

**CITY OF SAN ANTONIO  
DEPARTMENT OF FINANCE  
CITY COUNCIL MEMORANDUM**

**TO:** Mayor and City Council  
**FROM:** Ben Gorzell Jr., CPA, Acting Director of Finance  
**SUBJECT:** An Ordinance Authorizing an Additional Transfer of City Payment in Accordance with Revisions to the CPS Energy Community Infrastructure Economic Development Fund  
**DATE:** February 9, 2006

**SUMMARY AND RECOMMENDATION**

This Ordinance authorizes an additional cash transfer from the CPS Energy Community Infrastructure Economic Development (CIED) Fund in the amount of \$7,838,362 for the CPS' Fiscal Year ending January 31, 2006 and authorizes an additional cash transfer on an annual basis from the CIED Fund at the option of the City consistent with CPS Energy's fiscal year.

Approval of this Ordinance is recommended.

**BACKGROUND INFORMATION**

Created in 1993, the Overhead Conversion Fund (OCF) was created for the purpose of enhancing the aesthetic appeal of public areas through the burial or relocation of overhead electric lines. Funding by CPS Energy to the OCF was based upon one percent of electric rate revenue earned within the corporate limits of the City. With changes in state legislation in 1999, challenges arose regarding the ability to have other utility provider's place their facilities located on CPS Energy poles underground at the utility provider's cost. As such, the ability to recommend overhead conversion fund projects became more limited and the OCF began to accumulate a balance.

At the request of the City, CPS Energy explored alternative uses of these funds to include funding economic development projects. These discussions with the staff of CPS Energy resulted in the transfer of the OCF fund to a newly created Community Infrastructure and Economic Development (CIED) Fund which was approved by the CPS Energy Board of Trustees on January 19, 2005. The new CIED Fund was established in order to expand the OCF and allow for the funding of other types of projects such as environmental stewardship and economic development projects.

Over the past several months, City and CPS Energy staff have been reviewing the CIED Fund and developing alternatives to provide more flexibility in the utilization of CIED funds for important community projects. These discussions resulted in revisions to the CIED Fund policy that were approved by the CPS Energy Board of Trustees on January 30, 2006.

Under the revised CIED Fund policy, CPS Energy will continue to deposit a sum equal to 1% of electric revenues into the CIED Fund. Overhead conversion projects continue to be eligible to be funded through the CIED Fund and are not based on a cost benefit analysis. Economic development and environmental stewardship projects also continue to be eligible to be funded from the CIED Fund. The amount of funding from the CIED Fund for these types of projects is determined on an individual project basis and includes a cost benefit analysis.

In addition to these projects, the CIED Fund policy has been modified to allow for an "additional transfer" to the City. Under the CPS Energy Bond Ordinances, the City is permitted a transfer of up to 14% of gross revenues. However, due to the exemption of certain revenues, the City has historically not received the full 14% of gross revenues. The "additional transfer" to the City is calculated based on the difference between the full 14% of gross revenues and what has been paid to the City subject to the following limitations. The "additional transfer" cannot result in a total payment to the City which exceeds the 14% of gross revenues cap or the 1% of electric revenues deposited into the CIED Fund on an annual basis. This additional transfer is not subject to the CIED Fund limitations and may be utilized by the City for any lawful purpose.

For the CPS Energy fiscal year ending January 31, 2006, the calculated "additional transfer" exceeds the 1% of electric revenues deposited into the Fund. Therefore, the "additional transfer" is limited to the 1% or \$9.4 million for this period. Funding for the Residential Energy Assistance Program (REAP), a low-income energy assistance program, in the amount of \$1 million and funding for an approved economic development project in the amount of \$600,000 are deducted from the \$9.4 million "additional transfer". This results in a net "additional transfer" to the City of \$7.8 million for the CPS Energy fiscal year ending January 31, 2006. Attachment A is a summary of the projected available balance in the CIED Fund after taking into consideration this "additional transfer" to the City.

### **FISCAL IMPACT**

CPS Energy will make an "additional transfer" of \$7.8 million to the City which will be deposited into a separate cost center. City staff will provide a recommendation to the Mayor and City Council in the future to include options for possible uses of this "additional transfer" for the benefit of the community. This "additional transfer" will have no impact on existing CPS Energy rates.

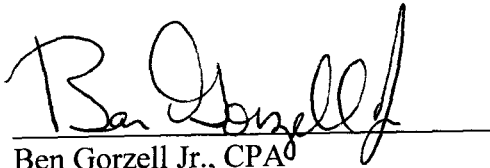
### **COORDINATION**

The revisions to the CIED Fund policy that allow for this additional transfer request were approved by the CPS Energy Board of Trustees on January 30, 2006. The item has been coordinated with CPS Energy staff, the Economic Development Department, and the City Attorney's Office.

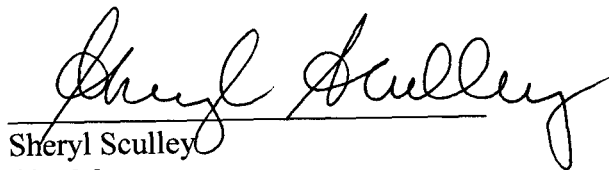
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**SUPPLEMENTARY COMMENTS**

The disclosure requirements of the City's Ethics Ordinance are not applicable.

A handwritten signature in cursive script, appearing to read "Ben Gorzell Jr.", written over a horizontal line.

Ben Gorzell Jr., CPA  
Acting Director of Finance

A handwritten signature in cursive script, appearing to read "Sheryl Sculley", written over a horizontal line.

Sheryl Sculley  
City Manager

## Attachment A

<b>CIED Fund Balance 1/31/2005</b>		<b>\$ 44,171,311</b>
<b>2005/2006 Contributions</b>		<b>\$ 9,438,362</b>
<b>Total Available 2005/2006</b>		<b>\$ 53,609,673</b>
<b>YTD Approved Projects</b>		<b>\$ (15,709,357)</b>
<b>CIED Fund Balance 1/31/2006</b>		<b>\$ 37,900,316</b>
<b>Approved Transfers</b>		
Residential Energy Assistance Program (REAP)	<b>\$ (1,000,000)</b>	
Additional Economic Development Project	<b>\$ (600,000)</b>	
Estimated Transfer	<b>\$ (7,838,362)</b>	
<b>Total Additional Transfer</b>		<b>\$ (9,438,362)</b>
<b>Total Estimated CIED Fund Balance 1/31/2006</b>		<b>\$ 28,461,954</b>