

March 2, 1960

SPECIAL MEETING OF THE CITY COUNCIL
OF THE CITY OF SAN ANTONIO HELD IN
THE COUNCIL CHAMBER, CITY HALL ON
WEDNESDAY, MARCH 2, 1960 AT 2:00 PM.

The meeting was called to order by Mayor Kuykendall with the following members present:

J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. McMahon, Dr. Max E. Johnson, Wayne C Simpson, Joe Olivares, Theo W. Pinson Jr., Dr. Jose San Martin and J. Frank Gallagher, City Clerk; Carlos C. Cadena, City Attorney; and Lynn Andrews, City Manager.

ABSENT: None

Mayor J. Edwin Kuykendall, presiding.

The Clerk read the Call of the Meeting and the acknowledgement of its receipt as follows:

CALL OF MEETING
BY MAYOR

February 25th, 1960

Mr. J. Frank Gallagher
City Clerk
City of San Antonio, Texas

Dear Sir:

Under authority vested in me as Mayor of the City of San Antonio, I hereby request you to call a Special Meeting of the City Council to convene on Wednesday, March 2nd, 1960, at 2:00 P.M., in the City Council Chamber, for the purpose of receiving and acting on bids for the sale of \$6,629,000.00 General Obligation bonds and for such other purposes as may be expedient.

Yours very truly,

/s/ J. Edwin Kuykendall
J. Edwin Kuykendall
M A Y O R

February 25th, 1960

Honorable Mayor and Members of Council
City of San Antonio, Texas

Gentlemen:

Pursuant to a written request filed by Mayor J. Edwin Kuykendall, you are hereby called into Special Session to convene on Wednesday, March 2nd, 1960, at 2:00 P.M., in the City Council Chamber, for the purpose of receiving and acting on bids for the sale of \$6,629,000.00 General Obligation bonds and for such other purposes as may be expedient.

Yours very truly,

/s/ J. Frank Gallagher
J. Frank Gallagher
CITY CLERK

Notice of the above call of Special Meeting is hereby acknowledged.

/s/ John L. McMahon

/s/ Wayne C. Simpson

/s/ Reuben O. Dietert

/s/ Mike Passur

/s/ Joe Olivares

/s/ Theo W. Pinson Jr.

/s/ Dr. Jose San Martin

/s/ Max E. Johnson

/s/ J. Edwin Kuykendall

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The City Clerk then opened bids for the sale of \$6,629,000 General Obligation Bonds dated March 1, 1960.

The following bids were read:

Columbian Securities and Drexel and Company

Gross Interest Cost.....	\$2,875,750.00
Less Premium.....	3,107.68
Net Interest Cost.....	2,872,642.32
Effective Interest Rate.....	4.05699%

Goldman, Sacks & Company

Gross Interest Cost.....	\$2,882,742.00
Less Premium.....	1,662.00
Net Interest Cost.....	2,881,080.00
Effective Interest Rate.....	3.7813%

Holsey, Stuart & Company

Net Interest Cost.....	\$2,879,982.00
Effective Interest Rate.....	3.77995%

The Philadelphia National Bank

Gross Interest Cost.....	\$2,948,798.00
Less Premium.....	2,055.00
Net Interest Cost.....	2,946,743.00
Effective Interest Rate.....	3.8675735%

The Northern Trust Co.

Gross Interest Cost.....	\$2,852,750.00
Less Premium.....	3,724.00
Net Interest Cost.....	2,849,026.00
Effective Interest Rate.....	3.73932%

First National City Bank of New York

Gross Interest Cost.....	\$2,856,430.00
Less Premium.....	5,316.46
Net Interest Cost.....	2,851,113.54
Effective Interest Rate.....	3.7420%

T. S. Smithers & Co.

Gross Interest Cost.....	\$2,918,070.00
Less Premium.....	3,269.42
Net Interest Cost.....	2,914,800.58
Effective Interest Rate.....	3.8256%

Phelps, Tenn & Co., New York.
and Rauscher, Pierce & Co., San Antonio, Texas.

