

SPECIAL MEETING OF THE CITY COUNCIL
OF THE CITY OF SAN ANTONIO HELD IN
THE CITY COUNCIL CHAMBER, CITY HALL,
ON WEDNESDAY, APRIL 6th, 1960, AT
1:30 P. M.

The special meeting of the City Council was called to order by the presiding officer Mayor J. Edwin Kuykendall with the following members present:

Kuykendall

Dietert

McMahon

Johnson

Olivares

Pinson and

San Martin;

ABSENT: Passur and Simpson.

On motion the Council dispensed with the reading of the minutes of the previous meeting.

Mayor Kuykendall thanked the City Public Service Board Members for being present and stated the Council had received the answers to the questions proposed by the City. He asked Mr. Calvert, Chairman of the City Public Service Board if he had any statement to make. Mr. Calvert then read the following statement:

STATEMENT BY MR. CALVERT

Mr. Mayor and Gentlemen
of the City Council

I would like to take a few minutes to summarize several significant yet simple and fundamental points that merit the most careful consideration and judicial thought of the members of this Council. These might be termed new concepts in the process of formulating decisions regarding the problem under consideration.

Perhaps to start with I should emphasize that this Board of Trustees of the City Public Service Board has no authority whatsoever to make decisions affecting changes in the Bond Indenture. That authority and responsibility lies entirely with you gentlemen and must have the approval of 75% of the present bondholders. The responsibility of the Trustees is to advise you gentlemen on what the Trustees believe is best for the utility system, viewed from the long-range standpoint, and for the citizens of San Antonio. The two are synonymous as the citizens own the utility system lock, stock and barrel. So, what is best for one is best for the other and vice versa.

The Trustees have give you their best judgment and advice in this matter. A sincerely sympathetic attitude to the City problem, plus conscientious evaluation of all basic economic factors involved, reinforced by advisors of great background of knowledge and experience, usually results in sound, dependable judgment.

That is what the Trustees offer and recommend to the members of the City Council.

April 6th, 1960

Now, the question has been raised on several occasions by members or advisors of the City Council of the advisability of selling the utility system and, thus, putting in the hands of the city administration the many millions of dollars which would result from such a sale.

First, let me say that the Trustees and the Management of the City Public Service Board unanimously agree and believe, and wish to go on public record as so believing, that it would be a colossal blunder for the City to sell the electric and gas systems. I give this point great emphasis for one very simple and overriding reason -- and please mark this well, gentlemen of the Council -- "If the City were to sell the electric and gas utility systems for a net to the City of say \$150,000,000, the city administration would be worse off financially during the next 20 years than if it adopted and supported the plan suggested by the Trustees of the City Public Service Board. Furthermore, the citizens would also be much worse off as electric and gas rate-payers because it is reliably estimated under private ownership rates would have to be raised a minimum of 20% for the owners to 'come out' on their investment and show a profit to their new stockholders."

Therefore, we the Trustees of the City Public Service Board, urge the City Council to employ qualified talent in the field of utility management to check this statement and assertion and to find out for yourselves and verify the fact that the City would be worse off financially over the next 20-year period by a sale of the utility systems than it would be by adopting the plan submitted to you by the Trustees.

The second significant point I would like to make in this concluding summary of our thinking and recommendations on this subject is this:

Using a well-worn but well-understood colloquialism that "fifty million Frenchmen can't be wrong", I would like to tell the Council at this time what every other of the larger cities in America that owns its own utility system gets from that system in terms of percentage to gross revenue. This, to the best of our knowledge, is a complete list of cities that have a separate utility operation as contrasted to these many smaller cities where the utility is operated as a regular part of the city itself and, therefore, because of intermingling of funds and functions not comparable to our particular situation. (Read attached list.)

The startling fact from a comparison of these figures is that under the proposal made by the Board to the Council, the City of San Antonio would receive more than 50% more from its municipally owned utility system than any of the other larger cities in America and almost three times as much as the average of those municipally owned systems. Under the proposal submitted to the Council, the City would receive approximately 14% of gross revenue, or fourteen cents out of every dollar that the citizens of San Antonio paid into the system in the form of their utility bills.

Again, gentlemen, we urge you to get responsible experts in the utility field to reassure you regarding the above facts.

Coming back to the saying that "fifty million Frenchmen can't be wrong" it would appear that any group of judicial minded people could hardly fail to be deeply impressed when they see that under the plan proposed by the Trustees of the City Public Service Board that the San Antonio City General Fund would receive an amount so far in excess of that received by any other of the larger cities in America.

It is a sobering thought, gentlemen, as to whether the Trustees of the City Public Service Board haven't gone too far in the liberality of the plan they have proposed and pledged their support in attempting to get bondholder approval.

In conclusion, may I reiterate that the addition of the 5% of gross revenue to the substantial amount already being paid to the City of San Antonio is the absolute maximum that the Trustees can recommend to this Council. We will support you on this but cannot in good conscience, support you in any upward adjustment of our proposal. It might be emphasized that recently one of our leading San Antonio newspapers stated that the plan recommended to you by the Trustees appeared to them to be a "stateman-like solution to this problem".

It seems to us, Mr. Mayor and gentlemen of the Council, that this momentous decision effecting the long-range welfare of San Antonio and all of its citizens is now in your hands for final decision and action.

The City Council members and City Public Service Board members and its staff discussed at length many of the points in which there was disagreement. Also, discussed was

the possibility of having an arbitrator by hiring some utility consulting firm, agreeable to both parties, to make a report on the matter based on the Ebasco and Emerson report and have the matter settled on the basis of the new report.

When discussion ended, Dr. Johnson moved that the Council take the matter under advisement and discuss what it is going to do; whether to accept the offer of the City Public Service Board; discuss it further; or take some other action. The motion was seconded by Dr. McMahon. Dr. McMahon asked Mr. Calvert to consider the suggestion of having some other utility consulting firm make a report on what was proposed by the Board and the City and consider such a report as a basis for settlement of the matter. Mr. Calvert stated the board was going to have its regular meeting today and would certainly give it serious consideration.

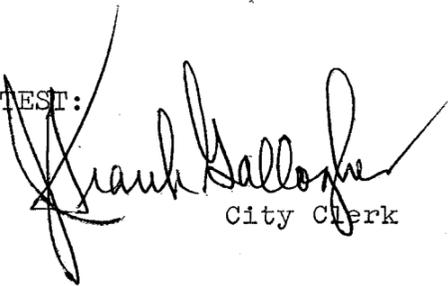
On roll call Dr. Johnson's motion to take the matter under advisement was passed and approved by the following vote: AYES: Kuykendall, Dietert, McMahon, Johnson, Olivares and Pinson; NAYS: None; ABSENT: Passur, Simpson and San Martin.

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The meeting adjourned.
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APPROVED:


MAYOR

ATTEST:


City Clerk