

MINUTES OF THE CITY COUNCIL
CITY OF AUSTIN, TEXAS
Special Called Council Meeting
July 24, 1978
6:30 P.M.
Electric Building Auditorium

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

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

Absent: None

Mayor McClellan called the meeting to order, noting that all members of City's Electric Utility Commission were present.

Mayor McClellan stated that this was a Special Called Meeting for the purpose of discussing the Fayette Power Project and bonding authority for the Fayette Power Project. The Mayor raised the following questions:

1. Where had the bond monies gone which were authorized in 1973? She was specifically interested in the amount earmarked for a coal/lignite plant.
2. How would the \$171 million in proposed new bonding authority be spent?
3. What options were available? She felt that until the options were made available that it would be difficult to obtain new bond authority from the voters.
4. After examining the options what steps would be taken to ensure that future misunderstandings regarding the electric utility would not occur.

BRUCE TODD, Chairman, Electric Utility Commission, had no questions at this point.

ROBERT YOUNG, member, Electric Utility Commission, distributed a list of questions he had compiled. He requested a detailed response to each question.

DR. HERBERT WOODSON, member, Electric Utility Commission, felt that the Commission bore more of the blame for the communications problem that the Council was experiencing. He stated that the Commission had been preoccupied with the nuclear/anti-nuclear matter and had ignored other detailed information prepared by the staff. He felt that the Commission owed the Council, Dan Davidson, R.L. Hancock and the City staff an apology.

Dr. Woodson stated that serious trouble could result unless an electric utility was run in a professional and businesslike manner. He saw the distinct possibility that at some point the City might have to sell all or part of its system if it got into a serious bind. He pointed out that with regard to a report written several years ago no one could predict the future accurately.

Bruce Todd then responded to Dr. Woodson's comments.

Robert Young defended the emphasis placed on the nuclear issue. He felt that the Commission owed no one an apology for its actions. He stated that the review process being engaged in tonight was the most laudatory process for a publicly owned and operated utility.

MRS. SHUDDE FATH, member, Electric Utility Commission, stated that cost assumptions were not shown in reports she had received from the City. She also commented on a report prepared in 1975 which included a study in 1974 of a flat rate for utility customers. She had reservations about the amount of money the City had spent on studies of the electric utility system.

Mayor Pro Tem Mullen suggested that discussion first be limited to the Fayette Power Project, solve that problem and then open up the meeting if desired.

Mayor McClellan then opened the discussion to the public.

DALE JONES stated that he questioned throwing open the meeting to the public because he did not think that anything would be accomplished. He felt that it was the Council's responsibility to work with the staff to determine what the problems were, but that the staff should not be accountable to the public.

BARBARA CILLEY stated that the quality of the reports issued by the staff was good, particularly Electric Utility staff reports. She questioned why the present discussion was being held at this time and not a year ago. She felt that the Electric Utility Commission and the Planning Commission wasted time if they were not given the information needed and requested from the staff. She felt that the Planning Commission depended largely on the Electric Utility Commission's analysis of the electric portion of the C.I.P. and that additional time spent by the Planning Commission on the electric C.I.P. was being wasted.

BILL PENN, a Registered Professional Engineer and President, Techline, Inc., stated that electricity was a bargain compared to what it was a number of years ago. He stated that with Austin's tremendous growth rate in recent years, there had never been a power shortage here. He enumerated several instances of how fortunate Austin was in having the type of management and City Councils over the years and how they had handled the City's Electric Utility.

MS. HELENA HARDCASTLE stated that it was not in the best interest of taxpayers and utility users to raise rates to cover cost overruns. She felt that there should be a careful auditing of electric utility books.

MAX LADUSCH, business representative, Local Union No. 520, International Brotherhood of Electrical Workers, expressed concern over a new bond issue. He stated that union voters would not support another bond issue as long as Brown & Root continued to deceive the people of Austin and LCRA.

WALTER TIMBERLAKE, president, Austin AFL-CIO Central Labor Council, asked if the money was to come forward to pay the additional costs, who would pay for it and how would it be paid for. He did not think that local union members would support a new bond election for electric utilities.

DAVID MARKE stated that the Fayette Project should be completed, but that the Council should stop, reflect and analyze its overall position regarding the electric utility to ensure that the problem did not recur.

City Manager Dan Davidson then addressed the meeting. He stated that he would do his best to answer specific questions raised tonight and that other questions, such as those posed by Mr. Young, would be answered in detail in writing and copies sent to the City Council and members of the Electric Utility Commission.