Net Interest Cost.....	\$2,839,134.00
Effective Interest Rate.....	3.7263%

Harris Trust & Savings Bank

Gross Interest Cost.....	\$2,876,670.00
Less Premium.....	2,427.00
Net Interest Cost.....	2,852,400.00
Effective Interest Rate.....	3.74374

Chemical Bank New York Trust Company

Gross Interest Cost.....	\$2,793,318.00
Less Premium.....	3,513.00
Net Interest Cost.....	2,789,805.00
Effective Interest.....	3.661593%

After tabulation of the bids, Mr. Bennett Bolen, Finance Director, stated the bid of Chemical Bank of New York Trust Co. had submitted the low bid and recommended its acceptance. On Motion of Mr. Passur, seconded by Mr Pinson the bid of the Chemical Bank New York Trust Co. was accepted by the following vote:

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All Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. McMahon, Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr., Dr. Jose San Martin.

Nays: None

Councilman Passur then introduced an ordinance and made a motion that it be passed. The Motion was seconded by Dr. San Martin. The ordinance was read in full by the City Clerk.

The Motion, carrying with it the passage of the ordinance, prevailed by the following vote:

Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. McMahon, Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr., Dr. Jose San Martin.

Nays: None

The Mayor announced that the ordinance had been passed. The ordinance as passed is as follows:

AN ORDINANCE 28338.

BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS, PROVIDING FOR THE ISSUANCE OF CITY OF SAN ANTONIO, TEXAS, GENERAL OBLIGATION BONDS, SERIES 1960, IN THE AGGREGATE AMOUNT OF \$6,629,000.00; BEARING INTEREST AT THE RATES HEREINAFTER SET FORTH; PROVIDING FOR THE LEVY, ASSESSMENT AND COLLECTION OF A TAX SUFFICIENT TO PAY THE INTEREST ON SAID BONDS AND TO CREATE A SINKING FUND FOR THE REDEMPTION THEREOF AT MATURITY AND REPEALING ALL ORDINANCES IN CONFLICT HEREWITH.

(Full Text In Ordinance Book JJ Page 175)

The City Clerk read the following letter:
March 2, 1960

The Honorable J. Edwin Kuykendall
Mayor, City of San Antonio and
Members of the City Council

Gentlemen:

We wish to acknowledge and to thank you for your invitation to be present at your meeting to be held this afternoon to hear Mr. Emerson discuss the plan as submitted to the City Public Service Board.

Inasmuch as our regularly scheduled and also unusually important meeting of the City Public Service Board was previously set for approximately the same time, we shall not be able to attend.

We might also add that the Trustees of the City Public Service Board have already had Mr. Emerson's plan and figures made available to them and that these factors have been under intensive study for the past several weeks both by the Trustees and the special committee established for the purpose of fully exploring and analyzing this entire subject.

The Board also wished to advise the City Council that it is now in the process of finalizing a proposal that will be presented within the next few days and which will constitute the Board's answer to the City Council's request for increased payment to the City from the City Public Service Board.

Sincerely yours,

JHC:mc

/s/ J. H. Calvert
J. H. Calvert
Chairman of the Board

City Manager Lynn Andrews stated that a special Meeting of the Council has been set for next Tuesday, March 8, at 1:00 P.M. to further discuss the matter.

Mr. E. S. Emerson, the City of San Antonio Bond Advisor made the following report:

March 2, 1960

EMERSON & COMPANY
South Texas Building
San Antonio 5

March 1, 1960

The Honorable Mayor and City Council,
City of San Antonio, Texas.

Gentlemen:

At a City Council meeting on September 10, 1959, a Resolution was passed by the City Council requesting City Public Service Board support of a proposal to amend the present agreement between the City and the holders of its Electric and Gas systems Revenue Bonds. The terms of the present agreement are those of the Trust Indenture authorized by the City Council as of February, 1951, pursuant to which the Board was created and is operating. The amendment proposed is desired to permit a greater cash realization by the City from its ownership of the systems to be applied to general operating expenses of the City. Presentation and passage of the Resolution was preceded by a summary by Mayor Kuykendall and staff and technical reports as to feasibility. The Trust Indenture itself provides for amendments to be effective upon approval of holders of 75% of the par value of outstanding bonds within a period of one year.

Mayor Kuykendall, speaking as Mayor of the City and as an ex officio member of the Board, pointed out the following facts:

1. The rapid growth of the City has resulted in many problems of operation, a paramount one being the necessity for additional revenue to meet the cost of essential services.

2. While ad valorem taxation is the basic source of revenue, all sources of revenue must be explored. It is evident that among the outstanding assets owned by the citizens of San Antonio is the ownership of the electric and gas systems.

