

City of San Antonio



AGENDA

City Council B Session

Council Briefing Room
100 Military Plaza
San Antonio, Texas 78205

Wednesday, March 4, 2026

2:00 PM

City Hall Complex

The City Council will hold its meeting at the above referenced date and time for the following items. Once convened, the City Council will take up the following items in any order during the meeting but no sooner than the designated times.

Once a quorum is established, the City Council shall consider the following

1. Briefing on CPS Energy FY2027 Budget [Ben Gorzell Jr., Chief of Financial and Administrative Services; Troy Elliott, Chief Financial Officer]

5:00 P.M. – If the Council has not yet adjourned, the presiding officer shall entertain a motion to continue the council meeting, postpone the remaining items to the next council meeting date, or recess and reconvene the meeting at a specified time on the following day.

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City of San Antonio

Agenda Memorandum

File Number:

POSTING LANGUAGE: Briefing on CPS Energy FY2027 Budget [Ben Gorzell Jr., Chief of Financial and Administrative Services; Troy Elliott, Chief Financial Officer]

Agenda Item Number: 1

Agenda Date: March 4, 2026

In Control: City Council B Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUMMARY:

CPS Energy's fiscal year is from February 1 to January 31st. Therefore, CPS Energy is currently in their fiscal year 2027.

On February 23, 2026, CPS Energy Staff presented their FY2027 Budget to the CPS Energy Board of Trustees. The proposed budget is comprised of:

- Capital Budget of \$1.7B,
- Non-Fuel Operations and Maintenance (O&M) Expenses of \$1.1B, and
- Transmission Financing Structure Capital \$70M

The CPS Energy Board of Trustees delayed a vote on the proposed budget until its March Board meeting.

This presentation will present an overview of CPS Energy's FY2027 Budget.

FISCAL IMPACT:

N/A



FY2027 Budget Briefing

PRESENTED BY

Cory Kuchinsky
Chief Financial Officer

March 4, 2026

Informational Update

Today, we're sharing:

- ▶ Planning process & financial guardrails
- ▶ Capital and O&M forecast
- ▶ Business efficiencies
- ▶ Sources & uses of revenue

Enables the execution of our strategy

- Customer Growth (Electric & Gas Sales)
- Regulatory Costs (TCOS, ERCOT)
- Fuel Cost (gas, coal, nuclear, renewables)
- Generation Resource Plan
- Market Power Prices
- Wholesale Price, Revenue & Margin
- Interest Rates

UPDATE INPUTS AND ASSUMPTIONS ANNUALLY

5-year detailed planning
by business unit



- *In each budget request, Year 1 is presented to the Board for approval.*
- *Outer years are refreshed in subsequent planning cycles and are considered preliminary and subject to change.*

*Our financial plan
balances these
three important
financial factors.*

CASH FLOW

Target: 1.50 (~\$1.0B)
Adjusted Debt Service
Coverage (ADSC)

DEBT

Target: Debt Capitalization Ratio <70% (~\$11.9B)

**ACCESS TO
CASH & CREDIT**

Target: 150 Days Cash on Hand
& 200 Days Liquidity on Hand
(~\$1.4B & ~\$1.5B)

CPS Energy Financial Readiness

- Run the business efficiently
- Absorb an unplanned major weather event
- Execute on strategic opportunities

\$1.7B FORECASTED CAPITAL

42% - \$700M

Electric and Gas Infrastructure Reliability

- Electric and Gas distribution and transmission infrastructure projects
- Minimize the quantity and duration of customer outages

20% - \$329M

Customer Growth

- Upgrade and extend service to new customers
- New meters, subdivisions, and commercial services

19% - \$321M

Power Sustainability and Reliability

- Generation fleet overhauls, planned upgrades, and new projects

10% - \$166M

Technology & Security

- Address physical security risks, computer system upgrades, and computer-based communication

9% - \$148M

Customer & Community Engagement and Shared Services

- Invest in Critical Support Operations - Administration, Financial Services, Legal, Customer, Fleet, and Real Estate Master Plan projects

\$70M

Transmission Financing Structure (TFS)

The O&M budget supports key strategic initiatives, including Customer Growth and Outreach, Technology Improvements, and Reliability.

45% - \$475M

Labor

- Salaries and Wages, Benefits, Other Compensation

34% - \$360M

Power Sustainability and Resiliency

- Generation fleet overhauls and seasonal maintenance to maximize plant availability and minimize downtime

10% - \$103M

Technology & Security

- Maintain and assess enterprise technology systems, execute cyber security initiatives, and design future state of technology platforms

8% - \$84M

Electric and Gas Infrastructure Reliability

- Electric and Gas distribution and transmission infrastructure maintenance minimize the quantity and duration of customer outages

3% - \$39M

Customer and Community Engagement and Shared Services

- Investment in programs that promote engagement with customers and stakeholders
- Invest in Critical Support Operations, including Administration, Financial Services, and Legal

