

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION

NOTICE OF MEETING

Notice is hereby given that the Board of Directors of the SA Energy Acquisition Public Facility Corporation will hold a public meeting in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas **on Monday, February 28, 2022, at 5:15 p.m. or 15 minutes following the Regular Board Meeting of the CPS Energy Board of Trustees.** The Board of Directors will consider specifically those matters referred to in the attached agenda, which is incorporated herein. The meeting will also be live-streamed.

The meeting will be streamed on cpsenergy.com.

Those wishing to speak on an agenda item during the Public Comment portion of the meeting must register on Friday, February 25, 2022, from 7:00 a.m. CT to 1:00 p.m. CT. Registration may be made by email at publiccommentregistration@cpsenergy.com or by phone at (210) 353-4662. Those registering to speak should be prepared to provide the following information:

- First & last name
- City & state of residence
- Phone number
- Email address
- Designate whether public comment will be provided in person or virtually
- Group for which the individual is speaking, if applicable
- Agenda item # about which they are speaking
- Any required translation services

In-person commenters, followed by virtual commenters, will be called to speak in the order that each registers.

Written comments may be sent to publiccommentregistration@cpsenergy.com. Note that written comments will not be read during the Board meeting.

The agenda packet is attached. It and other informational material may be found at:

<https://www.cpsenergy.com/en/about-us/who-we-are/trustees/board-meetings.html>

A recording of the meeting will be made and will be available to the public in accordance with the Open Meetings Act upon written request.

At any time during the Board Meeting, and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session for consultation concerning attorney-client matters under Section 551.071; for deliberations and other authorized action on real property under Section 551.072; on prospective gifts or donations under Section 551.073; on personnel under Section 551.074; on security personnel or devices under Section 551.076; on economic development negotiations under Section 551.087; to deliberate, vote, or take final action on competitive matters under Section 551.086; to deliberate regarding security audits and devices under Section 551.089; or to deliberate under Texas Government Code Section 418.183(f) about confidential information under the Texas Homeland Security Act.



Shanna M. Ramirez
Secretary of the Board
February 23, 2022



**SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION MEETING
TO BE HELD ON FEBRUARY 28, 2022
LOCATION: CPS ENERGY BOARD ROOM (500 MCCULLOUGH AVE)
THIS MEETING WILL FOLLOW THE REGULAR BOARD OF TRUSTEES MEETING**

**COSA - CITY CLERK
2022 FEB 23 PM 12:23:51**

- At any time during the Board Meeting and pursuant to the provisions of Chapter 551 of the Texas Government Code, the Board may meet in executive session concerning
- attorney-client matters under Section 551.071;
 - deliberations and other authorized action on real property under section 551.072;
 - prospective gifts or donations under Section 551.073;
 - personnel under Section 551.074;
 - security personnel or devices under Section 551.076;
 - economic development negotiations under Section 551.087;
 - deliberations, voting or taking final action on competitive matters under section 551.086;
 - deliberations regarding security audits and devices under Section 551.089; or
 - deliberations under Texas Government Code Section 419.183(f) about confidential information under the Texas Homeland Security Act.

AGENDA

ITEM	TOPIC	ACTION	PRESENTER / SPONSOR
1	CALL TO ORDER	Execute	Dr. Willis Mackey
2	PUBLIC COMMENT Pre-Registration on Friday, February 25, 2022 from 7:00 AM – 1:00 PM @ (210) 353-4662 or PublicCommentRegistration@CPSEnergy.com	Discuss	Dr. Willis Mackey
CONSENT AGENDA			
3	APPROVAL OF CONSENT ITEMS: A. Minutes of the PFC Meeting held on 7/26/2021	Vote	Dr. Willis Mackey
REGULAR AGENDA			
4	RESOLUTION FOR APPOINTMENT OF DIRECTORS & ELECTION OF OFFICERS (Ms. Shanna Ramirez)	Vote	Dr. Willis Mackey
5	FINANCIAL AUTHORIZATION & APPROVALS POLICY FOR BANKING & INVESTING (Ms. Julie Johnson)	Vote	Dr. Willis Mackey
6	CLOSE-OUT: Review Action Items from this meeting	Discuss	Ms. Julie Johnson
7	ADJOURNMENT	Execute	Dr. Willis Mackey
If the PFC meeting has not adjourned by 5:45 PM, the presiding officer may entertain a motion to continue the meeting, postpone the remaining items to the next Board meeting date, or recess and reconvene the meeting at a specified date and time.			



