less an underwriters' discount of $542,607.25, plus accrued interest on the Bonds to their date of initial delivery. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of CS&Co. and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Use of Information in Official Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

Forward Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward looking statements. All forward looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Authorization of the Official Statement

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final Official Statement for purposes of, and as that term is defined in the Rule.

The Pricing Certificate approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Bonds by the Underwriters.

Robert Camareno
City Manager
City of New Braunfels, Texas

Ian Taylor
Chief Executive Officer and Pricing Officer
New Braunfels Utilities

SCHEDULE I

Schedule of Refunded Obligations

Series	Principal Amount ($)	Maturities	Interest Rates (%)	Redemption Date and Price
City of New Braunfels, Texas Utility System Revenue & Refunding Bonds, Series 2012	740,000	7-1-2021	3.000	7/1/2020@100.00%
	755,000	7-1-2022	4.000	7/1/2020@100.00%
	580,000	7-1-2023	4.000	7/1/2020@100.00%
	600,000	7-1-2024	4.000	7/1/2020@100.00%
	625,000	7-1-2025	4.000	7/1/2020@100.00%
	630,000	7-1-2026	4.000	7/1/2020@100.00%
	650,000	7-1-2027	3.000	7/1/2020@100.00%
	1,135,000	7-1-2028	4.000	7/1/2020@100.00%
	1,175,000	7-1-2029	4.000	7/1/2020@100.00%
	1,025,000	7-1-2030	3.000	7/1/2020@100.00%
	1,080,000	7-1-2031	3.000	7/1/2020@100.00%
	1,115,000	7-1-2032	3.125	7/1/2020@100.00%
	1,145,000	7-1-2033	3.125	7/1/2020@100.00%
	1,195,000	7-1-2034	3.250	7/1/2020@100.00%
	1,430,000	7-1-2036	3.250	7/1/2020@100.00%
	2,500,000	7-1-2036	3.375	7/1/2020@100.00%
	2,585,000	7-1-2037	3.500	7/1/2020@100.00%
City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A	50,000,000	5-13-2020		
City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019B	24,750,000	5-13-2020		

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APPENDIX A

Utility System Bonded Indebtedness and Description of Utility System

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DESCRIPTION OF UTILITY SYSTEM REVENUE BONDED INDEBTEDNESS

The currently outstanding revenue obligations of the System payable solely from and secured by first liens on and pledges of the Net Revenues derived from the combined electric, water and sewer system, which is operated by New Braunfels Utilities ("NBU"), at levels of priority described below.

Utility system revenue bonds in the aggregate principal amount of $218,476,152, including the Bonds and excluding the Refunded Bonds, are payable from and secured by a parity first lien on and pledge of the Net Revenues of the System.

UTILITY SYSTEM FUND BALANCES
(As of February 29, 2020)

	Ultimate Required Amount	Amount
Restricted Debt Service Funds:		
Interest & Sinking Fund	N/A	$ 3,419,628
Reserve Fund*	$8,714,840	6,635,868
Total Other Restricted Funds	N/A	13,397,432
Unrestricted Fund Balances	N/A	46,293,391
Total Fund Balances		$69,746,319

* *The amounts shown above were as of February 29, 2020. After the issuance of the Bonds, the new Required Reserve amount is $11,957,613. The Reserve Fund will be fully funded through Bond Proceeds. See also the SOURCES AND USES OF FUNDS on page -10-.*

A SUMMARY OF PROPERTY, PLANT AND EQUIPMENT
(Note 3) Capital Assets Comprehensive Report

	7/31/2019	7/31/2018	7/31/2017	7/31/2016
Utility Plant in Service	$714,421,695	$640,926,690	$610,901,645	$492,929,552
Less Accumulated Depreciation	(250,383,005)	(230,326,079)	(216,862,353)	(204,625,430)
Plus Construction in Progress	82,434,399	66,966,558	29,100,251	94,641,278
Total Fixed Assets	$546,473,089	$477,567,169	$423,139,543	$382,945,400

UTILITY SYSTEM INDEBTEDNESS

Outstanding Bonds Similarly Secured Original Amount	Date of Issue	Date Callable	Outstanding As Of 1-1-2020
$10,337,595.90	01-15-2004 - Series 2004	non-callable	$ 1,411,152.20
$23,940,000.00	10-01-2012 - Series 2012	7/1/20	725,000.00 (1)
$26,870,000.00	01-15-2015 - Series 2015	7/1/23	26,170,000.00
$62,235,000.00	03-01-2016 - Series 2016	7/1/24	59,675,000.00
$45,200,000.00	03-01-2018 - Series 2018	7/1/26	42,395,000.00
$88,100,000.00	05-01-2020 - Series 2020	7/1/28	88,100,000.00 (2)
Total			$218,476,152.20 (2)
Less: Utility System Restricted Debt Service and Reserve funds (at 1-31-2020)			10,055,496.00
Net Utility System Revenue Indebtedness			$208,420,656.20 (2)

(1) *Excludes the Refunded Bonds.*
(2) *Includes the Bonds.*

Subordinate Lien Obligations

The City Council has authorized a Commercial Paper Program for the System (the "CPP") in the amount of $75,000,000, to be issued from time to time as the City of New Braunfels, Texas Utility System Commercial Paper Notes, Series 2019A and Series 2019B (individually, the "2019A Notes" and the "2019B Notes" and, together, the "Notes") to provide interim financing of eligible capital System improvement projects. The Notes are issued as "Subordinate Lien Obligations" under the City ordinances authorizing the issuance of the Bonds Similarly Secured. The 2019A Notes are publicly sold commercial paper notes, with liquidity support therefor provided in the form of a revolving credit agreement with JPMorgan Chase Bank, National Association ("JPMorgan"), which expires in accordance with its terms on May 29, 2022 (the "Series 2019A Credit Agreement"). The 2019B Notes are privately-placed commercial paper notes, supported by a note purchase agreement also with JPMorgan (the "Series 2019B Credit Agreement" and together with the Series 2019A Credit Agreement, the

"Credit Agreements"), the term of which runs concurrently with the Series 2019A Credit Agreement and provides that JPMorgan shall purchase 2019B Notes when and as issued. Liquidity support for the CPP under the Credit Agreements equals the program's entire $75,000,000 authorization and may be allocated in any manner between the Credit Agreements, provided that at least $250,000 in 2019B Notes be outstanding and held by JPMorgan for the term of the Credit Agreements. Outstanding Notes prior to the refunding of the Refunded CP Notes with proceeds of the Bonds are evidenced in the following table:

	Authorized Amount	Amount Outstanding
Utility System Commercial Paper Notes, Series 2019A(1)	*	$50,000,000
Utility System Commercial Paper Notes, Series 2019B(1)	*	25,000,000
Total		$75,000,000

After issuance of the Bonds and refunding of the Refunded CP Notes there will be outstanding only $250,000 in 2019B Notes and the balance of the CPP's $75,000,000 will be available for funding new capital System improvement projects.

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* *The aggregate amount authorized of the combined Series 2019A and Series 2019B Notes is $75,000,00.*
(1) *Includes the Refunded Bonds.*

COVERAGE

Debt service coverage, based upon the net revenues shown on page A-9, using requirements as shown below, are as follows:

Revenue Available for Debt Service (fiscal year ended 7/31/2019)	$40,182,629
Average Annual Debt Service Requirement of Debt Paid from Utility System Revenues 2020-2050*	$11,957,614
Coverage by 2019 Net Revenues*	3.36x
Maximum Debt Service Requirement (2021)*	$13,648,981
Coverage by 2019 Net Revenues*	2.94x

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* *Includes the Bonds and excludes the Refunded Obligations. Does not take into account the borrowing capacity under the Commercial Paper Program.*

	Fiscal Year Ended July 31					
Customer Count:	2019	2018	2017	2016	2015	2014
Electric	43,606	41,729	38,867	36,914	35,455	33,975
Water	41,074	39,060	36,140	33,550	31,415	29,089
Sewer	28,775	27,775	26,294	25,072	24,034	22,885

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UTILITY SYSTEM REVENUE BONDS
CONSOLIDATED DEBT REQUIREMENT SCHEDULE

Fiscal Year 7/31	Existing Requirements	Less: Refunded Debt Service	New Issue at Actual Rates: Principal Due 7/1	Interest Due 1/1	Interest Due 7/1	Total	Grand Total Of All Debt Service
2020	$ 9,411,768.75	$ 327,818.75	$ 1,000,000.00		$ 603,300.00	$ 1,603,300.00	$ 10,687,250.00
2021	9,589,818.75	1,395,637.50	1,885,000.00	$ 1,784,900.00	1,784,900.00	5,454,800.00	13,648,981.25
2022	9,517,818.75	1,388,437.50	1,975,000.00	1,737,775.00	1,737,775.00	5,450,550.00	13,579,931.25
2023	8,586,568.75	1,183,237.50	1,870,000.00	1,688,400.00	1,688,400.00	5,246,800.00	12,650,131.25
2024	9,304,318.75	1,180,037.50	1,955,000.00	1,641,650.00	1,641,650.00	5,238,300.00	13,362,581.25
2025	9,251,068.75	1,181,037.50	2,060,000.00	1,592,775.00	1,592,775.00	5,245,550.00	13,315,581.25
2026	9,192,368.75	1,161,037.50	2,140,000.00	1,541,275.00	1,541,275.00	5,222,550.00	13,253,881.25
2027	9,144,468.75	1,155,837.50	2,240,000.00	1,487,775.00	1,487,775.00	5,215,550.00	13,204,181.25
2028	9,087,168.75	1,621,337.50	2,820,000.00	1,431,775.00	1,431,775.00	5,683,550.00	13,149,381.25
2029	8,977,568.75	1,615,937.50	2,955,000.00	1,361,275.00	1,361,275.00	5,677,550.00	13,039,181.25
2030	8,971,368.75	1,418,937.50	2,905,000.00	1,287,400.00	1,287,400.00	5,479,800.00	13,032,231.25
2031	8,938,618.75	1,443,187.50	3,075,000.00	1,214,775.00	1,214,775.00	5,504,550.00	12,999,981.25
2032	8,906,318.75	1,445,787.50	3,195,000.00	1,153,275.00	1,153,275.00	5,501,550.00	12,962,081.25
2033	8,903,825.00	1,440,943.76	3,320,000.00	1,089,375.00	1,089,375.00	5,498,750.00	12,961,631.24
2034	8,773,400.01	1,455,162.50	3,470,000.00	1,022,975.00	1,022,975.00	5,515,950.00	12,834,187.51
2035	8,768,937.50	1,651,325.00	3,420,000.00	953,575.00	953,575.00	5,327,150.00	12,444,762.50
2036	8,765,250.00	2,674,850.00	4,575,000.00	885,175.00	885,175.00	6,345,350.00	12,435,750.00
2037	8,766,106.25	2,675,475.00	4,760,000.00	793,675.00	793,675.00	6,347,350.00	12,437,981.25
2038	8,764,268.75		2,380,000.00	698,475.00	698,475.00	3,776,950.00	12,541,218.75
2039	8,759,593.75		2,475,000.00	650,875.00	650,875.00	3,776,750.00	12,536,343.75
2040	8,761,443.75		2,575,000.00	601,375.00	601,375.00	3,777,750.00	12,539,193.75
2041	8,762,093.75		2,680,000.00	549,875.00	549,875.00	3,779,750.00	12,541,843.75
2042	8,755,518.75		2,760,000.00	509,675.00	509,675.00	3,779,350.00	12,534,868.75
2043	8,751,650.00		2,840,000.00	468,275.00	468,275.00	3,776,550.00	12,528,200.00
2044	8,485,175.00		2,930,000.00	425,675.00	425,675.00	3,781,350.00	12,266,525.00
2045	8,411,350.00		3,015,000.00	381,725.00	381,725.00	3,778,450.00	12,189,800.00
2046	8,345,350.00		3,105,000.00	336,500.00	336,500.00	3,778,000.00	12,123,350.00
2047	5,907,000.00		3,230,000.00	274,400.00	274,400.00	3,778,800.00	9,685,800.00
2048	5,859,000.00		3,360,000.00	209,800.00	209,800.00	3,779,600.00	9,638,600.00
2049			3,495,000.00	142,600.00	142,600.00	3,780,200.00	3,780,200.00
2050			3,635,000.00	72,700.00	72,700.00	3,780,400.00	3,780,400.00
	$252,419,206.26	$26,416,025.01	$88,100,000.00	$27,989,775.00	$28,593,075.00	$144,682,850.00	$370,686,031.25

THE NEW BRAUNFELS UTILITIES

The New Braunfels Utilities ("NBU") was established in 1942 when the City Commission of New Braunfels, Texas purchased the electric transmission and distribution systems from the Public Service Company of San Antonio that served the City of New Braunfels, Texas ("City" or "New Braunfels") and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU by the City.

The complete management and control of the City's waterworks, sanitary sewer and electric systems is in the hands of the Board of Trustees of NBU (the "Utilities Board" or the "Board"), pursuant to authority contained in Texas Government Code, Section 1502.070 and by the ordinances authorizing the outstanding utility system revenue bonds, and the Charter of the City. The Board appoints a Chief Executive Officer and certain other professional consultants which are required.

NBU remains a municipally owned utility, managed and operated by the Board, consisting of four individuals appointed by the City Council of New Braunfels to five-year terms and the current mayor of the City. The elected City Council of New Braunfels maintains regulatory control by making Board appointments, approving any rate changes, and authorizing bond issues. NBU currently provides electric service in a 160 square mile territory in New Braunfels and the surrounding area. NBU provides water and wastewater services within the city limits and portions of the extra territorial jurisdiction. The majority of the service territories are within Comal County, with some customer service in Guadalupe and Bexar Counties.

The present members of the Board are:

Member	Title	Year Appointed	Term Expires
John A. Harrell	President	2009	2024
Judith Dykes-Hoffmann, PhD	Vice President	2007	2022
Atanacio Campos	Trustee	2000	2020
Bob Gray	Trustee	2016	2021
Barron Casteel	Mayor	2015	Ex-Officio

Key members of the senior management team of NBU include the following:

Ian Taylor is Executive Officer (CEO) of New Braunfels Utilities. He joined the NBU team on October 20, 2005, as the Manager of Water Operations & Maintenance. He was promoted to Chief Engineer of Water Systems in 2009 where he was in charge of water and wastewater planning, design and analysis, and program management. Ian was appointed CEO of NBU on December 16, 2016, only the sixth CEO to lead the utilities in its 75-year history. Prior to joining NBU, Mr. Taylor was a Senior Project Manager for power transmission at the Lower Colorado River Authority. Mr. Taylor started his career as an engineer at Motorola. Mr. Taylor holds a Bachelor of Science Degree in Mechanical Engineering from the University of Texas at Austin. Mr. Taylor serves in a number of volunteer roles including a position on the Advisory Board for the Institute for Global Business for the McCoy College of Business at Texas State University.

Ryan Kelso is the Chief Operations Officer (COO) of NBU, overseeing water, wastewater, and electrical lines of business. He began his career with NBU in 2015. During Mr. Kelso's tenure with NBU, he has served as Control Center Supervisor, Systems Control Manager, and Director of Water Services. He currently serves as the executive sponsor for the NBU Aquifer Storage and Recovery project. Mr. Kelso is a graduate of Texas A&M University, with a degree in Industrial and Systems Engineering and a minor in Business Administration.

Dawn Schriewer is Chief Financial Officer for NBU. Ms. Schriewer graduated with a Bachelor of Business Administration in Finance & Real Estate from North Texas State University. She joined the NBU team on February 7, 2005, as the Accounting Manager. She was promoted to Director of Finance and Risk in 2010 where she was in charge of Investments, Debt and Power. Ms. Schriewer has nearly thirty years of experience in Finance and Accounting.

Connie Lock is General Counsel and Chief Ethics Officer. Ms. Lock graduated with a Bachelor of Science in Accounting from Trinity University and a Juris Doctor from St. Mary's University School of Law. She was hired in 2016 as Assistant General Counsel/Senior Staff Attorney and was named General Counsel and Chief Ethics Officer in May 2017. Ms. Lock has over twenty years of experience in municipal law and public finance and is responsible for providing legal and ethical advice to the NBU Board of Trustees, management, and staff.

Janice Jessen*,* SPHR-SCP, is the Executive Director of Strategy and People. She joined the NBU team in 2008 as the Human Resource Manager. Janice oversees the NBU Human Resource Department, Learning and Development, Safety, Environmental Affairs and Fleet/Facilities. Currently, she serves on the Human Resources Advisory Board for the McCoy College of Business at Texas State University. Janice has a Master of Communication degree from Texas State University.

Melissa Krause joined NBU in December 2017 as Executive Director of Communications and External Affairs and oversees Public Affairs and Customer Service. She brings more than 25 years of award winning marketing and communications experience to NBU. She has received more than 30 marketing and communications awards throughout her career. Prior to joining NBU, she served as Director, Strategic Marketing and Communications for CHRISTUS Health for 15 years. She is active with the Greater New Braunfels Chamber of Commerce, has served on the Leadership New Braunfels Committee, Small Business Committee, a graduate of the Leadership New Braunfels program, a senior Blue Coat, and an avid supporter of Communities in Schools, CHRISTUS Santa Rosa, and New Braunfels Volunteers in Medicine. Melissa is a graduate of Southwest Texas State University (now Texas State), San Marcos, Texas, with a BS in Family Consumer Science.

Robin Britton is the Chief Technology and Security Officer for NBU. With more than 20 years of Information Technology experience in the private and municipal sectors, Robin is responsible for the strategic direction of the utility with regard to traditional Information Technology, operational field technology, safety, and both physical and cyber security. Prior to joining NBU, Robin spent many years working in Information Technology at the City of Fort Worth, and worked in the Joint Emergency Operations Center during the Super Bowl XLV ice storm. Robin's professional focus on customer service based technology organizations, and data-driven decision making, help her to balance a diverse range of responsibilities.

At July 31, 2019, NBU had a total of 299 full-time employees with a net annual payroll of $13,321,259.

Rates

NBU staff periodically makes rate recommendations for electric, water and wastewater services based on cost of service studies. Discussion then takes place at Board meetings open to the public for the purpose of establishing a Board approved rate, which is then forwarded to the City Council. The Board requested rate is reviewed and approved by City Council through a process which includes two public readings of the proposed rate ordinance. Direct increases and decreases from

NBU's power suppliers are passed on promptly to NBU customers through a power cost recovery fee until new rates can be set based on the process described above.

On November 9, 2015, the City Council approved the NBU's Board recommendation for increases on (i) electric rates of 3% on the distribution and customer charge components of a customer's bill effective December 1, 2015, (ii) wastewater rates of 4.5% each year effective January 1, 2016, January 1, 2017, and January 1, 2018, and (iii) water rates of 2.5% each year effective February 1st from February 2016 through, and including, February 2018.

On November 26, 2018, the City Council approved the Board's recommendation for a water rate increase that aggregates to six percent. The rate increase was effective December 1, 2018.

On October 28, 2019, the City Council approved the Board's recommendation for a water rate increase that aggregates to 22 percent and a wastewater increase that aggregates to 16 percent. The rate increase was effective November 1, 2019.

Utility Rate Regulations

Under existing law, NBU is free from the rate-making jurisdiction and control of any federal, state or local agency (other than the City). The City Council has the exclusive authority to set rates and charges for electric, water and sewer services recommended by the Board. Customers served by NBU who are beyond the city limits have the ability to petition for review of rates charged under limited and specific circumstances. The Texas Public Utility Commission would conduct the review for electric, water, and wastewater. Approximately 15% of NBU electric customers, comprising 33% of the revenues, are located outside the city limits. The number of water and sewer customers located outside the city limits is less than 5%. Current policy of NBU is to perform separate cost of service studies for each utility and to set rates to collect revenue and pay expenses for each utility system independently.

Environmental Matters

Operating an electric, water and sewer system can have far reaching environmental ramifications with both the impact of new construction and the maintenance of existing facilities and equipment. Protecting human health and the environment is a priority for NBU and full management involvement has produced an effective compliance program.

NBU administers an EPA-approved pretreatment program under the authority of the City Municipal Code, Article V, Section 130-301, et seq. The Code of Ordinances sets forth uniform requirements for users of the sewer collection and treatment systems operated by NBU. It also enables NBU to comply with all applicable state and federal laws required by the Clean Water Act of 1977 (33 U.S.C. 1251 et seq.) and the General Pretreatment Regulations (40 CFR, Part 403).

NBU has completed a Water Pollution Abatement Plan ("WPAP") for the stormwater pollution abatement at each of its wastewater treatment plants and updates those plans as required.

Polychlorinated biphenyls ("PCBs") in NBU electrical equipment have been monitored for over thirty years. The program began with the identification, removal and disposal of all known PCB equipment and continues today with constant sampling and analysis to verify compliance and requires extensive record keeping activities.

NBU has operated with a position of Environmental Affairs Manager, who along with the other staff members bring increased emphasis, education and awareness of NBU's environmental commitment. NBU maintains a conscientious pursuit of environmental compliance, and such efforts receive the highest commitment from all levels of management and employees.

NBU has taken strong and positive actions to meet the State Energy Conservation Office ("SECO") goals and objectives for reductions to energy consumption. Recommendations from two requested SECO audits have been evaluated and appropriately implemented for increased efficiency. NBU continues to monitor and manage internal energy consumption, as well as considers additional tools to increase energy efficiency. In addition, NBU has water conservation expectations that were established by State Legislation, as well as by Edwards Aquifer Authority mandates. These regulations are being met through an extensive offering of water conservation educational materials, web-site assistance, field water audits, and customer incentives.

NBU has established itself as an active leader in conservation management with the enactment of appropriate ordinances and the investment in a four-member Conservation group that actively works with the public in order to make a direct, positive and meaningful impact on the environment.

The Electric System

New Braunfels Utilities' electric system, comprising a service area of approximately 160 square miles, includes the City and the surrounding area. The electric system includes 622 miles of overhead distribution line, 324 miles of underground distribution line, eleven substation/metering points on the transmission system, and other buildings, equipment, and related facilities.

As of July 31, 2019, the gross investment in the Electric System was $265.8 million and the net investment was $146.1 million.

The electric system's peak, occurring during the summer of 2018, was 309.7 megawatts. The electric system's substation capacity is currently 664.5 MVA and is projected to increase to 808.1 MVA by the end of fiscal year 2024. As of July 31, 2019 there were 43,606 customer connections served from the electric system. Approximately 82% of power for distribution is purchased from various providers based on different load shapes and contract durations. The remainder is purchased from two local renewable generation facilities and one third party renewable source.

Total System Sales (millions)	$115.5
Total System MWh Sales	1,626,679

The following table sets forth the annual megawatt-hour sales and peak demand for the ten most recently completed fiscal years of the Electric System:

Year Ended July 31	**MWh Sales**	**Peak Demand**
2010	1,138,764	217,965 kW
2011	1,227,844	240,109 kW
2012	1,268,084	246,380 kW
2013	1,291,324	257,164 kW
2014	1,429,897	266,642 kW
2015	1,486,036	279,817 kW
2016	1,484,725	279,855 kW
2017	1,512,675	287,963 kW
2018	1,598,405	306,719 kW
2019	1,626,679	298,587 kW

New Braunfels Utilities completed the addition of the Weltner Road Substation in fiscal year 2019. The project provides increased capacity and resiliency to the electric system, and helps to serve the growing territory between New Braunfels and Seguin along the Highway 46 South corridor. New Braunfels Utilities is also exploring long-term plans for the addition of a 12th substation, northwest of the City, to serve the expanding Veramendi development. New Braunfels Utilities' 20-year master plan now includes the 13th, 14th, and 15th substations as well.

Following a system-wide, risk-based evaluation of aging electric infrastructure, completed in fiscal year 2013, NBU continues to replace aging infrastructure. In furtherance of this objective, NBU's five-year Financial and Operating Plan for fiscal years 2020 through 2024, which was approved by the Board in June 2019, includes a plan to invest 1 percent of assets each year for the replacement of aging infrastructure in each of NBU's lines of business. This amount totaled $2.1 million for fiscal year 2020 and aggregates to $11.4 million over the five-year period.

NBU is a retail provider of electric services to its customers. NBU purchases all of its power requirements from wholesale providers. NBU's electric rates are unbundled and the cost of power is passed through to its customers. The electric rates approved by City ordinance have a base cost for electric power and are reviewed monthly, and adjusted as necessary, to reflect the current cost of wholesale power purchases through the utilization of the generation cost recovery factor and the transmission cost recovery factor.

