

## MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

August 31, 1976  
4:00 P.M.Council Chambers  
301 West Second Street

The meeting was called to order with Mayor Friedman presiding.

## Roll Call:

Present: Mayor Friedman, Councilmembers Himmelblau, Hofmann,  
Trevino

Absent: Mayor Pro Tem Snell, Councilmembers Lebermann, Linn

Rate consultant Don Butler was also absent at this time. Mayor Friedman recessed the meeting until the other Councilmembers and Mr. Butler arrived. Members of the Council who were present then went into a work session on the operating budget.

At 4:45 p.m. Mayor Friedman called the recessed meeting to order noting that all Councilmembers were now present. The Mayor stated that this was a called Special Meeting for the purpose of continuing the hearing on the Southwestern Bell Telephone rate increase.

Mr. Don Butler stated that he felt sure that this case was the last telephone rate case to be handled by a city council in the State of Texas. As instructed by the City Council last week, Mr. Butler then presented the following proposals covering a rate increase for Southwestern Bell:

1. Ordinance providing for a \$3.8 million increase as recommended by Mr. George Hess.
2. Ordinance providing for a \$2.001 million increase using other techniques.
3. Revenue requirements based on Bell's tax valuation.

Mr. Butler also had prepared for the Council an ordinance with attachments which would allow the Council to fill in the blanks. In that ordinance basic rates would be set as shown in attached Exhibit A, and would provide that all other rates would be increased by a certain percentage which would be adequate to reach the level of increase approved by the Council.

For a \$3.8 million rate increase, there would be about a 10% increase based on the following schedule:

Central and First Tier Schedule

One-Party Business	20.90
Semi-Public Coin	7.70
Measured Business	15.40
Suburban 4-Party Business	17.30
Rural 8-Party Business	14.15
One-Party Residence	7.75
Two-Party Residence	4.50
Suburban 4-Party Residence	7.70
Rural 8-Party Residence	6.65
Hotel Trunks	20.90
Hotel Stations	1.75
Commercial Trunks	31.35
Commercial Stations	2.20
Flat Rate Business Extension	2.20
Measured Business Extension	2.20
Semi-Public Extension - Coin	2.20
Semi-Public Extension - Non-Coin	1.65
Suburban 4-Party Business Extension	2.20
Rural 8-Party Business Extension	2.20
One-Party Residence Extension	1.65
Suburban 4-Party Residence Extension	1.65
Rural 8-Party Residence Extension	1.65
Coin Call	.10

Other Charges

Installation Residence	16.50
Installation Business	27.50
Non-Published Numbers	1.10

For a \$2.001 million increase, there would be about a 5% basic charge increase, with some exceptions. The charges would be based on the following schedule:

Central and First Tier Schedule

One-Party Business	19.95
Semi-Public Coin	7.35
Measured Business	14.70
Suburban 4-Party Business	16.50
Rural 8-Party Business	13.50
One-Party Residence	7.35
Two-Party Residence	4.50
Suburban 4-Party Residence	7.35
Rural 8-Party Residence	6.35
Hotel Trunks	19.95
Hotel Stations	1.70
Commercial Trunks	29.90
Commercial Stations	2.10

Central and First Tier Schedule - Continued

Flat Rate Business Extension	2.10
Measured Business Extension	2.10
Semi-Public Extension - Coin	2.10
Semi-Public Extension - Non-Coin	1.60
Suburban 4-Party Business Extension	2.10
Rural 8-Party Business Extension	2.10
One-Party Residence Extension	1.60
Suburban 4-Party Residence Extension	1.60
Rural 8-Party Residence Extension	1.60
Coin Call	.10

Other Charges

Installation Residence	15.75
Installation Business	26.25
Non-Published Numbers	1.05

Mr. Butler pointed out that, using the 5% increase, there would be a shortfall of about \$400,000. Out of this amount, \$211,000 would be due to the \$7.35 one-party residence charge, which was less than 5%, and about \$180,000 due to yellow pages advertising. There were three options whereby the \$400,000 could be picked up:

1. Increase one-party residence charges to \$7.50 instead of \$7.35 and increase installation charges by \$2.50 each instead of 5%.
2. Increase installation charges by \$5.00 for each installation.
3. Increase other equipment charges and miscellaneous items not indicated on the schedules by 6.5% rather than 5%.