3. The term "City" means the aggregate of the citizens residing within the City limits, who elect City Council members to represent them. The City Council is authorized by law to create certain Boards, of which the City Public Service Board is one, and the "City" acts through such Boards. Every action of the City Public Service Board is that of the citizens residing in San Antonio, having been authorized by these citizens acting through their elected representatives on the City Council.

4. The City Council as the elected representatives of the citizens of San Antonio and the City Public Service Board as their duly authorized representatives are ultimately responsible solely to these citizens. After consideration of all assets of the City and all sources of available revenue, the City Council believes the electric and gas systems are not bearing their fair share of the total cost of government.

5. The Trust Indenture provides that the systems shall be managed by the Board with the same freedom as the Directors of a private corporation. Such freedom carries with it the responsibility to pay the equity owners- the citizens - a fair dividend compatible with reasonable retention of earnings in the business, such return to be available for the aggregate expenses of the City government of these citizens. However, the Indenture fails to provide for the payment of such a return, and should be amended so as to allow it.

The staff and technical reports presented analyses leading to the conclusion that an annual dividend of 5% on the beginning book value represented a fair and reasonable return not adversely affecting the improvement program.

A study prepared by Ebasco Services for the City Public Service Board and Submitted in January, 1960, projects estimated capital expenditures for the coming ten year period in excess of \$300,000,000 or more than 50% in excess of projections made by the City Council representatives. Also, projections of revenues and expenditures differ considerably from City projections. Since the City projections were money projections, based on fragmentary available information, it is recommended that the Ebasco projections be accepted as technically correct even though the dollar value of plant is estimated to be tripled during the period.

The Ebasco study questions the conclusions of the City, and submits a pro forma statement of the effects of City proposals in the light of Ebasco projections, concluding that the City proposals are impracticable. The study does not contain any suggestions as to alternatives, but goes into some detail concerning benefits estimated to be derived by the City during the period. Also, it quotes a Seattle administrator whose primary interest appears to be in "the socially desirable benefits of abundant low cost public power", a theme at variance with the analogy to private utility type operation freedom and responsibilities implicit in the Indenture. Rather, it isolates the systems from all consideration of the overall governmental costs of the citizens, stating that these should be met by increased taxation. This we regard as impracticable.

The City Public Service Board is to be commended for having obtained the technical information as to construction and revenue estimates. It is to be noted that Ebasco states that some raise in rates will be needed when the present gas contract expires in 1962, regardless of the present discussion concerning the amending of the Indenture. Accepting all postulates by Ebasco as correct, we have recomputed the effect of the proposed amendment, and have checked our computation with Board representatives. Revising projected financing requirements within legal limitations and in accordance with the Ebasco construction estimates, we find that the City can receive the proposed fair return and still pass the advantage of municipal ownership and low rates on to the rate payers. Our comments and conclusions are summarized in Exhibit A attached.

The amendments believed needed are set forth in substance in Exhibit B attached.

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These are designed not only to result in the payment of the fair return when earned, but to provide for ample plowing back of earnings as and when needed for expansion and improvement purposes. Since it has been authoritatively demonstrated and checked that the amendments are practicable, it seems obvious that no objection will be entered by the Board as co-representatives of the citizens, and it is therefore recommended that the City Attorney and Bond Counsel prepare the final form of the amendments so that the City Council may properly adopt them and cause them to be forwarded to the Trustee as provided in the Indenture. Under the proposed form of the amendments, the "Application of Revenues" then established will compare with the present flow of funds as follows:

1. Present

- a. Pay operating expenses.
- b. Pay principal and interest on bonds and maintain reserves.
- c. Pay City "in lieu of taxes".
- d. Pay 12 1/2% of gross to I. & C. Fund.
- e. Reimburse City for services.
- f. Balance to I. & C. Fund to 20% of fixed asset value.
- g. Balance to surplus for bond retirement or rate adjustment.

2. Proposed

- a. Pay operating expenses.
- b. Pay principal and interest on bonds and maintain reserves.
- c. Pay 25% of gross to I. & C. Fund to 10% of fixed asset value.
 - (1) Thereafter, 12 1/2% of gross to I. & C. Fund and balance to surplus.
 - (2) All above 5% of fixed asset value in I. & C. Fund at end of each year not budgeted for plant expansion to bond retirement.
 - (3) Surplus at end of year to be paid half to City and half to bond retirement. City may use its half to pay bonds or reduce rates.
- d. Pay City "in lieu of taxes" and 5% on the investment.
- e. Balance for bond retirement.