The following table shows comparative monthly electric bills for residential customers at selected utilities:

Name of Electric Utility	July 2019 Billing for 1000 kWh
CPS Energy (San Antonio Area)	$113.13
Guadalupe Valley Electric Cooperative	$107.43
City of Seguin	$107.00
Pedernales Electric	$106.18
City of Boerne	$105.49
Austin Energy	$102.69
New Braunfels Utilities	**$91.37**
City of Brenham	$90.80
City of Fredericksburg	$88.03
City of San Marcos	$86.93

Generation Cost Recovery Factor: This fee, charged to each distribution and transmission service customer on their monthly bill for electric service is designed to adjust the cost of generation from all NBU power suppliers as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Transmission Cost Recovery Factor: This fee, charged to each distribution service customer on their monthly bill for electric service, is designed to adjust the cost of transmission services as compared to the base rate included in other billing components. Customers are billed on a per kilowatt-hour basis.

Sources of Power: NBU acquires power supply from various suppliers in the ERCOT electricity market. NBU positions its power supply resources to encompass portfolio power diversification of supply from various counterparties, various tenors of contract duration and various load shapes in order to procure power for its customers that is reliable, low cost, and has reduced price volatility.

In February 1983, NBU entered into a Hydroelectric Supply Agreement with the Guadalupe-Blanco River Authority ("GBRA") to purchase all power production from the Canyon Hydroelectric Project. In December 2012, NBU and GBRA amended the agreement which allows NBU to continue to purchase the hydroelectric power through February 2033.

In 2010, NBU contracted with Waste Management Renewable Energy, Inc. ("WMRE") to purchase electricity from its landfill gas generation facility in Comal County, Texas. The contract is in effect until 2030, and the generation units currently have an aggregate capacity of 3.5 MW and are expected to generate approximately 26,000 MWh per year.

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represents approximately 13% of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled $5,501,388 and $5,610,752 for Fiscal Year 2019 and 2018, respectively.

In Fiscal Year 2019, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects respectively. Commercial commencement of projects is targeted to begin in June 2020 for Long Draw and December 2020 for Greasewood. Long Draw's energy will be sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas.

NBU executed power contracts with multiple counterparties over various terms, generally one to three years, excluding the Javelina, Long Draw, and Greasewood described above. NBU is continually reviewing the feasibility of additional credit quality counterparties and is in the process of increasing the number of master enabling agreements with such counterparties in order to take advantage of market and pricing opportunities as they arise and to bolster its diversification of power supply sources.

New Braunfels Utilities' estimated payments for purchase power for 2020 through 2022, undiscounted, are as follows:

Year Ending July 31	Estimated Payments
2020	$31,565,282
2021	9,615,951
2022	682,728

To minimize power portfolio risk, the NBU Board has approved a Credit Risk Policy and an Energy Risk Management Policy to provide appropriate guidelines in managing NBU's power portfolio.

As of July 31, 2019, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2022. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 53 – Accounting and Financial Reporting for Derivative Instruments. Additional portfolio hedges are added over time as near-term hedges expire.

NBU's electric rates are unbundled into distribution charges, generation charges, and transmission charges. Distribution charges are comprised of fixed customer charges and variable kWh charges designed to recover NBU's cost to maintain its electric infrastructure and deliver reliable service to its customers. NBU, through its efficient operation, has been able to manage these costs.

The generation and transmission charges are a pass through to the customers and comprised of a base rate and an adjustable Power Cost Recovery Factor (PCRF). During fiscal year 2019, NBU purchased for its customers 1,686,116 MWh in comparison to 1,668,364 MWh during fiscal year 2018, representing an increase of 17,752 MWh or 1.1 percent.

Legislation Regarding Electric Utility

In June 1999, the Texas Legislature enacted electric restructuring (SB7) allowing significant restructuring of the electric industry in Texas. On January 1, 2002, retail customers of investor owned utilities ("IOUs") were allowed to choose their electric supplier. Municipal utilities and electric cooperatives are largely exempt from the requirements of SB7. The governing bodies of municipal utilities and electric cooperatives have the sole discretion to determine whether and when to open their service territories to retail competition. Unless a municipal utility or cooperative has voted to open its territory, it is not able to compete for retail customers at unregulated rates outside its traditional service territory.

NBU has not entered the competitive electric market. NBU evaluates and directs all of its current systems, procedures and activities to ensure its business is prepared to meet the challenges of competition should it become advantageous for NBU's customers in the future.

The Energy Policy Act of 2005 (EPAct) made significant changes in Federal Energy Reliability Commission (FERC) authority. The EPAct had three principal policy goals in the areas of the statute that relate to FERC: 1) it reaffirmed a commitment to competition in wholesale power markets as national policy; 2) it strengthened the FERC’s regulatory tools; and 3) it provided for development of a stronger energy infrastructure. The EPAct granted FERC significant new responsibilities and authority by modifying the Federal Power Act, the Natural Gas Act and the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of FERC's responsibilities includes overseeing the reliability of the nation’s electricity transmission grid. FERC approved the North American Electric Reliability Council (NERC) as the Electric Reliability Organization (ERO), and the NERC approved an independent organization within ERCOT as the Regional Reliability Organization. This organization within ERCOT is the Texas Reliability Entity (TexasRE) and is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market.

New Braunfels Utilities owns 19.5 circuit-miles of 138kV transmission, which are part of the Electric Reliability Council of Texas (ERCOT) bulk electric transmission system and therefore is required to comply with applicable North American Electric Reliability Council (NERC) reliability standards. New Braunfels Utilities is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (TRE) in October 2014 on the standards applicable to these categories. Texas Reliability Entity is an independent organization within ERCOT, which is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. New Braunfels Utilities successfully demonstrated compliance with all applicable NERC standards. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance. In July 2017, NERC auditors completed a second audit of NBU and found no compliance violations and no areas of concern.

For the first time, NBU applied for the Reliable Public Power Provider (RP3) designation through the American Public Power Association (APPA) during fiscal year 2017. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. New Braunfels Utilities was awarded the platinum level designation, which is in effect through 2020.

The Water System

The water system includes 582 miles of water mains ranging in size from two inches to 30 inches, an 8 Million Gallons per Day (MGD) surface water treatment plant, a 3.747 MGD membrane treatment facility, 13 groundwater wells, and 18 pump stations with 52 active pumps. Storage capacity of approximately 10.1 million gallons is maintained in elevated tanks and 10.4 million gallons in ground storage tanks.

In October 1991, NBU became the first water system reliant on the Edwards Aquifer for its water supply to build a surface water treatment plant providing New Braunfels with a dual water supply. The New Braunfels plant can treat eight million gallons of water per day from the Guadalupe River and is currently used to base load the system. Water from the Edwards Aquifer is used to meet daily peaks above the treatment capacity of the surface plant. This diversification allows NBU to maximize its three water supply sources, groundwater from the Edwards Aquifer, run-of-river rights in the Guadalupe River and stored water from Canyon Reservoir, to the benefit of NBU customers. Since that time a regulatory agency, Edwards Aquifer Authority, has been created to manage permitting and withdrawals from the Edwards Aquifer.

The potable water provided by NBU surpasses all state and federal requirements and is rated a Superior Water System - the highest rating a public water system can achieve.

NBU continues to coordinate with the City of New Braunfels to replace aging water infrastructure in conjunction with the city street renovation projects. NBU has targeted a 1% annual investment in aging infrastructure replacement. NBU believes that it is at the forefront of addressing aging infrastructure and is dedicated to maintaining an efficient and well-run system.

In June 2009, NBU acquired an additional 2,000 acre-feet per year of Edwards. This acquisition increased NBU's total water rights per year from the Edwards Aquifer Authority to 9,270 acre-feet. A major benefit of acquiring Edwards Aquifer rights, as opposed to additional surface water rights, was that no additional infrastructure was needed to use the water immediately. NBU already had sufficient well pumping capabilities to fully utilize the new Edwards Aquifer Rights without having to build new treatment plant capacity or other related infrastructure.

In February 2010, NBU contracted with the Guadalupe Blanco River Authority for an additional 3,000 acre-feet per year of stored water in the Canyon Lake Reservoir. In June 2015, NBU completed construction of the Trinity Aquifer Well Field project which further increased additional water supply by approximately 4,000 acre-feet per year. The additional water supply from the Trinity project represents about one-third of NBU’s current annual water usage and brings NBU’s total water supply to approximately 30 thousand acre-feet per year.

The Trinity Well Field Treatment Plant is a project in response to NBU's Trinity Well Field being influenced by surface water within the Dry Comal Creek. The project timeline was aggressive. The project began in fiscal year 2017, with the majority of the Trinity Well Treatment Plant being complete within fiscal 2018. The Treatment Plant introduces approximately 3.75 MGD of supply to the NBU system, treating ground water under the influence through a membrane treatment process. Running concurrently with the Trinity project, the South Highway 46 Water Line Extension project was another large project with an aggressive timeline. The project was substantially completed in fiscal year 2018. The project consists of 18,000 feet of water main, two pump stations, and a 500,000 gallon ground storage tank.

Future Water Supply: In 2018, NBU created a Water Resource Plan which evaluated demand-management and conservation opportunities and also assessed a broad range of water supply options and creative solutions. To meet its future water supply water needs, NBU went through an evaluation process, beginning with 14 alternatives. The process resulted in the final selection of three new water supply projects that included water from the Guadalupe-Blanco River Authority (GBRA), expansion of the NBU Surface Water Treatment Plant, and expansion of the NBU Trinity Aquifer Well Field. NBU also has its water plant under construction to expand its production capacity from 4 MGD to 8.5 MGD, with an anticipated substantial completion date of June 2020.

GBRA Mid-Basin

The first phase of the GBRA Mid-Basin Water Supply Project will extract and deliver to NBU treated groundwater from the Carrizo Well Field in Gonzales County. Water will be transported from the treatment plant, located in Gonzales County, via a 40-mile water pipeline to a delivery point in the NBU service area. New Braunfels Utilities has contracted for 8,000 acre-feet per year (AFY) with delivery scheduled to begin in 2023.

City of Seguin Water

New Braunfels Utilities entered into contract with the City Seguin for delivery of 2,500 AFY of blended ground and surface water from the Seguin distribution system. For the first three years, NBU will purchase 1,100 AFY of water per year. In October, 2021, NBU will increase the amount of water purchased by 500 AFY until a total of 2,500 AFY is purchased, with the possibility of an additional 500 AFY, with concurrence by both utilities. Delivery of the water began in 2019.

Weltner Road Ground Storage Tank and Pump Station

As a result of the water contracts totaling approximately 10,500 AFY with the City of Seguin and GBRA, NBU has a need for an intake point for these supplies. In September of 2019, NBU entered into contract with Black Castle General Contractor for the construction of a 1.5 million gallon pre-stressed concrete ground storage tank and a new pump station with 10 million gallons per day of firm pumping capacity. Additional site improvements include a vertical turbine pumping facility, disinfection facility, and chemical and electrical buildings. The Project will integrate these two new water supplies into the NBU water system.

Aquifer Storage Recovery (ASR)

Although NBU has a diverse inventory of water supply sources totaling approximately 30,000 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At the present time, the availability of NBU's water sources during severe drought (the "firm" yield") is approximately 17,500 AFY, and the reliable supply during non-drought periods is about 19,300 AFY as noted in the NBU 2018 Water Resources Plan.

In 2011, NBU engaged Arcadis-US, Inc. (Arcadis), to conduct a preliminary evaluation of an aquifer storage and recovery (ASR) program. In order to meet NBU's needs during periodic droughts, including the 1950's drought-of-record (DOR), the concept of an ASR program would be to capture and store potable water in an underground aquifer when it is available, and to recover that water from ASR storage during drought periods to meet seasonal peak demands.

Based on this feasibility study, the Arcadis team and NBU concluded that ASR can serve as a valuable water management strategy because NBU, like most water utilities in Texas, has the need for storage to firm up the reliability of its water supply. The major conclusions and recommendations from the 2011-2012 study included the following:

Based on a preliminary analysis of hydrogeological data, the most viable location for ASR storage is the brackish portion of the Edwards Aquifer, found in the fast-growing southern portion of the NBU service area. The first step toward implementation of an ASR program for NBU should include additional data collection, and early coordination with the Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ). The most cost-effective location for an ASR wellfield would likely be in the brackish Edwards Aquifer at or near the New Braunfels Regional Airport (the "Airport"). The Airport is within the NBU service area, and NBU has existing water, wastewater, and electric service lines in the area.

The ultimate goal is store approximately 14,000 AFY of water in the ASR wellfield so that sufficient water is available to meet demands during drought and peak periods. To meet NBU's needs, the Arcadis team estimates (subject to confirmation during later phases) that the wellfield will include as many as nine ASR wells, plus an undetermined number of monitoring wells. Preliminary estimates based on data collected to date, are that each ASR well will be capable of recharging/injecting at a rate of about 0.5 MGD and recovering/pumping at a rate of about 1.0 MGD. Depending on when the ASR wells are constructed and how many are ultimately constructed, the cost of the ASR Program could be in the range of $23 million.

NBU is in the third phase of its ASR program that will allow NBU to augment treated water supplies during peak demand seasons and prolonged droughts. NBU drilled its first ASR demonstration well and is currently performing formation testing. It is anticipated that upon full build out of the well field, NBU will retain the ability to store approximately 7,000 acre-feet of potable water to be used in times of drought and/or peak demand. A TCEQ ASR operating permit will be required, as a temporary permit is in place for 2020 testing. A TECQ Public Water Supply Well permit will also be needed prior to distribution of ASR water.

Regional Water Planning: The Edwards Aquifer Recovery Implementation Program (EARIP) was created by the Texas Legislature in 2007. Early in 2012, the EARIP completed its collaborative effort to develop a Habitat Conservation Plan (HCP) for the protection of the endangered species in the Comal and San Marcos springs and rivers and to secure the water supply from the Edwards Aquifer for the five-county aquifer region. The HCP and a request for an Incidental Take Permit (ITP) was submitted to the U.S. Fish and Wildlife Service and approved in early 2013. The benefit of obtaining the ITP is that it provides litigation immunity on actions regarding the take of endangered species located in the Comal and San Marcos spring systems, as long as all parties adhere to the required actions in the HCP. Since the approval of the ITP, the Implementing Committee, comprised of the five signatories of the ITP, has made great strides toward implementing the strategies and initiatives laid out in the HCP.

State Water Planning: Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups throughout the state to develop local area plans. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The first state water plan developed by this process was approved by the TWDB in December 2001. By law, the plan must be updated every five years. The latest update was submitted by the 16 water regional planning groups throughout the State of Texas in 2017. The next update to the plan is scheduled for 2021, and NBU will continue to strategically work through the planning group to include projects for the benefit of its customers. The benefit of having the projects listed in the plan is that the identified projects then become eligible for funding assistance through the TWDB; thereby, providing NBU with an alternative financing vehicle. New Braunfels Utilities continues to monitor this process closely and provides input as necessary to reflect changes in NBU's growth projections and water needs during the five-year update periods.

Conservation: Stewardship is one of NBU's core values. Being good stewards of the environment remains a top priority for NBU. As a result, the State of Texas recognized NBU with the Blue Legacy Award in 2012, 2014, 2017 and 2019. In 2017, the Texas Water Development Board (TWDB) recognized NBU with the Texas Rain Catcher's award. In addition, the State of Texas Comptroller's Office recognized NBU for its efforts in energy efficiency. In 2017 and 2018, the American Public Power Association (APPA) awarded NBU with the Excellence in Public Power Communications Award of Merit, for its local movie theater advertising campaign and the Community Service Award, for its educational exhibit in the local children's museum to teach children at an early age the importance of conservation. New Braunfels Utilities' Environmental Affairs department focuses on educating customers on the importance of being proactive environmental stewards. New Braunfels Utilities provides complimentary residential and commercial energy, water, and irrigation assessments, interactive school programs, social and traditional media communication, civic organization presentations, hosts Earth Day celebrations, and participates in numerous public events. New Braunfels Utilities offers commercial and residential energy and water rebate programs to incentivize customers to purchase resource saving appliances, such as ultra-high efficiency washing machines, and adopt conservation minded behaviors, including regular A/C check-ups to ensure ultimate efficiency of their system. Rebate programs include, but are not limited to, A/C heat pump, rainwater harvesting, a drought tolerant tree incentive, irrigation zone removal, and artificial turf installation. New Braunfels Utilities continues to improve and expand the rebate programs as technology improves and/or customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integration of hybrid fleet vehicles, electric vehicles, reducing the use of plastics and utilizing sustainable materials throughout the work environment. Environmental Affairs also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the City.

The Sewer System

New Braunfels Utilities' wastewater system, comprising a service area of approximately 57 square miles, includes the City. The municipal wastewater system contains approximately 481 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 10.9 MGD and 26 lift stations. At July 31, 2019, NBU served 28,775 wastewater customers. The wastewater system combined treatment capacity is 10.9 MGD and the total average daily flow on July 31, 2019 was 7.05 MGD.

New Braunfels Utilities is in the process of executing a multi-year strategic plan to maintain compliance and provide capacity when it is needed to meet the growth demands and customer service expectations. Improvements to add organic treatment capacity at the North and South Kuehler Water Reclamation Facilities were completed in 2016, and the MacKenzie plant was placed in service in June 2017. Due to capacity of these projects, expansions are planned to come online up until 2024. The design and permitting of the relocated and expanded Gruene Water Reclamation Facility (WRF) is complete and the project is currently under construction. The Gruene Water Reclamation Facility will have a permitted treatment capacity of 2.5 MGD and will go online in 2020. In addition to the Gruene WRF, two significant large sewer interceptors are under design. The first is the 30-inch sewer interceptor that replaces the Blieder's Creek Lift station and gravity flows to the location of the Gruene WRF. The second major interceptor project is the North Kuehler Interceptor. This project consists of three individual sewer main projects that total 21,000 feet, and varies in pipe size from 30 inch to 42 inch.

HISTORICAL OPERATING RESULTS

The following tables present various financial statements and related information for NBU for selected fiscal years:

Historical Operating Statement Reflecting Net Earnings Available for Coverage of Debt Service Requirements

Fiscal Year Ended July 31:	2015	2016	2017	2018	2019
Income:					
Electric	$102,204,658	$103,062,045	$100,006,812	$107,492,658	$108,665,532
Water	11,675,884	13,595,518	13,690,935	15,427,507	15,649,667
Sewer	11,974,256	12,784,582	13,837,277	15,148,091	15,898,564
Investment & Other Revenue	11,095,640	12,939,137	14,666,358	16,556,859	19,282,224
Total Operating Income	136,950,438	142,381,282	142,201,382	154,625,115	159,495,987
Expenses:					
Purchased Power	82,810,557	81,677,932	78,309,241	86,704,995	86,301,899
Other Electric	9,504,755	10,853,340	11,622,751	11,284,197	11,254,475
Water	7,632,871	8,278,770	8,431,526	10,876,146	13,265,294
Sewer	5,468,605	6,360,808	5,960,024	8,521,439	8,491,690
Total Operating Expenses	105,416,788	107,170,849	104,323,542	117,386,777	119,313,358
Net Income Available for Debt Service	$ 31,533,650	$ 35,210,433	$ 37,877,840	$ 37,238,338	$ 40,182,629
Annual Debt Service Requirement	$ 3,618,175	$ 4,727,526	$ 6,377,469	$ 6,874,713	$ 10,866,119
Coverage of Outstanding Requirements	8.72x	7.45x	5.94x	5.42x	3.70x

Fund Balances

Fiscal Year Ended July 31:	2015	2016	2017	2018	2019
Utility System Fund - Cash	$31,901,572	$20,322,193	$13,578,169	$ 9,203,457	$ 5,851,052
Contingencies Fund – Systems	1,709,970	1,710,316	706,540	706,346	721,142
Bond Fund/Commercial Paper (Construction)	6,910,891	34,310,122	27,233,859	52,133,268	26,012,737
Consumer Deposits	4,532,288	5,310,930	5,348,804	3,358,638	6,614,365
Central Facilities Fund	1	5,971	8,774	12,487	20
Impact Fees	593,172	2,685,308	5,764,334	462,563	55
Rate and Debt Flexibility Fund	10,604,749	10,609,461	12,602,300	12,574,205	12,722,379
Short Term Disability Fund	111,820	111,820	-	-	-
Health & Life Fund	219,567	219,567	-	-	-
Community Assistance Fund	-	5,040,855	4,970,636	4,796,896	5,000,004
Power Supply Fund	20,519,473	14,065,145	11,711,506	9,448,103	8,905,175
Restricted Bond Funds:					
Interest and Sinking Fund	356,822	535,644	540,256	910,515	851,377
Reserve Fund	2,940,788	3,279,837	3,940,785	4,627,620	6,049,063
Total	$80,401,114	$98,207,169	$86,405,963	$98,234,098	$72,727,369

Condensed Balance Sheet

Fiscal Year Ended July 31:	2015	2016	2017	2018	2019
ASSETS:					
Utility Plant (Net)	$340,286,666	$382,945,400	$423,139,543	$477,567,169	$546,473,089
Long-Term Investment and Special Funds	19,778,091	29,774,003	23,867,023	28,941,551	19,478,028
Current and Accrued Assets	83,481,003	99,330,939	94,632,983	115,507,633	97,473,746
Total Assets	443,545,760	512,050,342	541,639,549	622,016,353	663,424,863
DEFERRED OUTFLOWS OF RESOURCES:					
Pension deferred outflows	1,656,204	4,938,933	4,037,747	2,274,979	6,563,661
Total Assets and deferred outflows	$445,201,964	$516,989,275	$545,677,296	$624,291,332	$669,988,524
LIABILITIES:					
Long Term Debt Bonds	$ 68,578,172	$114,855,916	$112,227,558	$156,482,916	$152,372,666
Current and Accrued Liabilities	35,584,850	37,479,489	42,779,297	59,417,138	93,504,088
Total Liabilities	104,163,022	152,335,405	155,006,855	215,900,054	245,876,754
DEFERRED INFLOWS OF RESOURCES:					
Pension deferred inflows	554,510	799,191	619,023	2,265,518	192,057
NET POSITION:					
Reserve for Inter-governmental Expense	6,786,272	7,708,000	7,859,681	8,095,546	7,980,815
Contributions in Aid of Construction	121,301,155	134,338,139	152,426,508	163,316,903	174,384,187
Reserve for Restricted Assets	21,549,139	46,469,972	45,053,089	70,425,093	45,815,039
Unreserved	190,847,866	175,338,568	184,712,140	164,288,218	195,739,672
Total net position	340,484,432	363,854,679	390,051,418	406,125,760	423,919,713
Total Liabilities and net position	$445,201,964	$516,989,275	$545,677,296	$624,291,332	$669,988,524
Percent net position in System	76.48%	70.38%	71.48%	65.05%	63.3%

Historical and Projected Capital Requirements for Improvements Projects

	Fiscal Year Ended July 31				
Capital Requirements	2016	2017	2018	2019	Budgeted 2020
Electric Projects	$13,087,291	$21,008,095	$22,509,353	$19,213,919	$24,447,970
Water Projects	3,701,362	9,025,448	40,537,602	23,013,290	63,859,015
Sewer Projects	25,083,765	7,624,855	11,628,985	35,044,534	58,355,593
Other Projects	2,189,053	5,520,074	2,578,682	1,526,183	21,004,630
Total	44,061,470	43,178,472	77,254,622	78,797,926	167,667,208
Sources					
Earnings	22,776,608	32,033,632	34,202,978	9,408,895	15,953,669
Bonds/Commercial Paper	18,714,084	7,260,011	26,914,414	57,011,154	140,329,119
Impact Fees	2,359,731	3,643,499	15,737,176	11,398,223	10,219,191
Developer Contributions	211,047	241,330	400,054	979,654	1,165,229
Total	$44,061,470	$43,178,472	$77,254,622	$78,797,926	$167,667,208

Three to Five Year Capital Project Requirements

It is NBU’s intent to fund approximately $153 million in 2021, $120 million in 2022, $68 million in 2023, and $71 million in 2024 in capital projects from current revenues, impact fees, developer contributions, and new debt. Projects are projected to be funded 20% through revenues, 65% through bonds, and 15% through impact fees and developer contributions.

Lease

NBU has an operating lease with the Lower Colorado River Authority (“LCRA”) to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (“MOA”) to terminate the lease effective on March 31, 2022. The MOA outlines a lease payment freeze that reverts the lease payments to the lease asset value as of NBU’s Transmission Cost of Service rate case dated July 7, 2014.

The compensable lease asset value at that time was $10,992,460, which equates to lease revenue of $855,667 per year. Lease revenues were $855,667 and $855,667 in fiscal year 2019 and fiscal year 2018, respectively. The receipts for fiscal year 2020 are expected to be $855,667.