Mr. Butler then presented his third calculation based on tax valuation as follows:

Various Rate Bases  
Southwestern Bell  
Austin Exchange - 1975

Company	168,132,000
70/30 (George Hess)	109,415,464
75/25	105,810,990
Tax Valuation at 100% (1)	89,447,224
Return at 7.5% on Tax Valuation	6,708,542
Adjusted Income	<u>6,683,008</u>
Net Deficiency	25,534
Gross Deficiency	51,068
Provided through increased Directory Advertising Rates (as of December 1, 1976)	368,755
(1) January 1, 1975	111,596,347
January 1, 1976	<u>124,750,988</u>
	236,347,335
Average 1975	118,173,668
Within Austin exchange (+ 74%)	159,694,100
Local Only (59.8%)	95,497,071
Less Tax Deferrals	<u>6,049,847</u>
	89,447,224

In response to Mayor Pro Tem Snell's question, Mr. Butler stated that any rate increase granted by the Council would have no effect on the statewide rate increase which Southwestern Bell would be filing with the Public Utilities Commission. The Council would merely be setting rates for about 3 months or until the rates were set by the Commission. The case would not be appealed to the Commission.

Mayor Friedman pointed out that as a member of the Public Utility Council of the Texas Municipal League he met yesterday with about 15 representatives from throughout the State and that there was not much support for a statewide rate increase.

Mr. Gray Bryant made the following points:

1. Disagreed with Mr. Butler's tax valuation of \$89,447,224. Felt that the tax valuation should be \$118,173,668 (average for 1975).
2. Tax base and rate base were not comparable. A utility should be allowed to earn on its rate base.

3. The statewide rate case would be filed September 1. Whatever the Council granted today as a rate increase would not be added to the State case. It would just be an intermediate step.

Mayor Pro Tem Snell made the following points:

1. Wanted to keep the pay telephone at 10 cents per call.
2. Wanted to make more people aware of the 2-party line.

Mr. Bryant stated that only 3% of Austin's telephone customers were 2-party line customers. In response to Mayor Pro Tem Snell's question, Mr. Bryant stated that he would take steps in Austin to ensure that people knew about the availability of the 2-party line service to a greater degree.

Mr. Bryant stated that if the Council did not want to increase the pay telephone from 10 cents to 20 cents, then the burden could be shifted elsewhere. Mr. Butler had already made that adjustment in his figures. Mr. Bryant stated that the proposal before the State Commission included a 20 cent pay telephone request. There would also be a request for a Directory Assistance charge, which would not be a revenue-producing item.

Mr. Bryant pointed out that the current request before the Council represented a revenue deficiency from 1975. If the \$2,001,623 request were granted, it would represent an additional \$3,000 per day income for the Company. That request represented less than 20% of the Company's original request and was now 8 months old.

In response to Mayor Pro Tem Snell's question, Mr. Bryant stated that service improvement was the watchword and that the Company would try to improve it. As requested by the Council, the Company had set up a complaint office, which operated through Mr. Bryant's office. All complaints which were referred to that office were dealt with.

Mayor Friedman acknowledged that Mr. Bryant had responded fairly and timely to any complaints directed to the complaints office, and he appreciated it; however, it did not necessarily speak to whether or not the Company deserved a \$2 million rate increase.

Mr. Butler made the following rebutting points:

1. He was amazed at how enamored the Company had become at the Hess recommendation (of \$3.8 million) and that the Council should accept it without question.
2. Regarding the tax calculation, Mr. Bryant had taken an end-of-the-year figure for the rate base, but the revenues covered the entire year. One could not match entire year revenues against end-of-year rate base when there was a difference. There had to be an averaging to have a matching.

Mr. Butler felt that Mr. Bryant had described the statewide case accurately. The present request would not be in addition to that case. Since many Texas cities already had the 20 cent pay telephone, he also felt that it was likely that the State Commission would approve it in Bell's statewide case.

Mayor Friedman introduced the following ordinance:

AN ORDINANCE AMENDING ORDINANCE NO. 760304-F; SUSPENDING THE RULE REQUIRING THE READING OF ORDINANCES ON THREE SEPARATE DAYS; AND PROVIDING AN EFFECTIVE DATE.