It is believed that the holders of 75% of the outstanding bonds will agree to these amendments, which do not impair their present position and do not change the existing provisions for the issuance of additional bonds, when the program is presented in properly documented form with reasonable consideration, and it is recommended that the securing of consents be commenced at once.

However, should the program be unsuccessful, it is believed the City Council must recognize the probability that the citizens of San Antonio will be unwilling to continue present circumstances of equity ownership of the systems if it is prevented from obtaining a reasonable return on the investments. Indeed, the Council could be subjected to severe criticism if it failed to realize on an investment estimated to be capable of creating a city endowment of as much as \$150,000,000, and to thereafter earn an investment return on this sum. This is equal to some \$250 for each of the 600,000 men, women and children living in San Antonio on a per capita basis, and we believe our citizens would desire their City government to consider alternatives, some of the more obvious of which are:

1. Sale of the systems to a metropolitan authority, the territorial limits to include all rate payers.
2. Sale of the systems to a metropolitan authority as above, with retention by all incorporated places of the right to repurchase local distribution systems.
3. Sale of the distribution systems in outlying communities.
4. Sale of all properties to a private company.
5. Negotiate a refinancing of all indebtedness under a wholly new Indenture.
6. Negotiate a refinancing, with sale of distribution systems in outlying communities.
7. Cease all extension and improvement work and retire all bonds in approximately three years, at the same time selling off all properties except City distribution system.
8. Undertake a refinancing program by underwriting cooperation and final call as of February 1, 1961, with or without sale of outlying properties, and with a new Indenture.

There are numerous variations of these alternatives, any of which may be developed as and if desired. It is believed simplest and most satisfactory, however, to prepare and submit substantially the proposed amendments in accordance with existing procedural requirements.

Respectfully submitted,

EMERSON & COMPANY

/s/ E. S. Emerson

By E. S. Emerson

Ec
Encls.

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EXHIBIT A
EMERSON & COMPANY
South Texas Building
San Antonio 5
February 11, 1960

Mr. Theo W. Pinson, Jr.,
209 Soledad,
San Antonio, Texas.

Dear Ted:

I return herewith your copy of the Ebasco study, which gives an interesting picture of plant growth estimated to be required during the coming decade. The indicated rise to some \$440,000,000 of plant in service in 1970 approximately triples present plant, which is a very large increase.

Since this is the first authoritative projections summary received, and since five months have elapsed since the September 10th meeting, I believe all future discussion should be based on the Ebasco technical analysis and estimates. Using their figures, I have computed the effect of the City receiving the 5% return on equity within the rate structure used by Ebasco, but with a revision of the prior future financing projections in view of the much higher estimated expenditures. It appears that at the end of the period a projected capitalization ratio of approximately one-third debt and two-thirds equity will exist, which is very conservative and does not differ materially from the present ratio. Present working capital appears adequate for the larger operation, using the 1 1/2% of operating expense rule of thumb.

The comments and conclusions in the Ebasco study indicate a belief in the theory that one of the main advantages of municipal ownership and operation of an electric and gas system is in keeping rates down. Since Ebasco makes no recommendation as to reductions in present rates, it is assumed that they consider them to be reasonable and that the rate payers are in fact presently benefiting from municipal ownership of the utility. Using Ebasco's estimates of future revenues, expenses and expansion requirements which are computed on the present electric rates and a compensating increase in gas rates caused by a predicted increase in gas costs, the City can still receive a return of 5% on its equity without further increases in rates and without alteration of predicted expansion and working capital demands. In other words, if Ebasco's estimates are correct, we can take care of all expansion requirements, give the City a 5% return on its equity and still pass the advantage of municipal ownership and low rates on to the rate payers.

I have been concerned with municipal finance for more than thirty years, and while I take no position as to the propriety of a city owning its electric and gas utilities as a matter of principle, I feel very strongly that whatever utilities are city-owned must be operated for the general good of the community. As far as the future growth and prosperity of San Antonio is concerned, of what advantage is a low utility rate if a prohibitive ad valorem real estate tax exists, for instance? It seems to me obvious that the cost of City non-revenue producing services must be carefully distributed among the sources of revenue available in a spirit of compromise for the benefit of all.

