

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

June 20, 1974
10:30 A.M.Electric Auditorium
301 West Avenue

At 10:30 a.m. City Manager Davidson asked if there were any other bids to submit and announced that it was 10:30 and the time for receiving bids was closed. He indicated that the bids would be opened and tabulated upon the arrival of the Council.

The meeting was called to order with Mayor Butler presiding.

Roll Call:

Present: Councilmen Binder, Friedman, Lebermann, Mayor Butler

Absent: Councilmen Dryden, Handcox, Mayor Pro Tem Love

Mayor Butler announced that this was a Special Called Meeting of the Council for the purpose of opening and receiving bids and passing an ordinance authorizing the issuance of the following Electric Light and Power, Waterworks, and Sewer System Revenue Bonds:

\$13,500,000	General Electric Improvements
5,000,000	General Sewer Improvements
<u>3,500,000</u>	General Water Improvements
\$22,000,000	Total

In response to Mayor Butler's question, City Manager Davidson noted that there had been no other bids submitted; and Mayor Butler announced that at 10:30 a.m. the time for receiving bids had been closed.

Mr. Norman Barker, Finance Administrator, opened and read bids on \$22,000,000 City of Austin Electric, Water, and Sewer Revenue Bonds, Series 30, as follows:

<u>Name of Bidder</u>	<u>Maturity Dates</u>		Nominal Interest Rate	Net Interest Cost	Effective Interest Rate
Bear, Stearnes & Co.	Oct. 1, 1976 thru Oct. 1, 1985		7.75%		
	Oct. 1, 1986		7.25%		
	Oct. 1, 1987 thru Oct. 1, 1991		6.00%		
	Oct. 1, 1992		6.20%		
	Oct. 1, 1993 thru Oct. 1, 1996		6.25%		
	Oct. 1, 1997 thru Oct. 1, 1999		5.25%	\$22,681,255.25	6.116843%
Halsey, Stuart & Co., Inc. (Affiliate of Bache & Co., Inc.) and Associates	Oct. 1, 1976 thru Oct. 1, 1988		7.50%		
	Oct. 1, 1989 thru Oct. 1, 1992		6.00%		
	Oct. 1, 1993		6.20%		
	Oct. 1, 1994 thru Oct. 1, 1995		6.30%		
	Oct. 1, 1996		6.40%		
	Oct. 1, 1997 thru Oct. 1, 1999		5.00%	22,833,600.00	6.1579%
Blyth Eastman Dillon & Co., Inc. Account Managers & Associates	Oct. 1, 1976 thru Oct. 1, 1986		7.50%		
	Oct. 1, 1987		7.10%		
	Oct. 1, 1988 thru Oct. 1, 1989		6.00%		
	Oct. 1, 1990		6.10%		
	Oct. 1, 1991 thru Oct. 1, 1997		6.25%		
	Oct. 1, 1998 thru Oct. 1, 1999		5.00%	22,998,620.00	6.2024%
Dillon, Read Municipals Division of Dillon, Read & Co., Inc.	Oct. 1, 1976 thru Oct. 1, 1987		7.50%		
	Oct. 1, 1988 thru Oct. 1, 1991		6.40%		
	Oct. 1, 1992 thru Oct. 1, 1993		6.30%		
	Oct. 1, 1994 thru Oct. 1, 1995		6.40%		
	Oct. 1, 1996		6.50%		
	Oct. 1, 1997 thru Oct. 1, 1999		5.00%	23,062,759.50	6.219730%

<u>Name of Bidder</u>	<u>Maturity Dates</u>	<u>Nominal Interest Rate</u>	<u>Net Interest Cost</u>	<u>Effective Interest Rate</u>
The First Boston Corporation, Kidder, Peabody & Co., Inc.	Oct. 1, 1976 thru Oct. 1, 1983	7.50%		
White, Weld & Co., Inc.	Oct. 1, 1984	7.00%		
Joint Managers and Associates	Oct. 1, 1985 thru Oct. 1, 1990	6.00%		
	Oct. 1, 1991 thru Oct. 1, 1994	6.30%		
	Oct. 1, 1995 thru Oct. 1, 1998	6.50%		
	Oct. 1, 1999	5.00%	\$23,140,748.00	6.2407%

The bids were referred to Mr. Barker and Mr. Curtis Adrian, First Southwest Corporation, for verification.

At this point, Councilman Handcox entered the Council Chambers.

In response to Mayor Butler's question, Mr. Barker announced that the low bid was that of Bear, Stearns & Co. with an effective interest rate of 6.116843%. Mayor Butler requested that Mr. Adrian give the Council his reflections on the bid and how much of the increased interest charge was attributable to the general Dow Jones increase in interest averages in the municipal area and how much might be attributable to the "AA" rating. In response to this, Mr. Adrian indicated that he was disappointed in the bids but that it was not something he did not expect due to the weakening of the bond market and that the City would pay more interest regardless of the change in the ratings. He added that this was reflected in both recent sales of municipal utilities as well as private utilities. He noted that the market was generally weak and that the Dow Jones averages closed this past week at 5.98 and were estimated to close this week at 6.04. He used the 5.98 figure and compared it with the sale of the bonds at 6.116843% by noting that this was a difference of 14 basis points; and on a dollar basis, this would be in excess of \$500,000. He made it very clear that this was not all attributable to the reduction from a "AAA" to "AA" rating and estimated that the City's added interest cost was approximately \$185,000 on this one particular sale. In response to Mayor Butler's question as to how he arrived at this estimate, Mr. Adrian indicated that each basis point was worth about \$37,000 and used 5 basis points. He further added that the fact that the City's rating remained "AA" with Moody's Investment even though Standard & Poor's reduced it from "AAA" to "AA" gave some strength to the fact that Austin had exceptionally strong credit despite this one reduction. He further stated that it had been the modern concept of Standard & Poor's to downgrade credits rather than upgrade; whereas, Moody's maintained on an even keel, leaving the ratings level unless there was some drastic change.

He reiterated that all utilities throughout the United States were experiencing some of the problems Austin was experiencing; and as a result, their interests rates were moving up on the sale of their bonds. Councilman Binder felt that part of the reason for the reduction of rating was attributable to the problems with the supplier of natural gas and felt that part of it was traceable to LoVaca Gathering Company. In response to this, Mr. Adrian noted it was traceable to the fact that the City was having fuel supply problems.

Mr. Adrian recommended that the Council move into the sale of the bonds but could not assure that the interest rates would improve over the next few months' period; however, he did not believe the City wanted to be placed in the position of speculating with public funds.

MINUTES PERTAINING TO PASSAGE AND ADOPTION OF
ORDINANCE AUTHORIZING ISSUANCE OF \$22,000,000
"CITY OF AUSTIN, TEXAS, ELECTRIC LIGHT AND
POWER, WATERWORKS AND SEWER SYSTEM REVENUE
BONDS, SERIES NO. 30," DATED JULY 1, 1974

THE STATE OF TEXAS

X

COUNTY OF TRAVIS

X

CITY OF AUSTIN

X

X

X

ON THIS, the 20th day of June, 1974, the City Council of the City of Austin, Texas convened in regular session at the Electric Building Auditorium, 301 West Avenue, Austin, the meeting being open to the public and notice of said meeting, having been given as prescribed by Article 6252-17, Section 3A, V.A.T.C.S., with the following members present and in attendance, to wit:

ROY BUTLER

MAYOR

BOB BINDER

)

LOWELL H. LEBERMANN

)

JEFFREY M. FRIEDMAN

)

COUNCILMAN

BERL L. HANDCOX

)

and with the following absent: Mayor Pro Tem Love and Councilman Dryden constituting a quorum; at which time the following among other business was transacted:

The Mayor presented for the City Council's consideration an ordinance authorizing the issuance of \$22,000,000 "CITY OF AUSTIN, TEXAS, ELECTRIC LIGHT AND POWER, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES NO. 30," dated July 1, 1974, the caption of said ordinance being as follows:

"AN ORDINANCE by the City Council of the City of Austin, Texas, authorizing the issuance of \$22,000,000 'CITY OF AUSTIN, TEXAS, ELECTRIC LIGHT AND POWER, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES NO. 30,' dated July 1, 1974, of which the sum of \$13,500,000 is for the purpose of extending and improving the City's Electric Light and Power System, the sum of \$3,500,000 for the purpose of extending and improving the City's Waterworks System, and the sum of \$5,000,000 is for the purpose of extending and improving the City's Sewer System (being the third parcel or installment of a total voted authorization of \$60,000,000 for Electric Light and Power System purposes; the third parcel or installment of a total voted authorization of \$37,400,000 for Waterworks System purposes; and the sixth parcel or installment of a total voted authorization of \$27,000,000 for Sewer System purposes), as authorized by the General Laws of the State of Texas, particularly Article 1111 et seq., V.A.T.C.S.; prescribing the form of the bonds and the form of the

interest coupons; pledging the net revenues of the City's combined Electric Light and Power, Waterworks and Sewer System to the payment of the principal of and interest on said bonds; enacting provisions incident and relating to the subject and purpose of this ordinance; and declaring an emergency." (Bear, Stearns & Company, for an effective interest rate of 6.116843%)

The ordinance was read and Councilman Friedman moved that the rule be suspended which requires that no ordinance shall become effective until the expiration of ten days following the date of its final passage, that such ordinance be finally passed and adopted at this meeting, and that, for the reasons recited therein, said ordinance be passed as an emergency measure for the immediate preservation of the public peace, health and safety of the citizens of Austin as permitted by the City Charter. The motion was seconded by Councilman Lebermann and carried by the following vote:

AYES: Mayor Butler and Councilmen Binder, Lebermann, Friedman and Handcox

NOES: None

Absent: Mayor Pro Tem Love, Councilman Dryden

The ordinance was read the second time and Councilman Friedman moved that the rules be further suspended and that the ordinance be passed as an emergency measure to its third reading. The motion was seconded by Councilman Lebermann and carried by the following vote:

AYES: Mayor Butler and Councilmen Binder, Lebermann, Friedman and Handcox

NOES: None

Absent: Mayor Pro Tem Love, Councilman Dryden

The ordinance was read the third time and Councilman Friedman moved that the ordinance be finally passed as an emergency measure. The motion was seconded by Councilman Lebermann and carried by the following vote:

AYES: Mayor Butler and Councilmen Binder, Lebermann, Friedman and Handcox

NOES: None

Absent: Mayor Pro Tem Love, Councilman Dryden

The Mayor then announced that the ordinance had been finally passed and adopted.

At this point, Mayor Butler announced that the Council would go into Executive Session to consider items authorized in Section 2, Paragraphs (e), (f), and (g) of Article 6252-17, Texas Revised Civil Statutes Annotated; and the Special Council Meeting adjourned at 11:20 a.m.

ATTEST:

Grace Monroe
City Clerk

Ray Butler
Mayor