



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 24

**Agenda Date:** February 27, 2025

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Authorizing CPS Energy's FY2026 Commercial Paper Programs ("CP Program") Capacity Increase

**SUMMARY:**

This ordinance authorizes a \$250 million increase to CPS Energy's Commercial Paper capacity from \$1 billion to \$1.25 billion

**BACKGROUND INFORMATION:**

CPS Energy issues revenue debt periodically to finance new capital construction and capital improvement projects and/or to refinance, defease, or restructure outstanding revenue debt. CPS Energy has a Debt Management Plan (the "Plan") providing guidelines under which financings and debt transactions are managed. The Plan includes lowering debt service costs by refunding outstanding debt to achieve savings, utilizing alternative financing methods to capitalize on favorable market conditions, outlining an optimal capital structure, and maintaining favorable financial ratios.

**Companion CP Program Capacity Expansion and Approval of Related Documentation:**

CPS Energy maintains the CP Program to provide taxable and tax-exempt interim financing for various purposes. The CP Program currently permits commercial paper (“CP”) to be issued from time to time and continues to be a low interest rate option for capital plan financing. On April 20, 2023, City Council approved the expansion of CPS Energy’s CP Program from \$700,000,000 to \$1,000,000,000 and diversified the CP Program into two components, the first being a historical program utilized by CPS Energy for capital projects (also known as the “original” CP Program) and the second being a recently-enacted program to diversify bank providers to meet additional capital needs (known as the “new series” CP Program). Because the CP Program continues to be a low interest rate option for capital plan financing, CPS energy is now seeking to expand the programmatic capacity by \$250,000,000 (from \$1,000,000,000 to \$1,250,000,000 in principal amount of CP notes at any one time outstanding), extend the CP Program’s permitted date of final maturity pursuant to an amended and restated CP Program ordinance (the “CP Ordinance”), and accord such liquidity expansion to the new series component of the CP Program. The foregoing will permit CPS Energy to match the projected increasing average annual cost of capital expenditures. Additionally, the CP Ordinance would permit CPS Energy’s Designated Financial Officers to negotiate the terms of favorable credit agreements (and extensions of current agreements), dealer agreements, and any other necessary documentation related to the management and administration of the CP Program to permit the lowest cost of borrowing. CPS Energy plans to continue to transition liquidity agreements into the new series portion of the CP Program upon the related expiration of each liquidity agreement under the original CP Program. Thereafter, CPS Energy no longer plans to have active liquidity agreements under the original CP Program. At no time are the two components permitted to exceed the City Council authorized capacity limits on a combined basis.

**Procedures Applicable to the Foregoing Transactions:**

The delegation of authority, pursuant to Chapter 1371, as amended, Texas Government Code, allows CPS Energy’s Designated Financial Officers, such as the President & CEO or CFO, as defined in the CP Ordinance, the flexibility to effectuate the transactions at the times when market conditions are most favorable to CPS Energy. This delegation authorization permits the adoption of the CP Ordinance without stating the interest rates or sales price, as applicable, each of which will be formally set, within pricing parameters specified in the CP Ordinance pursuant to the Plan, upon the execution of documentation related to each transaction by CPS Energy’s Designated Financial Officers. This practice permits CPS Energy to avail itself of advantageous market conditions allowing the greatest opportunity to provide savings to ratepayers. The CP Ordinance allows transactions to be completed over a one-year period to fully accomplish its purpose. The amounts disclosed for the transactions discussed herein, as well as the pricing and execution dates, are preliminary and subject to change based on actual market conditions.

**CP PROGRAM TRANSACTION SCHEDULE:**

Date	Action
February 20, 2025	Approve documentation pursuant to a delegated authority
TBD	Execute modifications to the CP Program

**ISSUE:**

CPS Energy requests authorization to execute on the expansion of capacity by \$250,000,000 of the existing CP Program, in an updated total principal amount not to exceed \$1,250,000,000, extension of the CP Program's maturity date, and approval of all related documentation.

**ALTERNATIVES:**

The City could wait to approve these actions at any time in the next twelve months. However, due to (1) a rising interest rate environment, (2) the need for additional capacity to appropriately match the capital program's anticipated expenditures, and (3) the expiration of liquidity related to CPS Energy's short-term financing programs, it is prudent and advisable to proceed now. Adoption on February 27, 2025 allows CPS Energy, in consultation with its Co-Financial Advisors, to determine when to execute each CP transaction in accordance with market conditions that will generate financial savings to the City and CPS Energy.

**FISCAL IMPACT:**

This ordinance authorizes a \$250 million increase to CPS Energy's Commercial Paper capacity from \$1 billion to \$1.25 billion. The debt service from the FY 2026 CP Ordinance is within the current rate structure approved by City Council and will have no negative impact on the City.

**RECOMMENDATION:**

The CPS Energy Board of Trustees, the Supervisor of Public Utilities, and City Staff recommend approval of the to the FY2026 CP Ordinance.