

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Called Council Meeting

November 2, 1978

8:30 A.M.

Council Chamber
301 West Second Street

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Mayor Pro Tem Cooke, Councilmembers Goodman, Himmelblau, Mullen, Snell, Trevino

Absent: None

BOND ELECTION DISCUSSION

Mayor McClellan opened the Special Called Meeting announcing that, "The purpose of this meeting is for further comment and questions concerning a bond issue. At our first work session on the bond issue we rather zeroed in on the January 20 date. There was a package of material delivered yesterday with answers to a number of questions that were related to bond issues, particularly addressing the necessity in both the G.O. area and the electric area, and what would occur without those bonds being voted...the needs month by month. It also has in there, as proposed, the 3 year total, then what would be on the proposed ballot and then the proposed ballot, with inflationary factors being 7%, I believe, on everything except the hospital that was figured at medical cost of 9% inflation rate. Council, do you want to highlight any of this?Let's start with the electric and then move to G.O... Or, if you have any questions in general."

Councilmember Himmelblau said, "What I wanted to know and I talked briefly with Mr. Reed about it last week...it pertained particularly to the three of us that are the carryover from the last Council. In the 1975 bond election, the Mayor's committee worked with the public relations company that went out with leaflets in various neighborhoods as to what was on the bond package for the neighborhood, and what I want to know is what projects have been completed from the 1975 bond election, what projects have been started, what projects have not been started, and what has been deleted. ...I'm talking

about all the projects that were promised in the 1975 bond package." Mr. Davidson, City Manager, told her that staff will prepare a report for her, and the Mayor asked that all Councilmembers receive a copy of the report. Mayor Pro Tem Cooke asked if there are any significant projects "that we know about in relation to Betty's question, that we know did not start or have been delayed because of funding or inflationary measures."

Mr. Davidson stated, "If you look on the memo addressed to me from Mr. Daron Butler talking about the General Obligation bond election, we list under Public Works the numbers of prior bond programs. In some cases those have not proceeded because of inflation, maybe, or lack of funds. But in most of these cases, other factors have dictated the delay of the project, or a hefty increase in the cost of the project. For example, the entire concept of the Spicewood Springs Road project has changed from the original basis for the estimate." Councilmember Himmelblau commented that was when the median was put in, but also it was held up because of the loss of the Water and Wastewater and had to wait until 1976 for utility relocation. To date, she continued, utility relocation hasn't started there, and "I don't know if all the right-of-way has been purchased or where this project fits, or how much could go and I am not familiar with Phase 2."

Mr. Davidson told Council, "The report you requested we can have in a few days. Another project that was held and the scope changed is Tillery Street, and that has to do with the Corps of Engineers doing the study, which is a pretty massive project. I think that Springdale Road has a similar difficulty. Clawson Road we have determined requires much more right-of-way than originally anticipated, so another point I would make, the projects listed here under the category of prior bond programs, we are not saying that the entire amount of money required for each of those projects constitutes additional funding. We are saying that the total of funding for that category of improvements is not adequate to do all of these projects, plus the other things that have been recommended for the first few years. Therefore, they need to be included as part of the recommended bond package." Councilmember Himmelblau asked if there was money to start Spicewood Springs Road so it could go to contract encumbered in the Public Works section of the bond program.

Mr. John German, Director of Public Works, stated, "We are working on a project that would take it from essentially where MoPac ends...the Highway Department construction up to Hart Lane. And we have enough money in the current C.I.P. to take it that far. That is about 1/3 of the way." Councilmember Himmelblau asked if the city has to go one block west of Mesa. Mr. German answered, "No, we do not, primarily because of the difference in the section we are talking about now as opposed to what we originally planned. He continued that the right-of-way "we are concentrating on is in the section from MoPac up to Hart Lane, and we will have it clear. We have field notes and are beginning to make contact with property owners on the rest of it, but that's a long process." Councilmember Himmelblau pointed out that she did not want to go out and sell the same program again, even though she is aware of the change and what happened. Mr. German stated, "We will have this section up to Hart Lane under construction. Utility clearance will start out there in the next month, and the construction will begin in January. We hope to

have a contract award back to the Council in the middle of December.

Mr. Davidson addressed Council by saying, "We did anticipate that, prior to the Council's next meeting on this subject, that the Council would have a number of requests for additional information, or questions that you would want answered. I felt that one of the useful things about this work session this morning is the opportunity you have afforded for questions, but more than that, we will stand by for the next few days for any questions that individual Council members may think of that would help them in determining the final amount in any bond package that you would care to propose."

Councilmember Himmelblau questioned, "If the bond program were put off until July, mid-June, or the end of June, how long would it take to write that prospectus, how long would it take to go with the bond sale, and how long would it take to receive money for the cash flow problems?"