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**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS
HELD ON JULY 26, 2021**

A regular meeting of the Board of Directors of SA Energy Acquisition Public Facility Corporation ("PFC"), was held in the Board Room located on the First Floor of the CPS Energy headquarters located at 500 McCullough, San Antonio, Texas, was called to order on Monday, July 26, 2021 at 5:38 p.m., by PFC President John Steen.

The following Directors of the PFC, constituting a quorum, were present and participated throughout the meeting:

Mr. John Steen
Dr. Willis Mackey
Ms. Janie Gonzalez
Mr. Ed Kelley
Mayor Ron Nirenberg
Ms. Paula Gold-Williams
Mr. Cory Kuchinsky

Also, in attendance during the meeting were:

Ms. Shanna M. Ramirez, Secretary
Ms. Shannon R. Albert, Assistant Secretary
Ms. Julie Johnson, Treasurer
Mr. Kevin Pollo, Executive Director
CPS Energy leadership and staff members

I. WELCOME/CALL TO ORDER

Mr. Steen welcomed everyone and called the meeting to order.

II. PUBLIC COMMENT

No members of the public registered to speak.

III. RESOLUTION FOR APPOINTMENT OF DIRECTORS & ELECTION OF OFFICERS

Ms. Albert introduced a resolution for election of officers of the Corporation for a term ending January 31, 2022, as set out below:

President	Dr. Willis Mackey
Vice President	Janie Gonzalez
Assist Vice President	Paula Y. Gold-Williams
Secretary	Shanna M. Ramirez
Assistant Secretary	Shannon R. Albert
Treasurer	Julie Johnson
Executive Director	Kevin Pollo

Upon a motion made by Mr. Kelley and seconded by Ms. Gonzalez, the resolution was approved by all members present.¹

IV. APPROVAL OF CONSENT ITEMS:

Approval of December 14, 2020 Minutes

Upon a motion made by Mr. Steen and seconded by Mr. Kelley, the meeting minutes from the December 14, 2020 meeting were approved by all members present.

V. FINANCIAL AUTHORIZATION & APPROVALS POLICY FOR BANKING & INVESTING UPDATE

Ms. Shannon Albert presented a revised Financial Authorization and Approvals Policy for Banking and Investing and detailed the changes in the policy that had been approved by the PFC board during January 2021, pending an update. The policy had been revised to address the following:

- Define the word "Trustee" to refer to the PFC's custodial bank who will pledge collateral in accordance with the Texas Public Funds Collateral Act and the Trust Indenture.
- Add a reference to the Texas Property Section Code as the source of this definition.
- Identify Bank of New York Trust Company, N.A. as the current Trustee for the PFC.
- Replace previous reference to "trustee" or "trustees" with the newly defined "Trustee."
- Clarify the Standard of Care section.

VI. AUDITED FINANCIALS

Mr. Cory Kuchinsky introduced Ms. Jodi Dobson, CPA, Partner of Baker Tilly Virchow Krause, LLP, and Ms. Carmen Garcia, CPA from C.C. Garcia & Company P.C., to present the results of the fiscal year 2021 audit of the PFC. As part of the presentation, Ms. Dobson provided an overview of the audit process, a recital of the required communications to those charged with governance, an explanation of the internal controls involved in the audit, and responded to questions concerning the audit from the PFC board.

Ms. Dobson identified the areas covered by the audit, including internal control over financial reporting, key balances of prepaid assets, investment valuation, revenue recognition, and disclosure of Risks in the Notes. She added that the team audited key business processes and procedures and reviewed financial disclosures to verify inclusion of complex transactions and organizational risks.