Mr. Davidson stated that Austin probably operated the most publicly oriented public utility in the nation. In 1973 a citizens' committee recommended a plan to expand Austin's generating capacity. That plan had been approved by the voters and successive City Councils and would be completed in 1982 with the City having 50% ownership of Fayette I and II and 16% ownership of the South Texas Project. At that time Austin will have the most complete fuel diversification program in the State of Texas; from the standpoint of public utilities, possibly in the nation.

Mr. Davidson felt that it was unfortunate that the misunderstanding had occurred over the Fayette Project funding because he believed that the project was worthwhile. He and the staff had reviewed the situation to assess conditions which could have led to the misunderstanding regarding the funding of the project. One unfortunate phrase used during a Planning Commission meeting had apparently led to the misunderstanding. In an attempt to communicate with the Council better in the future, he announced the following administrative changes:

1. A separate section of the Capital Improvements Program recommendations will be designed to describe future financing option plans for consideration of Council.
2. A special City Council agenda form will be designed to identify any item that is dependent upon bond funds for financing payment. The form will provide an update on the extent of balances available and the amount of unissued bond authority that exists.
3. A special expanded section will be added to the City's annual financial report which will define the status of various bond authorization categories so that the status of the funds can be determined easily.
4. Annually, the City Manager will call the City's administrative staff together to discuss the status of bond authorization to ensure that everyone is using the same language to answer questions of citizens, board and commission members or representatives of the City Council.
5. On items requiring major policy decisions of the Council the City Manager will ask the Council in the future always to schedule special meetings so that something of that importance can be set aside at a unique time when others could come and listen to the deliberations so that the Council would not be crowded on their regular agenda on such an important item.

6. On any agenda item which could be misunderstood the City Manager will request an opportunity to present more detail before the Council is called upon to make a decision.
7. Speaking for the entire staff, the City Manager pledged to the Council and to the citizens of Austin that they intended to do the best job possible of keeping everyone informed on all issues before the community and in the area of this particular issue (Fayette Power Project) on all issues that have something to do with the Capital Improvements Program.

The City Manager stated that legislation was passed at the request of the City Council enabling the City of Austin to finance projects differently. The legislation, passed in 1977, would allow the City to capitalize interest during construction. The City explored the possibility of such financing through the Texas Municipal Power Authority (TMPA) but concluded that it and a related piece of legislation were of marginal value to the City. He intended to discuss both options with the Council for potential future use.

Mr. Davidson pointed out that the bonding authority referred to by Ms. Cilley was discussed a year ago in his letter of transmittal for the CIP budget.

Responding to Mr. Young's charge that the Commission had been misled, Mr. Davidson said that was untrue and referred to tapes of a meeting where the Fayette funding and the entire generation plan funding were explained to the Electric Utility Commission, including Mr. Young, who participated in the questioning.

The City Manager then introduced Daron Butler, Budget Director, who presented information on the proposed bond program for the Electric Utility, as requested by Mayor McClellan.

Mr. Butler presented the following information:

The following information was requested by Mayor McClellan.

The CIP recommended by the Planning Commission would require \$171,638,000 in new authority for 1978-83.

South Texas Project	\$47,000,000
Other Electric System Improvements	<u>124,638,000</u>
	\$171,638,000

The \$124,638,000 in conventional authority, current revenues of \$49,254,000 and \$3,650,000 in available funds would provide the backing for appropriations of \$177,542,000.

<u>Appropriations Category</u>	<u>Five Year Total</u>
Power Generation (excluding STP)	\$44,540,000
Working Capital-Fuel Inventory	56,739,000
Power Transmission	8,436,000
Power Distribution	55,389,000
Substations	6,329,000

Streetlighting	5,494,000
Miscellaneous	<u>615,000</u>
	\$177,542,000

Included in the power generation appropriation category (excluding STP) for 1978-83 are two projects:

<u>Project</u>	<u>Requested Appropriation</u>
Fayette Power	\$43,790,000
Holly Emergency AC Power System	<u>750,000</u>
	\$44,540,000

The working capital-fuel inventory and street lighting lines are self explanatory. The other major appropriations category is the \$55,389,000 requested for power distribution. These funds would be applied to:

<u>Purpose</u>	<u>Five Year Total</u>
Overhead Distribution	\$14,361,000
-New Service	
Overhead Distribution	
-Increased Load	8,100,000
Overhead Distribution	
-Relocation or Replacement	2,209,000
Underground Distribution	
-New Service	23,906,000
Underground Distribution	
-System Projects	<u>6,813,000</u>
	\$55,389,000

Power transmission projects include projects to increase system reliability and to provide more reliable service to all parts of the system. Projects also are requested to complete the funding for the transmission line from the South Texas Project and to tie the transmission system from Fayette into the City's distribution system.

<u>Transmission Project</u>	<u>Five Year Total</u>
Jett to Marshall Ford	\$ 131,000
CKT 830: Hi Cross to Burleson	302,000
Pilot Knob to Kingsbery Substation	1,055,000
South Texas Line	702,000
Pilot Knob to Lytton Springs	1,320,000
Common Ford to Marshall Ford	72,000
Fayette to Holman Substation to Lytton Springs	1,712,000
Convert Lines from 69 KV to 138 KV	916,000

Mopac to Magnesium Substation	126,000
South Loop Line	<u>2,100,000</u>
	\$8,436,000

Nine substation projects totalling \$6,329,000 are proposed.

<u>Project</u>	<u>Five Year Total</u>
Minor Projects	\$ 916,000
Kingsbery Substation	199,000
Wheless Lane Subdivision	187,000
Fiskville Substation	73,000
McNeil Substation	157,000
Kingsbery Conversion	135,000
Substation Additions	1,060,000
New Substations (2)	2,702,000
Common Ford Substation	<u>900,000</u>
	\$ 6,329,000

Miscellaneous projects are for improvements to the Energy Communications Center and additions to the Electric Department facilities at Kramer Lane.

Mr. Butler stated that in addition to the new bond authority requested, current revenue in excess of \$49 million would be used to finance the next 5 - year CIP. \$3.6 million in prior year funds would be used to back appropriations requested for the next 5 years.

R.L. Hancock, Director, Electric Utility Department, next described the basic generating plan. He stated that the CIP to be considered this year was basically a continuation of the electric utility plan started in 1973. This year a working capital item had been added which was capitalization of fuel inventory. The item was recommended because it was felt that it would help hold rates down.

Mr. Hancock stated that currently the cost estimate on the Fayette Project was the same as originally estimated by the consulting engineers. If an adjustment was made for fuel inventory (which LCRA included in the original estimate, but Austin did not), then Austin was within its original budget of \$215.5 million. There was also a contingency within the budget which had not been absorbed.

Mr. Hancock next discussed the five key areas affecting Austin's future course regarding a generating plan. Those areas were:

1. Economics
2. New capacity requirements
3. Fuel Source distribution
4. Borrowing requirements
5. Impact on rate payer

Through the use of charts, Mr. Hancock discussed some of the options available to Austin for a generating plan. The base plan (550MW from the Fayette Project and 400MW from the South Texas Project) would take Austin through 1992.

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Borrowing requirements for the base plan, based on cash flow not appropriations would be \$147 million through 1982 and \$170 million through 1986, with a borrowing requirement in 1979.

Mr. Hancock next discussed fuel distribution. The base plan called for 45% coal, 45% nuclear and 10% gas and oil. A 20% dependency on gas and oil would be acceptable, but would eliminate some options. If the base plan were considered zero, then the difference between it and the plan that held Fayette where it was and reduced the South Texas Project to 300MW would cost the rate payers \$166 million over a 15-year period. The plan which would reduce Fayette, reduce South Texas and add a lignite unit later would cost the rate payers \$68 million over a 15-year period. Some of the reasons for adjusting the size of participations in the various plans was to study the impact on funding requirements.

Mr. Hancock stated that the plans were based on cash flow and the estimates were predicated on transfers into the construction plan from revenue, which was programmed at about \$10 million per year, with certain presumptions being made.

In summary, Mr. Hancock stated that the chart spoke to each of the plans, identified the actions required in the plans and spoke to when borrowing would be required. There were alternatives to the base plan, but the alternatives would have an impact on the rate payer. There would have to be a tradeoff among the alternative plans.

Sam Graham, member, Electric Utility Commission, asked if each plan would require additional borrowing authority. Mr. Hancock replied that each would at some point in time, ranging from 1979 to 1983.

Mr. Hancock pointed out that even with the completion of the generation plan there would still be substantial investments in transmission, distribution and street lighting which must be maintained. The investments had to be covered either from revenue or borrowing. Austin had chosen to take the major portion from borrowing. Taking the money from revenue would have an immediate impact on the rate payer.

The City Manager next called on Mr. Monty Niticholas, Finance Director for a presentation.

Mr. Niticholas presented the following report:

ELECTRIC UTILITY CIP
ANNUAL CASH FLOW OF FUNDS

	1972-73 June Thru Sept.	1973-74	1974-75	1975-76	1976-77	1977-78 Thru June 30	Total for Period
Available Funds - Beginning Balance	\$1,675,391	\$ 1,409,751	\$ 4,230,880	\$ 7,259,927	\$ -0-	\$19,014,092	\$ 1,675,391
Net Resources:							
Revenues from the System		\$ 879,094	\$ 3,500,000	\$14,448,000	\$ 9,550,000	\$ 7,300,000	\$ 35,577,094
Contributions in Aid of Construction	16,227	582,425	1,094,301	663,535	650,639	444,322	3,451,452
Revenue Bond - 1972 Authority	5,000,000	20,200,000	34,800,000	49,000,000	78,000,000	59,500,000	60,000,000
Revenue Bond - 1973 Authority							186,500,000
Total Net Resources	\$5,016,227	\$21,661,520	\$39,394,301	\$64,111,535	\$88,200,639	\$67,244,322	\$285,626,545
Project Expenditures:							
Generation - Various Plants	\$1,546,563	\$ 4,967,412	\$11,134,285	\$31,364,510	\$ 7,052,367	\$ 2,773,507	\$ 58,838,644
Generation - Fayette Power Plant		879,094	13,035,567	30,544,995	43,337,127	35,520,626	123,317,405
Transmission	97,019	1,189,710	972,957	2,172,171	1,481,287	2,428,070	8,341,214
Distribution - Overhead	1,141,820	3,130,546	3,403,350	3,293,262	3,304,037	2,785,532	17,058,547
Distribution - Underground and Streetlights	2,341,596	8,312,253	7,391,260	10,386,235	6,520,922	5,460,505	40,442,771
Traffic Signalization	154,869	361,376	427,835	386,115	714,982	401,695	2,446,872
Total Project Expenditures	\$5,291,867	\$18,840,391	\$36,365,254	\$78,147,288	\$62,410,722	\$49,369,935	\$250,415,457
Resources over (under) Expenditures	\$(265,640)	\$ 2,821,129	\$ 3,029,047	\$(14,035,752)	\$25,789,917	\$17,874,387	\$ 35,213,088
Add (Deduct) advances from the System				\$ 6,775,825	\$(6,775,825)		-0-
Available Funds - Ending Balance	\$1,409,751	\$ 4,230,880	\$ 7,259,927	\$ -0-	\$19,014,092	\$36,888,479	\$ 36,888,479

*Includes Fund Balance of \$3,150,912 less refund to the operating fund of \$1,475,521

Mr. Nitchoolas stated that the report presented the cash flow of funds for the non-nuclear portion of the electric utility CIP and covered the period from June 1, 1973 through June 30, 1978. That particular period was chosen because it covered all transactions involving the Fayette Project through June 30, 1978.

Mr. Norman Barker, Finance Administrator, responding to Councilman Cooke's question, stated that there was still \$50.1 million in unissued bonding authority available excluding nuclear and water and sewer authority.

Mayor McClellan asked how long the existing authority would carry the system. Mr. Barker replied that the \$50.1 million plus money on hand would last until about the end of March, 1979. That money would cover obligations already under contract.

Mayor McClellan asked if money were encumbered to cover Fayette, how long would the money last. Mr. Barker stated that if all the monies were encumbered to complete Fayette in 1980 or 1981 and funded that encumbrance, there would be no money left for any other conventional projects, money would be exhausted within 30 to 60 days.

Councilman Goodman asked if there was enough money to pay for Fayette if all other projects were excluded. Mr. Barker stated that if some of next year's earnings were used, then there would be enough money to pay for Fayette. It had been the practice to use the following year's earnings to meet similar obligations. About \$5.2 million from next year's earnings would be needed.

Mr. Barker thought that to some extent everyone had been dealing with hind sight. The \$60 million authority of 1972 came right out of the CIP projected for the ensuing 5 years. At that time the City's best judgment was that \$124 million would be spent on the utility system. Actually, \$250 million was spent and did not include nuclear. In 1972 it was thought that the \$124 million in improvements could be funded by \$60 million in bonds and \$64 million in earnings. Shortly thereafter the energy crisis occurred and the cost of utilities increased drastically, forcing users to curtail their consumption of electricity and reducing revenues. The curtailment had a drastic effect on the cash flow of the system. In retrospect, he felt that the staff probably should have pointed out that while encouraging citizens to curtail usage it should have been made clear that bonds would have to be sold to make up for the lost revenue. He stated that to protect the system during the energy crisis the City bought 18,000,000 gallons of oil at 32¢ a gallon and paid for it out of funds which had been planned to use for system improvements.

Regarding the cost of Decker II, Barker stated that the anticipated cost was \$36 million, while the actual cost was \$58 million.

Councilmember Cooke asked Mr. Hancock to clarify how the staff projected the use of the system's revenue to fund the base plan. Mr. Hancock stated that of the gross revenue coming into the electric utility system funds were distributed as follows: (1) normal maintenance and operating expenses, (2) debt service, (3) transfers to general government and (4) reinvestment in assets for the system.

Councilmember Cooke asked if a certain percentage of utility system revenues were reinvested in the system. Mr. Nitchoolas stated that the transfer was in the neighborhood of the depreciation expense.

Mr. Hancock stated that it was important to note that in the last few years equity in the system had been declining. He felt that it might be to the City's advantage to try to restore some of that equity in the future.

In response to Councilman Cooke's question, Mr. Butler stated that there was no natural gas in the fuel inventory shown in his presentation. Mr. Hancock said that natural gas was paid for 30 days after it was used so there was no inventory funding. Coal and nuclear were substantial front end investments in fuel that are essentially carried through the life of the plant, so it was appropriate to capitalize it as opposed to expensing it as a regular operating expense.

Councilwoman Himmelblau stated that she was pleased to note from the Manager's report that there would be a CIP format change. She hoped that it would be for all classifications and not just the electric utility.

Mr. Davidson stated that on the present project fund summary in the front of the CIP every category of improvement recommended was identified. The format change would cover all categories of capital improvements to be considered by the Council.

Councilman Goodman asked when the 1972 bond package ran out. Mr. Barker stated that it ran out about November, 1975.

Councilman Goodman asked if the Council was notified at that time. Mr. Davidson replied "No, not specifically." However, there had been a wide range of communications to the Council concerning the total bond package.

Councilman Goodman asked if it was inaccurate to say that the \$228 million approved bonding authority in 1973 had been encroached upon. The City Manager said in his opinion, "Yes."

Councilmen Snell asked when the Council was told about the need for \$31 million more for Fayette. City Manager Davidson replied that the staff report given to the Council in 1976 prior to the approval of the Fayette Project indicated that there was not sufficient bonding authority to finance the project. That same information was quoted in a report submitted to the Council on July 18th. The staff considered Fayette to be part of the total system. In a report in January, 1978 the total conventional bonding authority required for the electric utility was estimated for 1979. In the proposed 1978-83 CIP budget both the Planning Commission and the Electric Utility Commission had been given an estimate of what was required out of the total \$171 million for the Fayette Project.

Councilman Goodman asked the City Manager when the Council was told that \$31 million more would be needed for the Fayette Project.

Referring to the proposed 1978-83 CIP the City Manager explained how the need for new bonding authority was determined.

Councilman Snell suggested that, if necessary, the rules should be changed to complete Fayette II.

Councilman Mullen expressed concern over why the Council was not told immediately that new authority would be needed in the near future.

Mr. Davidson stated that there were some options which did not fit the traditional method of financing the City's capital improvements which could forestall a bond election. He would be coming back to the Council with those options.

Mayor McClellan stated that for the record, as long as she was in office she wanted to know early on what is required as far as bond elections. She would much rather be in a position of knowing two years in advance that a bond election would be needed.

There was further discussion as to when the \$31 million needed for Fayette was first known. City Manager Davidson pointed out that the figure was still an estimate and that the exact amount was unknown. He had cautioned the staff not to be presumptuous as to the amount the Council would recommend to the voters for new bonding authority.

Daron Butler stated that he computed the \$31 million figure and submitted it in a memo on July 18, 1978. He stated that the same figure could have been computed from the 1977-82 CIP if the question had been asked.

Councilman Goodman stated that in February, 1978 he had requested an itemized breakdown of new bonding authority needed for each of the 9 plans included in the January, 1978 report from the Electric Utility Department. He had received a response, but did not feel that it answered his question.

