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Dear Client:

Austin's Mayor and City Council are facing their biggest challenge since the governing body expanded to ten-members-plus-the-mayor a little more than a year ago. It doesn't involve budgeting, traffic gridlock, the airport, water and electric utilities or any of the other long-standing issues. This involves *ride-sharing*, the new concept sweeping the nation. But where many cities are running smoothly down this new road, Austin's City Council finds itself in a complicated mess.

The complications involving new ride-sharing companies Uber and Lyft and the existing taxicab companies have been rising in a crescendo mode for months. **The debate over the issues will peak next week (though they will not necessarily be fully resolved)**, when the Austin City Council takes yet-another-vote on the topic February 11th. To prevent your eyes from glazing over, we will not try to re-cap all the twists and turns in this process. Let's simply analyze the reasons why this is such a challenging time for the Mayor and City Council.

Almost overnight, **more than 25,000 qualified signatures were gathered to override the Council's actions to require fingerprinting of Uber and Lyft drivers**, who are mostly private citizens trying to make a buck on a part-time basis. This is rare; such a petition drive hasn't occurred in years. Depending upon how the Council reacts, an election would be set to overturn the ordinance.

There is even an effort to force a special election to recall a sitting member of the City Council who was out front in the effort to fingerprint drivers. Once again, a recall effort is rare indeed, especially when you consider there is no charge of malfeasance against the councilmember – only they didn't like the way she voted. (Imagine if a recall election was pushed on every controversial vote taken by the Mayor or any councilmember.)

If any election is called, it would be just around the corner – May 7th, a standard election date when other items would be on the ballot, such as local school board and other elections.

Mayor **Steve Adler** is scrambling to make lemonade out of lemons, such as pushing a compromise to **provide a financial incentive for voluntary fingerprinting**. So, there will probably be developments daily until the February 11th Council meeting. Stay tuned.

Heavy rainfall, cooler temps, and low natural gas prices marked a change from the recent norm in the Austin area during 2015. So how did Austin Energy (AE) and Austin Water (AW) – the two monopoly city-owned utilities that in the past imposed controversial rate hikes – do financially? Quite well, thank you, because they ended the year with surpluses.

The *Austin Monitor* reported this week that even though Austin Water’s revenues were more than **\$15 million below expectations**, “**the utility ended up with about \$4 million more** than it had projected last September.” How did this happen?

Rainfall was an impressive 45% above normal. So AW reported that water customers simply used less water (even though there was a major brouhaha when many customers complained about what they felt were exorbitant increases in their bills). AW said because its customers used less water, the utility **saved money by using less electricity for pumping and less chemicals for water treatment.**

Wholesale prices for certain power supply sources that generate electricity for AE were generally lower – especially for that old reliable, natural gas. AE told the *Austin Monitor* overall *revenues* were about \$64 million less than anticipated. But those lower fuel *prices* were also about \$64 million less than expected.

Are these factors of temperature, rainfall and the low cost of natural gas likely to continue for the foreseeable future? It’s possible. For instance, just this week the national weather service, NOAA, predicted above-normal precipitation in February. And it’s hard to find any energy expert who thinks the price of oil and gas will go up dramatically anytime soon. So, while it is difficult (or damn near impossible) to predict, the outlook as of today is a continuation of the current situation.

By the way, the big bucks Austin has committed to achieve 55% renewable energy generation (translation: solar, wind, etc.) just got a boost from the feds. **Beginning this week, Austin starts a pilot program to determine how to integrate the *reliable* electric grid with solar energy, which is only created when the sun shines.** The US Department of Energy SunShot Initiative awarded \$4.3 million to AE. The project, to include goals for local solar and energy storage, will last several years and will involve two projects in East Austin.

San Antonio is complaining that you can fly nonstop from Austin’s airport to Washington DC’s Reagan National, but you can’t fly nonstop from San Antonio. How’s that possible?

Reagan National offers nonstop flights to more than 85 destinations, but because of its “perimeter rule,” nonstop service is blocked between Reagan and airports within 1,250 miles. Wait a minute, Austin is within that perimeter. **But Austin secured an exemption.** So, to get on more even footing with Austin, San Antonio is trying to extend the perimeter to 1,400 miles.