Mr. Norman Barker, Finance Administrator, said, "In order to do it in a thorough fashion, and a timely fashion, it is almost 90 days from the time we know what we can issue and what the projects are for. It takes about 30 days to prepare that information in a form that we can present to prospective bond buyers and to the credit rating houses. Normally, we let those people have about 30 days to assimilate that information and decide whether they want to sharpen their bids or something like that, which brings you out to 60 days, at which time you have a bond sale and then it is very tight to deliver those bonds in 30 days and receive the proceeds which you can start paying bills with. So, 90 days is what we would prefer to have, and I would say, on a crash basis, maybe we could cut that as much as two weeks...two and one half months." Councilmember Himmelblau asked, "take Spicewood Springs Road again, say we go to contract in December in a bond program where a bond election was put off until June or July, do we have enough to carry that contract until we would have the cash flowing there?" Mr. Barker answered, "In the Street and Bridge bond fund program there is enough money to last through then. But right now I am not prepared to say what projects would have to be curtailed in order to do that. I guess Mr. German would be more qualified, but we do not anticipate running out of Street and Bridge bond money by June or so, but that which is allocated to projects already let." Mr. Barker answered Councilmember Himmelblau's question, "if we had the bond election in June we would be looking at cash flowing in in September or October?" by saying, "I am not prepared to answer that."

Mayor McClellan commented that the problem is not in the street and bridge area, and the G.O. area, the problem is in the electric, and what that date would do in the electric. She asked if the city would have to go to some sort of short-term financing. Mr. Barker answered, "It means financing, but in trying to answer Mrs. Himmelblau's specific question, I don't know what projects would have to be deferred in order to delay a General Obligation bond sale." Mr. Davidson pointed out, "You have other projects in the area that may be more critical in delaying a sale than street and bridge projects. For example the Municipal Airport. If you add up the so-called essential projects, we could be talking about something in the G.O. area of approximately \$6 to \$9 million dollars, that the Council might want to find an alternate method of financing until the bond election could be held if you were to

talk about delaying the bond election. Of course, we go back to something that has been submitted to the Council twice, and that's the legal option that the City Council could authorize the issuance of revenue bonds to continue with those electric improvements, without a vote, until such time as a bond election could be called."

Councilmember Mullen asked, "Could we have a brief explanation of the 18-month to 2-year delay of STP and how that effected the bond package, or could effect it, in a positive way instead of a negative, because we are not going to have the transmission lines and so forth, so soon."

Mr. R.L. Hancock, Director of Electric Utility, stated, "In previous tabulation that we had sent to Council, all of the expenditures for fuel, coal and oil and nuclear, were included in the conventional side of the bond requirement. It included the nuclear fuel for South Texas Project on the basis of our latest cash flow, which anticipated the nuclear fuel settlement to the best of Houston's ability to estimate that cash flow. Now, with respect to the 18 month delay in the South Texas Project, it strings out the construction. The cost of the project has increased, so that the cash flow that one would anticipate which was not included in the tabulations which the Council has received, that cash flow would be obviously modified from what it was prior to that, and I think the net effect is that it would because of the price increase in the project, even though it was delayed, it would shorten the period for which the current authority would be useful. I think the previous indication from the staff was that it might go through September, at least through August of 1979 under the old cash flow spread. I would suspect that under the current cash flow spread, it will not last quite that long, and it probably would be some time around June or July. We need to recheck that. We do have those cash flow figures."

Councilmember Mullen said, "On your presentation, you excluded fiscal 1979 retained earnings. Would you speak to that?" Mr. Hancock replied, "I think that was predicated mostly on a recommendation from Mr. Barker as Finance Administrator, and it might be better for him to respond to that." Councilmember Goodman said that first he would like an explanation concerning the impact on transmission lines and asked what bond account the transmission lines are in.

"All of the transmission lines are in the conventional side" said Mr. Hancock. "They are in the tabulation that the Council has received. Now one of the questions that was posed last time was what would be bare bones, what could we reduce in the system in order to cut that funding requirement for a short period of time down to a minimum and one of the things that we could do is delay the transmission line to the South Texas Project, which has been included in that tabulation. There is a caution though with respect to a delay of that transmission line, and that is that the power transfer contract that we have with Houston for 1980 and 1981, which yields about \$8 million dollars a year, requires the ability to transmit power from the Austin area to the Houston area. Now there are transmission lines in operation today that can transmit some of that power. Those lines belong to LCRA. We had presumed in working out the arrangement with Houston that our 345 KV transmission system would be complete all the way to Fayette. We would have a direct connection with Houston. If that line section is delayed, obviously that would not be

available for the summer of 1980. This would create questions with respect to our ability to move that power to Houston. The LCRA system obviously has some capability to move that power. It might have enough capability to move all of that power. But it certainly would tend to jeopardize somewhat our ability to move the full 500 megawatts. We would need to do a power transfer study on their system without our connection to STP before we could really be confident that technically it could be done, and then it would require arrangements with LCRA to move that power through their system into Houston's system." Councilmember Goodman commented, "So the essence of what you are saying is that if the LCRA can't handle all of that power we need to transfer to Houston, we are going to have to go ahead with those transmission lines or alter our agreement with HP&L." Mr. Hancock replied, "I think that's right, qualified somewhat by a power transfer check, it is an outside possibility that we could move the full 500 through their system. We would need to check that and be sure, but just offhand, I would say that your summation was correct." Councilmember Goodman said that "we need to know the answer to that question as soon as possible" and Councilmember Mullen added, "we might give up some of our contracts, or look at the possibility of giving up some of our contracts and not building lines that may not be used." Mr. Hancock told them, "I would be very confident about being able to move a portion of that commitment, but I am hesitant about the full amount."