APPENDIX B

General and Statistical Information Regarding
Comal County, Texas and
City of New Braunfels, Texas

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This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the Issuer is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Much of the information was obtained from the Texas Almanac, New Braunfels Chamber of Commerce, and Comal County and City of New Braunfels Texas Municipal Reports.

The following information and discussion regarding the City is qualified in its entirety by the potential impact of COVID-19. Reference is made to the COVID-19 discussion included herein under the caption "INTRODUCTION - COVID-19. "

GENERAL AND STATISTICAL INFORMATION

General Information

Comal County (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, is a scenic southwest county named after the Comal River.

The City of New Braunfels (the "City"), the County seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Population

Census Report	City of New Braunfels	Comal County
2019 Est.	85,000	148,373
2010	57,740	108,472
2000	36,494	78,021
1990	27,334	51,832
1980	22,402	36,446
1970	17,859	24,165

Area Growth Statistics

		Utility Customer Count			
Year	Building Permits[1]	Water[2]	Sewer[2]	Electric [2]	Gas[1]
2007	$243,877,007	20,729	18,281	27,000	7,733
2008	276,318,949	21,613	18,955	28,219	7,820
2009	227,485,081	22,457	19,358	28,894	7,747
2010	169,426,903	23,440	19,958	29,595	7,924
2011	184,328,445	24,436	20,488	30,252	8,102
2012	189,047,419	25,588	21,097	31,061	8,184
2013	398,197,600	27,303	21,942	32,404	8,364
2014	409,183,529	29,089	22,885	33,975	8,742
2015	223,638,556	31,415	24,034	35,455	9,117
2016	n/a	33,550	25,072	36,914	n/a
2017	n/a	36,140	26,294	38,867	n/a
2018	n/a	39,060	27,775	41,729	n/a

(1) *Source: Greater New Braunfels Chamber of Commerce. Beginning 2015 Building Permits no longer includes County values; gas statistics not available.*
(2) *Source: New Braunfels Utilities 2017 Comprehensive Annual Financial Report (fiscal year).*

Labor Force Statistics - Comal County

	Annual Average				
	2019	2018	2017	2016	2015
Civilian Labor Force	73,333	70,132	66,826	63,539	61,696
Total Employed	71,149	67,878	64,580	61,229	59,430
Total Unemployed	2,184	2,254	2,246	2,310	2,266
% Unemployed	3.0%	3.2%	3.4%	3.6%	3.7%
% Unemployed (Texas)	3.5%	3.7%	4.3%	4.6%	4.4%
% Unemployed (United States)	3.7%	3.9%	4.4%	4.9%	5.3%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Comal County

	Number of Employees			
	Third Quarter 2019	Fourth Quarter 2018	Fourth Quarter 2017	Fourth Quarter 2016
Natural Resources and Mining	661	713	609	537
Construction	6,484	5,392	5,662	5,220
Manufacturing	3,156	3,125	3,018	2,942
Trade, Transportation & Utilities	13,806	13,291	12,918	13,090
Information	646	635	593	583
Financial Activities	2,258	1,923	1,744	1,483
Professional and Business Services	7,081	7,170	6,518	5,305
Education and Health Services	7,670	7,253	6,880	6,605
Leisure and Hospitality	11,427	8,873	8,328	7,607
Other Services	1,759	2,008	1,717	1,827
Unclassified	24	41	70	58
Federal Government	232	224	210	206
State Government	197	200	171	183
Local Government	6,029	5,853	5,651	5,523
Total Employment	61,429	56,703	54,091	51,170
Total Wages	$649,173,566	$648,719,561	$602,993,971	$556,743,327

Source: Labor Market and Career Information Department, Texas Workforce Commission.

Major Employers

The County has been economically stable for many years because of the industries located there. A list of the major non-governmental employers, their products and number of employees as reported by the Greater New Braunfels Chamber of Commerce follows:

Name	Product	Approximate Number of Employees
Schlitterbahn	Waterpark and Resort	1,689*
Wal Mart Distribution Center	Distribution Center	1,218
Sysco	Food Products Supplier	864
IBEX Global	Call Center	750
Hunter Industries/Colorado Materials	Highway Contractor/Material Supplier	705
Resolute Health	Hospital	593
HD Supply Facilities Maintenance	Call Center	516
CHRISTUS Santa Rosa Hospital - New Braunfels	Hospital	460
GE Oil & Gas	Natural Gas	400
Buc-ees	Convenience Store	342
Rush Enterprises, Inc.	Heavy Duty Truck Dealer	330

* *The Schlitterbahn Water Park, located on 100 acres in the City, is a large seasonal employer. The operating season is Memorial Day through Labor Day, during which time approximately 1,800 people are employed.*

In addition to the foregoing, estimated County, City and School District current employment figures follow:

Comal County	683*
City of New Braunfels	550*
New Braunfels Utilities	243
New Braunfels ISD	1,040
Comal ISD	2,559

* *Includes part-time and seasonal employees.*

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, Comal County's annual income from agriculture is approximately $5 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc. Brookshire Brothers has opened a new 35,000 sq.ft. store at Canyon Lake.

Educational Facilities

Local public school facilities are provided through the Comal Independent School District and New Braunfels Independent School District. Enrollment records follow:

	Comal ISD		New Braunfels ISD	
School Year	Membership	Avg. Daily Attendance	Membership	Avg. Daily Attendance
2009-10	16,485	15,647	7,809	7,458
2010-11	17,190	16,262	7,918	7,680
2011-12	17,657	16,847	7,965	7,648
2012-13	18,643	17,829	8,093	7,769
2013-14	19,452	18,502	8,269	7,889
2014-15	20,155	19,235	8,396	8,057
2015-16	20,922	20,100	8,398	8,059
2016-17	22,049	21,036	8,407	8,068
2017-18	23,105	22,042	8,925	8,432
2018-19	23,857	22,707	9,237	8,634
2019-20*	24,984	23,770	9,524	8,904

* Estimates as of Fall 2019.

The preceding enrollment figures do not include enrollment at the four private and parochial schools.

Higher educational facilities include Texas Lutheran University - Seguin, approximately 13 miles from New Braunfels; Texas State University - San Marcos, approximately 15 miles from New Braunfels; and eight colleges and/or universities located in San Antonio, approximately 35 miles from New Braunfels. Planned higher educational facilities include the future Howard-Payne University campus which will be part of the proposed Veramendi development project. Currently, Howard-Payne University offers courses at New Braunfels High School and online. In addition, Wayland Baptist University has moved into a 10,000 sq. ft. educational space adding more higher education opportunities in the surrounding community.

The Central Texas Technology Center. The CTTC is a District Workforce Specialty Campus. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of New Braunfels, Seguin and the Alamo Colleges. Alamo Colleges runs the programs and classes that provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. In 2015, The U.S. Department of Commerce and Economic Development Administration awarded Alamo Colleges at $1.25 million dollar grant to help double the size of the CTTC. These funds joined $5 million already committed to the project and paved the way for the expansion project which was completed in 2016.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 475 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs about 600 associates. Resolute Health invested $250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels, which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 160 employees work at the $28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

Community Services

The New Braunfels and Canyon Lake area contains approximately 26 motels/hotels, 27 resorts and condominiums, 22 campgrounds and RV parks, and 28 bed and breakfast/vacation home rentals. In addition, there are numerous other facilities available in San Antonio and adjoining towns.

The City has several museums, a library, two radio stations, and a newspaper which is published six days a week. In addition, one weekly newspaper is published in Comal County. Both the San Antonio and Austin daily newspapers are available. There are numerous radio stations, three commercial television stations, cable and satellite television, and one educational television station in San Antonio that serve the New Braunfels area.

Over thirty denominations are represented in more than seventy churches in the City. Those not represented generally are available in nearby San Antonio.

The Brauntex Performing Arts Theatre and Circle Arts Theatre provide live entertainment and theatre in New Braunfels. The Mid-Texas Symphony, a professional orchestra, is performing in its 39th season of concerts in New Braunfels and Seguin.

Tourism and Recreation

Located in the heart of the City are Comal Springs and Landa Park, a 300-acre park, which includes an 18-hole golf course, tennis courts, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. Schlitterbahn Waterpark Resort in New Braunfels is recognized annually as one of the best waterparks in the country. Numerous additional golf courses are available in the region.

Natural Bridge Caverns, the state's largest caverns, and Natural Bridge Wildlife Ranch are major tourist attractions located in the southern part of Comal County. Scenic drives and historic sites also attract many tourists to the area.

Canoeing, tubing, rafting, kayaking and other white water sports on the Guadalupe River are very popular.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing and scuba diving. Several parks have been established around the Lake.

Annual celebrations include the Comal County Fair, one of the oldest and best attended County fairs in the State, and the "Wurstfest." The annual "Wurstfest" is a ten-day event and always starts on the Friday before the first Monday in November. The 58th annual "Wurstfest" was held November 2 through November 11. Average annual attendance exceeds 125,000 with income from admissions and concessions sales well in excess of $3,000,000.

The City constructed a Civic Center in 1971 which contributes materially to tourist income. In addition, the City built a new civic center and renovated the existing space in July 2008.

Transportation

New Braunfels is situated in between Austin and San Antonio along Interstate Highway 35. This corridor is considered among the fastest growth areas in the nation. The City is served by Interstate Highway 35 (U.S. 81) and State Highway 46. Loop 337 circles the City and numerous Farm and Ranch Roads traverse the County. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's New Braunfels Region Airport facility encompasses 1,000 acres and has a fully operational FAA-run tower, four runways, four taxiways, and a parking ramp. Most recently, extension of Runway 13-31 to 6,500 feet was completed in 2015 to accommodate larger aircraft. The airport runways are of all asphalt construction with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available at the airport. The airport, located some four miles from the City, is reported to have an average of 75 flights per day. The New Braunfels Airport is also used for corporate flights. Several motor freight lines and FedEx/UPS serve the City.

Utilities

The Guadalupe River provides NBU and the City of New Braunfels with a source of good quality and quantity of water. Well water from the Edwards Aquifer and the Trinity Aquifer is also available in most of the unincorporated areas of the County. The Guadalupe River, Comal River and Canyon Lake help to assure future water supply. Sale of water from Canyon Lake is in the control of the Guadalupe-Blanco River Authority. Water districts serve the eastern part of the County.

Electricity is available throughout the City and is provided by NBU which also serves approximately 5,300 customers in the surrounding rural area. GVEC and PEC also provide electric services to some areas of the City.

Natural Gas is available to the residents of the City from Enterprise Texas Pipeline, L.P., and distributed by Centerpoint Energy. In other areas where natural gas is not available, butane and propane gas service is available by truck delivery.

The City's telephone service is provided by AT&T, Inc. and Time Warner Cable, with other County areas being served by the Guadalupe Valley Telephone Cooperative (GVTC).

APPENDIX C

Audited Financial Statements

The information contained in this appendix consists of the New Braunfels Utilities Audited Financial Statements (the “Report”) for the fiscal year ended July 31, 2019.

The information presented represents only a part of the Report and does not purport to be a complete statement of NBU’s financial condition. Reference is made to the complete Annual Audit Report for additional information.

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NEW BRAUNFELS UTILITIES

A Comprehensive Annual Financial Report
For the fiscal years ended July 31, 2019 and 2018

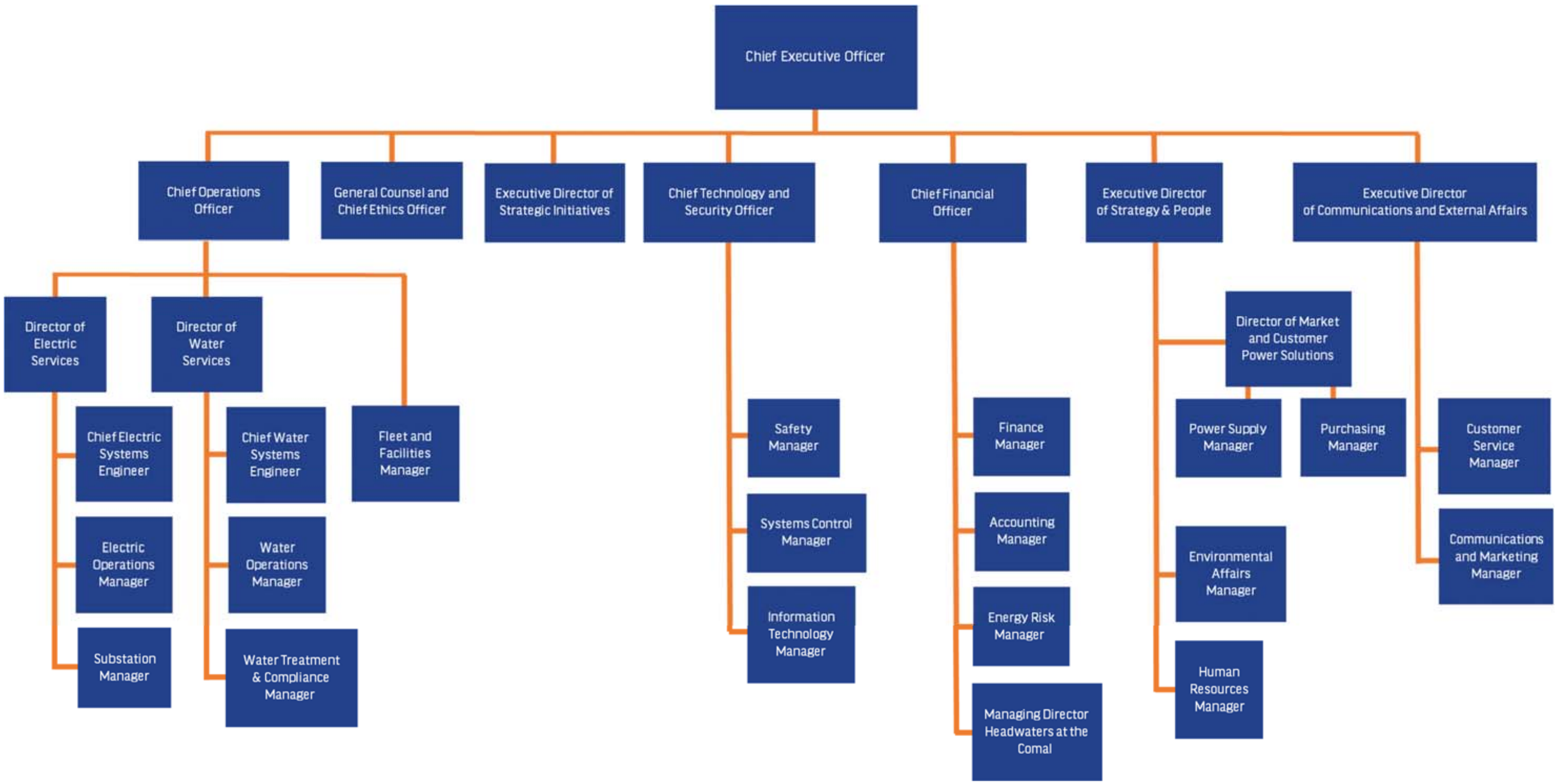
A Component Unit of
The City of New Braunfels, Texas
Established 1942

Prepared by: Accounting Department

NEW BRAUNFELS
UTILITIES

NEW BRAUNFELS UTILITIES

Organizational Chart



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New Braunfels Utilities

Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

July 31, 2018

Christopher P. Morrill

Executive Director/CEO

December 4, 2019

To the Board of Trustees and Customers of New Braunfels Utilities:

The Comprehensive Annual Financial Report (CAFR) of New Braunfels Utilities (NBU) for the fiscal year ended July 31, 2019 is submitted pursuant to Article XI of the City of New Braunfels Charter. The CAFR was reviewed by Baker Tilly Virchow Krause, LLP. Responsibility for the accuracy of the information reported and the completeness and fairness of the presentation, including all disclosures, rests with the management of NBU. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the electric, water, and wastewater systems of NBU. All disclosures necessary to enable the reader to gain an understanding of NBU's financial activities have been included in this report.

As required by Article XI Section 11.10 of the City of New Braunfels Charter, the CAFR has been audited by a firm of independent Certified Public Accountants. Baker Tilly Virchow Krause, LLP performed the audit for the fiscal year ended July 31, 2019, and their unmodified opinion is included as part of this report. New Braunfels Utilities management worked with the independent auditors to verify compliance with all aspects of accounting and fiduciary control.

Management's Discussion and Analysis immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. Management's Discussion and Analysis complements this transmittal letter and should be read in conjunction with it.

PROFILE OF NEW BRAUNFELS UTILITIES

History and Purpose: New Braunfels Utilities was established in 1942 when the City Commission of New Braunfels, Texas, purchased from Guadalupe Electric Company, the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City of New Braunfels, Texas ("City" or "New Braunfels") and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the City.

New Braunfels Utilities is a municipally owned utility, operating under a five-member Board of Trustees (Board). The Board consists of four individuals appointed by the New Braunfels City Council (City Council) to five-year terms, and the current mayor of the City. The elected City Council maintains regulatory control by appointing the Board, approving all rate changes, and authorizing bond issuances.

Facilities and Operations: New Braunfels Utilities' electric system, comprising a service area of approximately 160 square miles, includes the City and the surrounding area. The electric system includes 622 miles of overhead distribution line, 324 miles of underground distribution line, eleven substation/metering points on the transmission system, and other buildings, equipment, and related facilities. At July 31, 2019, NBU served 43,606 electric customers. The electric system capacity is 664.5MVA and the peak demand was attained on July 30, 2018 at 309.7 MW.

New Braunfels Utilities' water system, comprising a service area of approximately 88 square miles, includes the City and the surrounding area. The water system includes 582 miles of water mains ranging in size from two inches to 30 inches, an 8 Million Gallons per Day (MGD) surface water treatment plant, a 3.74 MGD membrane treatment facility, 13 groundwater wells, and 18 pump stations with 52 active pumps. Storage capacity of approximately 10.1 million gallons is maintained in elevated tanks and 10.4 million gallons in ground storage tanks. At July 31, 2019, NBU served 41,074 water customers. The total water system capacity is 27.3 MGD and the maximum daily production occurred on July 30, 2019 at 22.52 MGD.

New Braunfels Utilities' wastewater system, comprising a service area of approximately 57 square miles, includes the City. The municipal wastewater system contains approximately 481 miles of sanitary sewer lines and is served by four water reclamation facilities with a combined treatment capacity of 10.9 MGD and 26 lift stations. At July 31, 2019, NBU served 28,775 wastewater customers. The wastewater system combined treatment capacity is 10.9 MGD and the total average daily flow on July 31, 2019 was 7.05 MGD.

Each year NBU prepares a long-term plan of action for the future. Examples of NBU's commitment to long-term planning include evaluating and acquiring water and electric supplies, preparing for the construction of additional electrical substations, planning for new water and reclamation facilities, investing in innovative technologies to enhance the security of facilities and electronic data, and upgrading aging infrastructure to ensure the integrity and reliability of service to NBU customers.

In addition to infrastructure and operational considerations, NBU takes an active role in local, regional, state, and national initiatives. Examples of some of NBU's involvement are described below.

Local Community Involvement: The mission of a municipally owned utility is to provide value to their community. New Braunfels Utilities does this through strong fiscal responsibility, progressive planning, and employees' commitment to enhancing the quality of the community by providing innovative essential services.

Bucky the Bucket Truck, the NBU SAFEhaven program mascot, visits area schools to share the message of safety education and invites children in grades kindergarten through third, to participate in the annual SAFEhaven coloring book contest. Employees of NBU have contributed more than 10,000 hours of their time to community service programs, including SAFEhaven, since 2001. In addition to their roles as community service volunteers, NBU employees are actively involved in numerous civic, service, church, and youth organizations. Serving others is what matters and NBU employees consider it an honor to give back to their community in ways that enhance the quality of life.

New Braunfels Utilities and its employees are strong supporters of the United Way of Comal County. More than two dozen service agencies benefit from pledges and donations on an annual basis and in turn, are able to assist thousands of local citizens. New Braunfels Utilities employees continually meet and exceed their United Way campaign goal. The 2018 NBU employee campaign raised more than $53,621 for United Way, the third highest fundraising amount among participating entities in Comal County. New Braunfels Utilities' efforts led to the United Way of Comal County recognizing NBU employees as one of the Top 10 United Way Business Supporters in Comal County for the 11th consecutive year.

New Braunfels Utilities' employees continue to be actively involved in education and training for local youth, seniors, community leaders, and industry professionals. Examples of these activities include volunteering at career days, assisting in educational programs at schools, science fairs, community centers, libraries, the local food bank, and Habitat for Humanity. Employee volunteers host tours of NBU facilities, educating the public on how the utility system operates, and serves as experts for professional training exercises. These activities serve to create additional community awareness and knowledge of the utility's operations. New Braunfels Utilities University was established in 2018. The program was designed to educate participants on how their municipally owned utility company operates and plans for the future.

Aligning with NBU's mission to enhance the quality of the community it serves, NBU continues to serve as a leader in the areas of energy and water conservation education. In addition to implementing business practices that address efforts to meet performance goals for conservation, NBU has provided opportunities for customers through energy and water conservation rebates, audits, and educational information through multiple channels.

New Braunfels Utilities' commitment to community involvement remains strong as evidenced in events hosted twice in 2018 for Operation MedSafe, and Community Shred Day. In conjunction with National Prescription Drug Take Back Day, Operation MedSafe allowed NBU to team up with local law enforcement to provide community members opportunities to safely dispose of unused prescriptions and drugs; keeping them out of the local water supply and landfill. Nearly 1,200 pounds of unused prescriptions and drugs were safely destroyed due to the success of the 2018 events. Community Shred Day, hosted by NBU volunteers, allows community members to safely dispose of confidential documents in a secure and environmentally friendly way; 45,000 pounds of paper items were shredded and recycled this year.

Electric System Reliability: Following a system-wide, risk-based evaluation of aging electric infrastructure, completed in fiscal year 2013, NBU continues to replace aging infrastructure. In furtherance of this objective, NBU's five-year Financial and Operating Plan for fiscal years 2020 through 2024, which was approved by the Board in June 2019, includes a plan to invest 1 percent of assets each year for the replacement of aging infrastructure in each of NBU's lines of business. This amount totaled $2.1 million for fiscal year 2019 and aggregates to $11.4 million over the five-year period.

As part of the plan, NBU completed replacement of the Freiheit T1 Power Transformer (PWT) in April 2017, which increased unit capacity by 66 percent. The replacement is the third of a larger plan to replace all power transformers older than 40 years within the system for reasons of higher reliability, increased capacity, and lowered transformation losses. New Braunfels Utilities is scheduled to replace two of the remaining three aging PWTs in fiscal year 2020. As part of its aging infrastructure plan, NBU also continues to replace all aerial copper conductor within the system. In particular, nearly all three-phase copper construction has now been replaced with Aluminum-Steel conductor (ACSR). Finally, NBU is focused on replacing aging utility poles through its pole replacement project, as well as replacing legacy underground cable in both commercial and residential areas. New underground wire is minimally rated at 40-years of service compared to an estimated 20-year maximum of the replaced wire. Certain critical utility poles being installed have a service life of 80 years compared to 35 years for traditional wood poles as well.

New Braunfels Utilities owns 19.5 circuit-miles of 138kV transmission, which are part of the Electric Reliability Council of Texas (ERCOT) bulk electric transmission system and therefore is required to comply with applicable North American Electric Reliability Council (NERC) reliability standards. New Braunfels Utilities is registered as a Transmission Owner, Transmission Planner, and Distribution Provider with NERC and was audited by the Texas Reliability Entity (TRE) in October 2014 on the standards applicable to these categories. Texas Reliability Entity is an independent organization within ERCOT, which is chartered with the responsibility to ensure compliance with NERC reliability standards throughout the ERCOT market. New Braunfels Utilities successfully demonstrated compliance with all applicable NERC standards. As the electric reliability standards evolve, NBU will closely monitor these changes for continued compliance. In July 2017, NERC auditors completed a second audit of NBU and found no compliance violations and no areas of concern.

For the first time, NBU applied for the Reliable Public Power Provider (RP3) designation through the American Public Power Association (APPA) during fiscal year 2017. The program recognizes utilities that demonstrate high proficiency in reliability, safety, workforce development, and system improvement. New Braunfels Utilities was awarded the platinum level designation, which is in effect until 2020.

New Braunfels Utilities’ System Average Interruption Duration Index (SAIDI) for fiscal year 2019 was 51.1 minutes per customer, which was greater than that of fiscal year 2018, at 35.8 minutes. New Braunfels Utilities’ Customer Average Interruption Duration Index (CAIDI), or average restoration time, was 64.1 minutes per occurrence in fiscal year 2019, an efficient average restoration time. New Braunfels Utilities’ reliability metrics compare favorably to other neighboring utilities and to the United States average. According to the most recently published Energy Information Administration survey (Calendar Year 2018), the average customer across the nation experienced a SAIDI of 344.6 minutes and a CAIDI of 263.6 minutes. The survey included data from 1,116 utilities serving 145.1 million customers.