I also agree with Ebasco that a comparison of rates of return received by public and private equity owners of a public utility is unrealistic. There is really no analogy, but I do not think that is the point. The plain truth is that the City has title to an investment that could be sold to net it an estimated \$150,000,000, that it is and promises to be badly in need of additional revenue, and that it cannot justify ownership of this valuable asset unless it receives a fair market return on value. The City Public Service Board has expressed sympathy with the financial problems of the City Council, which is proper, for the City acts through the Public Service Board, as recited in the Indenture. The two are one and the same, and the problems of the one are the problems of the other as well.

The theory of municipal financing assumes generally that the cost of improvements will be 100% borrowed within the limits of the law established by the state legislative body which originally created the City. The "special fund" doctrine established by the courts regards revenue indebtedness as payable from incomes only and not chargeable against taxes or limitations placed on the incurring of debt. For many years, incomes of publicly-owned utilities could not be used for general city purposes while bonds were outstanding, a limitation our legislature removed a few years ago in recognition of increasing needs. It is my opinion that the City acting through the Public Service Board is not a separate entity from the City Council, but an "alter ego" for it, and Bond Counsel advises me that court decisions bear out this view.

When a revenue bond issue is sold, the terms of repayment and the application of revenues for the future are then determined in the light of existing conditions. Where a mortgage is given, as here, an Indenture and Deed of Trust prescribe the conditions, and provision is made for amendment at a future date. The financing requirements for the future during a period of rapid expansion should be kept at a minimum but this should be done by stretching out maturities rather than by failure to pay a return on equity. So long as improvements can be financed within the limits of law and the extremely restrictive provisions of the present Indenture as to the issuance of additional bonds. I believe this should be established policy.

Finally, it is my opinion that I can present the case to the holders of the bonds and obtain the consents of the required 75% within the prescribed period, and I recommend this procedure to you at an early date in the assumption that your Public Service Board will give its approval with the knowledge that the City is acting through it in the administration of the system and that this is what the City desires. Any increase in cash realization by the City will require modification of the Indenture, and I do not think

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think the question one of degree. The proper limitation is for the return to be available when earned, with allowance for expansion funds from earnings as at present, and it is an obvious impracticability to go to the bondholders for another amendment at a later date. Also, I do not think alternatives should be considered at this time.

I trust that these comments may prove helpful and that we may move forward promptly. Also, I think the City Public Service Board is deserving of commendation for having obtained this detailed study by Ebasco Services, regardless of any disagreement in our thinking. We have compiled data on Seattle, which is in a quite different situation financially, and I will report separately on this and other situation aspects as requested.

Very sincerely yours,

E. S. Emerson

Es
Encl.

EXHIBIT B
MEMORANDUM TO CITY COUNCIL

San Antonio, Texas, March 1, 1960

By using the Ebasco projections exactly insofar as revenues and construction expenditures estimates are concerned, it is possible by the issuance of \$106,000,000 bonds through 1969 on an approximately annual average of \$10,000,000 to

- (1) Furnish all funds for construction which Ebasco estimates you will require;
- (2) Fully devote all depreciation and 12 1/2% minimum of gross revenues to construction purposes;
- (3) Pay the City a 5% annual return on the investment in all years except 1967, 1968 and 1969, when there will be available slightly under this amount;

(4) Accomplish all of these things under rates used by Ebasco.
Also, it is legally possible to issue these bonds, because they meet all of the tests of the present Indenture without material change, including:

- (1) The coverage tests of Article VIII, Section 2 (2) (d);
 - (2) The "bondable property" coverage tests (50%) of Article V, Section 2 (2) (a); and
 - (3) Proper accumulation of necessary additions to Reserve Account.
- The provisions of the original and the present Indentures, with our proposed amendments, are substantially as follows:

- (1) The "Application of Revenues" provisions of the Trust Indenture of July 25, 1942 were substantially as follows:

First, all revenues were to be deposited to a "Revenue Fund", from which the current expense of operating, maintaining and repairing the system were to be paid as incurred.

Next, the principal of and interest on the Revenue Bonds dated August 1, 1942 were to be paid, and in addition up to 20% excess per year was to be paid into a "Reserve Account", which was to be built up to and maintained at an amount sufficient to pay bond principal and interest during the 18 months immediately succeeding the current operating year.