Councilmember Himmelblau asked, "If we were not able to remain in the South Texas Project, would the transmission lines be necessary if we in turn have to buy power from HP&L?" Mr. Hancock answered, "It would depend on the level of power that we intended to purchase from Houston. I would think our potential power purchase, if we did not have adequate capacity ourselves, would be either from San Antonio or LCRA, rather than from Houston, although that is an option. But, frankly, Houston is looking for capacity and there is because of the delay of the South Texas Project, an additional potential for sales in subsequent years to Houston if Austin does have the capacity. .. Further down the line, obviously as loads go up, it will be necessary to completely reinforce the whole transmission grid for a number of reasons... emergency transfers we well as power transfers, but obviously, that 345 KV interconnection will be very beneficial in the system, but I don't think we could cost justify a 345 KV interconnection with Houston's system with the STP at this time."

Councilmember Goodman stated, "If we are going to re-decide, so to speak, on STP, we would want to put a hold on the transmission lines....on beginning construction of those transmission lines, regardless of our power sales contract." Mr. Hancock answered, "If Austin removes itself totally from the South Texas Project, currently my recommendation would be to delete that section of line from Holman to South Texas. If Austin reduces its participation in the project, there would be no change in the line with respect to the schedule and to size. In other words, we would have the same size line, whether we have 400 megawatts in that plant, or whether we have 100 megawatts in that plant. The line size would be the same; the cost of the line would be the same."

Councilmember Mullen pointed out that "If we end up selling 80% of our contract to Houston, instead of 100% that may be better than building a line that is not going to be used." Mr. Hancock told him, "It takes time to run

those power transfer studies. I will just have to check with our people and see what sort of preliminary work we have done and we will get that back as soon as we can. I think Mr. Barker wants to respond to one of those questions."

Mr. Barker told Council, "On the schedule of the City of Austin electric utility cash flow for 14 months on conventional electric, we put a footnote that it is anticipated in the budget there will be some \$7,700,000.00 available from retaining earnings in 1978-79. When we put the footnote down there, we told everything we knew, because we don't know when that money will be available, whether it is July, August, September, or what month. We don't know whether it will be applied at Council direction to conventional utility, nuclear or what, but we did reveal everything that we knew, which is that that's in the budget."

Mayor Pro Tem Cooke inquired about funding levels in the hospital. He wanted to know the effects of \$6,000,000.00; \$9,000,000.00; and \$17,000,000.00. Mr. Davidson asked Mr. Homer Reed, Deputy City Manager, to explain what components are possible with the various funding levels at the hospital.

Mr. Reed stated: "The only thing I can really speak to is the memorandum we gave you a couple of weeks ago relating to splitting it into a 9 million dollar package, which would include the obstetrics section be added to the hospital, the completion of the 8th and 9th floors, and moving the dietary area, completing and shelling in the remaining mezzanine level that would be left without an exterior wall. Nine million dollars would cover that and would get all of the patient care areas into the new hospital. The only things that would remain in the old hospital would be administration and some of the related support facilities, but no patients would be carried to the old hospital."

Mayor McClellan informed Council that they would have to keep the red brick structure functional and referred to a letter from the Chief of Medical Staff, reaffirming what they had already been told...keep two buildings functioning. "That's correct," said Mr. Reed, "but we think that under the nine million dollar program we could minimize any extra cost by doing some rearranging of some electrical and heating circuitry so that we didn't have to heat and air condition the whole building. There would still be some inefficiency because of having two buildings." Councilmember Goodman asked what support facilities would remain in the old building. Mr. Reed told him that he would provide him with a list, but that he did know that all those which would involve transportation of patients would be directly there in the new hospital building.

Councilmember Himmelblau asked, "If we did have the nine million dollars, and construction could begin in 30 to 90 days after the bond election, what is our construction projection as far as time to build?" Mr. Reed answered, "You are talking probably 15 to 18 months to get it under construction. The architecture time, the time to do all design would simply take that long to get everything worked out and everything planned and ready to go. So you would probably be looking at letting a contract no earlier than January of 1980." She asked how much construction time there would be, and Mr. Reed said, "probably another 18 months." "So" said Councilmember Himmelblau, "by the end of

both of those time periods, the 3 year bond program would pretty much have expired and whoever is sitting here would be looking at another bond election. ...So it is imperative that we have nine million, or 17 million as far as leaving...better to have the 17." Mr. Reed stated, "Obviously, if you don't feel the constraints of the amount that you can afford to repay, the ideal thing would be to build the entire structure and complete it with one bond issue of \$17,000,000.00."

ADJOURNMENT

The Council adjourned its Special Called Meeting at 9 A.M.

APPROVED

Carole Keeton McAllister
Mayor

ATTEST:

Grace Monroe
City Clerk