Councilmember Hofmann moved that the Council waive the requirement for three readings, declare an emergency and pass the ordinance granting a rate increase of \$2,001,623 with the rates to be increased according to the following Exhibit "A", and include option 3 to increase the installation charges for both residences and businesses by \$3.50 and a percentage on other equipment and miscellaneous items that would pick up the \$400,000 that would be needed. The motion was seconded by Councilmember Trevino.

EXHIBIT "A"

Central and First Tier Schedule

One-Party Business	19.95
Semi-Public Coin	7.35
Measured Business	14.70
Suburban 4-Party Business	16.50
Rural 8-Party Business	13.50
One-Party Residence	7.35
Two-Party Residence	4.50
Suburban 4-Party Residence	7.35
Rural 8-Party Residence	6.35
Hotel Trunks	19.95
Hotel Stations	1.70
Commercial Trunks	29.90
Commercial Stations	2.10
Flat Rate Business Extension	2.10
Measured Business Extension	2.10
Semi-Public Extension - Coin	2.10
Semi-Public Extension - Non-Coin	1.60
Suburban 4-Party Business Extension	2.10
Rural 8-Party Business Extension	2.10
One-Party Residence Extension	1.60
Suburban 4-Party Residence Extension	1.60
Rural 8-Party Residence Extension	1.60
Coin Call	.10

Other Charges

Installation Residence	18.50
Installation Business	28.50
Non-Published Numbers	1.05

Mayor Friedman pointed out that even though the ordinance was passed through three readings, it would not take effect for 10 days. There was no indication as to whether the rate would ever take effect since the Public Utilities Commission took office as of September 1, 1976.

Roll Call on Motion

Roll Call on the motion showed the following vote:

Ayes: Mayor Pro Tem Snell, Councilmembers Himmelblau, Hofmann,  
Trevino\*

Noes: Mayor Friedman, Councilmembers Lebermann, Linn

\*Councilmember Trevino made the following statement:

"It is an extremely difficult matter at any time (and particularly in this era of inflation) to vote for an issue that will lead to an increase in our cost of living. But such an issue is at hand. No one, myself included, wants to pay an additional penny for phone service. But just as this utility has an obligation to serve its customers well, the City Council has an obligation to allow it a fair rate of return. The City has spent close to \$14,000 dollars during the present year on some very excellent (and very tough) rate consultants. They have cut away at Bell's figures and come up with an increase to which they feel Bell is entitled. If the Council is to fulfill its obligations and if the phone company is to provide adequate service, this increase must be given fair consideration.

I realize the decision we must make is an unpopular one. Many of our citizens, who require the phone as a life-line service, cannot afford service even now. I will continue to make it my business as Councilman to see that such people in need receive the service which they require. But I will not waste the citizens' tax dollars by hiring expensive consultants and then rejecting their advice because, on the surface, it seems politically inexpedient. It is inaction, not fair treatment, that will ultimately do far more injury to the citizens of Austin. It is the Council's charge to treat all who come before it fairly and justly. We have heard expert testimony from both sides and I find that there is ample justification for believing that the bottom line 2.001 million dollar increase is fair and just. I vote yes."

Mayor Friedman stated that the ordinance had passed 4 to 3, but second and third readings were not waived, and it was passed through its first reading only. The item would be placed on the agenda for September 9, 1976, and September 16, 1976, at which point it would be moot.

At that point, Councilmember Lebermann changed his vote to "Yes."

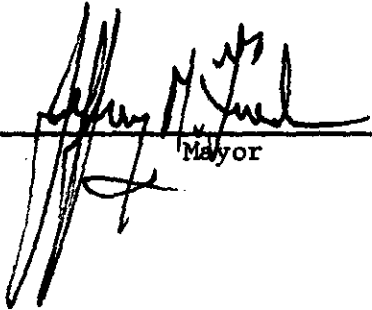
The Mayor then announced that the ordinance had been finally passed by a 5 to 2 vote.

ADJOURNMENT


The Council adjourned at 5:30 p.m.

(Transcript on file in the City Clerk's Office.)

APPROVED

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk