



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 24

Agenda Date: December 1, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

CPS Energy's FFRN Note Liquidity Extension

SUMMARY:

This Ordinance Authorizes the CPS Energy's FY 2024 Series B Flexible Rate Revolving Note Private Placement Program Liquidity Extension

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 financing 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.

FY2024 SERIES B FRRN ORDINANCE:

Proposed Potential Transactions: To Be Executed Before 12/1/2023	Authorization Amount
Extension of FRRN Liquidity	\$500 M

Liquidity Extension/Substitution under Series B Flex Rate Program:

In response to Winter Storm Uri, CPS Energy previously effectuated a second flex rate revolving note program (the “Series B Flex Notes”), which permits access to liquidity in the maximum amount of \$500,000,000.00 in the event such liquidity is necessary to pay Winter Storm Uri costs incurred. The City, acting by and through the City Public Service Board (the “Board”), previously entered into note purchase agreements with JPMorgan Chase Bank, National Association for \$225,000,000.00, Wells Fargo Bank, National Association for \$200,000,000.00, and Frost Bank for \$75,000,000.00, which obligates each bank to purchase Series B Flex Notes when issued in respective principal amounts that, in the aggregate, total the programmatic capacity, with a term that expires on April 26, 2023. The ordinance related to the Series B Flex Notes (the “Series B FRRN Ordinance”) would permit the City, acting by and through the Board, to extend each of these agreements beyond their stated expiration with one or more financial institutions, in order to ensure the program’s liquidity equals the program’s capacity (which to date, remains undrawn and available). The ability to negotiate the terms of and provisions under existing and/or new liquidity agreements are delegated to each Designated Financial Officer to ensure CPS Energy obtains the most competitive pricing available in the market.

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 Series B FRRN 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 Series B FRRN Ordinance without stating the interest rates or sales price, as applicable, each of which will be formally set, within pricing parameters specified in the Series B FRRN Ordinance pursuant to the Plan, upon the execution of an Approval Certificate 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 Series B FRRN 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.

SERIES B FRRN TRANSACTION SCHEDULE:

<u>Date</u>	<u>Action</u>
December 1, 2022	Approve Series B FRRN Ordinance pursuant to a delegated authority
Prior to April 26, 2023	Execute the liquidity agreements under the Series B Flex Note program

ISSUE:

CPS Energy requests authorization to execute on the extension and/or substitution of one or more note purchase agreements under the existing \$500,000,000.00 Series B flex note program.

ALTERNATIVES:

The City could wait to adopt the Series B FRRN Ordinance at any time in the next twelve months. However, due to (1) a rising interest rate environment, and (2) the expiration of liquidity related to the Series B Flex Notes, it is prudent and advisable to proceed with adopting the Series B FRRN Ordinance now. Adoption on December 1, 2022 allows CPS Energy, in consultation with its Co-Financial Advisors, to determine when to execute each Series B Flex Note transaction in accordance with market conditions that will generate financial savings to the City and CPS Energy.

FISCAL IMPACT:

The debt service from the FY 2024 Series B FRRN Ordinance is within the current rate structure approved by City Council and will have no financial impact on the City.

RECOMMENDATION:

The Board and City Staff recommend approval of the FY2024 Series B FRRN Ordinance.