Mr. Hancock stated that the interpretation of the question was how much bond authority would be needed for each of the plans that are optional with respect to the Council's consideration. He did not realize that an itemization of each of the line items within each plan was requested.

Councilman Goodman stated that what he had requested was the nature of each item and the bonding authority for each item.

Councilman Cooke felt that if the information furnished by the Electric Utility Department was insufficient that more information should have been requested.

Mr. Hancock stated that he could not give a line by line tabulation of the cost and funding requirement for each of the elements within each of the plans.

Responding to a question from Mr. Young regarding CIP No. 75/10-01 in the proposed 1978-82 CIP, Mr. Hancock stated that he suspected and needed to confirm that when the 1974-75 CIP was prepared that in fact the estimate on Fayette and maybe even the site for Fayette had not been determined. The figure of \$228.6 million carried in the 1974-75 CIP budget was simply the authority that had been carried in the bond issue. Later, the plant site had been selected and the engineers had estimated the project and the estimates for Unit I were continued from that point. There was an inconsistency in the Unit I price 75-76 to 76-77, but it might be related to an appropriation level as opposed to an estimated plant cost level. Mr. Hancock said that he would check further and respond in writing. He also pointed out that the original estimate on the project as developed by Bechtel once the site was set and once LCRA went for funding on the site, had not changed significantly. The cost of the project probably was under the estimate, and hopefully would come in slightly under the original engineering estimate. LCRA had talked in terms of approximately \$450 million for the project which included things such as a force majeure coal pile that Austin had not been including in its \$215.5 million estimate.

Mr. Young reviewed briefly the history of the submission of the Fayette II project for approval, and commented on the short period of time the Electric Utility Commission and the City Council had to review the report and make a decision. Mr. Young felt that ever since Fayette II was proposed there had been a consistent pattern of confusion in the minds of people considering the question as to what the financing pattern would be.

Mrs. Shudde Fath said that she was on the old Commission with Mr. Young and would swear that Charles Herring of LCRA told the Commission that LCRA would use its bonding credit to finance the entire plant, that once a year for the first 25 years of operation the City could pay LCRA 1/25th of its share and at the end of 25 years LCRA would deed the City one-half of the property. She never did hear what happened to the offer.

Councilman Cooke felt that the \$31 million requirement for Fayette was real, but it was a surprise to him. Throughout all of the presentations and discussions on the project, the distinction for the funding was never apparent to him. The thrust of his future decisions would revolve around requesting as little new bond authority as possible from the citizens of Austin. He believed that Fayette was a worthwhile and key project in the long range generation plan of the City and said that he would work as hard as possible to ensure the integrity of Fayette even if it meant the \$31 million of funding.

Mr. Hancock stated that Senator Herring of LCRA indicated that LCRA would, if possible, be receptive to assisting Austin in financing Fayette II, provided that it was first cleared with LCRA auditors, with the financial consultants, that the rate payers were held on hold and that LCRA Board of Directors approved. As it developed, the project was not possible because it either did not clear the auditors or the financial consultants.

Mr. Hancock also stated that if it was decided to fund the remainder of Fayette the cost would exceed \$31 million if only bond funds were used.

In response to Mr. Graham's question, Mr. Hancock stated that the \$147 million figure was the City's estimate prepared last fall for the remaining cash flow through 1982 for all production, transmission, distribution and street lighting additional borrowing requirements in the system presuming a stipulated transfer from revenue back into the construction program.

Mr. Graham asked if the \$177,542,000 figure appearing in the July 19th memo could be substituted and Mr. Hancock replied "No", because it was an appropriation, not cash flow level. Any item appearing in the last year that was longer than a one year project on a cash flow would not have enough bonds to take care of its appropriation requirements.

Mr. Young asked if Certificates of Obligation was one of the methods of alternative financing being reviewed. Mr. Davidson stated that no recommendation had been produced for consideration by the Council, nor had any options been laid out.

In response to Mr. Young's questions, Mr. Barker stated that Certificates of Obligation and revenue bonds could be issued without voter approval.

Mr. Todd asked Mr. Barker if he knew what the "other improvements that the Council had already passed and had to be spent" figure was. Mr. Barker said that he did not know the answer now, but could get one.

In response to Mr. Todd's question, Mr. Nicholas stated that basically all bonding authority plus available funds were fully appropriated. On-going funds were not included.