Electric System Growth: Electric system load continues to increase along the IH-35 and Highway 46 corridors within the NBU service territory, and also within the 2,400 acre Veramendi development. New Braunfels Utilities experienced a customer growth rate of 4.5 percent (as measured by electric meter connections) during fiscal year 2019 and expects this trend to continue over the near term. Total energy consumption increased 1.8 percent (measured in MWh sales) in fiscal year 2019. As with most electric utilities, NBU continues to see increased customer energy efficiency, however customer growth continues to outpace that per unit efficiency.

New Braunfels Utilities completed the addition of the Weltner Road Substation in fiscal year 2019. The project provides increased capacity and resiliency to the electric system, and helps to serve the growing territory between New Braunfels and Seguin along the Highway 46 South corridor. New Braunfels Utilities is also exploring long-term plans for the addition of a 12th substation, northwest of the City, to serve the expanding Veramendi development. New Braunfels Utilities’ 20-year master plan now includes the 13th, 14th, and 15th substations as well.

In fiscal year 2019, NBU continued utilization of contract construction crews to supplement NBU crews, particularly with overhead distribution. Among the numerous smaller projects, contract crews completed construction of 16,500 feet of three-phase adjustment and extension along Morningside-Solms-Rueckle, 8,000 feet of single-phase to three-phase upgrade along Lone Oak Road, and 2,100 feet of three-phase adjustment along FM 1103. Over the past eight years, NBU has utilized contract crews for both overhead and underground construction to support aging infrastructure and system growth demands.

Water System Investments: The Trinity Well Field Treatment Plant is a project in response to NBU’s Trinity Well Field being influenced by surface water within the Dry Comal Creek. The project timeline was aggressive. The project began in fiscal year 2017, with the majority of the Trinity Well Treatment Plant being complete within fiscal 2018. The Treatment Plant introduces approximately 3.74 MGD of supply to the NBU system, treating ground water under the influence through a membrane treatment process. Similar to the Trinity project and running concurrently, the South Highway 46 Water Line Extension project was a second large project with an aggressive timeline. The project was substantially completed in fiscal year 2019, and final completion was issued in February of 2019. The project consists of 18,000 feet of water main, two pump stations, and a 500,000 gallon ground storage tank.

Wastewater System Investments: New Braunfels Utilities is in the process of executing a multi-year strategic plan to maintain compliance and provide capacity when it is needed to meet the growth demands and customer service expectations. Improvements to add organic treatment capacity at the North and South Kuehler Water Reclamation Facilities were completed in 2016, and design has begun on the addition of new hydraulic capacity. The design and permitting of the relocated and expanded Gruene Water Reclamation Facility (WRF) is complete and the project is currently under construction. The Gruene Water Reclamation Facility will have a permitted treatment capacity of 2.5 MGD and will go online in 2020. In addition to the Gruene WRF, two significant large sewer interceptors are under design. The first is the 30-inch sewer interceptor that replaces the Blieder’s Creek Lift station and gravity flows to the location of the Gruene WRF. The second major interceptor project is the North Kuehler Interceptor. This project consists of three individual sewer main projects that total 21,000 feet, and varies in pipe size from 30 inch to 42 inch.

State Water Planning: Senate Bill 1, passed by the Texas Legislature in 1995, created the basis for a statewide water plan. The legislation established the framework for creating regional water planning groups throughout the state to develop local area plans. These would be brought together by the Texas Water Development Board ("TWDB") to create the new statewide Texas Water Plan. The first state water plan developed by this process was approved by the TWDB in December 2001. By law, the plan must be updated every five years. The latest update was submitted by the 16 water regional planning groups throughout the State of Texas in 2017. The next update to the plan is scheduled for 2021, and NBU will continue to strategically work through the planning group to include projects for the benefit of its customers. The benefit of having the projects listed in the plan is that the identified projects then become eligible for funding assistance through the TWDB; thereby, providing NBU with an alternative financing vehicle. New Braunfels Utilities continues to monitor this process closely and provides input as necessary to reflect changes in NBU's growth projections and water needs during the five-year update periods.

Regional Water Planning: The Edwards Aquifer Recovery Implementation Program (EARIP) was created by the Texas Legislature in 2007. Early in 2012, the EARIP completed its collaborative effort to develop a Habitat Conservation Plan (HCP) for the protection of the endangered species in the Comal and San Marcos springs and rivers and to secure the water supply from the Edwards Aquifer for the five-county aquifer region. The HCP and a request for an Incidental Take Permit (ITP) was submitted to the U.S. Fish and Wildlife Service and approved in early 2013. The benefit of obtaining the ITP is that it provides litigation immunity on actions regarding the take of endangered species located in the Comal and San Marcos spring systems, as long as all parties adhere to the required actions in the HCP. Since the approval of the ITP, the Implementing Committee, comprised of the five signatories of the ITP, has made great strides toward implementing the strategies and initiatives laid out in the HCP.

Conservation: Stewardship is one of NBU's core values. Being good stewards of the environment remains a top priority for NBU. As a result, the State of Texas recognized NBU with the Blue Legacy Award in 2012, 2014, 2017 and 2019. In 2017, the Texas Water Development Board (TWDB) recognized NBU with the Texas Rain Catcher's award. In addition, the State of Texas Comptroller's Office recognized NBU for its efforts in energy efficiency. In 2017 and 2018, the American Public Power Association (APPA) awarded NBU with the Excellence in Public Power Communications Award of Merit, for its local movie theater advertising campaign and the Community Service Award, for its educational exhibit in the local children's museum to teach children at an early age the importance of conservation. New Braunfels Utilities' Environmental Affairs department focuses on educating customers on the importance of being proactive environmental stewards. New Braunfels Utilities provides complimentary residential and commercial energy, water, and irrigation assessments, interactive school programs, social and traditional media communication, civic organization presentations, hosts Earth Day celebrations, and participates in numerous public events. New Braunfels Utilities offers commercial and residential energy and water rebate programs to incentivize customers to purchase resource saving appliances, such as ultra-high efficiency washing machines, and adopt conservation minded behaviors, including regular A/C check-ups to ensure ultimate efficiency of their system. Rebate programs include, but are not limited to, A/C heat pump, rainwater harvesting, a drought tolerant tree incentive, irrigation zone removal, and artificial turf installation. New Braunfels Utilities continues to improve and expand the rebate programs as technology improves and/or customer demand changes. Internally, NBU leads by example through its recycling program of scrap metals, paper, glass, plastic, and cans, integration of hybrid fleet vehicles, electric vehicles, reducing the use of plastics and utilizing sustainable materials throughout the work environment. Environmental Affairs also enforces the Municipal Water Conservation and Drought Management Plan, a municipal ordinance of the City.

The Headwaters at the Comal is a conservation legacy project supported by NBU, which demonstrates a commitment to the environment and conservation. Situated on the banks of the Comal Springs and Blieders Creek, the Headwaters at the Comal will highlight the hydrological, environmental, and cultural history of the region and will be a living demonstration of sustainable practices for the local community and nation. Phase 1 of the Headwaters at the Comal has been completed. Work continues on the landscape of the property in order to transform the native landscape. Plant groupings have evoked regional typologies while newly introduced berms and bio swales filter and cleanse storm water before returning it to the creek. Public amenities will include a central courtyard, event lawn, display gardens, walking trails, outdoor classrooms, natural spring overlooks, wastewater treatment wetlands, composting facilities, and more. Ancient archaeology discoveries have been made on the property, and the Headwaters at Comal and NBU are working with the US Army Corps of Engineers, Ama Terra Environmental, Inc., and the Texas Historical Commission to preserve artifacts found on the property. A variety of educational programs are offered for the community including youth science series, adult classes on native plants, water conservation, arts and culture, and wellness. Tours and meetings are also available for community groups.

The Teddy Roosevelt Conservation Award was presented to the Headwaters at the Comal in 2018 for advocating the preservation of New Braunfels' natural resources through the work done to restore the Headwaters property back to its natural environment. The Headwaters at the Comal is also certified by Laura Bush's organization Texan by Nature as an organization committed to conservation efforts benefitting people, prosperity and natural resources.

Future Water Supply: In 2018, NBU created a Water Resource Plan which evaluated demand-management and conservation opportunities and also assessed a broad range of water supply options and creative solutions. To meet its future water supply water needs, NBU went through an evaluation process, beginning with 14 alternatives. The process resulted in the final selection of three new water supply projects that included water from the Guadalupe-Blanco River Authority (GBRA), expansion of the NBU Surface Water Treatment Plant, and expansion of the NBU Trinity Aquifer Well Field.

GBRA Mid-Basin

The first phase of the GBRA Mid-Basin Water Supply Project will extract and deliver to NBU treated groundwater from the Carrizo Well Field in Gonzales County. Water will be transported from the treatment plant, located in Gonzales County, via a 40-mile water pipeline to a delivery point in the NBU service area. New Braunfels Utilities has contracted for 8,000 acre-feet per year (AFY) with delivery scheduled to begin in 2023.

City of Seguin Water

New Braunfels Utilities entered into contract with the City Seguin for delivery of 2,500 AFY of blended ground and surface water from the Seguin distribution system. For the first three years, NBU will purchase 1,100 AFY of water per year. In October, 2021, NBU will increase the amount of water purchased by 500 AFY until a total of 2,500 AFY is purchased, with the possibility of an additional 500 AFY, with concurrence by both utilities. Delivery of the water began in 2019.

Weltner Road Ground Storage Tank and Pump Station

As a result of the water contracts totaling approximately 10,500 AFY with the City of Seguin and GBRA, NBU has a need for an intake point for these supplies. In September of 2019, NBU entered into contract with Black Castle General Contractor for the construction of a 1.5 million gallon pre-stressed concrete ground storage tank and a new pump station with 10 million gallons per day of firm pumping capacity. Additional site improvements include a vertical turbine pumping facility, disinfection facility, and chemical and electrical buildings. The Project will integrate these two new water supplies into the NBU water system.

Aquifer Storage Recovery (ASR)

Although NBU has a diverse inventory of water supply sources totaling approximately 30,000 AFY, about half of the supply is subject to curtailment during periods of drought and low river flow. At the present time, the availability of NBU's water sources during severe drought (the "firm" yield") is approximately 17,500 AFY, and the reliable supply during non-drought periods is about 19,300 AFY as noted in the NBU 2018 Water Resources Plan.

In 2011, NBU engaged Arcadis-US, Inc. (Arcadis), to conduct a preliminary evaluation of an aquifer storage and recovery (ASR) program. In order to meet NBU's needs during periodic droughts, including the 1950's drought-of-record (DOR), the concept of an ASR program would be to capture and store potable water in an underground aquifer when it is available, and to recover that water from ASR storage during drought periods to meet seasonal peak demands.

Based on this feasibility study, the Arcadis team and NBU concluded that ASR can serve as a valuable water management strategy because NBU, like most water utilities in Texas, has the need for storage to firm up the reliability of its water supply. The major conclusions and recommendations from the 2011-2012 study included the following:

Based on a preliminary analysis of hydrogeological data, the most viable location for ASR storage is the brackish portion of the Edwards Aquifer, found in the fast-growing southern portion of the NBU service area. The first step toward implementation of an ASR program for NBU should include additional data collection, and early coordination with the Edwards Aquifer Authority (EAA) and the Texas Commission on Environmental Quality (TCEQ). The most cost-effective location for an ASR wellfield would likely be in the brackish Edwards Aquifer at or near the New Braunfels Regional Airport (the "Airport"). The Airport is within the NBU service area, and NBU has existing water, wastewater, and electric service lines in the area.

The ultimate goal is store approximately 14,000 AFY of water in the ASR wellfield so that sufficient water is available to meet demands during drought and peak periods. To meet NBU's needs, the Arcadis team estimates (subject to confirmation during later phases) that the wellfield will include as many as nine ASR wells, plus an undetermined number of monitoring wells. Preliminary estimates based on data collected to date, are that each ASR well will be capable of recharging/injecting at a rate of about 0.5 MGD and recovering/pumping at a rate of about 1.0 MGD. Depending on when the ASR wells are constructed and how many are ultimately constructed, the cost of the ASR Program could be in the range of $23 million.

FINANCIAL INFORMATION

Management of NBU is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, and misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

New Braunfels Utilities utilizes an electronic financial accounting system to capture all financial transactions and provide data for the preparation of this CAFR, including the audited financial statements. These statements present information on the financial position of NBU and demonstrate that resources were adequate to cover the costs of providing services during the reporting period. New Braunfels Utilities' CAFR is distributed to the NBU Board of Trustees, the City Council, executive management, federal and state agencies, bond rating agencies, and financial institutions, as well as other interested parties throughout the general public, and posted electronically.

The accounting records for NBU are reported on the accrual basis of accounting. In the development and modification of NBU's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework. We believe that NBU's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: The annual budget serves as the foundation for NBU's financial planning and control. NBU is required by Board policy to adopt an annual financial plan, which covers the upcoming fiscal year in detail and incorporates a plan for an additional 19 fiscal years. Monthly revenue and expense reports and quarterly capital expenditure reports provide information to evaluate actual results against budget projections. A formal presentation of financial activity is given to the Board at each monthly meeting. Additionally, management of NBU maintains budgetary controls and follows established procedures in preparing the annual financial plan prior to final approval by the Board.

Summary Revenue and Expenses: For the fiscal year ended July 31, 2019, operating revenues totaled $146.1 million, and operating expenses totaled $140.1 million. Purchased power costs represented 61.6 percent, or $86.3 million, of total operating expenses. Transmission and distribution expenses were approximately $7.5 million, or 5.4 percent, of operating expenses, and all direct water related expenses totaled $11.9 million, or 8.5 percent, of operating expenses. Remaining operating expenses included $20.8 million for depreciation and amortization and $13.6 million for customer service and general and administrative expenses. Net non-operating expense (including interest) was $12.0 million, resulting in total net income before contributions of ($5.8) million. New Braunfels Utilities experienced customer growth over the past fiscal year as electric and water meters increased by 1,877, or 4.5 percent, and 2,014, or 5.2 percent, respectively.

Working Capital: At July 31, 2019, NBU's current assets of $97.4 million were 1.3 times its current liabilities of $73.4 million. This strong working capital ratio reflects the continuance of managing an investment portfolio with a substantial portion of investments having a maturity of less than one year. By maintaining short duration investments, NBU is able to fund its operating and capital project activities as planned and to selectively determine the timing of any future bond issuance. Overall, NBU had a net positive working capital of $24.1 million at July 31, 2019, which compares to a net positive working capital of $69.3 million at July 31, 2018.

Investments: New Braunfels Utilities' Investment Policy satisfies the statutory requirements of the Public Funds Investment Act and serves as a guideline for the investment of all NBU funds. New Braunfels Utilities' Investment Policy is reviewed annually by the Board. The cash management program, in compliance with appropriate laws and the NBU Investment Policy, is designed to keep principal and interest at minimum risk, maintain reasonable liquidity to meet obligations, and maximize return through the use of a competitive effective yield comparison of various investment sources. For fiscal year 2019, net interest income from investments (including mark-to-market adjustments) was $2.1 million.

Debt Management: New Braunfels Utilities' strong financial position has been built over many years through prudent management and fiscal practices to ensure adequate capital will be available to fund future electric, water, and wastewater system infrastructure, including electric substations, electric transmission and distribution line expansions, water, and water reclamation facilities. New Braunfels Utilities endeavors to balance external financing for capital projects with internal generation of capital funds in order to maintain a low debt to capitalization structure. At July 31, 2019, NBU had $156.0 million in debt. New Braunfels Utilities' strong capitalization structure and coverage ratios has enabled it to access the debt capital markets at attractive interest rates and is a key component in its ability to maintain low utility rates. New Braunfels Utilities is anticipating significant capital expenditures in the upcoming years and will be using short-term and long-term debt to fund a portion of these projects.

Current principal and interest on all outstanding bonds are payable solely from the net revenues derived by NBU from the operation of the utility systems. Operations and maintenance expenses represent first priority for payment, followed by debt service on bond indebtedness, but prior to any payments to special funds, capital additions, or contributions to the City. These obligations do not constitute liens upon the system or on any other property of NBU or the City but are a lien only on the net revenues and special funds created by Bond Resolution and in the manner provided therein. See Note 4 of the notes to the financial statements for additional information about NBU's long-term debt obligations.

Capital Expenditures: New Braunfels Utilities anticipates spending approximately $586.7 million for capital expenditures during the next five fiscal years. These expenditures are primarily for an electric substation addition, expansion of the surface water treatment plant, multiple water reclamation facility expansions, and facility upgrade project. In total, these expenditures include $100.0 million for electric systems, $205.1 million for water systems, $206.1 million for wastewater systems, $66.4 million for support systems, and $9.2 million for capital equipment. Forecasted capital expenditures for this period are expected to be funded from a combination of revenues, impact fees, short-term and long-term debt, and customer contributions.

Rates: NBU acquires power supply from various suppliers in the ERCOT electricity market. NBU positions its power supply portfolio to encompass diversification of supply from various: counterparties, tenors of contract duration and load shapes in order to procure power for its customers that is reliable, low cost, and has reduced price volatility.

In 2014, NBU executed a contract with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina wind farm to provide 50 MW of wind generated electricity for 20 years from the commercial commencement of the project. The Javelina wind farm has a nameplate capacity 250 MW, and is located approximately 35 miles east of Laredo, Texas in Webb County. Commercial commencement of the project was December 2015. This agreement represents approximately 13% of NBU's purchase power portfolio.

As of July 31, 2019, NBU has executed forward physical power contracts intended to hedge price volatility and maintain a competitive cost in its power supply portfolio through 2022. All power hedge contracts are intended to cover native load requirements and are considered normal purchases. Additional portfolio hedges are added over time as near-term hedges expire. As of July 31, 2019, NBU's forward physical contracts through 2022 reflected an underlying market value (unfavorable) that was within 10% of total expected power costs through 2022.

NBU's electric rates are unbundled into distribution charges, generation charges, and transmission charges. Distribution charges are comprised of fixed customer charges and variable kWh charges designed to recover NBU's cost to maintain its electric infrastructure and deliver reliable service to its customers. Through its efficient operation, NBU has been able to manage these costs.

The generation and transmission charges are a pass-through to the customers and are comprised of a base rate and an adjustable Power Cost Recovery Factor (PCRF). During fiscal year 2019, NBU purchased for its customers 1,686,116 MWh in comparison to 1,668,364 MWh during fiscal year 2018, representing an increase of 17,752 MWh or 1.1 percent.

Water and wastewater rates charged to NBU's customers are comparable, and generally lower, to other rates in the region. These low rates have been achieved by efficient long-term operations and planning. However, as water resources become scarcer throughout the state, NBU anticipates that its customers will see moderate price increases for this service over time. On November 26, 2018, New Braunfels City Council approved the Board's recommendation for a water rate increase that aggregates to 6 percent. The rate increase was effective December 1, 2018. On October 28, 2019, New Braunfels City Council approved the Board's recommendation for a water rate increase that aggregates to 22 percent and a wastewater increase that aggregates to 16 percent. The rate increase was effective November 1, 2019.

Awards and Acknowledgements: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to NBU for its CAFR for the fiscal year ended July 31, 2018. This was the 29th consecutive year that NBU has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

Ian Taylor	Dawn Schriewer
Chief Executive Officer	Chief Financial Officer

FINANCIAL

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New Braunfels Utilities
New Braunfels, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of New Braunfels Utilities, as of and for the years ended July 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the New Braunfels Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to New Braunfels Utilities' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of New Braunfels Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Braunfels Utilities as of July 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplemental Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Budgetary Comparison Schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Introduction Section and Statistical Section as identified in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated December 4, 2019, on our consideration of New Braunfels Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of New Braunfels Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Braunfels Utilities' internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Austin, Texas
December 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Management's Discussion and Analysis is intended to provide a narrative overview of NBU's financial activities for the fiscal years ended July 31, 2019 and 2018. Readers are encouraged to consider the information presented in conjunction with the transmittal letter and the accompanying basic financial statements.

Financial Highlights

• For fiscal year-end 2019, total assets and deferred outflows of $670.0 million exceeded liabilities and deferred inflows by $423.9 million. This compares to total assets and deferred outflows of $624.3 million at fiscal year-end 2018, which exceeded liabilities and deferred inflows by $406.1 million. Total assets and deferred outflows of $545.7 million for fiscal year-end 2017 exceeded liabilities and deferred inflows by $390.1 million.

• Total net position at fiscal year-end 2019 was $423.9 million, an increase of $17.8 million, or 4.4%, from fiscal year-end 2018. Fiscal year-end 2018 total net position of $406.1 million reflected an increase of $16.1 million from fiscal year-end 2017. The increase in net position at fiscal year-end 2019 was primarily attributable to increases in capital additions in NBU's electric, water, and wastewater infrastructure. The increase in net position at fiscal year-end 2018 was primarily attributable to capital contributions.

• At fiscal year-end 2019, $23.5 million in unrestricted net position was available to meet NBU's ongoing obligations, as compared to $34.5 million at fiscal year-end 2018 and $43.2 million at fiscal year-end 2017. These balances reflect an $11.0 million decrease in unrestricted net position from fiscal year-end 2018 to fiscal year-end 2019 and an $8.7 million decrease in unrestricted net position from fiscal year-end 2017 to fiscal year-end 2018.

• In Fiscal Year 2019, NBU completed $74.5 million in capital projects. This compares to $40.2 million and $126.5 million in Fiscal Years 2018 and 2017, respectively. Capital additions, net of depreciation, amounted to $53.7 million, $20.7 million, and $108.0 million in Fiscal Years 2019, 2018, and 2017, respectively.

• Total operating revenues in Fiscal Year 2019 were $146.1 million compared to $144.3 million in Fiscal Year 2018, an increase of $1.8 million, or 1.3%. The increase in operating revenue consisted primarily of an increase in electric services revenue of $1.2 million, an increase in water services revenue of $0.2 million, and an increase in wastewater services revenue of $0.8 million. Fiscal Year 2018 operating revenues increased $11.4 million, or 8.6%, compared to Fiscal Year 2017 operating revenues of $132.8 million.

• Electric sales for Fiscal Year 2019 were 1,626,679 MWh, which was 1.8% greater than the 1,598,405 MWh sales in Fiscal Year 2018. Electric MWh sales in Fiscal Year 2018 were 5.7% greater than Fiscal Year 2017 sales of 1,512,675 MWh. For Fiscal Year 2019, electric services revenue of $108.7 million was $1.2 million greater than Fiscal Year 2018's electric services revenue of $107.5 million. For Fiscal Year 2018, electric services revenue was $7.5 million greater than Fiscal Year 2017's electric services revenue of $100.0 million.

• NBU delivered 3.75 billion gallons of water in Fiscal Year 2019, which was a 5.8% decrease from Fiscal Year 2018 water sales of 3.98 billion gallons. Water sales in Fiscal Year 2018 reflected an 8.9% increase from Fiscal Year 2017 water sales of 3.66 billion gallons. For Fiscal Year 2019, water services revenue of $15.6 million was $0.2 million greater than Fiscal Year 2018's water services revenue of $15.4 million. For Fiscal Year 2018, water services revenue was $1.7 million greater than Fiscal Year 2017's water services revenue of $13.7 million. There was a total of 32 inches of rain for the NBU service area for Fiscal Year 2019, which was about average from the 30 and 34 inches received in Fiscal Years 2018 and 2017, respectively.

• Wastewater services revenue in Fiscal Year 2019 was $15.9 million compared to Fiscal Year 2018 revenue of $15.1 million, an increase of $0.8 million, or 5.0%. Fiscal Year 2018 wastewater services revenue was $1.3 million more than Fiscal Year 2017 wastewater services revenue of $13.8 million, resulting in a 9.5% increase.

• Total operating expenses in Fiscal Year 2019 were $140.1 million compared to Fiscal Year 2018 operating expenses of $136.9 million, an increase of $3.2 million, or 2.4%. Total operating expenses in Fiscal Year 2018 increased $14.1 million, or 11.5%, from Fiscal Year 2017 total operating expenses of $122.9 million.

• At July 31, 2019, NBU served 43,606 electric customers, 41,074 water customers, and 28,775 wastewater customers.

New Braunfels Utilities

NBU is a component unit of the City and is accounted for as a proprietary fund. NBU provides electric, water, and wastewater services. NBU was established in 1942 when the City Commission of New Braunfels, Texas purchased from Guadalupe Electric Company the electric transmission and distribution systems, formerly owned by the San Antonio Public Service Company that served the City and the surrounding area. In 1959, operations of the water and wastewater systems were transferred to NBU from the City.

The following discussion and analysis will refer to NBU as a whole.

Overview of the Financial Statements

The basic financial statements for proprietary funds consist of the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows.

This report includes all funds of NBU. The financial information is reported similar to those of private sector businesses. The Statements of Net Position provides NBU's financial position and operating performance. It presents all the assets, deferred outflows, liabilities, and deferred inflows and identifies the net investment in capital assets and restricted net position. It provides the foundation for measuring the activity and liquidity of NBU. The Statements of Revenues, Expenses and Changes in Net Position assess NBU's profitability of operations. The third basic financial statement is the Statements of Cash Flows, which provides detailed information about the cash effects of the operating, investing, and financing activities. The basic financial statements can be found on pages 26-30 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. The notes can be found beginning on page 31 of this report.

Financial Analysis

NBU's financial position at fiscal year-end 2019 showed total net position of $423.9 million, compared to $406.1 million at fiscal year-end 2018 and $390.1 million at fiscal year-end 2017. Of these amounts, the net positions that were unrestricted for meeting NBU's ongoing obligations were $23.5 million, $34.5 million, and $43.2 million at the fiscal years ended 2019, 2018, and 2017, respectively. The net investment in capital assets represented 94.4%, or $400.1 million, of total net position at fiscal year-end 2019, compared to 91.2% at fiscal year-end 2018 and 86.8% at fiscal year-end 2017.

Current assets at fiscal year-end 2019 of $97.5 million decreased by $18.0 million, or 15.6%, from current assets at fiscal year-end 2018 of $115.5 million, which was primarily due to a decrease in restricted investments. Current assets at fiscal year-end 2018 increased by $20.9 million, or 22.1%, from fiscal year-end 2017 current assets of $94.6 million, primarily due to an increase in investments.

A small portion of NBU's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position at fiscal year-end 2019 was $0.3 million, in comparison to the prior fiscal year-end 2018 amount of $1.2 million and $8.4 million at fiscal year-end 2017. These amounts represented 0.1%, 0.3% and 2.2% of total net position for their respective fiscal year ends. Water and wastewater funds reserved for future system development and construction comprised 0.02% of NBU's restricted net position at fiscal year-end 2019. This percentage was 38.0% at fiscal year-end 2018 and 68.7% at fiscal year-end 2017.

The following condensed Statements of Total Net Position and Statements of Changes in Net Position reflect the summary performance of NBU over Fiscal Years 2017-2019.

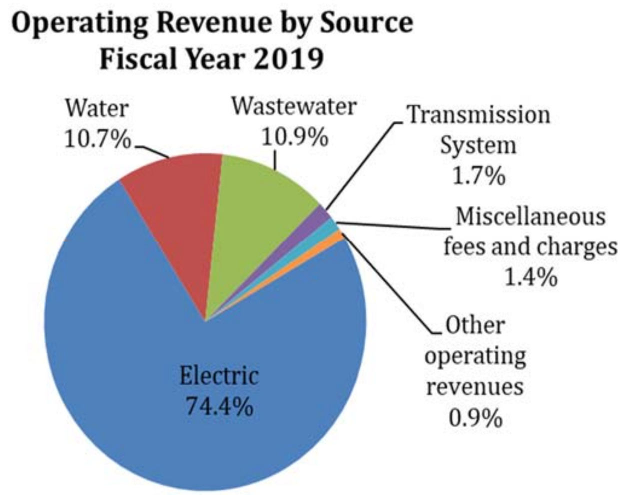
	2019	2018	2017
Current and other non-capital assets	$ 116,951,774	$ 144,449,184	$ 118,500,006
Capital assets	546,473,089	477,567,169	423,139,543
Total assets	$ 663,424,863	$ 622,016,353	$ 541,639,549
Deferred outflows of resources	6,563,661	2,274,979	4,037,747
Total assets and deferred outflows	$ 669,988,524	$ 624,291,332	$ 545,677,296
Current liabilities	$ 73,282,417	$ 46,219,365	$ 32,780,669
Non-current liabilities	172,594,337	169,680,689	122,226,186
Total liabilities	$ 245,876,754	$ 215,900,054	$ 155,006,855
Deferred inflows of resources	192,057	2,265,518	619,023
Total liabilities and deferred inflows	$ 246,068,811	$ 218,165,572	$ 155,625,878
Total net position	$ 423,919,713	$ 406,125,760	$ 390,051,418
Net investment in capital assets	$ 400,068,067	$ 370,402,366	$ 338,420,078
Restricted	314,118	1,217,573	8,390,480
Unrestricted	23,537,528	34,505,821	43,240,860
Total net position	$ 423,919,713	$ 406,125,760	$ 390,051,418

Changes in Net Position

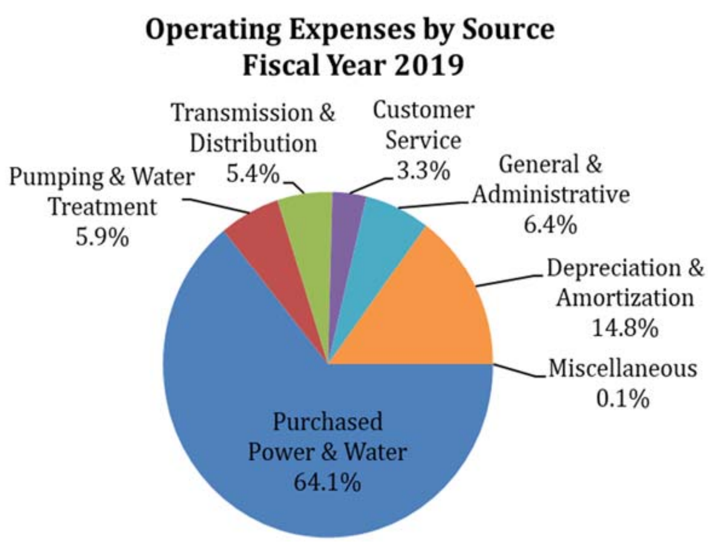
	2019	2018	2017
Operating revenues			
Electric services	$ 108,665,532	$ 107,492,658	$ 100,006,812
Water services	15,649,667	15,427,507	13,690,935
Wastewater services	15,898,564	15,148,091	13,837,277
Transmission system	2,542,373	2,413,045	2,015,874
Miscellaneous fees and charges	1,988,376	2,299,016	1,882,973
Other operating revenues	1,380,775	1,490,054	1,393,175
Total operating revenues	$ 146,125,287	$ 144,270,371	$ 132,827,046
Investment income	1,875,028	1,504,814	794,822
Net increase (decrease) in the fair value of investments	392,154	(458,658)	(177,819)
Gain (loss) on sale of assets	(181,083)	(3,988,185)	(2,065,709)
Total revenues	$ 148,211,386	$ 141,328,342	$ 131,378,340
Expenses			
Operating expenses	$ 140,113,206	$ 136,888,989	$ 122,861,321
Interest and amortization expense	5,782,940	4,777,581	4,321,359
Intergovernmental expense	8,129,829	7,859,681	7,779,247
Total expenses	$ 154,025,975	$ 149,526,251	$ 134,961,927
Net income (loss) before capital contributions	$ (5,814,589)	$ (8,197,909)	$ (3,583,587)
Capital contributions	23,608,542	24,272,251	29,780,326
Change in net position	$ 17,793,953	$ 16,074,342	$ 26,196,739
Total net position-beginning of year	406,125,760	390,051,418	363,854,679
Total net position-end of year	$ 423,919,713	$ 406,125,760	$ 390,051,418

Total operating revenues for Fiscal Year 2019 were $146.1 million, an increase of $1.8 million, or 1.3%, over the previous fiscal year. An increase in electric services revenues of $1.2 million, or 1.1%, an increase of water services revenue of $0.2 million, or 1.4%, and an increase in wastewater services revenue of $0.8 million, or 5.0%, contributed to the total increase. Total operating revenues for Fiscal Year 2018 were $144.3 million, an increase of $11.4 million from the previous fiscal year.

Total operating revenues in Fiscal Year 2019 consisted of 74.4% from electric retail customer fees and charges and 21.6% from water and wastewater retail customer fees and charges. The remainder consisted of transmission system income, miscellaneous fees and charges, and other operating revenues.



Total operating expenses for Fiscal Year 2019 were $140.1 million. Of this amount, approximately $89.8 million, or 64.1%, consisted of purchased power and purchased water costs. Total operating expenses increased by $3.2 million, or 2.4%, over Fiscal Year 2018 total operating expenses of $136.9 million. This operating expense increase was primarily attributable to an increase in purchased water, water treatment, customer service, and depreciation costs. Total operating expenses in Fiscal Year 2018 increased by $14.1 million, or 11.5%, over Fiscal Year 2017 total operating expenses of $122.9 million.

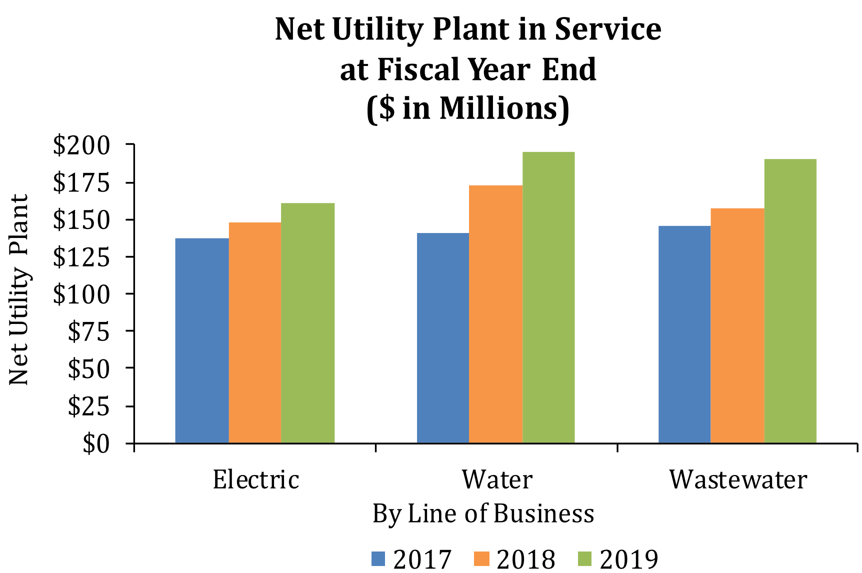


Capital Assets

At fiscal year-end 2019, NBU's net capital assets totaled $546.5 million. Included in capital assets are eleven electric substation/metering points, four wastewater treatment plants, a surface water treatment plant, 26 lift stations, 18 pump stations, and Edwards Aquifer water pumping rights. Net capital assets totaled $477.6 million at fiscal year-end 2018 and $423.1 million at fiscal year-end 2017.

The following summarizes capital assets, net of accumulated depreciation, at fiscal year-end:

	2019	2018	2017
Land and water rights	$ 27,793,465	$ 26,638,523	$ 26,341,588
Buildings and structures	42,846,759	40,900,446	41,070,384
Electric transmission/distribution	127,818,273	118,938,876	108,308,550
Wells & springs	1,043,309	719,788	147,442
Pumping equipment	18,912,176	9,111,482	9,258,453
Water/wastewater treatment equipment	37,015,800	37,084,418	36,899,534
Water/wastewater transmission/distribution	196,305,951	165,203,715	160,355,433
Equipment, vehicles, furniture & fixtures	12,302,957	12,003,363	11,657,908
Net plant in service	$ 464,038,690	$ 410,600,611	$ 394,039,292
Construction work in progress	82,434,399	66,966,558	29,100,251
Net utility plant after accumulated depreciation	$ 546,473,089	$ 477,567,169	$ 423,139,543



In Fiscal Year 2019, there were $74.5 million in capital additions and $21.1 million of retirements and depreciation, for an overall increase in net plant in service of $53.4 million. In Fiscal Year 2018, there were $40.2 million in capital additions and $23.7 million of retirements and depreciation, for an overall increase in net plant in service of $16.5 million.

The following is a summary of capital additions and retirements for Fiscal Year 2019:

	Electric	Water	Wastewater	Total
Plant in service, beginning of year	$ 137,843,112	$ 133,900,401	$ 138,857,098	$ 410,600,611
Additions	17,990,436	44,493,956	12,034,789	74,519,181
Retirements	(885,448)	(101,960)	(36,769)	(1,024,177)
Depreciation/gain (loss) on sale of assets	(8,432,627)	(4,909,732)	(6,714,566)	(20,056,925)
Plant in service, end of year	$ 146,515,473	$ 173,382,665	$ 144,140,551	$ 464,038,690
Construction work in progress	14,010,456	21,971,054	46,452,889	82,434,399
Net utility plant after accumulated depreciation	$ 160,525,929	$ 195,353,719	$ 190,593,440	$ 546,473,089

Additions to plant (excluding construction work in progress) in Fiscal Year 2019 were:

Electric distribution system improvements	$ 16,782,184
Water/wastewater distribution system enhancements and rehabilitation	39,483,578
Water/wastewater treatment equipment	1,426,520
Equipment, vehicles, furniture & fixtures	2,588,599
Other capital projects	14,238,300
Total	$ 74,519,181

In Fiscal Year 2020, NBU has budgeted $167.7 million of capital expenditures consisting of $164.8 million in capital projects and $2.9 million in capital equipment. It is anticipated that approximately $16.0 million will be funded with operating revenue funds, and the remaining will be funded with debt, impact fees, and customer contributions.

Total budgeted capital expenditures in Fiscal Year 2020 are as follows:

Electric distribution system improvements and extensions	$ 16,919,017
Electric substation improvements	5,095,146
Water/wastewater extensions and enhancements	9,673,467
Water plant improvements	30,346,233
Wastewater plant improvements	51,225,369
Other capital projects	51,491,476
Capital equipment	2,916,500
Total	$ 167,667,208

Additional information on NBU's capital assets can be found in Note 3 on page 44 of this report.

Debt
At fiscal year-end 2019, NBU's outstanding debt totaled $156.0 million.

The following summarizes the debt outstanding:

The following summarizes the debt outstanding:		
2004 Utility System Revenue Bonds-Capital Appreciation*	$	3,046,332
2012 Utility System Revenue and Refunding Bonds		19,690,000
2015 Utility System Revenue Bonds		26,170,000
2016 Utility System Revenue and Refunding Bonds		59,675,000
2018 Utility System Revenue Bonds		42,395,000
Total Revenue Bonds	$	150,976,332
Unamortized net premiums		4,991,334
Net Debt	$	155,967,666

*Includes accumulated accretion through July 31, 2019 as well as the current portion of debt outstanding

At time of publication, NBU's revenue bonds were rated "AA" by Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, "AA" by Fitch Ratings, and "Aa1" by Moody's Investors Service, Inc.

Additional information on long-term debt can be found in Note 4 on page 46.

Economic Factors and Next Year's Budgets and Rates
The objective of NBU's Fiscal Year 2020 Budget is to present a proactive plan that provides reliable and efficient electric, water, wastewater, and customer and community service to a growing customer base in a manner that protects people, property, and the environment while keeping costs at a prudent level. These factors were evaluated, and strategies were formulated to ensure all lines of business were self-supporting in the current economic environment.

Requests for Information
This financial report is designed to provide a general overview of NBU's operations and finances to all those with an interest in the management of such. Any questions concerning this report or any requests for additional information should be addressed to the Chief Financial Officer at 263 E. Main Plaza, New Braunfels, Texas, 78130.

FINANCIAL:

Basic Financial Statements

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION - JULY 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents - unrestricted	$ 15,906,409	$ 18,356,133
Investments	20,895,722	10,123,150
Accounts receivable-customers (net of allowances for uncollectibles, $168,349 for 2019 and $197,391 for 2018)	21,167,076	23,933,628
Accounts receivable-other	1,094,082	1,158,793
Interest receivable	109,571	229,135
Inventory	2,215,068	3,077,467
Prepaid items	542,703	439,068
Other current assets	4,126,795	3,507,264
Restricted assets:		
Cash and cash equivalents	29,419,254	23,861,836
Investments	1,997,066	30,821,160
Total current assets	$ 97,473,746	$ 115,507,633
Noncurrent assets		
Capital assets:		
Plant in service	$ 714,421,695	$ 640,926,690
Less accumulated depreciation	(250,383,005)	(230,326,079)
Construction in progress	82,434,399	66,966,558
Net capital assets	$ 546,473,089	$ 477,567,169
Other noncurrent assets:		
Investments:		
Restricted	$ 1,496,931	$ 3,463,458
Unrestricted	7,000,004	14,608,362
Deposit-Headwaters at the Comal - restricted	-	327,934
Regulatory asset - pension expense	4,128,681	5,504,908
Regulatory asset - mid-basin	326,667	-
Other noncurrent assets	6,525,745	5,036,889
Total other noncurrent assets	$ 19,478,028	$ 28,941,551
Total noncurrent assets	$ 565,951,117	$ 506,508,720
Total assets	$ 663,424,863	$ 622,016,353
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferred outflows	$ 6,563,661	$ 2,274,979
Total assets and deferred outflows	$ 669,988,524	$ 624,291,332

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF NET POSITION - JULY 31, 2019 AND 2018 (CONTINUED)

	2019	2018
LIABILITIES		
Accounts payable and other current liabilities	$ 31,153,576	$ 30,282,624
Consumer deposit payable	6,565,975	5,893,051
Compensated absences	1,124,780	941,676
Generation and transmission cost recovery over-collection	10,055,753	3,691,087
Commerical paper	20,250,000	-
Payable from restricted assets:		
Accrued interest payable	537,333	495,927
Current portion of bonds	3,595,000	4,915,000
Total current liabilities	$ 73,282,417	$ 46,219,365
Noncurrent liabilities		
Compensated absences	$ 592,824	$ 577,364
Long-term debt, net of premium and discount	152,372,666	156,482,916
Net pension liability	19,281,588	12,151,338
Contribution in aid of construction-refundable	347,259	469,071
Total noncurrent liabilities	$ 172,594,337	$ 169,680,689
Total liabilities	$ 245,876,754	$ 215,900,054
DEFERRED INFLOWS OF RESOURCES		
Pension deferred inflows	$ 192,057	$ 2,265,518
NET POSITION		
Net investment in capital assets	$ 400,068,067	$ 370,402,366
Restricted:		
Debt service	314,064	427,076
Impact fees	54	462,563
Deposit-Headwaters at the Comal	-	327,934
Unrestricted	23,537,528	34,505,821
Total net position	$ 423,919,713	$ 406,125,760
Total liabilities and net position	$ 669,988,524	$ 624,291,332

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Electric services	$ 108,665,532	$ 107,492,658
Water services	15,649,667	15,427,507
Wastewater services	15,898,564	15,148,091
Transmission system	2,542,373	2,413,045
Miscellaneous fees and charges	1,988,376	2,299,016
Other operating revenues	1,380,775	1,490,054
Total operating revenues	$ 146,125,287	$ 144,270,371
OPERATING EXPENSES		
Purchased power	$ 86,301,899	$ 86,704,995
Purchased water	3,522,751	2,291,134
Transmission and distribution	7,529,825	8,126,020
Supply source	16,859	18,876
Pumping	1,578,119	1,343,583
Water treatment	6,740,214	5,822,002
Customer service	4,673,859	4,046,542
General and administrative	8,949,832	9,033,625
Depreciation and amortization	20,799,848	19,502,212
Total operating expenses	$ 140,113,206	$ 136,888,989
Net operating income	$ 6,012,081	$ 7,381,382
NONOPERATING REVENUES (EXPENSES)		
Investment income	$ 1,875,028	$ 1,504,814
Net increase (decrease) in the fair value of investments	392,154	(458,658)
Interest and amortization expense	(5,782,940)	(4,777,581)
Intergovernmental expense	(8,129,829)	(7,859,681)
Gain (loss) on sale of assets	(181,083)	(3,988,185)
Total nonoperating revenues (expenses)	$ (11,826,670)	$ (15,579,291)
Income (loss) before contributions	$ (5,814,589)	$ (8,197,909)
CAPITAL CONTRIBUTIONS		
Impact fees	$ 8,079,405	$ 11,368,620
Services	3,205,196	1,928,153
Developer contributions	12,323,941	10,975,478
Total capital contributions	$ 23,608,542	$ 24,272,251
Change in net position	$ 17,793,953	$ 16,074,342
Total net position - beginning of year	406,125,760	390,051,418
Total net position - end of year	$ 423,919,713	$ 406,125,760

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from customers	$ 153,451,767	$ 141,143,414
Payments to suppliers for goods and services	(93,138,705)	(93,238,609)
Payments for salaries and benefits	(26,030,456)	(23,499,892)
Net cash provided by operating activities	$ 34,282,606	$ 24,404,913
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to City of New Braunfels	$ (8,129,829)	$ (7,859,681)
Net cash used by noncapital related financing activities	$ (8,129,829)	$ (7,859,681)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Transmission system fees	$ 2,542,373	$ 2,413,045
Impact and service fees	11,162,789	13,576,519
Acquisition and construction of capital assets	(75,941,783)	(60,996,323)
Proceeds from sale of assets	100,171	174,660
Proceeds from debt issued	20,094,498	49,253,804
Debt issuance costs	(263,664)	(247,349)
Principal paid on bond and debt	(4,759,499)	(2,320,000)
Interest paid on bond and debt	(5,993,120)	(4,456,308)
Net cash provided (used) by capital and related financing activities	$ (53,058,235)	$ (2,601,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 58,000,000	$ 21,212,500
Purchase of investments	(30,636,017)	(40,892,937)
Interest received	2,649,170	1,147,279
Net cash provided (used) by investing activities	$ 30,013,153	$ (18,533,158)
Net increase in cash and cash equivalents	$ 3,107,695	$ (4,589,878)
Cash and cash equivalents at beginning of period	$ 42,217,968	$ 46,807,846
Cash and cash equivalents at end of period	$ 45,325,663	$ 42,217,968

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JULY 31, 2019 AND 2018

	2019	2018
RECONCILIATION OF UTILITY OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 6,012,081	$ 7,381,382
Depreciation	20,799,848	19,502,212
Transmission system fees	(2,542,373)	(2,413,045)
(Increase) decrease in assets:		
Generation and transmission cost recovery under-collection	-	1,278,642
Accounts receivable	2,831,263	(4,969,372)
Inventory	862,399	(822,279)
Prepaid items	(103,635)	20,869
Regulatory asset	1,049,560	(5,504,908)
Other assets	(2,108,387)	(3,050,433)
Increase (decrease) in liabilities:		
Generation and transmission cost recovery over-collection	6,364,666	3,691,087
Accounts payable	(522,411)	2,315,092
Post retirement obligation	768,107	6,412,056
Customer deposits	672,924	564,374
Compensated absences	198,564	(764)
Net cash provided by operating activities	$ 34,282,606	$ 24,404,913
Schedule of cash and cash equivalents		
Beginning of period:		
Unrestricted cash and cash equivalents	$ 18,356,133	$ 12,169,838
Restricted cash and cash equivalents-current	23,861,836	34,638,008
	$ 42,217,968	$ 46,807,846
End of period:		
Unrestricted cash and cash equivalents	$ 15,906,409	$ 18,356,133
Restricted cash and cash equivalents-current	29,419,254	23,861,836
	$ 45,325,663	$ 42,217,968
NONCASH INVESTING, CAPITAL, AND FINANCE ACTIVITIES		
Accretion of interest on capital appreciation bonds	$ 155,502	$ 155,798
Fair-value adjustment	$ 392,154	$ (458,658)
Contributed electric, water, and sewer systems	$ 12,323,941	$ 10,975,478
Gain (loss) on sale of assets	$ 46,997	$ (4,162,843)

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

NBU is a municipally owned utility and is a component unit of the City. The financial statements of NBU are included in the City's Texas Annual Financial Report. The management and control of NBU's electric, water, and wastewater systems rests with the Board, pursuant to State law and by Charter of the City.

The financial statements of NBU have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. In addition, NBU complies with the uniform system of accounts under the Federal Power Act. The system of accounting, policies and regulations are as prescribed by the Federal Energy Regulatory Commission (FERC).

A. Financial Reporting Entity

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus – An amendment of GASB Statements No. 14 and No. 34* was issued in November 2010. It provides specific criteria for evaluating whether legally separate entities should be included as component units of the primary government.

NBU meets the criteria under GASB Statement No. 61 and is considered a component unit of the City.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

NBU reports financial information using accounting methods applicable to similar businesses in the private sector, or the accrual basis of accounting. The measurement focus is based on the determination of operating income, changes in net position, financial position, and cash flows. Revenues are recognized when earned, and expenses are recorded when a liability is incurred.

