



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 33

Agenda Date: May 2, 2024

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Authorizing CPS Energy's FY2025 Extendible Municipal Commercial Paper Program ("EMCP Program")

SUMMARY:

CPS Energy requests authorization to create and execute a EMCP Program in an amount not to exceed \$150,000,000.

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 focuses on 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.

EMCP Program Creation and Approval of Related Documentation:

CPS Energy has historically maintained Commercial Paper Programs to provide taxable and tax-exempt interim financing for various purposes. The Commercial Paper Programs currently permit commercial paper (“CP”) to be issued from time to time, with liquidity provided by various credit agreements. In order to forego effectuating additional credit agreements in light of limited liquidity providers due to current regulatory requirements, CPS Energy is seeking to establish an EMCP Program that does not require traditional letters of credit (but instead relies upon self-liquidity and the credit of CPS Energy, as well as access to the capital markets), pursuant to an EMCP Program ordinance (the “EMCP Ordinance”). The effectuation of an EMCP Program will permit CPS Energy to access additional funds in the event of further limitations related to industry availability of current liquidity providers. In addition to the foregoing, the Texas Attorney General requires an annual parameters resolution to ensure a takeout option exists to refinance extendible municipal commercial paper notes, and such authorization is included in the CPS Energy FY2025 ordinance to be adopted concurrently herewith.

Procedures Applicable to the Foregoing Transactions:

The Ordinance contains a delegation of authority, pursuant to Chapter 1371, as amended, Texas Government Code, that allows CPS Energy’s Designated Financial Officers, such as the President & CEO or CFO, as defined in the EMCP 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 EMCP Ordinance without stating the applicable interest rates, which will be formally set, within pricing parameters specified in the EMCP Ordinance pursuant to the Plan, upon the execution of an Approval Certificate related to the foregoing by CPS Energy’s Designated Financial Officers. This practice permits CPS Energy to avail itself of advantageous market conditions and allowing the greatest opportunity to provide savings to ratepayers. The EMCP Ordinance allows the EMCP Program to be effectuated 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.

EMCP PROGRAM TRANSACTION SCHEDULE:

<u>Date</u>	<u>Action</u>
May 2, 2024	Approve EMCP Ordinance pursuant to a delegated authority
TBD	Within 12 months, execute the establishment of the EMCP Program

ISSUE:

CPS Energy requests authorization to execute on the EMCP Program, in an amount not to exceed \$150,000,000, and approval of all related documentation.

ALTERNATIVES:

The City could wait to adopt the EMCP Ordinance at any time in the next twelve months. However, due to (1) a volatile interest rate environment, and (2) the continued contracting of available liquidity providers, in order to ensure adequate financial resources to fund various

capital improvements, it is advisable to proceed with adopting the EMCP Ordinance now. Adoption on May 2, 2024 allows CPS Energy, in consultation with its Co-Financial Advisors, to determine when to execute the EMCP Program in accordance with market conditions that will ensure financial savings to the City and CPS Energy.

FISCAL IMPACT:

The debt service from the FY2025 EMCP Ordinance is within the current rate structure approved by City Council and will have no fiscal impact on the City.

RECOMMENDATION:

The CPS Energy Board of Trustees, the Supervisor of Public Utilities, and City Staff recommend approval of the FY2025 EMCP Ordinance.