



# City of San Antonio

## Legislation Details (With Text)

**File #:** 16-3022

**Type:** Miscellaneous Item

**In control:** City Council A Session

**On agenda:** 6/2/2016

**Title:** An Ordinance authorizing a memorandum of understanding with CPS Energy related to the privatization of the electric and gas utility distribution systems at three JBSA military installations. [Ben Gorzell, Chief Financial Officer; Troy Elliott, Director, Finance]

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Draft Ordinance, 2. Ordinance 2016-06-02-0403

Date	Ver.	Action By	Action	Result
6/2/2016	1	City Council A Session	adopted	Pass

**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott, Director

**COUNCIL DISTRICTS IMPACTED:** City Wide

### SUBJECT:

Joint Base San Antonio (JBSA) Utility Infrastructure Privatization Effort with CPS Energy

### SUMMARY:

Consideration of a proposed memorandum of understanding (MOU) related to the privatization of the electric and gas utility distribution systems at three JBSA military installations.

### BACKGROUND:

Over the last 15 years, CPS Energy has successfully partnered with JBSA in the privatization of the utility distribution systems of four local military bases. These include CPS Energy's acquisitions of the utility distribution facilities as Kelly Air Force Base, which has been transformed into Port San Antonio (privatized January 2000); Brooks Airforce Base, which operates today as the Brooks Development Authority (privatized July 2002); Fort San Houston, which continues to operate as a training base for the Army (privatized December

2003); and Camp Bullis, which is also operated by the Army (privatized April 2010).

In calendar year 2013, the United States Department of Defense (DoD) issued a Request for Proposal (RFP) seeking bids to enter into a 50-year contract for the electric and gas distributions systems at Lackland Airforce Base, Lackland Training Annex, and Randolph Airforce Base (the “JBSA Utility Assets”). Under the contract, the winning bidder would (1) acquire a qualified property interest in the JBSA Utility Assets during the contract term; (2) upgrade, operate and maintain the JBSA Utility Assets; and (3) be responsible for assuring electric and gas service to JBSA during the contract term.

In responding to this RFP, CPS Energy has the opportunity to secure the JBSA Utility Assets through a 50-year qualified property interest. A successful bid by CPS Energy in response to the RFP is in the best interest of the local community as it would result in substantial network upgrades to the JBSA Utility Assets. As part of this effort, CPS Energy and the City propose to enter into an MOU related to the financial treatment of certain elements of the proposed transaction. The subject matter of the MOU was deemed to be a competitive matter and as such, the MOU was discussed with the City Council in Executive Session.

#### **ISSUE:**

The proposed ordinance authorizes the execution of a MOU related to the privatization of the electric and gas distribution systems at Lackland Airforce Base, Lackland Training Annex, and Randolph Airforce Base.

#### **ALTERNATIVES:**

CPS Energy could move forward with the RFP process without the authorization of the proposed MOU; however, it may result in CPS Energy not being successful in winning the contract.

#### **FISCAL IMPACT:**

The fiscal implications are expressed in the terms of the MOU as discussed with the Council in Executive Session.

#### **RECOMMENDATION:**

Staff recommends approval and execution of the proposed memorandum of understanding.