Proprietary funds, like NBU, distinguish operating revenues and expenses from non-operating revenues and expenses. Operating activities result from providing services in connection with NBU's principal ongoing operations. NBU's primary operating revenues include electric, water, and wastewater sales and services. Operating expenses include the cost of sales and services, general and administrative expenses, and depreciation expense. Non-operating revenues and expenses are all other activities not meeting the above definitions.

C. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

1. Deposits and Investments

NBU considers cash and cash equivalents to be cash, cash in demand accounts, and investments purchased with initial maturities of three months or less. When both restricted and unrestricted resources are available for use, it is NBU's policy to use restricted resources first, then unrestricted resources as they are needed.

The Board has approved an investment policy that conforms to Texas law governing and regulating the types of investments eligible for public funds, including but not limited to the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code.

Amounts recorded in the financial statements for investments are recorded at fair value.

NBU Investment Officers shall use any or all of the following authorized investment instruments consistent with governing law:

A. Under Texas law and local policy, NBU is authorized to invest in:

1. direct obligations of the United States including only Treasury Bills, Treasury Notes, and Treasury Bonds;
2. obligations of the State of Texas including its agencies, counties, cities, and other political subdivisions 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 United States; and
4. direct obligations of the following United States agencies and instrumentalities: Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Bank, Student Loan Marketing Association, and the Federal Home Loan Mortgage Corporation.

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;
   a. the funds are invested through a depository institution that has its main office or a branch office in Texas,
   b. 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,
   c. 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,
   d. the depository institution acts as custodian for NBU with respect to the certificates of deposit issued for the account of NBU, and
   e. 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)(A) above.

C. No load Money Market Mutual Funds as specified by Board approval with limitations described below:

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;
3. has a dollar-weighted average stated maturity of 90 days or fewer;
4. includes in its investment objectives the maintenance of a stable net asset value of $1.00 for each share;
5. must be continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; and
6. conform to the requirements set forth in the Public Funds Investment Act.

NBU may not invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one Money Market Mutual Fund in an amount that exceeds ten (10) percent of the total assets of the Money Market Mutual Fund.

D. Eligible specified investment pools (as permitted in the Public Funds Investment Act, Sec. 2256.016-2256.019) and as authorized by the Board. An investment pool shall invest the funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. 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 a 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 fair 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. a. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, 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:

    1. the types of investments in which money is allowed to be invested;
    2. the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
    3. the maximum stated maturity date any investment security within the portfolio has;
    4. the objectives of the pool;
    5. the size of the pool;
    6. the names of the members of the advisory board of the pool and the dates their terms expire;
    7. the custodian bank that will safekeep the pool's assets;
    8. whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
    9. whether the only source of payment is the assets of the pool at fair value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
    10. the name and address of the independent auditor of the pool;
    11. 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; and
    12. the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios.

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

1. investment transaction confirmations; and
2. 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 fair 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.

2. Receivables

Accounts receivable consist of billed but not collected utility services, sales of merchandise, jobbing, etc. and are shown net of an allowance for doubtful accounts. For fiscal years ended July 31, 2019 and 2018, the allowance was $168,349 and $197,391, respectively.

Other transactions that affect receivables are as follows:

Electric power, water, and wastewater that has been used by customers but not billed is accrued. The estimated unbilled services as of July 31, 2019 and 2018 were $11.3 million and $11.4 million respectively.

Power costs initially estimated for billing purposes and later adjusted to actual costs result in an amount that may be over- or under-collected each month. These over-collected amounts are presented as a current liability in generation and transmission cost recovery over-collection, and under-collected amounts are presented as a current asset in generation and transmission cost under-collection (please see Note 1-C-14 below).

3. Inventories and Prepaid Items

Inventory is valued at moving average cost, except for obsolete items, which have been written down to estimated salvage value. Inventory in the electric, water, and wastewater departments consists of parts and maintenance items. Other inventory represents office and janitorial supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. Other Assets

Other assets consist of prepayments for congestion revenue rights and collateral deposits held by ERCOT. Balances as of July 31, 2019 and 2018 are as follows:

	2019	2018
Congestion revenue rights - current	$ 4,126,795	$ 3,507,264
Congestion revenue rights - non-current	4,890,235	3,014,730
Collateral deposits - ERCOT	1,635,510	2,022,159
Total	$ 10,652,540	$ 8,544,153

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Certain proceeds and resources of NBU's revenue bonds are classified as restricted assets on the Statement of Net Position, and their use is limited by applicable bond covenants. These monies are maintained in separate accounts. Current liabilities payable from these restricted assets are also classified.

Deposit-Headwaters at the Comal represents a contribution that NBU made to the New Braunfels Area Community Foundation (NBACF) for construction purposes. The initial contribution of $4,500,000 was made in August 2016. As NBU incurs construction costs associated with the project, reimbursement is requested from the NBACF. As reimbursement is received, the restricted asset balance is reduced. At July 31, 2018, the restricted asset balance was $327,934. The balance was fully exhausted in Fiscal Year 2019.

6. Capital Assets

Capital assets, including self-constructed assets, are valued at historical cost or estimated historical cost if actual historical cost was not available. Per NBU policy, all self-constructed assets are capitalized, and the capitalization threshold for purchased assets is $10,000.

Depreciation is calculated using the straight-line method and is based on estimated useful lives of three to fifty years. Depreciation of capital assets is charged as an expense against the operations of the divisions. Accumulated depreciation is reported on the Statement of Net Position. The following estimated useful lives are used to compute depreciation:

Assets	Years
Structures	33-50
Electrical distribution/transmission facilities	13-33
Water pumping/treatment/transmission facilities	25-50
Wastewater pumping/treatment/transmission/collection facilities	25-40
Vehicles	5
Computer equipment	3
General equipment	10

7. Regulatory Asset

As a municipally owned utility, NBU's financial statements are prepared in accordance with GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, which allows for effects of the rate-making process be recorded in the financial statements. Accordingly, certain expenses that are normally reflected in Change in Net Position as incurred are recognized when included in rates and recovered from customers. Effective August 1, 2017, NBU elected to implement regulatory accounting under GASB 62. This is an elected change in accounting principle. Details of the account can be found in Note 7.

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time. Deferred outflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

9. Accounts Payable and Other Current Liabilities

Accounts payable and other liabilities are comprised of costs incurred by NBU which have not yet been paid as of the fiscal year end, primarily consisting of purchased power costs.

10. Customer Deposits

NBU accrues a liability for all amounts deposited with NBU by customers as a security for the payment of bills.

11. Compensated Absences

NBU's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. There is a liability recorded on the Statement of Net Position for unpaid accumulated sick leave for those employees that are eligible for retirement under the presently adopted rules of TMRS. All vacation pay is accrued when incurred.

12. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Contribution in Aid of Construction-Refundable

NBU entered into a refundable contribution in aid of construction (CIAC) agreement for electric services during Fiscal Year 2017. This agreement required the developer to pay CIAC up-front for residential electric service. The CIAC will be refunded periodically as permanent electric metered services are installed.

14. Generation and Transmission Cost Recovery Over-/Under-Collection

NBU applies a billing adjustment to electric sales for over-collection and/or under-collection of revenues. This is passed through to customers in future sales through an adjustment in the Generation Cost Recovery Factor (GCRF) and Transmission Cost Recovery Factor (TCRF) rates applied on energy usage. At July 31, 2019 and 2018, NBU was over-collected by $10,055,753 and $3,691,087, respectively.

15. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method.

16. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows relate to the GASB Statement No. 68 pension liability. Details of the account are included in Note 6.

17. Capital Contributions

At times, cash and capital assets are contributed to NBU from customers, the municipality, or third parties. The value of property contributed to NBU is reported as revenue on the Statement of Revenues, Expenses, and Changes in Position.

NBU charges new water and wastewater customers an impact fee to connect to the system. Impact fees collected are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

NBU charges new electric and water customers a fee to connect to utility lines should the customer elect not to hire an outside party to connect to the lines. These service fees are recorded as capital contributions on the Statement of Revenues, Expenses, and Changes in Net Position.

18. Loss on Retirement

As a result of transitioning from Automatic Meter Reading (AMR) to Advanced Metering Infrastructure (AMI) meters, NBU retired meters that weren't fully depreciated. This resulted in a loss on retirement $4,015,837 for Fiscal Year 2018. This loss is recorded as a loss on sale of assets on the Statement of Revenues, Expenses, and Changes in Net Position.

19. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year-end, as well as reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, pension liability, and other accounts. Actual results may differ from these estimates.

20. Effect of New Accounting Standards on Current and Future Period Financial Statements

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance. The Statement was implemented as of August 1, 2018 and has no impact on NBU's financial reporting.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement was implemented in Note 4.

GASB has approved Statement No. 84, *Fiduciary Activities,* Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, and Statement No. 91, *Conduit Debt Obligations*. When they become effective, application of these standards may restate portions of these financial statements.

21. Reclassifications

Certain amounts in the prior year's financial statements may have been reclassified to conform to the current year presentation.

Note 2. Deposits and Investments

As of July 31, 2019, the carrying amount of NBU's deposits (checking accounts and money markets) was $8,713,123. The balance per the bank at July 31, 2019 was $9,627,737. As of July 31, 2018, the carrying amount of NBU's deposits (checking accounts and money markets) was $10,613,365. The balance per the bank at July 31, 2018 was $16,761,992. As of July 31, 2019 and 2018, the carrying amounts of NBU's certificates of deposit were $4,500,000 and $9,350,000, respectively. The entire balance was guaranteed by FDIC Insurance and pledged collateral of $14,884,242 and $56,522,599 held by NBU's agent bank in NBU's name for Fiscal Year 2019 and Fiscal Year 2018, respectively.

All NBU investments are valued at fair value, in accordance with GASB Statement No. 72, unless otherwise specified. At month end, quoted market prices are obtained from an independent third party pricing service specializing in fixed income evaluation services used to determine an investment's fair value. Investment pools are adjusted to fair value at month end, according to the pool's reported Net Asset Value (NAV). 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 NAV; the ratio of the fair value to book value of the fund must be maintained between 0.995 and 1.005. The net change in the fair value of investments during Fiscal Year 2019 and Fiscal Year 2018 was an increase of $392,154 and decrease of $458,658 over the prior year, respectively.

All three investment pools (TexPool, TexSTAR, and Texas Daily) have been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public fund investment pools and permit eligible governmental entities to join their funds in authorized investments. The fair value of the position in the investment pools is the same as the value of the pool shares. In accordance with GASB Statement No. 79, all investments are recorded at amortized cost without limitations or restrictions on withdrawals.

NBU's investments are required to be deposited under the terms of a depository contract. The depository bank deposits for safekeeping and trust with NBU's agent bank approved pledged securities in an amount sufficient to protect NBU funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

NBU's cash and investments as of July 31, 2019 are shown below:

Deposit/Investment Type		Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P
U.S. Agency Securities	$	25,393,298	568*	33.11%	AA+
U.S. Treasuries		1,496,426	122	1.95%	
Certificates of deposit		4,500,000	368	5.87%	
Demand deposit and money market		8,713,123	1	11.36%	
Pooled funds		36,612,539	1	47.73%	AAAm
Total Cash and Investments	$	76,715,386	200	100.02%	

Classification		
Cash and cash equivalents, unrestricted	$	15,906,409
Cash and cash equivalents, restricted		29,419,254
Investments, short-term unrestricted		20,895,722
Investments, short-term restricted		1,997,066
Investments, long-term restricted		1,496,931
Investments, long-term unrestricted		7,000,004
	$	76,715,386

* Includes a $5 million investment in the Community Assistance Fund having a remaining maturity of 6.5 years.

NBU's cash and investments as of July 31, 2018 are shown below:

Deposit/Investment Type		Fair Value	Weighted Average Maturity in Days	Percent of Portfolio	Rating S & P
U.S. Agency Securities	$	39,192,589	604*	38.72%	AA+
U.S. Treasuries		9,975,780	92	9.85%	
State & local bonds		497,760	288	0.49%	AAA
Certificates of deposit		9,350,000	239	9.24%	
Demand deposit and money market		10,613,365	1	10.48%	
Pooled funds		31,604,605	1	31.22%	AAAm
Total Cash and Investments	$	101,234,099	259	100.00%	

Classification		
Cash and cash equivalents, unrestricted	$	18,356,133
Cash and cash equivalents, restricted		23,861,836
Investments, short-term unrestricted		10,123,150
Investments, short-term restricted		30,821,160
Investments, long-term restricted		3,463,458
Investments, long-term unrestricted		14,608,362
	$	101,234,099

* Includes a $5 million investment in the Community Assistance Fund having a remaining maturity of 7.5 years.

Fair Value of Investments

Fair value is defined in GASB Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. Adjustments necessary to record NBU's investments at fair value are recorded in the Statement of Revenues, Expenses, and Changes in Net Position as increases or decreases in the fair value of investments. Fair values may have changed significantly after year end.

As a basis for considering market participant assumptions in fair value measurements, GASB Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1: Quoted prices for identical investments in active markets. Equity securities and U.S. Government Treasury securities are examples of Level 1 inputs.

Level 2: Observable inputs other than quoted market prices. Government agency and mortgage-backed securities are examples of Level 2 inputs.

Level 3: Unobservable inputs that reflect assumptions about factors that market participants would use in pricing the asset or liability (including assumptions about risk).

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observables and minimize the use of unobservable inputs. NBU's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their place within the fair value hierarchy levels.

The valuation method used by NBU for recurring fair value measurements as of July 31, 2019 and 2018 is the matrix pricing technique, which uses interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and also considers the counterparty credit rating. There have been no changes in the methodologies used at July 31, 2019.

NBU's TexPool investments are reported at amortized cost.

At July 31, 2019, NBU had the following recurring fair value measurements:

		Fair Value Measurements Using		
	7/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency Securities	$ 25,393,298		$ 25,393,298	
U.S. Treasuries	1,496,426		1,496,426	
Total investments measured at fair value	$ 26,889,724			

At July 31, 2018, NBU had the following recurring fair value measurements:

	7/31/2018	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency Securities	$ 39,192,589		$ 39,192,589	
U.S. Treasuries	9,975,780		9,975,780	
Municipal bonds	497,760		497,760	
Total investments measured at fair value	$ 49,666,129			

A. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether NBU was exposed to the following specific investment risks at fiscal year-end 2019 and 2018, and if so, the reporting of certain related disclosures:

1. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. State law and NBU's policy place no limit on the amount NBU may invest in any one issuer. At fiscal year-end 2019 and 2018, NBU's portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2019	Percentage of Portfolio 2018
Federal Farm Credit Bank	U.S. Agency Securities	43%	17%
Federal Home Loan Bank	U.S. Agency Securities	29%	13%
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	19%	37%
Federal National Mortgage Association	U.S. Agency Securities	4%	12%

2. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of NBU, an investment pool must be continuously rated no lower than AAA or AAAm or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. NBU's policy is to comply with state law. All of NBU's investments meet the State's requirements.

3. Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of the failure of a depository institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in NBU's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, NBU will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. NBU's Investment Policy requires that securities be registered in the name of NBU. All safekeeping receipts for investment instruments are held in accounts in NBU's name, and all securities are registered in the name of NBU.

Therefore, at July 31, 2019 and 2018, $0 of NBU's deposits and investments were exposed to custodial credit risk.

4. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NBU manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, NBU manages its interest rate risk by limiting the weighted average maturity and weighted average maturity to first call date of its investment portfolio to a maximum of 450 days and 300 days, respectively. The maximum allowable stated maturity of any one individual investment owned by NBU shall not exceed five years from the time of purchase (with the exception of ten year maturity solely for investments made pursuant to NBU's Community Assistance Fund). The Board may specifically authorize a longer maturity for a given investment, within legal limits.

At fiscal year-end 2019 and 2018, NBU's exposure to interest rate risk is summarized in the above tables, as indicated in the weighted average maturity.

5. Foreign Currency Risk

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At July 31, 2019 and 2018, NBU was not exposed to foreign currency risk.

Note 3. Capital Assets

Capital asset activity for Fiscal Year 2019 was as follows:

	Balance August 1, 2018	Additions	Reclasses and Retirements	Balance July 31, 2019
Capital assets not being depreciated:				
Land-electric	$ 3,650,405	$ 35,059	$ -	$ 3,685,464
Land and water rights-water	16,995,207	1,113,854	-	18,109,061
Land-wastewater	5,148,998	3,158	-	5,152,156
Land-general	843,913	2,871	-	846,784
Construction in progress	66,966,558	89,987,022	(74,519,181)	82,434,399
Total capital assets not being depreciated	$ 93,605,081	$ 91,141,964	$ (74,519,181)	$ 110,227,864
Capital assets being depreciated:				
Buildings and structures-electric	$ 18,757,626	$ -	$ -	$ 18,757,626
Buildings and structures-water	10,075,050	2,418,629	-	12,493,679
Buildings and structures-wastewater	30,752,499	1,222,213	-	31,974,712
Buildings and structures-other	12,834,924	9,140	-	12,844,064
Electric transmission/distribution	201,522,737	16,747,125	(815,907)	217,453,955
Wells & springs	1,197,063	354,063	-	1,551,126
Pumping equipment	12,012,614	10,231,385	-	22,243,999
Water/wastewater treatment equipment	44,818,104	1,426,520	-	46,244,624
Water/wastewater transmission/distribution	242,973,114	38,366,566	(99,134)	281,240,546
Equipment, vehicles, furniture & fixtures	39,344,436	2,588,599	(109,136)	41,823,899
Total capital assets, being depreciated	$ 614,288,167	$ 73,364,240	$ (1,024,177)	$ 686,628,230
Less accumulated depreciation for:				
Buildings and structures-electric	$ 11,741,515	$ 375,317	$ -	$ 12,116,832
Buildings and structures-water	7,149,048	269,426	-	7,418,474
Buildings and structures-wastewater	7,061,819	747,165	-	7,808,984
Buildings and structures-other	5,567,271	311,761	-	5,879,032
Electric transmission/distribution	82,583,861	7,636,833	(585,012)	89,635,682
Wells & springs	477,275	30,542	-	507,817
Pumping equipment	2,901,132	430,691	-	3,331,823
Water/wastewater treatment equipment	7,733,686	1,495,138	-	9,228,824
Water/wastewater transmission/distribution	77,769,399	7,222,404	(57,208)	84,934,595
Equipment, vehicles, furniture & fixtures	27,341,073	2,289,005	(109,136)	29,520,942
Total accumulated depreciation	$ 230,326,079	$ 20,808,282	$ (751,356)	$ 250,383,005
Total capital assets, net	$ 477,567,169	$ 143,697,922	$ (74,792,002)	$ 546,473,089

Capital asset activity for Fiscal Year 2018 was as follows:

	Balance August 1, 2017	Additions	Reclasses and Retirements	Balance July 31, 2018
Capital assets not being depreciated:				
Land-electric	$ 3,353,470	$ 296,935	$ -	$ 3,650,405
Land and water rights-water	16,995,207	-	-	16,995,207
Land-wastewater	5,148,998	-	-	5,148,998
Land-general	843,913	-	-	843,913
Construction in progress	29,100,251	78,092,681	(40,226,374)	66,966,558
Total capital assets not being depreciated	$ 55,441,839	$ 78,389,616	$ (40,226,374)	$ 93,605,081
Capital assets being depreciated:				
Buildings and structures-electric	$ 18,733,322	$ 24,304	$ -	$ 18,757,626
Buildings and structures-water	10,050,658	24,392	-	10,075,050
Buildings and structures-wastewater	29,598,837	1,153,662	-	30,752,499
Buildings and structures-other	12,532,751	302,173	-	12,834,924
Electric transmission/distribution	184,841,602	18,118,095	(1,436,960)	201,522,737
Wells & springs	613,820	583,243	-	1,197,063
Pumping equipment	11,762,115	250,499	-	12,012,614
Water/wastewater treatment equipment	43,212,236	1,605,868	-	44,818,104
Water/wastewater transmission/distribution	236,291,155	15,446,331	(8,764,372)	242,973,114
Equipment, vehicles, furniture & fixtures	36,923,561	2,420,875	-	39,344,436
Total capital assets, being depreciated	$ 584,560,057	$ 39,929,442	$ (10,201,332)	$ 614,288,167
Less accumulated depreciation for:				
Buildings and structures-electric	$ 11,362,283	$ 379,232	$ -	$ 11,741,515
Buildings and structures-water	6,887,072	261,976	-	7,149,048
Buildings and structures-wastewater	6,343,323	718,496	-	7,061,819
Buildings and structures-other	5,252,506	314,765	-	5,567,271
Electric transmission/distribution	76,533,052	6,879,437	(828,628)	82,583,861
Wells & springs	466,378	10,897	-	477,275
Pumping equipment	2,503,662	397,470	-	2,901,132
Water/wastewater treatment equipment	6,312,702	1,420,984	-	7,733,686
Water/wastewater transmission/distribution	75,935,722	7,078,655	(5,244,978)	77,769,399
Equipment, vehicles, furniture & fixtures	25,265,653	2,075,420	-	27,341,073
Total accumulated depreciation	$ 216,862,353	$ 19,537,332	$ (6,073,606)	$ 230,326,079
Total capital assets, net	$ 423,139,543	$ 98,781,726	$ (44,354,100)	$ 477,567,169

Depreciation expense for Fiscal Years 2019 and 2018 was charged as follows:

	2019	2018
Electric	$ 9,080,023	$ 8,244,960
Water	4,970,642	4,827,300
Wastewater	6,749,183	6,429,952
Total depreciation expense	$ 20,799,848	$ 19,502,212

Note 4. Long-Term Debt

Changes in long-term debt for Fiscal Year 2019 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2018	Additions	Retirements	Amount Outstanding July 31, 2019	Amount due Within One Year
2004 Utility System Revenue Bonds-Capital Appreciation	$ 2,572,596	3.10% - 5.16%*	$ 1,496,538	$ -	$ (85,386)	$ 1,411,152	$ 169,826
2012 Utility System Revenue and Refunding Bonds	$ 23,940,000	2.0% - 4.0%	20,420,000	-	(730,000)	19,690,000	725,000
2015 Utility System Revenue Bonds	$ 26,870,000	2.0% - 4.0%	26,365,000	-	(195,000)	26,170,000	225,000
2016 Utility System Revenue and Refunding Bonds	$ 62,235,000	2.0% - 5.0%	60,685,000	-	(1,010,000)	59,675,000	760,000
2018 Utility System Revenue Bonds	$ 45,200,000	2.0% - 5.0%	45,200,000	-	(2,805,000)	42,395,000	1,515,000
Subtotal			$ 154,166,538	$ -	$ (4,825,386)	$ 149,341,152	$ 3,394,826
Accretion of interest on Capital Appreciation Bonds			1,569,292	155,502	(89,614)	1,635,180	200,174
			$ 155,735,830	$ 155,502	$ (4,915,000)	$ 150,976,332	$ 3,595,000
Less current portion						(3,595,000)	
Unamortized net premiums						4,991,334	
Net long-term debt						$ 152,372,666	

*Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

Changes in long-term debt for Fiscal Year 2018 are as follows:

	Original Amount	Rate	Amount Outstanding July 31, 2017	Additions	Retirements	Amount Outstanding July 31, 2018	Amount due Within One Year
2004 Utility System Revenue Bonds-Capital Appreciation	$ 2,572,596	3.10% - 5.16%*	$ 1,587,274	$ -	$ (90,736)	$ 1,496,538	$ 85,386
2012 Utility System Revenue and Refunding Bonds	$ 23,940,000	2.0% - 4.0%	21,145,000	-	(725,000)	20,420,000	730,000
2015 Utility System Revenue Bonds	$ 26,870,000	2.0% - 4.0%	26,560,000	-	(195,000)	26,365,000	195,000
2016 Utility System Revenue and Refunding Bonds	$ 62,235,000	2.0% - 5.0%	61,910,000	-	(1,225,000)	60,685,000	1,010,000
2018 Utility System Revenue Bonds	$ 45,200,000	2.0% - 5.0%	-	45,200,000	-	45,200,000	2,805,000
Subtotal			$ 111,202,274	$ 45,200,000	$ (2,235,736)	$ 154,166,538	$ 4,825,386
Accretion of interest on Capital Appreciation Bonds			1,497,758	155,798	(84,264)	1,569,292	89,614
			$ 112,700,032	$ 45,355,798	$ (2,320,000)	$ 155,735,830	$ 4,915,000
Less current portion						(4,915,000)	
Unamortized net premiums						5,662,085	
Net long-term debt						$ 156,482,915	

*Capital Appreciation Bonds do not pay periodic interest. Rates are stated in the yields to maturity.