UTSystem Chancellor Bill McRaven's bold plan to build a new campus in Houston is moving ahead. But, oh my, it's not sitting well in some Houston quarters. In fact, the opposition is loud and widespread. And in spite of calls for the project to be delayed, the first 100 of 332-acres has been bought.

The land is south of NRG Park (where bigtime sports are played) and the Texas Medical Center. **The precise location is north of Willowbend Drive and west of Buffalo Speedway – a prime hunk of land.** The *Houston Chronicle* reports that the UTSystem will pay \$450 million (which includes debt service) over the next 30 years for the entire 332 acres. The debt will be backed by the multibillion-dollar Permanent University Fund.

So, who is against this expansion of higher education in one of the nation's largest and most dynamic cities? The list of opponents is impressive. And why are they against it?

Let's start with **Welcome Wilson Sr.**, former chair of the University of Houston Board of Regents and chair of the UH Political Action Committee. **"It creates unnecessary duplication and it wastes taxpayers' money,"** he says. "If Texas A&M University purchased 332 acres in Austin, 5 miles from the UT campus, would UT and its alumni be concerned?"

Wilson is asking the Texas Higher Education Coordinating Board to demand the UTSystem **delay until the Texas Legislature meets next year** and "has an opportunity to fully vent this action." The current UH Chair, **Tilman Fertitta**, calls the plan the "most asinine thing I've ever seen."

Certain Houston area legislators have also spoken out against the plan. And others have pointed out that UH is not the only higher ed institution to be affected, but that historically black universities -- **Texas Southern and Prairie View A&M – might almost be impacted.**

How is Chancellor McRaven handling this brouhaha? **He said he was "guilty as charged" because he did not consult with others before lining up the land purchase.** But he said he was afraid the price of the land would rise significantly if he revealed his plan too soon. And he said charges that his Houston campus plan violated state law were unfounded.

And McRaven is moving ahead with military precision. He has tasked a group to begin the planning phases for the new campus. He said the task force will try to avoid duplicating programs and initiatives that other Houston area institutions are providing. And he says he will seek wide input from the Houston community as the project moves forward.

The Houston campus was part of McRaven's five-year "quantum leap vision" that received the approval of the UTSystem Board of Regents November 4, 2015.

Texas Sen. Ted Cruz tops the GOP pack in the 2016 presidential race, following his Iowa caucus victory that kicked off the voting cycle. But the Lone Star State is not part of the national dialogue as it was when former Gov. Rick Perry campaigned using Texas as a model for the nation. Cruz seldom mentions Texas. Other GOP candidates with Texas ties are pretty much out of the running for now. But Texas could come into focus in just a few weeks.

It hasn't been in the spotlight yet because other states are going to vote sooner, but **Texas Republicans will be voting on their choice for president in less than a month. Can you believe it is almost here! Super Tuesday is March 1st** and Texas will have the largest number of delegates up for grabs on that day.

It will be interesting to see which GOP candidates criss-cross Texas, buy ads, and make their pitch for votes. Will they aggressively court Texas voters or will they concede the state to homestate USSenator Cruz? At any rate it will likely not reach a peak until after the South Carolina primary February 20th. And who knows how many candidates will be left standing by Super Tuesday.

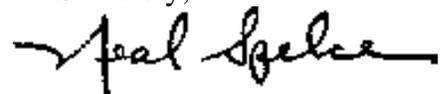
Democrats will of course vote in their Texas primary March 1st. While neither candidate has Texas ties, **Hillary Clinton** has been visiting Texas regularly since she and her husband traversed the state working on behalf of Democrat USSenator **George McGovern** in his race for president. **Bernie Sanders** has not been very visible in the Lone Star State.

When presidential candidates come to Texas, they will find a state that – unlike others where they have campaigned so far – is enjoying a vibrant economy.

By most measures, the Lone Star State is at the top of jobs, income, etc., even though the oil and gas sector is in the midst of a slowdown. Wonder if their campaign message changes in Texas.

Dr. Louis Overholster: “Never underestimate the power of stupid people in large groups.”

Sincerely,



Editor/Publisher