In response to Councilman Snell's question, Mr. Butler said that \$43,790,000 would be required to fund the Fayette Power Project if no current funds were used and only bonding authority was used.

In response to Councilman Goodman's question, City Manager Davidson said that none of the alternative financing methods which had been discussed had been implemented, but the authority still existed to do so.

In response to questions from Councilman Goodman and Mr. Young, Mr. Hancock stated that TMPA had litigation pending against it and was unable to sell bonds at present. He did not know whether the Council was ever advised as to the situation. There was a possibility that the litigation might be cleared which would make the alternative a little more attractive. His personal reaction was that in view of the arrangement of that power authority it would be wise for Austin not to get involved.

In response to Mr. Young's question, Mr. Hancock stated that as far as he knew there was no direct communications from TMPA to the City of Austin with respect to their litigation.

After a brief exchange between Dr. Woodson, Mr. Young and Councilman Goodman regarding the nature of questioning, Mayor McClellan suggested that the discussion be restricted to issues.

Mrs. Fath asked Mr. Butler what the total 5-year electric utility CIP figure was. Mr. Butler said that it was \$265 million plus.

Councilmember Mullen stated that it should be made clear to the voters that the same funding format had been followed many years as regarded the electric utility and that nothing illegal had occurred. Mr. Barker then stated that the elections in 1972 and 1973 were no different than previous ones regarding new bonding authority. Regarding the \$236.6 million that amount was for general electric improvements and was not dedicated money for any one project.

Councilman Mullen stated that based on that information presented by Mr. Barker he wanted to know if anyone wished to say that anything illegal or incorrect to the point of being illegal or misinterpreted to the point that it might be illegal that there was a loss of confidence in staff to the point they were not believed, he wanted to know about it.

Mr. Young stated that not for a moment would he pretend to say that anything illegal had been done and he did not believe that anything illegal had been done, but there was a question of misinformation.

Councilmen Mullen then asked Mr. Young what he thought the motivation was for staff to do something to try to hide the issue.

Mr. Young stated that he was not qualified to try to guess at other people's motives. At the time of the 1973 election it was much easier to sell an alternative energy package including nuclear than to sell something vague and unclear. Coal helped to carry the election and was some motivation. He felt that there had been a situation which had created the present problem whether it was the deliberate intent or simply the result of the actions and behavior of the people involved.

Mayor McClellan stated that the record should reflect that the intent in calling the meeting did not suggest any dishonesty or questioning of integrity, but was due to miscommunication and misunderstanding.

Councilman Goodman stated that he did not think that anything illegal or dishonest had occurred viewed from the traditional context in the way things were operating at that particular time. He thought that staff's motive, if any, was to continue running the City. He still firmly believed in the Fayette Project and felt that it was a tremendous deal compared to the South Texas Project.

Mr. Todd made the following comments:

1. CIP process should have a direct relationship to the bonding situation in dollars and cents.
2. That problem should be clarified. The City Manager's recommendations tonight should be put in writing and applied to the 1978-79 CIP. He wanted the Commission to have the opportunity to review the process and comment on it.
3. Regarding financial assistance, whenever the Electric Department could not supply desired information, then questions should be directed to the Finance Department.
4. Asked the Council at some future point to reaffirm its support of the Commission and review the ordinance creating the Commission to see if changes were needed.
5. Requested that all documents relating to the Electric Department whether coming from the staff to a Councilmember or any sort of open communication that exists be funneled to the Electric Utility Commission for review.

Mr. Graham requested that the matter of the \$47 million cost overrun on the South Texas Project be placed on the Electric Utility Commission's agenda for reconsideration at its next meeting.

Mr. Rich Ellmer, member, Electric Utility Commission, felt that bond money should be borrowed now at lower rates and not delay them when rates would be higher. He wanted a diversity of fuel with adequate capacity.

Mrs. Fath stated that she was pro-Texas lignite and anti-nuclear. She supported greater conservation measures than the City had undertaken and supported solar in the areas where it was feasible. She urged the Council to give the voters all of the options, particularly the opportunity to sell the City's interest in STP and buy Texas lignite with the money.

C.W. Hetherly, member, Electric Utility Commission, thought that the City Manager's recommended changes in the CIP format was a good idea. However, the CIP process would still be difficult for anyone to understand, but needed to be improved.

ADJOURNMENT

The Council adjourned at 11:25 P.M.

APPROVED

Carole Keeton McClellan

Mayor

ATTEST:

Grace Monroe

City Clerk