¹ The resolution was corrected to properly identify Ms. Paula-Gold Williams as President of CPS Energy.

Ms. Dobson reported that an integrated audit was performed in accordance with Generally Accepted Auditing Standards and that the financial statements received an Unmodified Opinion with no material misstatements, weaknesses or significant deficiencies noted in the PFC's internal controls. She added that no difficulties were encountered in performing the audit, and no known or suspected fraud or non-compliance with laws or regulations was identified during the audit.

Ms. Dobson explained the audit was conducted in a virtual manner due to COVID-19. She commented that the audit went smoothly with no major difficulties and was completed on schedule. She remarked that management and staff were cooperative and readily available during the audit, and stressed that no audit adjusting journal entries were noted during the financial statements audit process. Ms. Garcia, who participated as a subcontractor in the audit, also commented that the staff was cooperative during the audit and the process went smoothly.

Mr. Kelley asked if this audit team had confirmed all investments were in accordance with the authorized investments portion of the PFC's Investment Policy. Ms. Dobson responded that the audit team reviewed the processes and controls that were in place to ensure compliance with the policy and reviewed a statistical sample. She announced that no gaps in compliance were identified during the audit. Upon a motion made by Mr. Kelley and seconded by Ms. Gold-Williams, the audited financials were approved by all members present.

VII. DIRECTORS & OFFICERS (D&O) INSURANCE PROGRAM RENEWAL

Mr. Anthony Werland, Interim Director, Enterprise Risk Management & Solutions (ERMS), provided an overview and made a request for renewal of the SA Energy Acquisition Public Facility Corporation's D&O insurance program. The policy period extends from August 1, 2021 until August 1, 2022 and includes a \$20 million policy limit with a \$100,000 deductible, and a \$75,900 annual premium. Mr. Werland noted that the premium reflects a 10% percent increase over the previous policy for the same policy limits.

Ms. Ramirez read a resolution authorizing renewal of the SA Energy Acquisition Public Facility Corporation's D&O insurance program. Upon a motion made by Mr. Kelley and seconded by Ms. Gold Williams, the resolution was approved by all members present.

VIII. CLOSE-OUT

Ms. Albert reported that no action items were identified during the meeting.

IX. ADJOURNMENT

There being no further business to come before the Board, upon motion by Mr. Steen, seconded by Mr. Kelley, the meeting was unanimously adjourned by Dr. Willis Mackey at 6:07 p.m.

Shanna M. Ramirez, Secretary



RESOLUTION FOR APPOINTMENT OF DIRECTORS AND ELECTION OF OFFICERS

WHEREAS, Article VII of the Corporation’s Articles of Incorporation stipulates that “No person shall be appointed as a director of the Corporation unless that person is also appointed as a member of the Board of Trustees of CPS Energy or serves as the President and CEO or Chief Financial Officer of CPS Energy; provided that a director whose term on the Board of Trustees of CPS Energy or whose employment at CPS Energy concludes before the expiration of the term as a director of the Corporation shall also conclude their term as a director of the Corporation”; and

WHEREAS, on July 26, 2021 the Board of Directors elected a slate of officers to serve the Corporation for terms that expire January 31, 2022; and

WHEREAS, effective November 8, 2021, Mr. Rudy Garza was named CPS Energy’s new Interim President & CEO, and by virtue of his position and pursuant to Article 2.2 will be presented to the City Council for appointment to the Corporation. Mr. Garza previously held the position of CC&SEO; and

WHEREAS, the Corporation’s by-laws call for the election of a president, a vice president, a secretary, and an executive director and authorize the board of directors to establish and fill other offices that it determines to be necessary; and

NOW, THEREFORE, BE IT RESOLVED, that the following persons shall serve as officers of the Corporation, in positions as identified below, for a term ending January 31, 2023, provided that an officer whose term on the Board of Trustees of CPS Energy concludes before the expiration of the term as an officer of the corporation shall also conclude his/her term as an officer of the corporation:

President ^(1,3)	Dr. Willis Mackey
Vice President ^(1,3)	Janie Gonzalez
Assistant Vice President ⁽¹⁾	Rudy Garza
Secretary	Shanna Ramirez
Assistant Secretary ⁽²⁾⁽⁴⁾	Julie Johnson
Treasurer ⁽²⁾⁽⁴⁾	David Ramirez
Executive Director	Kevin Pollo

Notes:

- 1) Also serves as a Director of the Corporation. Other Trustees of CPS Energy not specified above also serve as Directors of the Corporation.
- 2) Serves as an Authorized Financial Officer for Banking & Investing of the Corporation.
- 3) The President and Vice President positions in the Corporation are aligned to be consistent with the Chair and Vice Chair positions on the CPS Energy Board.
- 4) Mr. David Ramirez will serve as Treasurer, previously held by Ms. Julie Johnson, who now will be Assistant Secretary, previously held by Ms. Shannon Albert who will be retiring in March 2022.

Shanna Ramirez, Secretary



FINANCIAL AUTHORIZATION & APPROVALS POLICY FOR BANKING & INVESTING ("PFC BANKING & INVESTING POLICY")

PRESENTED BY:

Julie Johnson, CPA

Assistant Secretary

February 28, 2022

Approval Requested

PFC BANKING & INVESTING POLICY OVERVIEW



BANKING CONTROLS:

- Establishes Officers that are authorized to open & close bank & investment accounts. Requires 2 Officers to perform these functions.
 - Assistant Vice-President
 - Assistant Secretary
 - Treasurer
- Requires 2 Officers or Authorized Representatives to disburse funds by check or wire.



PFC BANKING & INVESTING POLICY OVERVIEW (CONT.)

INVESTMENT CONTROLS:

- Establishes Investment Strategy with an emphasis placed on safety of principal & liquidity.
- Establishes Investments Officers & their required training.
- Limits investments to “Qualified Investments” as defined in the indenture, limits to 10% of an outstanding issue amount or money market mutual fund.
- Investments not related to debt service are limited to a duration of a year or less.
- Quarterly reporting to Board.
- Annual review & approval of policy by Board.

PROPOSED UPDATES TO THE BANKING & INVESTING POLICY



Administrative	Organizational	Procedural	Substantive
None	None	None	None

- *Annual* Approval of the Policy is required by the Texas Public Funds Investment Act (PFIA)
- Policy effective date: February 28, 2022

NO UPDATES are being proposed to the policy at this time. We respectively REQUEST THE PFC BOARD'S APPROVAL of this policy.



Thank You



Board of Directors

February 28, 2022



**FINANCIAL AUTHORIZATION AND APPROVALS POLICY
FOR BANKING AND INVESTING
(POLICY EFFECTIVE FEBRUARY 28, 2022)**

BANKING

Accounts

The SA Energy Acquisition Public Facility Corporation Officers listed below ("Officers"), or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of SA Energy Acquisition Public Facility Corporation (the "PFC") to establish, maintain and close bank and/or trust accounts:

Assistant Vice-President
Assistant Secretary
Treasurer

Authority to open or close any bank or trust account at a designated financial institution requires the signatures of at least two Officers.

Financial Transactions

Any two Officers are authorized to sign checks drawn on PFC bank accounts. In addition, any two Officers may authorize and approve other financial transactions, including electronic funds transfers ("EFT") or investment of funds. EFT's may be executed verbally with personal identification codes, by signed letter or facsimile, or by electronic banking system transmission, provided that adequate segregation of system administration functions exists.

Any two Officers may designate other authorized representatives ("Authorized Representatives"). An Authorized Representative may authorize and approve financial transactions when, and only when, joined by at least one Officer. A list of Officers and, when applicable, Authorized Representatives will be provided to approved financial institutions along with specimen signatures. The Officers and Authorized Representatives who authorize and approve a financial transaction are prohibited from executing that transaction.

Collateral

In the event cash balances exceed levels insured by the Federal Deposit Insurance Corporation, the trustee, as defined by Texas Property Code Sec. 111.004(18) and hereinafter referred to as "Trustee", will pledge collateral in accordance with the Texas Public Funds Collateral Act and the Trust Indenture dated June 1, 2007 securing Gas Supply Revenue Bonds, Series 2007 ("Indenture"). Currently, Bank of New York Trust Company, N.A. serves as Trustee for the PFC. Two Officers will be required to approve collateral pledges or releases.

