

Agenda item #27

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

TO: Sheryl Sculley, City Manager
FROM: Ben Gorzell Jr., CPA, Acting Director of Finance
SUBJECT: A Resolution Requesting the Distribution of CPS Energy's Updated Offering Documents for Certain CPS Energy Debt Instruments
DATE: June 1, 2006

SUMMARY AND RECOMMENDATIONS

A resolution requesting the distribution of (1) the Updated Official Statement for the Junior Lien Revenue Bonds, Series 2003; (2) the Updated Remarketing Memorandum for the Junior Lien Revenue Bonds, Series 2004; and (3) the Offering Memorandum for the Commercial Paper Notes, Series A to current and prospective investors for the purpose of providing current financial information and other material information relating to the City of San Antonio, Texas', electric and gas systems (the "Systems") for making investment decisions.

Staff recommends approval of this resolution.

BACKGROUND INFORMATION

CPS Energy's debt portfolio includes both fixed and variable-rate debt. Offering documents for each are prepared at the time the debt is first issued. The variable-rate debt portfolio includes two types of debt that are remarketed periodically in the secondary market: tax-exempt commercial paper and variable-rate debt obligations. The secondary market consists of securities that are traded after they are initially offered in the primary market. The offering documents describe the City of San Antonio, CPS Energy, and outline the terms of securities to be offered and certain information with respect to CPS Energy. Investors rely upon the information contained within these offering documents when making investment decisions.

CPS Energy, in consultation with its co-financial advisors and co-bond counsel, has agreed to take a more proactive approach to update the disclosure information contained within each of the variable-rate debt offering documents. While CPS Energy is not required to update these documents annually, this initiative will ensure that current disclosure information is provided to bondholders, prospective investors, and other interested parties.

The proposed Resolution will authorize the distribution of the updated offering documents for existing CPS Energy variable-rate debt. The documents are updates to previously-issued debt offering documents and no new debt is being authorized as a result of these updates.

FISCAL IMPACT

Distribution of the updated offering documents will have no fiscal impact.

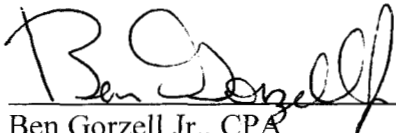
COORDINATION

This action has been coordinated with the CPS Energy Board of Trustees, CPS Energy Staff, the City Attorney's Office, and CPS Energy's co-financial advisors and co-bond counsel.

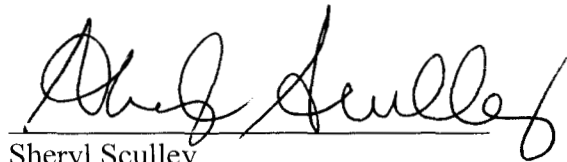
SUPPLEMENTARY COMMENTS

A working group comprised of CPS Energy staff; Remarketing Agents: Lehman Brothers and Morgan Stanley & Co., Co-Dealers: Citigroup Global Markets Inc. and J.P. Morgan Securities, Inc., Issuing/Paying Agent: U.S. Bank, National Association and Deutsche Bank Trust Company Americas; Credit Facility Banks: Bank of America, N.A., BNP Paribas and State Street Global Markets, LLC; Co-Financial Advisors: First Southwest Company and Estrada Hinojosa & Company, Inc.; Co-Bond Counsel: Fulbright & Jaworski L.L.P. and Escamilla & Poneck, Inc.; CPS Energy's Acting General Counsel: Robert Temple, Esq.; CPS Energy's Outside Legal Counsel: Cox Smith Matthews Incorporated; Remarketing Agent's Counsel: Andrews Kurth LLP; Credit Facility's Counsel: Winstead, Sechrest & Minick P.C. and Andrews Kurth LLP were assembled to work on these updated disclosure documents.

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


Ben Gorzell Jr., CPA
Acting Director of Finance

Approved for Council Consideration


Sheryl Sculley
City Manager