Reducing costs



Operational Efficiency

Non-emergency Overtime

- ✓ 40% reduction

Fleet strategy

- ✓ \$7M capital savings
- ✓ \$950K O&M reduction
- ✓ \$800K revenue from sold vehicles



Technology & Process Optimization

Self-Service Account Reconnection

- ✓ 24/7 self-service availability
- ✓ Remote reconnection
- ✓ 30% disconnected account supported

Cloud Optimization

- ✓ \$1M realizing
- ✓ \$200K annual run-rate savings

Wireless Consolidation

- ✓ \$500K annual savings



Revenue & Market Strategy

Wholesale Revenue

- ✓ Forward Sales of Wholesale Power

Commodity Prepay

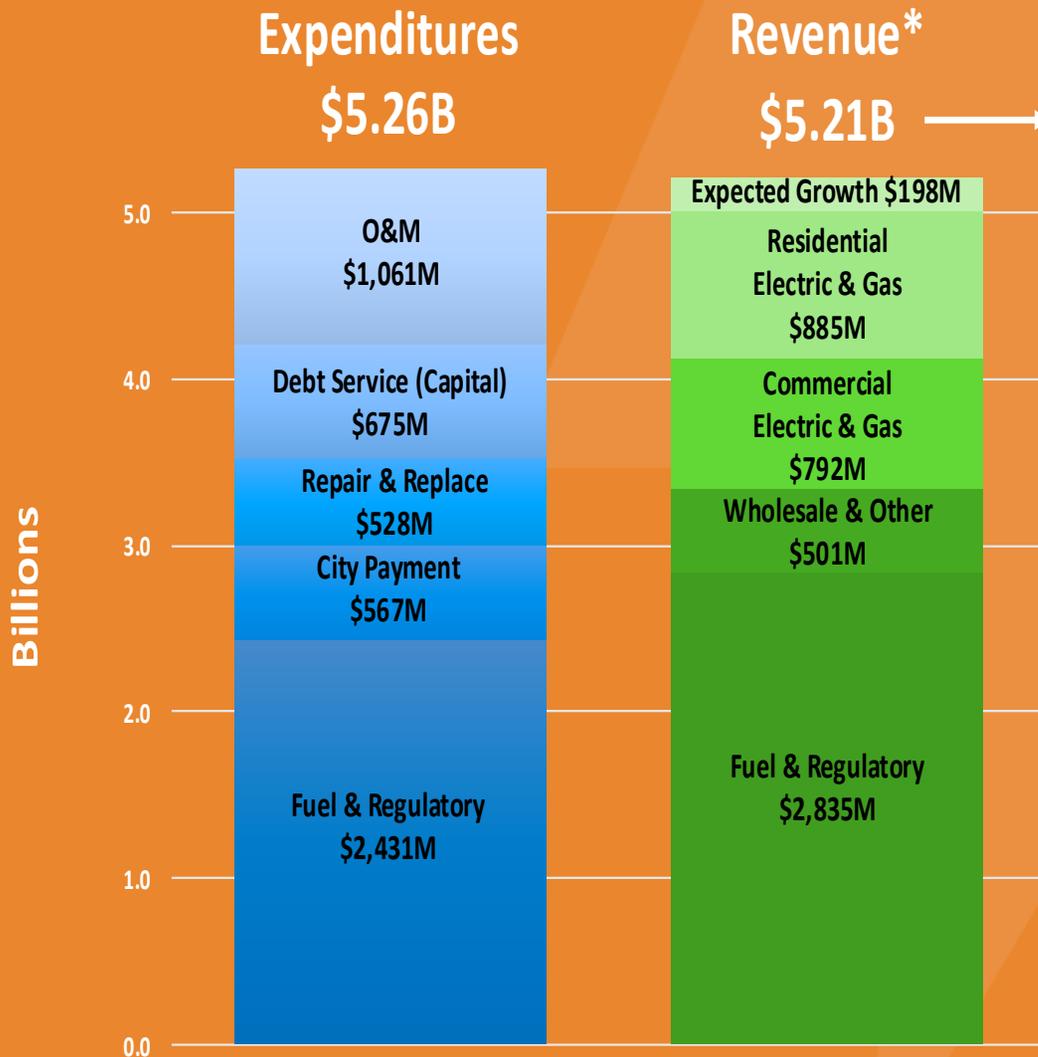
- ✓ \$30M savings for renewable energy
- ✓ \$30M savings for natural gas

Recent Plant Acquisitions

- ✓ 2024: Recovered ~1/3 the purchase price first year; Purchased at ~50% below build cost
- ✓ 2025: ~\$2B saved vs. build price

Sources vs Uses of Funds

FY2027 FORECAST



Revenue projected to cover 99% of expenditures

Expense Drivers

- Growth: 28k new electric & 5k new gas customers
- Newly acquired East Texas peakers
- Transmission projects
- Plant maintenance for aging fleet
- Gas leak surveying and repairs
- Labor

Revenue Drivers

- \$18M Residential Growth
- \$46M Commercial Growth
- \$135M Wholesale Growth

*Revenue includes collection for City Payment

Questions