Next, the City of San Antonio was to be paid \$210,000 annually and the San Antonio Independent School District \$113,750 annually as reimbursement for the loss of taxes, this obligation being cumulative.

Next, 12 1/2% of the gross electric revenues and 10% of the gross gas revenues were to be paid annually into a "Renewal and replacement Fund" until any monthly payment caused the fund to exceed \$3,000,000. When this occurred, that payment was to be regarded as "surplus".

Next, from the accumulated "surplus" at the end of each operating year, there was first to be paid to the City a sum sufficient to reimburse it for all moneys paid by it during such year for gas, electricity and the services of the system used by the City.

Next, if the remaining "surplus" exceeded \$1,250,000, all moneys above this amount were to be used to retire bonds.

Next, from the excess of the "surplus" above the reimbursement to the City for usage, and up to the sum of \$1,250,000, the first remaining moneys up to a maximum of \$500,000 annually were to be paid into a "Contingencies Fund" until there was \$3,000,000 in such fund.

Next, in any year in which the "Contingencies Fund" was in its full amount, then such \$500,000 (or any of it not needed to bring the fund up to its full amount) was to be used for the redemption of bonds.

Next, any remaining "surplus" above the reimbursement to the City for usage plus the \$500,000 provided to be otherwise applied, and up to the maximum of the reimbursement for usage plus \$1,250,000, was to be paid to the general funds of the City, but the City in its discretion might require such moneys that would otherwise be paid to it to be used by the Board of Trustees of the system for the reduction of rates for the following year.

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(2) The "Application of Revenues" provisions of the present Trust Indenture of February 1, 1951 and the First and Second Supplemental Indentures and the proposed provisions to be amendatory thereto are substantially as follows:

ARTICLE V

PRESENT SECTION 1. The fiscal year shall end on January 31st in each year.

PROPOSED SECTION 1. Unchanged.

PRESENT SECTION 2. All revenues are to be deposited to a "General Account."

PROPOSED SECTION 2. Unchanged.

PRESENT SECTION 3. Funds in the "General Account" shall first be used to pay the current expenses of operating, maintaining and repairing the system, and provision shall be made for working capital requirements as necessary operating funds.

PROPOSED SECTION 3. Unchanged.

PRESENT SECTION 4. The next available funds shall be used to pay the principal of and interest on outstanding bonds, and in addition up to 20% excess per year is to be paid into a "Reserve Account", which is to be built up to and maintained at an amount sufficient to pay bond principal and interest during the next fiscal year.

PROPOSED SECTION 4. Unchanged.

PRESENT SECTION 5. The next available funds shall be used to pay to the City a reimbursement for the loss of taxes in accordance with a stated formula, the obligation being cumulative.

PROPOSED SECTION 5. The next available funds (including all allowances for depreciation) shall be paid into an "Improvement & Contingencies Fund" in an amount equal to 25% of the gross revenues of the system until any monthly payment causes the fund to exceed 10% of the value of fixed capital assets. When this occurs, one-half of all succeeding payments shall be regarded as "surplus." All funds in the Improvement and Contingencies Fund at the end of any operating year in excess of 5% of the value of fixed capital assets not budgeted for renewals, replacements, improvements or new construction or required for the future completion of power plants under construction shall be used for the redemption of bonds.

From the accumulated "surplus" at the end of each operating year, there shall first be paid to the City a sum sufficient to reimburse it for all moneys paid by it during such year for gas, electricity and the services of the system by the City, and thereafter one-half of the remaining balance of the "surplus" shall be used for the redemption of bonds and one-half shall be paid to the general funds of the City, but the City in its discretion may require the Board of Trustees of the system to use the one-half of the remaining balance of the "surplus", which would otherwise be paid to the general funds of the City, for the redemption of bonds.

PRESENT SECTION 6. The next available funds in an amount equal to 12 1/2% of the gross revenues of the system shall be paid into an "Improvement and contingencies Fund", and thereafter there shall be paid to the City a sum sufficient to reimburse it for all moneys paid by it during the year for gas and electric services. All funds remaining in the General Account (including all allowances for depreciation) shall be paid into the "Improvement and Contingencies Fund" until it amounts to 20% of the value of fixed capital assets. If at the close of any year this fund exceeds such 20%, the excess shall be retained in a "Surplus Fund" to be used to reduce rates for service, or to redeem bonds.