The annual debt service requirements to maturity for all outstanding bonded debt are as follows:

Year Ending July 31	Principal	Interest	Total
2020	$ 3,595,000	$ 5,816,769	$ 9,411,769
2021	3,852,609	5,704,819	9,557,428
2022	3,886,050	5,582,819	9,468,869
2023	3,037,254	5,451,569	8,488,823
2024	3,839,386	5,344,319	9,183,705
2025-2029	20,636,033	24,512,644	45,148,677
2030-2034	24,170,000	20,323,531	44,493,531
2035-2039	28,190,000	15,634,156	43,824,156
2040-2044	34,010,000	9,505,881	43,515,881
2045-2049	25,760,000	2,762,700	28,522,700
Total	$ 150,976,332	$ 100,639,207	$ 251,615,539

All utility revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are refunded, retired or defeased. Principal and interest paid for Fiscal Year 2019 and Fiscal Year 2018 were $10,866,119 and $6,874,713, respectively. Total net revenues as defined for the same periods were $40,084,496 and $41,685,038. Annual principal and interest payments are expected to require 22% of net revenues on average.

Utility System Revenue Bonds, Series 2018. On March 22, 2018, bonds in the amount of $45,200,000 were issued at an average interest rate of 4.03% for a new money requirement to fund upcoming capital projects to improve and extend the utility system. The bond ordinance contains a provision that in an event of default the holder of any of the bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the ordinance.

Commercial Paper. NBU maintains a commercial paper program to provide tax-exempt financing for capital expenditures. On March 25, 2019, the New Braunfels City Council adopted an ordinance authorizing the issuance of up to $75,000,000 in tax-exempt commercial paper notes. The current ordinance allows for the issuance of two separate series of commercial paper notes to provide funding to assist in the interim financing of eligible capital improvement projects. In the aggregate, the Series 2019A and Series 2019B commercial paper notes provide $75,000,000 in interim financing. As of July 31, 2019, NBU had $54,750,000 in unused lines of credit.

The revolving credit agreement contains (1) a provision that in an event of default, the bank may declare the principal of and interest on the notes, loan note and any and all other obligations to the bank thereunder to be due and payable and (2) a provision that in an event of default, the commitment may be immediately terminated, and the bank shall have no obligation to purchase the notes. The revolving credit agreement also contains a subjective acceleration clause that includes the right to declare the loan note and amounts due under the revolving credit agreement due as a result of certain events of default.

<u>Fiscal Year 2019</u>

Issuances: NBU issued a total of $20,250,000 in commercial paper notes during the year ended July 31, 2019 to fund capital improvement projects.

Reductions: NBU did not recognize reductions related to the commercial paper program during the year ended July 31, 2019.

At July 31, 2019, $20,250,000 in commercial paper notes were outstanding, with $20,000,000 outstanding under the Series 2019A and $250,000 outstanding under the Series 2019B notes. The interest rate on the Series 2019A notes outstanding at July 31, 2019 was 1.50% and maturities ranged from 70 to 126 days. The interest rate on the Series 2019B notes outstanding at July 31, 2019 was 3.14% with a maturity of 92 days. All outstanding notes had an average rate of 2.05% and averaged 96 days to maturity.

Note 5. Intergovernmental Expense

NBU is a semiautonomous entity with a Board of Trustees that is responsible for its operations. The Board is appointed by the City Council.

The Board may authorize NBU to transfer annual payments to the General Fund of the City payable in monthly installments. For Fiscal Year 2016 and prior, the Board elected to transfer an amount equal to sixteen percent (16%) of gross margin on service revenue. On April 28, 2016, the Board elected to utilize a new methodology beginning in Fiscal Year 2017. The calculation is based on a rolling three-year average of electric, water, and sewer operating revenues. The formula percentage is 7.45% for electric, 4.35% for water, and 4.35% for wastewater. The amount is limited to income before extraordinary items less bond principal and any future bond reserve or contingency requirements. These monies can be transferred only if such funds are available after meeting the needs of properly operating and maintaining the system and fulfilling all bonded debt requirements (see Note 4).

Note 6. Retirement System

Defined Benefit Pension Plan

A. Plan Description

NBU participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code ("TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available CAFR that can be obtained online at *www.tmrs.com*. All eligible employees of NBU are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the Board, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and NBU-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefits as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	120
Inactive employees entitled to, but not yet receiving benefits	82
Active Employees	292
Total Covered Employees	494

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	113
Inactive employees entitled to, but not yet receiving benefits	77
Active Employees	272
Total Covered Employees	462

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of NBU were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for NBU were 17.58% and 17.93% in calendar years 2019 and 2018, respectively. NBU's contributions to TMRS for the years ended July 31, 2019 and 2018 were $3,343,251 and $2,700,150, respectively, and were equal to the required contributions.

D. Net Pension Liability

NBU's Net Pension Liability (NPL) was measured as of December 31, 2018 and 2017, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The TPL in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

Assumption	December 31, 2018	December 31, 2017
Inflation	2.5% per year	2.5% per year
Overall payroll growth	3.0% per year	3.0% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future Mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables are used with slight adjustments.

Actuarial assumptions used in the December 31, 2018 and 2017 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assured that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability December 31, 2018 Actuarial Valuation	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at December 31, 2017	$ 84,555,787	$ 72,404,449	$ 12,151,338
Changes for the year:			-
Service Cost	3,034,811	-	3,034,811
Interest	5,697,720	-	5,697,720
Change of benefit terms	-	-	-
Difference between expected and actual experience	638,332	-	638,332
Changes of assumptions	-	-	-
Contributions - employer	-	3,194,908	(3,194,908)
Contributions - employee	-	1,259,258	(1,259,258)
Net investment income	-	(2,169,446)	2,169,446
Benefit payments, including refunds of employee contributions	(3,325,058)	(3,325,058)	-
Administrative expense	-	(41,917)	41,917
Other changes	-	(2,190)	2,190
Net changes	$ 6,045,805	$ (1,084,445)	$ 7,130,250
Balance at December 31, 2018	$ 90,601,592	$ 71,320,004	$ 19,281,588

Changes in Net Pension Liability December 31, 2017 Actuarial Valuation	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balance at December 31, 2016	$ 72,844,856	$ 63,696,310	$ 9,148,546
Changes for the year:			-
Service Cost	2,328,445	-	2,328,445
Interest	5,349,632	-	5,349,632
Change of benefit terms	6,881,135	-	6,881,135
Difference between expected and actual experience	424,537	-	424,537
Changes of assumptions	-	-	-
Contributions - employer	-	2,046,699	(2,046,699)
Contributions - employee	-	1,151,967	(1,151,967)
Net investment income	-	8,830,361	(8,830,361)
Benefit payments, including refunds of employee contributions	(3,272,818)	(3,272,818)	-
Administrative expense	-	(45,751)	45,751
Other changes	-	(2,319)	2,319
Net changes	$ 11,710,931	$ 8,708,139	$ 3,002,792
Balance at December 31, 2017	$ 84,555,787	$ 72,404,449	$ 12,151,338

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following presents the Net Pension Liability of NBU, calculated using the discount rate that was included in the actuarial valuation, as well as what NBU's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

December 31, 2018 Actuarial Valuation Date:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
NBU's Net Pension Liability	$ 32,407,988	$ 19,281,588	$ 8,530,433

December 31, 2017 Actuarial Valuation Date:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
NBU's Net Pension Liability	$ 24,347,642	$ 12,151,338	$ 2,149,986

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained online at *www.tmrs.com*.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended July 31, 2019 and 2018, NBU recognized pension expense of $5,487,582 and $3,610,586, respectively.

At July 31, 2019, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	-	$ 192,057
Differences between expected and actual economic experience - Outflows	$ 808,954	-
Changes in actuarial assumptions	$ 75,099	-
Difference between projected and actual investment earnings	$ 3,737,355	-
Contributions subsequent to the measurement date (December 31, 2018)	$ 1,942,253	-
Total	$ 6,563,661	$ 192,057

At July 31, 2018, NBU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience - Inflows	-	$ 405,540
Differences between expected and actual economic experience - Outflows	$ 352,703	-
Changes in actuarial assumptions	$ 128,362	-
Difference between projected and actual investment earnings	-	$ 1,859,978
Contributions subsequent to the measurement date (December 31, 2017)	$ 1,793,914	-
Total	$ 2,274,979	$ 2,265,518

NBU contributions of $1,942,253 made subsequent to the measurement date of December 31, 2018, as shown in the table above, are included as part of pension deferred outflows in the Statement of Net Position. These contributions will be recognized as a reduction of the net pension liability for the year ending July 31, 2020. The remaining net amount of $4,429,351 is comprised of the difference between (i) the deferred outflows of resources of $4,621,408 consisting of the difference between expected and actual economic experience and (ii) deferred inflows of $192,057 resulting from differences between projected and actual investment earnings. This amount will be recognized in pension expense as follows:

Year ended July 31:	
2019	$1,404,910
2020	667,866
2021	682,513
2022	1,586,965
2023	87,097
Total	$4,429,351

Supplemental Death Benefits Fund

NBU also participates in the cost sharing multi-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). NBU elected, by ordinance, to provide group life insurance coverage to both current and retired employees. NBU may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits - The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit," or OPEB.

Contributions - NBU contributes to the SDBF at a contractually required contribution rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

NBU's contributions for 2019, 2018, and 2017 were $31,250, $30,288, and $28,080, respectively, and equaled the required contributions for those years.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was deemed not material and has no impact of NBU's financial reporting.

Note 7. Regulatory Deferral

NBU has taken regulatory action that results in a difference between the recognition of expense for rate-making purposes and the treatment under generally accepted accounting principles for non-regulated entities (see Note 1). As the rate-setting body, City Council must approve the use of each regulatory action.

Pension Expense

NBU established a regulatory asset for costs incurred in changing the pension plan employer match from 1.5 to 2.0. The one-time charge for the plan change was $6,881,135. The regulatory asset is amortized through July 31, 2022. As of July 31, 2019 and 2018, the regulatory asset balance was $4,128,681 and $5,504,908, respectively. The current year amortization totaled $1,376,227.

Mid-Basin Project

NBU established a regulatory asset for expenses associated with the Guadalupe-Blanco River Authority (GBRA) Mid-Basin Project. As of July 31, 2019, the regulatory asset balance was $326,667. NBU will begin amortization of the regulatory asset over a 10-year period when the project is complete and water is available for delivery. The project is estimated to be complete in fiscal year 2023.

Note 8. Compensated Absences

NBU employees can earn up to 20 working days of vacation per calendar year depending on years of service. Unused vacation may be carried over from one year to the next limited to the amount earned and unused in the present year. Vacation time may not be converted except upon cessation of employment in good standing.

NBU employees earn 3.69 hours of sick leave for each pay period. Employees may accumulate unused hours of sick leave at a rate of 96 hours per year up to a maximum of 480 hours for use in future years. Each year in January, qualifying employees will be compensated at their base rate of pay for accrued and unused hours of sick pay in excess of 480 hours up to a maximum of 96 hours. An employee who leaves in good standing may be eligible to be compensated for all accrued and unused sick leave. In order to be eligible for compensation of sick leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.

NBU employees, after successfully completing their orientation period, will be credited with 24 hours of personal leave. Full time employees will be credited with 24 hours of personal leave on their employment anniversary date. In order to be eligible for compensation of personal leave upon cessation of employment, an employee must leave in good standing and be eligible for retirement under the presently adopted rules of TMRS.

The total accrued liability for compensated absences as of July 31, 2019 is as follows:

	Balance at August 1, 2018	Earned in Fiscal Year 2019	Utilized in Fiscal Year 2019	Balance at July 31, 2019	Due within One Year
Vacation Leave	$ 680,317	$ 512,704	$ 404,657	$ 788,364	$ 788,364
Sick Leave	577,364	216,033	200,573	592,824	-
Personal Leave	17,805	93,007	98,020	12,792	12,792
Worker's Compensation	243,554	210,077	151,604	323,624	323,624
Total	$ 1,519,040	$ 1,031,821	$ 854,854	$ 1,717,604	$ 1,124,780

The total accrued liability for compensated absences as of July 31, 2018 is as follows:

	Balance at August 1, 2017	Earned in Fiscal Year 2018	Utilized in Fiscal Year 2018	Balance at July 31, 2018	Due within One Year
Vacation Leave	$ 664,019	$ 399,306	$ 383,008	$ 680,317	$ 680,317
Sick Leave	660,757	106,543	189,936	577,364	-
Personal Leave	16,879	79,093	78,167	17,805	17,805
Worker's Compensation	178,150	210,077	144,673	243,554	243,554
Total	$ 1,519,805	$ 795,019	$ 795,784	$ 1,519,040	$ 941,676

Note 9. Operating Lease

NBU has an operating lease with the Lower Colorado River Authority (LCRA) to lease certain transmission assets to LCRA. Payments for the lease facilities are based on the original cost of the facilities, adjusted for depreciation, and are updated annually to reflect additions, retirements, and depreciation. The terms of the leases are perpetual, but may be terminated by either party upon five years written notice. On March 30, 2017, LCRA and NBU executed a Memorandum of Agreement (MOA) to terminate the lease effective on March 31, 2022. The MOA outlines a lease payment freeze that reverts the lease payments to the lease asset value as of NBU's Transmission Cost of Service (TCOS) rate case dated July 7, 2014. The compensable lease asset value at that time was $10,992,460, which equates to lease revenue of $855,667 per year. Lease revenues were $855,667 and $855,667 in Fiscal Year 2019 and Fiscal Year 2018, respectively. The receipts for Fiscal Year 2020 are expected to be $855,667.

Note 10. Risk Management

NBU is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. NBU participates in a risk pool with other municipal entities to cover such risks of loss. There has not been a significant reduction in insurance coverage during Fiscal Year 2019 and 2018 in any risk category.

As of January 1, 2015, NBU pays medical health care benefits claim costs up to the first $70,000 ("stop loss limit") per covered individual for the plan year.

NBU reported a claims liability of $25,089 and $72,024 at July 31, 2019 and 2018, respectively, based on the requirements of GASB Statement No. 10. The claims liability is included in Accounts payable and other current liabilities on the Statement of Net Position.

The following is the claims liability schedule for the respective fiscal years:

	Beginning Balance	Claims Incurred	Payments On Claims	Ending Balance
2017	$ 6,268	$ 1,430,030	$ 1,398,338	$ 37,960
2018	$ 37,960	$ 1,781,887	$ 1,747,823	$ 72,024
2019	$ 72,024	$ 2,755,384	$ 2,802,319	$ 25,089

Note 11. Commitments and Contingencies

Purchased Power Contracts

In 2014, NBU executed a power purchase agreement (PPA) with Javelina Wind Energy, LLC (Javelina), an indirect subsidiary of NextEra Energy, Inc., for Javelina to provide 50 MW of electricity for 20 years from the commercial commencement of the project, which began in December 2015. The source of this electricity is from a nameplate capacity 250 MW wind energy farm located approximately 35 miles east of Laredo, Texas in Webb County. This agreement represents approximately 13% of NBU's purchase power portfolio. Power purchased through the Javelina PPA totaled $5,501,388 and $5,610,752 for Fiscal Year 2019 and 2018, respectively.

In Fiscal Year 2019, NBU executed two additional PPAs with ENGIE Long Draw Solar, LLC (Long Draw) and Concho Bluff, LLC (Greasewood) to provide 100 MW of electricity and 50 MW of electricity for 15 years from the commercial commencement of the projects respectively. Commercial commencement of projects is targeted to begin in June 2020 for Long Draw and December 2020 for Greasewood. Long Draw's energy will be sourced from a nameplate capacity of 225 MW solar energy farm located in Borden County, Texas. Greasewood's energy will be sourced from a nameplate capacity of 255 MW solar energy farm located in Pecos County, Texas. Combined, these projects will represent approximately 26% of NBU's purchase power portfolio by 2021.

NBU has executed power contracts with multiple counterparties over various terms, generally one to three years, excluding the Javelina wind, Long Draw solar, and Greasewood solar power contract described above. NBU is continually reviewing the feasibility of additional credit quality counterparties and is in the process of increasing the number of master enabling agreements with such counterparties in order to take advantage of market and pricing opportunities as they arise and to bolster its diversification of power supply sources.

To minimize power portfolio risk, the NBU Board has approved a Credit Risk Policy and an Energy Risk Policy to provide appropriate guidelines in managing NBU's power portfolio.

As of July 31, 2019, NBU has executed forward physical power contracts intended to hedge price volatility in its power supply portfolio through 2022. All non PPA power contracts are intended to cover native load requirements and are considered normal purchases and sales which don't require recognition at fair value under GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. Additional portfolio hedges are added over time as near-term hedges expire.

As of July 31, 2019, NBU's forward physical contracts through 2022 reflected an underlying fair value (unfavorable) that was within 10% of total expected power costs through 2022.

NBU's estimated payments for purchased power for 2020 through 2022, undiscounted, are as follows:

Years Ending July 31	**Estimated Payments**
2020	$ 31,565,282
2021	9,615,951
2022	682,728

<u>Guadalupe-Basin River Authority Mid-Basin</u>

On February 6, 2018, NBU executed a contract with the Guadalupe-Blanco River Authority (GBRA) for the Gonzales Carrizo Water Supply Project. GBRA has leased the right to produce groundwater from 42,000 acres located in Gonzales and Caldwell counties, Texas, which NBU has contracted to purchase 8,000 acre-feet per year. For NBU to obtain the water, GBRA will contract with Alliance Regional Water Authority to jointly construct groundwater treatment and transportation facilities. Construction is expected to be completed in 2023. NBU will be responsible for paying its proportionate share of the water lease payments, debt payments, and operating expenses. During Fiscal Year 2019, the water lease payments were the only portion of the project that was incurred. Details of the regulatory asset are included in Note 7.

<u>Open Contracts</u>

NBU has open contracts that total approximately $83,096,728 for various capital projects. As of July 31, 2019, approximately $35,300,260 has been expended.

Note 12. Subsequent Events

NBU evaluated subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements.

Water and Wastewater Rate Change

On October 28, 2019, New Braunfels City Council approved the Board's recommendation for a water rate increase that aggregates to 22 percent and a wastewater increase that aggregates to 16 percent. The rate increase was effective November 1, 2019.

Required Supplemental Information

NEW BRAUNFELS UTILITIES
Defined Benefit Pension Plan - Required Supplementary Information
Unaudited

Schedule of Changes in the Net Pension Liability and Related Ratios

As of December 31, Plan Measurement Date	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	$ 3,034,811	$ 2,328,445	$ 2,063,217	$ 1,852,821	$ 1,525,007
Interest on the Total Pension Liability	5,697,720	5,349,632	4,623,082	4,534,158	4,334,207
Changes of Benefit Terms	-	6,881,135	-	-	-
Differences Between Expected and Actual Experience of the Total Pension Liability	638,332	424,537	(33,315)	(452,450)	(678,647)
Changes of Assumptions	-	-	-	288,151	-
Benefit Payments, including Refunds of Employee Contributions	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)	(2,286,395)
Net Change in Total Pension Liability	$ 6,045,805	$ 11,710,931	$ 4,119,726	$ 3,533,026	$ 2,894,172
Total Pension Liability - Beginning	84,555,787	72,844,856	68,725,130	65,192,104	62,297,932
Total Pension Liability - Ending (A)	$ 90,601,592	$ 84,555,787	$ 72,844,856	$ 68,725,130	$ 65,192,104
Plan Fiduciary Net Position					
Contributions - Employer	$ 3,194,908	$ 2,046,699	$ 1,811,489	$ 1,827,177	$ 1,827,595
Contributions - Employees	1,259,258	1,151,967	1,018,513	944,629	869,696
Net Investment Income	(2,169,446)	8,830,361	4,017,620	87,534	3,189,875
Benefit Payments, including Refunds of Employee Contributions	(3,325,058)	(3,272,818)	(2,533,258)	(2,689,654)	(2,286,395)
Administrative Expense	(41,917)	(45,751)	(45,360)	(53,311)	(33,298)
Other (Net Transfer)	(2,190)	(2,319)	(2,444)	(2,634)	(2,738)
Net Change in Plan Fiduciary Net Position	$ (1,084,445)	$ 8,708,139	$ 4,266,560	$ 113,741	$ 3,564,735
Plan Fiduciary Net Position - Beginning	72,404,449	63,696,310	59,429,750	59,316,009	55,751,274
Plan Fiduciary Net Position - Ending (B)	$ 71,320,004	$ 72,404,449	$ 63,696,310	$ 59,429,750	$ 59,316,009
Net Pension Liability - Ending (A) - (B)	$ 19,281,588	$ 12,151,338	$ 9,148,546	$ 9,295,380	$ 5,876,095
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.72%	85.63%	87.44%	86.47%	90.99%
Covered Valuation Payroll	$ 17,989,394	$ 16,443,818	$ 14,550,190	$ 13,494,694	$ 12,424,223
Net Pension Liability as a Percentage of Covered Valuation Payroll	107.18%	73.90%	62.88%	68.88%	47.30%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of December 31, the measurement date of the Utilities' net pension liability.

Schedule of Employer Contributions
For the Years Ended July 31, 2019, 2018, 2017, 2016, and 2015

Fiscal Year End July 31,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Valuation Payroll	Actual Contribution as a Percentage of Covered Valuation Payroll
2015	$ 1,844,552	$ 1,844,552	$ -	$ 13,177,409	14.71%
2016	$ 1,842,516	$ 1,842,516	$ -	$ 14,270,549	12.91%
2017	$ 1,941,283	$ 1,941,283	$ -	$ 15,599,975	12.44%
2018	$ 2,700,430	$ 2,700,430	$ -	$ 17,387,972	15.53%
2019	$ 3,343,248	$ 3,343,248	$ -	$ 19,038,042	17.56%

Notes to Schedule:
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available. Additionally, GASB Statement No. 68 requires that the information on this schedule correspond with the period covered as of July 31, the fiscal year end of the Utilities.

Summary of Actuarial Methods and Assumptions Used in the Calculation of the 2018 Contribution Rate

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later

Methods and Assumptions Used to Determine 2018 Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	27 years
Asset Valuation Method:	10-Year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary Increases:	3.50% to 10.5%, including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the participant's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes:	There were no benefit changes during the year.

APPENDIX D

Form of Opinion of Bond Counsel

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[Closing Date]

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IN REGARD to the authorization and issuance of the "City of New Braunfels, Texas, Utility System Revenue Refunding Bonds, Series 2020," dated May 1, 2020, in the principal amount of $88,100,000 (the "Bonds"), we have examined into their issuance by the City of New Braunfels, Texas (the "City"), solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the City's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Bonds mature on July 1 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds (the "Ordinance" and, jointly with the Pricing Certificate, the "Bond Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Bond Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Bond Ordinance, an Escrow Agreement (the "Escrow Agreement") between the City and Zions Bancorporation, National Association, Amegy Bank Division (the "Escrow Agent") and an examination of the initial Bond executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the City and, when issued in compliance with the provisions of the Bond Ordinance, are valid, legally binding and enforceable obligations of the City and, together with the outstanding and unpaid "Previously Issued Bonds (identified and defined in the Ordinance), are payable solely from and equally and ratably secured by a first lien

on and pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Waterworks, Sanitary Sewer and Electric Light and Power Systems, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and is a binding and enforceable agreement in accordance with its terms and the outstanding bonds (the "Refunded Bonds") and commercial paper notes (the "Refunded CP Notes") refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a fund with the Escrow Agent pursuant to the Escrow Agreement with respect to the Refunded Bonds and by the paying agents for the outstanding Refunded CP Notes (jointly, the "CP Paying Agent") with respect to the Refunded CP Notes and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon a certificate of the paying agent for the Refunded Bonds as to the sufficiency of cash deposited with the Escrow Agent pursuant to the Escrow Agreement with respect to the Refunded Bonds and a certificate of the financial advisor to the City as to the sufficiency of cash deposited with the CP Paying Agent for Refunded CP Notes, for the purposes of paying the outstanding Refunded Bond and Refunded CP Notes refunded and to be retired with the proceeds of the Bonds and the interest thereon.

3. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective.

Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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APPENDIX E

Excerpts of Certain Provisions of the Bond Ordinance

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APPENDIX E

CITY OF NEW BRAUNFELS, TEXAS, UTILITY SYSTEM
REVENUE REFUNDING BONDS
SERIES 2020

The following are selected provisions of the Ordinance. These excerpts should be qualified by reference to the exact terms of the Ordinance. Unless otherwise indicated, any references to sections listed below are to sections contained in the Ordinance and section headings contained in the following excerpts are to sections contained in the Ordinance.