INVESTMENT

Investment Authorization

The above-listed Officers, or any persons appointed to fill those positions in an interim capacity, are authorized to act in the name of the PFC to establish, maintain and close investment relationships with the Trustee, investment managers, money market funds, and depository institutions for the investment of PFC funds. The signature of any two Officers will be required to open or terminate such investment relationships. The Treasurer and the Assistant Secretary are designated as the PFC's

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Investment Officers and will maintain the requisite number of investment training hours as specified in the Texas Public Funds Investment Act ("PFIA").

Investment Emphasis and Strategy

Investment of PFC funds will be in accordance with the PFIA, the Trust Indenture, and agreement(s) relating to the issuance of any of the PFC's bonds.

The investment emphasis and strategy describe its objectives based on the following order of importance:

1. Understanding of the suitability of the investment to the financial requirements of the entity;
2. Preservation and safety of principal;
3. Liquidity;
4. Marketability of the investment if the need arises to liquidate the investment before maturity;
5. Diversification of the investment portfolio; and
6. Yield

The majority of the PFC's funds will be invested in a Guaranteed Investment Contract (GIC) with J. Aron as the GIC provider. Goldman Sachs guarantees the obligations of its wholly-owned subsidiary, J. Aron (the gas supplier). The PFC Bond's credit ratings reflect the lower of the ratings of Goldman Sachs, CPS Energy, and the Royal Bank of Canada (the swap counterparty). Liquid funds (e.g., cash) in the Debt Service Fund, Revenue Fund, and General Fund are all currently in approved Government Money Market Funds.

The strategy for investment of PFC's funds is to ensure timely deposit of all debt service funds with the GIC provider.

Emphasis for investment of PFC funds should be placed on safety of principal and liquidity followed by emphasis on earning investment income at market rates.

Investment of funds not related to debt service will have a maximum maturity of one year or less to ensure adequate operating liquidity in the event early liquidation is required for cash flow purposes.

Market values of investments will be attained from sources deemed reliable by industry standard, and will be reviewed no less than quarterly. All eligible securities will be settled on a delivery versus payment method.

Other available funds beyond debt service will be timely invested in authorized investments to earn market yields, with emphasis on safety and liquidity for operational requirements.

Authorized Investments

PFC funds may be invested in "Qualified Investments" as defined in the Indenture. With the exception of GICs or Repurchase Agreements, the PFC will own no greater than 10% of the outstanding issued amount for any one CUSIP or money market mutual fund. All investments are to be made consistent with this Policy, the Indenture, the PFIA, and other legal agreements and federal income tax requirements. Any two Officers may authorize the Trustee or investment manager to invest funds in said instruments without day-to-day oversight or additional authorization by those Officers.

No investment transaction shall be made that would cause the portfolio to be out of compliance with this Policy. The impact that an investment transaction would have on the portfolio will be evaluated prior to executing a transaction. However, it is possible for the portfolio to become out of compliance with this Policy due to regulatory changes, etc. Action will be taken to move the portfolio back into compliance within a period of 90 days from the date upon which the non-compliance event occurred

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February 28, 2022

or was discovered. Additional time periods may be granted in the event temporary market conditions are not seen as favorable for taking corrective action.

Standard of Care

Directors and Officers of the PFC, Authorized Representatives and the Trustee will be required to operate under the prudent-person rule, *i.e.*, managing financial transactions, investments and diversification of investments “shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.”

Investment Reporting

Reports of investment activity will be prepared and submitted to the PFC Officers on a quarterly basis in accordance with PFIA requirements. In addition, this Financial Authorization and Approvals Policy for Banking and Investing will be reviewed and approved by the Officers of the PFC not less than annually, during the fiscal year. If brokers are engaged in investment transactions for the PFC, the Investment Officers will review and approve a list of qualified brokers on an annual basis.

Shanna M. Ramirez, Secretary

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