PROPOSED SECTION 6. The next available funds shall be paid into a "City Reimbursement and Return Fund" from which there shall be paid to the general funds of the City an amount equal to (a) a reimbursement for the loss of taxes in accordance with the present stated formula, and (b) a return of 5% on the equity owned by the City. Any remaining available funds at the close of each fiscal year shall be used for the redemption of bonds.

(3) Article VIII, Section 2 (2)(d) should be rearranged substantially as follows:

ARTICLE VIII

PRESENT SECTION 2 (2)(d). During each of the three preceding fiscal years the total revenues have been sufficient to:

- (a) Operate, maintain and repair the system;
- (b) Pay the principal of and interest on outstanding bonds and maintain the reserve;
- (c) Pay the City the reimbursement for loss of taxes;
- (d) Pay the required 12 1/2% minimum of gross revenues to the Improvement & Contingencies Fund;

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- (e) Reimburse the City for payments for services; and
- (f) Leave an amount equal to two times the greatest total amount of annual principal and interest payments to become due in any fiscal year on bonds outstanding and to be issued.

(For balance of Emerson Report see Postscript on Page 53)

Mr. Emerson said the report as submitted required for no immediate action on the part of the Council but that it appears that in the interest of time it might be wise to have the City Attorney and Bond Counsel prepare the final form of proposed amendments to the indenture. After discussion, Mr. Passur moved that the City Manager instruct the City Attorney and Bond Counsel to proceed at once to prepare the final forms of amendments to the indenture. Seconded by Dr. San Martin, the Motion carried by the following vote:

All Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. Mc Mahon,
 Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr.,
 Dr. Jose San Martin.

Nays None:

City Manager Andrews stated he believed they will be ready by next Tuesday at 1:00 P.M.

Dr. Mc Mahon then moved that the City Public Service Board be invited to meet next Tuesday at 1:00 P.M. and be mailed a copy of the report made by Mr. Emerson.

Seconded by Mr. Dietert, the Motion carried by the following vote:

All Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. McMahan,
 Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr.,
 Dr. Jose San Martin

Nays None:

Mayor Kuykendall asked if the Council received an answer from the City Public Service Board before next Tuesday whether it should be discussed next Tuesday. Dr. San Martin commented that all matters that came up before next Tuesday should be discussed. Dr. Johnson then moved that if the Council gets any proposals prior to the Tuesday Meeting and in sufficient time to go over it the Council will discuss it at the Tuesday Meeting. Seconded by Dr. San Martin, the Motion carried by the following vote:

All Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. Mc Mahon,
 Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr.,
 Dr. Jose San Martin

Nays None:

The Clerk read the following ordinance:

AN ORDINANCE 28337

ACCEPTING THE ATTACHED LOW QUALIFIED
 BID OF SECURITY-COLUMBIAN BANK NOTE
 COMPANY TO PRINT CERTAIN GENERAL OBLI-
 GATION BONDS, 1960 SERIES FOR A TOTAL
 OF \$1,366.00.

On Roll Call the ordinance was passed by the following vote:

(Full Text in Ordinance Book JJ Page 174)
 On Roll Call the ordinance was passed by the following vote:
 All Ayes: J. Edwin Kuykendall, Reuben O. Dietert, Mike Passur, Dr. John L. McMahan,
 Dr. Max E. Johnson, Wayne C. Simpson, Joe Olivares, Theo W. Pinson Jr.,
 Dr. Jose SanMartin.

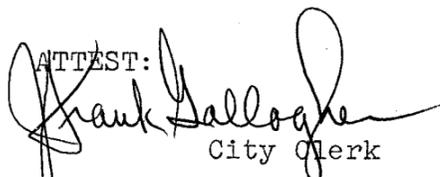
NAYS None:

March 2, 1960

There being no further business, the Meeting adjourned.

APPROVED:

J. Edwin Kuykendall
M A Y O R

ATTEST:

City Clerk

Postscript: See upper Prop. 57

PROPOSED SECTION 2 (2)(d). During each of the three preceding fiscal years, the total revenues have been sufficient to:

- (a) Unchanged.
- (b) Unchanged.
- (c) Pay 12 1/2% of gross revenues into the Improvement and Contingencies Fund;
- (d) Pay the City the reimbursement for loss of taxes; and
- (e) Leave an amount equal to two times the greatest total amount of annual principal and interest payments to become due in any fiscal year on bonds outstanding and to be issued.