SECTION 10: Definitions. For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

(a) The term “Additional Bonds” shall mean the additional parity revenue obligations the City reserves the right to issue in accordance with the terms and conditions prescribed in Section 22 hereof.

(b) The term “Board of Trustees” shall mean the “Board of Trustees of the New Braunfels Utilities” which, pursuant to Texas Government Code, Section 1502.070, et seq., the Charter of the City of New Braunfels, the ordinances authorizing the issuance of the Previously Issued Bonds and this Ordinance, is responsible for the complete management and control of the System.

(c) The term “Bonds” shall mean the “City of New Braunfels, Texas, Utility System Revenue Refunding and Improvement Bonds, Series 2020”, dated as provided in the Pricing Certificate and authorized by this Ordinance.

(d) The term “Bonds Similarly Secured” shall mean the Previously Issued Bonds, the Bonds and Additional Bonds.

(e) The term “Commercial Paper Notes” shall mean collectively the “City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019A” and “City of New Braunfels, Texas, Utility System Commercial Paper Notes, Series 2019B” in the aggregate principal amount of not to exceed $75,000,000.

(f) The term “Fiscal Year” shall mean the twelve-month financial accounting period used for the operations of the System now ending on July 31 of each year; provided, however, the City Council, by passage of an ordinance, may change the Fiscal Year to another period of not less than twelve (12) calendar months.

(g) Unless otherwise provided in the Pricing Certificate, the term “Government Obligations” shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(h) The term "Net Revenues" shall mean the gross revenues of the System, less current expenses of operation and maintenance, including all salaries, labor, materials, repairs and extensions necessary to render efficient service, provided, however, that only such repairs and extensions as in the judgment of the Board of Trustees, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of any bonds payable from and secured by a lien on the Net Revenues of the System shall be deducted in determining "Net Revenues". Payments pursuant to contracts for the purchase of power and energy, supply of water and other materials, goods or services for the System to the extent authorized by law and the provisions of such contracts are also included and defined as operating and maintenance expenses of the System.

(i) The term "Outstanding" shall mean when used in this Ordinance with respect to Bonds or Bonds Similarly Secured means, as of the date of determination, all Bonds theretofore issued and delivered, except:

(1) those Bonds or Bonds Similarly Secured cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 30 hereof; and

(3) those Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 32 hereof or similar provisions with respect to Bonds Similarly Secured.

(j) The term "Previously Issued Bonds" shall mean the outstanding and unpaid bonds of the following series:

(1) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2004", dated January 15, 2004, and issued in the original principal amount of $10,337,595.90,

(2) "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2012," dated October 1, 2012, and issued in the original principal amount of $23,940,000,

(3) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2015," dated January 15, 2015, and issued in the original principal amount of $26,870,000,

(4) "City of New Braunfels, Texas, Utility System Revenue and Refunding Bonds, Series 2016," dated March 1, 2016, and issued in the original principal amount of $62,235,000, and

(5) "City of New Braunfels, Texas, Utility System Revenue Bonds, Series 2018," dated April 1, 2018, and issued in the original principal amount of $45,200,000.

(k) The term "System" shall mean the City's Waterworks, Sanitary Sewer and Electric Light and Power Systems, and shall be construed to mean all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City of New Braunfels through purchase, construction or otherwise, and used in connection with said System, and in any wise appertaining thereto, whether situated within or without the limits of said City.

SECTION 11: Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Previously Issued Bonds, the Bonds, and Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues of the System in accordance with the terms and provisions hereof and be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Chapter 1208 of the Texas Government Code.

Texas Government Code, Section 1208, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues of the System granted by the City under this Section 11, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 11 is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 12: Rates and Charges. For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City Council and Board of Trustees agree and covenant, while any of the Bonds are outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected on the basis of available information and experience and with due allowance for contingencies to provide revenues in each Fiscal Year sufficient to pay:

(a) all operating, maintenance, depreciation, replacement, betterment and interest charges and other costs incurred in the maintenance and operation of the System as referenced in Section 10(h) or required by statute to be a first claim on and charge against the revenues of the System, and

(b) the principal of and interest on the Previously Issued Bonds and the Bonds and make all required payments to the special funds created for the payment and security of the Bonds Similarly Secured.

SECTION 13: Special Fund Designations. The City acting through the Board of Trustees covenants and agrees that the following special funds or accounts heretofore created for the payment and security of Bonds Similarly Secured are hereby reaffirmed and shall continue to be maintained while the Bonds are Outstanding, to wit:

(a) Special Utility System Revenue Bond Interest and Sinking Fund, hereinafter called the "Bond Fund", which Fund is and shall continue to be maintained at an official depository bank of the City selected by the Board of Trustees, and moneys deposited in this Fund shall be used to pay principal of and interest on the Bonds Similarly Secured when and as the same becomes due and payable.

(b) Special Utility System Revenue Bond Reserve Fund, hereinafter called "Reserve Fund", which Fund is and shall continue to be maintained at an official depository bank of the City selected by the Board of Trustees, and moneys deposited in this Fund shall be used to pay principal of and/or interest on the Bonds Similarly Secured falling due at any time when moneys in the Bond Fund are insufficient for such purpose and to retire the last of the Bonds Similarly Secured that are outstanding.

SECTION 14: Utility System Fund. The City hereby covenants and agrees that all revenues of every nature derived from the operation and ownership of the System shall be kept separate and apart from other funds of the City, and, in accordance with the ordinances authorizing the issuance of the Previously Issued Bonds, all such revenues of the System, as collected and received by the Board of Trustees, shall be deposited into an account designated the "Utility System Fund" (heretofore created and established and hereinafter called "System Fund"), which account is and shall continue to be kept and maintained at an official depository bank of the City and the Board. All revenues in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of precedence shown:

> FIRST: To the payment of all necessary and reasonable maintenance and operation expenses of the System, as referenced in Section 10(g) hereof or required by statute to be a first charge on and claim against the revenues of the System.
>
> SECOND: To the payment of the amounts required to be deposited in the special Funds created and maintained for the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the Required Reserve (hereinafter defined in Section 16 hereof) in accordance with the provisions of the ordinances authorizing the issuance of Bonds Similarly Secured.
>
> THIRD: To the payment of other obligations or indebtedness payable from and secured by a lien on and pledge of the Net Revenues of the System that is junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used by the Board of Trustees for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058, as amended.

SECTION 15: Bond Fund. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City hereby covenants and agrees, and the Board of Trustees is hereby directed, to deposit into the Bond Fund prior to each principal and interest payment date for the Bonds from the Net Revenues of the System a sum equal to one hundred percent (100%) of the amount required to fully pay the interest on and principal of the Bonds then falling due, such deposits to pay maturing principal and accrued interest on the Bonds to be made in substantially equal monthly amounts on or before the last day of the month beginning the month the Bonds are delivered to the initial purchasers.

The monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to pay all outstanding Bonds Similarly Secured or (ii) the Bonds are no longer Outstanding.

Accrued interest, if any, received from the purchaser of the Bonds shall be deposited in the Bond Fund, and may be taken into consideration and reduce the amount which would otherwise be required to be deposited in the Bond Fund from the Net Revenues of the System.

SECTION 16: Reserve Fund. The City hereby covenants and agrees, and the Board of Trustees is hereby directed, to accumulate, and, when accumulated, to continuously maintain in the Reserve Fund an amount equal to at least the average annual principal and interest requirements of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured outstanding were delivered), which amount is hereby referred to as the "Required Reserve".

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, by reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund shall be as provided in the Pricing Certificate, which amount shall be equal to not less than the Required Reserve. Any amount due to the Reserve Fund by reason of the issuance of the Bonds may be deposited to the Reserve Fund as provided in the Pricing Certificate, including the accumulation of the Required Reserve amount over a period of not to exceed sixty months from the date of the Pricing Certificate.

Subject to the provisions of the preceding paragraph, so long as the money and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve (after giving effect to the accumulation of the Required Reserve as provided in the Pricing Certificate), the City covenants and agrees, and the Board of Trustees is hereby directed, to cure the deficiency in the Required Reserve within twelve months from the date the deficiency in funds occurred with available Net Revenues of the System pledged to the payment of the Bonds, and the City, acting through the Board of Trustees, hereby covenants and agrees that, subject to the required payments to the Bond Fund for Bonds Similarly Secured, the Net Revenues of the System remaining in the System Fund shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amount, as required by the terms of this Ordinance and any other ordinance pertaining to Bonds Similarly Secured.

The City, acting through the Board of Trustees, may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit the same in the System Fund.

To the extent permitted by law, the City expressly reserves the right at any time to satisfy all or any part of the Required Reserve by obtaining for the benefit of the Reserve Fund one or more Reserve Fund Surety Policies (a "Reserve Fund Surety Policy"). In the event the City elects to substitute a Reserve Fund Surety Policy for any funded amounts in the Reserve Fund, it may apply any bond proceeds thereby released, to the greatest extent permitted by law, to any of the purposes for which such funds may lawfully be applied, including the payment of debt service on the Bonds Similarly Secured. A Reserve Fund Surety Policy shall be an insurance policy or other similar guarantee in a principal amount equal to the portion of the Required Reserve to be satisfied which is issued by a financial institution or insurance company or other entity that is rated either for the long term unsecured debt of the issuer of such surety bond or for obligations insured, secured or guaranteed by such issuer have a rating in the highest letter category by one or more major municipal securities rating or evaluation services. The premium for any such policy may be paid from bond proceeds or other funds of the City lawfully available for such purpose. Any reimbursement of amounts drawn against a Reserve Fund Surety Policy shall be limited to the amounts actually paid under such policy, and such right to reimbursement shall never constitute a separate obligation independent of the Bonds.

SECTION 17: Payment of Bonds. While any of the Bonds are Outstanding, the Board of Trustees shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity, such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds. The Paying Agent/Registrar shall cancel or destroy all paid Bonds, and furnish the Board of Trustees with an appropriate certificate of cancellation or destruction.

SECTION 18: Investment of Funds. Moneys in any Fund required to be maintained pursuant to this Ordinance may, at the option of the Board of Trustees, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type authorized by the laws of the State of Texas for the security of public funds insofar as the System Fund is concerned and by obligations of the type hereinafter described insofar as the Bond Fund and Reserve Fund are concerned, or be invested, in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, or Federal Housing Association or such other investments as are permitted by the investment policies of the Board of Trustees; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued in terms of current market value as of a certain date within 60 days of the close of the Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. When the Required Reserve is fully established, all interest and interest income derived from deposits and investments in the Reserve Fund immediately shall be credited and deposited in the System Fund as the same are received, otherwise such interest and interest income shall remain in the Reserve

Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds Similarly Secured.

SECTION 19: Deficiencies in Funds. If in any month the City acting through the Board of Trustees shall, for any reason, fail to pay into the Bond Fund and Reserve Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Net Revenues of the System in the following month or months and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said Funds during such month or months.

SECTION 20: Excess Revenues. Any Net Revenues of the System in excess of those required to fully establish and maintain the special funds created for the payment and security of the Bonds Similarly Secured may be used for the redemption of the Bonds Similarly Secured, or may be appropriated and used by the Board of Trustees for any purpose now or hereafter permitted by law, including a transfer to the City's general fund as permitted by Texas Government Code, Section 1502.058, as amended; provided, such transfer of money to the general fund of the City does not impair the ability of the Board of Trustees to make subsequent deposits to the special Funds created for the payment and security of the Bonds Similarly Secured.

SECTION 21: Security of Funds. All moneys on deposit in the Funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds and as otherwise prescribed herein.

SECTION 22: Issuance of Additional Parity Bonds. The City hereby reserves the right hereafter to issue additional parity obligations (herein called "Additional Bonds") payable from and, together with the Previously Issued Bonds and the Bonds, equally secured by a parity first lien on and pledge of the Net Revenues of the System, and the Previously Issued Bonds, the Bonds and Additional Bonds shall be in all respects of equal dignity. The Additional Bonds may be issued in one or more installments; provided, however, that none shall be issued unless and until the following conditions have been met:

(a) The Chief Executive Officer (or other official having primary responsibility for the fiscal affairs of the System) shall have executed a certificate stating (i) that the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System and (ii) payments into all special funds or accounts created and established solely for the payment and security of any outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been duly made and that the amounts on deposit in such special funds or accounts are the amounts then required to be deposited therein.

(b) The Additional Bonds shall be scheduled to mature or be payable as to principal on July 1 or January 1 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The City has secured from a Certified Public Accountant a certificate or opinion to the effect that, according to the books and records of the City, the Net Earnings of the System for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the Additional Bonds is adopted are at least equal to one and forty hundredths (1.40) times the average annual requirement for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the Additional Bonds then proposed. The term "Net Earnings" as used herein, shall mean all income and revenues derived from the operation and ownership of the System (including income and earnings from the investment of moneys in any special fund created for the payment and security of the Bonds Similarly Secured) less expenses for the maintenance and operation thereof, but not deducting depreciation or other expenditures which, under generally accepted accounting principles, should be charged to capital expenditures.

(d) The ordinance authorizing the issuance of the Additional Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as same mature.

(e) The ordinance authorizing the issuance of the Additional Bonds provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the average annual requirement for the payment of principal of and interest on all Bonds Similarly Secured then to be outstanding after giving effect to the issuance of the proposed Additional Bonds, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Bonds are delivered.

Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such outstanding revenue bonds are refunded the proposed refunding bonds shall be considered as "Additional Bonds" under the provisions of this Section and the Accountant's certificate or opinion required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

SECTION 23: Issuance of Inferior Lien Obligations. The City retains the right to create and issue obligations payable from and secured by a lien on the pledge of the Net Revenues of the System junior and subordinate to the lien and pledge securing the payment of the Bonds Similarly Secured.

SECTION 24: Management and Control of System. Pursuant to authority contained in Texas Government Code, Section 1502.051, et seq, and by the Charter of the City of New Braunfels, Texas, the complete management and control of the System, during such time the Net Revenues of the System may be encumbered pursuant to this Ordinance and the ordinances authorizing the Previously Issued Bonds, shall be in the hands of a Board of Trustees to consist of five freeholders of the City of New Braunfels, one of whom shall be the Mayor of the City, to be known as the "Board of Trustees of the New Braunfels Utilities", in which name said Board of Trustees shall act and transact business, hereinafter referred to as the "Board of Trustees".

All members of the Board of Trustees shall be appointed by the governing body of the City of New Braunfels, Texas, to serve for five (5) year terms of office; provided, vacancies in office for any reason other than the expiration of a trustee's term of office, shall be filled only for the unexpired term of the office vacant. Furthermore, any member of the Board of Trustees whose term of office has expired shall continue to serve as a member of the Board until his successor in office has been appointed or elected. Appointments to the Board of Trustees resulting from the expiration of a member's term of office shall be made by the governing body of the City of New Braunfels at its first regular meeting in October each year in which the term of office to be filled shall expire or as soon as possible thereafter.

The members of the Board of Trustees shall continue to organize their body by the election of one of its members as President and another as Vice President; the Board shall also appoint a Secretary who may or may not be a member of said Board, as said Board may elect. The Board of Trustees may make such resolutions and by-laws for the orderly handling of its affairs and the governing of its own procedure, and shall thereafter manage and operate the Systems with the same freedom and in the same manner ordinarily as enjoyed and followed by the Board of Directors of a private corporation operating properties of a similar nature; provided, however, that nothing in this Section shall be construed to take away from the City Council of the City of New Braunfels the exercise of any duty imposed upon said governing body under the provisions of the other Sections of this Ordinance and/or the Charter of the City of New Braunfels. A majority of the Trustees shall constitute a quorum for the transaction of business at any meeting.

The Board of Trustees shall obtain and keep continually in force an employee's fidelity and indemnity bond of the so-called blanket type, written by a solvent and recognized indemnity company, and covering losses to the amount of not less than $5,000.00 per person. The premiums of such bonds shall be paid from the System's Revenues and shall constitute operating expenses of the System.

The Board of Trustees shall elect and appoint a Chief Executive Officer and an attorney or attorneys. The Chief Executive Officer shall appoint all employees. The members of the Board, other than the Mayor of the City, shall receive an annual compensation of not less than Twelve Hundred Dollars ($1,200.00) and such compensation may be increased from time to time by the City Council as it is deemed advisable, provided the total compensation paid to the members of the Board shall never exceed in any one year five percent (5%) of the gross receipts of the System in such year. The members of the Board of Trustees, either singly or collectively, shall not be personally liable for any act or omission not willfully fraudulent or mala fide. Any member of the Board of Trustees, other than the Mayor of the City, who shall be continuously absent from all meetings of the Board for a period of four consecutive months shall, unless he shall have been granted a leave of absence by the unanimous vote of the remaining members of the Board, be considered to have vacated his office. Any member of the Board of Trustees, other than the Mayor of the City, may be removed only by action of the governing body of the City for adequate cause.

Subject to the provisions and restrictions contained in this Ordinance and the City Charter, all of the provisions and covenants of which shall be binding upon the Board of Trustees in like manner as they would have been binding on the City Council of the City of New Braunfels, had management and control of the System been retained by the City Council, the Board of Trustees shall have complete authority and control of the management and operation of the System; and among the powers that may be exercised by the said Board of Trustees, but not limited thereto, the same are hereby enumerated for greater certainty:

(a) To take, have and exercise exclusive possession and control of the System and all additions thereto, and to collect, and enforce the collection of all funds and revenues that may be or become owing or that may arise out of the operation of the System, and to disburse the same in accordance with the provisions of this Ordinance and Sections 1502.070 and 1502.071, Texas Government Code, as amended;

(b) To maintain, improve, enlarge and extend the Waterworks, Sanitary Sewer and Electric Light and Power Systems;

(c) To fix, alter and amend all rates for all services to be furnished by said System, subject to approval and confirmation of the City Council;

(d) To employ and pay the compensation of a Chief Executive Officer and attorneys, engineers and other professional or technical aides as said Board of Trustees may deem necessary in the proper conduct of the business of the System;

(e) To adopt, alter, amend and enforce all such rules and regulations governing the conduct of the business of the System as said Board of Trustees may deem necessary or proper; and

(f) To do any and all things necessary in reference to the installing and maintaining of a complete system of records and accounts pertaining to the operations of the System and to provide Net Revenues for the payment of the Bonds Similarly Secured and other special obligations of the System in the manner provided by Texas Government Code, Section 1502.057, as amended, and other applicable laws and in accordance with the provisions of any ordinance authorizing the issuance of Bonds Similarly Secured.

SECTION 25: <u>Maintenance and Operation - Insurance</u>. The City hereby covenants and agrees that through the Board of Trustees the System shall be maintained in good condition and operated in an efficient manner and at reasonable cost. So long as any of the Bonds are outstanding, the City agrees to maintain insurance for the benefit of the Holders of the Bonds on the System of a kind and in an amount which usually would be carried by municipal corporations of the State of Texas engaged in a similar type of business. Nothing in this Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the City from doing so.

SECTION 26: <u>Records - Accounts - Accounting Reports</u>. The City hereby covenants and agrees that so long as any of the Bonds remain Outstanding, the Board of Trustees will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System separate and apart from all other records and accounts in accordance with generally accepted accounting principles prescribed for municipal corporations, and complete and correct entries shall be made of all transactions relating to said System, as provided by Texas Government Code, Section 1502.057, as amended, and other applicable laws. The Holder of any Bonds, or any duly authorized agent or agents of such Holders, shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same. The City acting through the Board of Trustees further agrees that, as soon as possible following the close of each Fiscal Year, an audit of such books and accounts shall be made by an independent firm of Certified Public Accountants or Licensed Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

(a) A detailed statement of the income and expenditures of the System for such Fiscal Year;

(b) A balance sheet as of the end of such Fiscal Year;

(c) The Accountant's comments regarding the manner in which the Board of Trustees has carried out the requirements of this Ordinance and his recommendations for any changes, or improvements in the operation, records and accounts of the System;

(d) A list of the insurance policies in force at the end of the Fiscal Year on the System properties, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date; and

(e) A list of securities, if any, in which the Bond Fund and Reserve Fund has been invested, and a statement of the manner in which money in the System Fund, Bond Fund and Reserve Fund has been secured in such Fiscal Year;

Expenses incurred in making the audits above referred to are to be regarded as maintenance and operation expenses of the System and paid as such. Copies of the aforesaid annual audit shall be immediately furnished to the Executive Director of the Municipal Advisory Council of Texas at his or her office in Austin, Texas, and upon written request, to the original purchaser, and any subsequent Holder of twenty-five percent (25%) in principal amount of the Bonds Outstanding.

SECTION 27: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (a) defaults in payments to be made to the Bond Fund or Reserve Fund as required by this Ordinance, or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

SECTION 28: Special Covenants. The City hereby further covenants as follows:

(a) It has the lawful power to pledge the revenues supporting this issue of Bonds and has lawfully exercised said power under the Constitution and laws of the State of Texas, including Texas Government Code, Section 1502.070, as amended; that the Previously Issued Bonds, the Bonds issued hereunder, and the Additional Bonds, when issued, shall be ratably secured under said pledge of income in such manner that one bond shall have no preference over any other bond of said issues;

(b) Other than for the payment of the Previously Issued Bonds and the Bonds, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the City or of the System, except that, on a basis subordinate to that for the Bonds Similarly Secured, Net Revenues of the System have been pledged to the Commercial Paper Notes;

(c) While any of the Bonds or any interest thereon remain Outstanding, the City will not sell or encumber the System or any substantial part thereof; provided, that this covenant shall not be construed to prohibit the sale of such machinery or other properties or equipment by the Board of Trustees which has become obsolete or otherwise unsuited to the efficient operation of the System; and, further, with the exception of the Additional Bonds expressly permitted by this Ordinance to be issued in Section 22 hereof, it will not encumber the Net Revenues of the System unless such encumbrance is made junior and subordinate to all of the provisions of this Ordinance;

(d) No free service will be allowed to any customer of the System, including the City and its various departments; and

(e) To the extent that it legally may, the City further covenants and agrees that, so long as any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any competing waterworks, sanitary sewer or electric light and power system other than those owned by the City and the operation of such systems by anyone other than the City is hereby prohibited.

SECTION 29: Bonds are Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues and the Holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

SECTION 30: Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Ordinance and the Pricing Certificate, then the pledge of the Net Revenues of the System under this Ordinance and all other obligations of the City to the Holders shall thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City covenants that no deposit of moneys or Government Obligations will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying

Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 31: Ordinance a Contract - Amendments.

(a) This Ordinance shall constitute a contract with the Holders from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains Outstanding except as permitted in this Section. The City, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Ordinance in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

In addition, the City, with the written consent of holders of Bonds aggregating in principal amount more than 50% of the aggregate principal amount of then Outstanding Bonds, shall have the right from time to time to approve any amendment to this Ordinance which may be deemed necessary or desirable by the City, provided, however, that without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (i) change the date specified as the date on which the principal of, or any installment of interest on any Bond is due and payable, reduce the principal amount of the Bonds, or the rate of interest thereon, change the coin or currency in which any Bond or interest thereon is payable, or in any other way modify the terms of payment of the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of the Bonds required to be held by Holders for consent to any amendment, addition, or waiver.

(b) If at any time the City shall desire to amend this Ordinance under this Section, the City shall cause notice of the proposed amendment to be sent by United States Mail, first class postage prepaid, to the Holders of Bonds at the address appearing in the Security Register. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the paying agent for inspection by all holders of the Bonds Similarly Secured.

(c) Whenever at any time the City shall receive an instrument or instruments executed by the holders of more than 50% in aggregate principal amount of all Bonds then Outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the paying agent, the governing body of the City may pass an amendatory ordinance in substantially the same form.

(d) Upon the passage of any amendatory ordinance pursuant to the provisions of this Section, this Ordinance shall be deemed to be amended in accordance with such amendatory ordinance, and the respective rights, duties and obligations under this Ordinance of the City and the holders of then outstanding Bonds shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such amendments.

(e) Any consent given by the holder of a bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of such consent and shall be conclusive and binding upon all future holders of the same bond during such period. After the applicable period of time a consent is irrevocable has expired, the holder who gave consent, or a successor in title, may revoke such consent by filing notice thereof with the paying agent and the City, but such revocation shall not be effective if the holders of more than 50% in aggregate principal amount of the then Outstanding Bonds have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of bonds by any holder and the amount and numbers of such bonds and the date of their holding same, may be proved by the Security Register maintained by the Paying Agent/Registrar or by affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker or other depository, the Bonds described in such certificate. The City may conclusively assume that such ownership continues until written notice to the contrary is served upon the City.

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