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Dear Client:

Jobs data for the Austin area can sometimes be confusing and contradictory. One reason is the gatherer/keeper of such stats, the Bureau of Labor Statistics, regularly revises its numbers. The March 2018 revision changed the Austin area's employment stats from great to even greater. How about that! And even before revisions, Austin's job growth is the 2nd best performing among the nation's 50 largest metros.

The latest figs: Austin added 36,900 *net* new jobs in the 12 months ending in January, making Austin the second best performing metro area among the nation's 50 largest. **Its very strong 3.7% growth is, by far, tops in Texas. Dallas** (up 2.6%), **Houston** (up 2.2%), **Fort Worth** (up 2.1%) and **San Antonio** (up 2.0%) ranking 12th, 17th, 18th and 21st respectively, according to **Beverly Kerr**, the Austin Chamber's VP/Research. This data is not seasonally adjusted.

But look what happens when you adjust the mind-numbing numbers seasonally, taking in a number of factors, including taking into account state and federal unemployment insurance. **In the Austin metro's case, the adjusted numbers usually reflect a better economy.**

For instance, **“preliminary 2017 estimates for jobs in Austin have been revised upward,” noted Kerr. The job growth percentages got better** – going from previously estimated 2.7% to 3.2% -- a significant increase.

When you dive a bit deeper in the numbers, some interesting tidbits emerge. As an example, **Austin's sizable government sector lost 2,800 jobs over the past 12 months.** When we say “sizable,” the government sector includes more than 17% of the jobs in the area. Yet, the job picture grew despite this loss. Impressive.

So, which portions of the Austin private sector grew? Darn near all of them. **Professional and business** jobs grew by 12,500 over the past 12 months at a rate of 7.4%. But, **manufacturing** jobs grew the *fastest*, at 9.2%, when adding 4,600 jobs. Only **retail** *lost* jobs in the past year – just 200, for a rate of -0.2%.

One aspect of positive economic growth is just now showing signs for even better growth in the very near future. Get ready for it. **The next oil/gas surge is starting to happen in Texas and this will help state government as well as the overall economy.** Check the next item.

Think what this statement means for the Texas economy: “The United States will overtake Russia as the world’s biggest oil producer by 2019.” Think what this forecast from the International Energy Agency (IEA) means for tax revenue to run the state government that is concentrated in Austin. Think what this means for Houston and other Texas city economies fueled by an oil/gas boom.

Energy infrastructure and the shale revolution have put Texas at the center of the new energy world, according to the *Houston Chronicle*. And that local newspaper is looking beyond what will likely happen in Houston, long identified with the Texas energy industry. For instance, here is what the *Chronicle* reported about the port city of **Corpus Christi**:

“Along the waterways of this South Texas city, tall cranes lean over half-built oil storage tanks, construction crews work to complete export terminals and bulldozers clear paths for new pipelines, **telltale signs that a flood of oil is coming this way**,” noted the newspaper.

“Over the next few years, millions of barrels of crude produced in the Permian Basin in West Texas and New Mexico will pour into Corpus Christi on its way to seaports in Europe and Asia, **making the city the main corridor for US energy exports and giving the region a pivotal role in reshaping global oil markets.**”

As significant as is this activity, it doesn’t even mention the nearby South Texas Eagle Ford oil/gas play. As an example of the continued, and renewed, interest in the Eagle Ford shale play, an **Austin oil company and a Houston partner this week closed a \$765 million Eagle Ford property acquisition.**

Austin-based Venado Oil & Gas LLC, along with KKR & Co. LP, acquired **303 gross wells and 74,400 net acres of leases in Atascosa, Frio and LaSalle counties.** The seller was Houston-based Cabot Oil & Gas. Venado, under CEO **Scott Garrick**, will manage existing leases and production, and drill new wells funded by the KKR investment firm.

It goes without saying a robust oil & gas economy bodes well for Texas. As we have reported previously, taxes paid by a vigorous “awl bidness” (as they pronounce it in West Texas) pour money into state coffers that not only **help budgets of various Austin-based state agencies, it also, by law, increases the state’s savings account, the Rainy Day Fund.**

Of course, it will not be totally smooth sailing. Opposition still boils. But, it’s interesting to note that some of the states opposing fossil fuels, fracking and pipeline construction -- particularly in the northeast -- are struggling with affordable, reliable energy. **Customers in New England pay more for energy.** The region earlier this year was **forced to buy liquefied natural gas from Russia**, even though it is a few hundred miles from a huge natural gas field, the Marcellus Shale.

Even though spring sprung this week, summer is looming and that means hotter, drier weather is just around the corner. In the past, very dry weather has led to serious water problems for Central Texas. The reservoir lakes, Travis and Buchanan, dropped precipitously and water rationing was instituted. Austin and other cities along the Colorado River draw drinking water from these reservoirs. So what is being done about this?

The Lower Colorado River Authority (LCRA) is the agency charged with operating and managing the waters in the Highland Lakes chain. The river was dammed as part of President **Franklin Roosevelt's** plan to provide jobs to pull the US out of the Great Depression. The result was to **make water and electricity available to many parts of the area, at the same time it provided flood protection.**

Now, for the first time in decades, a *new* water supply reservoir will be operational later this year. We've followed the progress of this reservoir since it was first announced in 2012. But, now it's close to being a reality -- and it will be huge. **At 90,000 acre-feet of water it will store more water than Lake Marble Falls, Lake Austin and Lady Bird Lake combined.** Formerly called the Lane City Reservoir, the Arbuckle Reservoir is on 1,100 acres of land off the main channel of the Colorado River in Wharton County near the Texas Gulf Coast.

Additionally, the LCRA is moving to create the **Prairie Conservation Reservoir**, a new, smaller off-channel 20,000 acre-feet reservoir and a possible new pump station in Colorado County. And, the LCRA has **drilled four wells in Bastrop County** to allow it to pump up to 10,000 acre-feet of water a year at LCRA's Lost Pines Power Park.

There's more. LCRA is exploring additional water strategies for Central Texas, including **using surface water, treated effluent and groundwater** to address the needs of the high growth areas of LCRA's water service area. **It has added a sense of urgency to this effort by shortening the timeline to bring the new projects online.** How? By having the projects' planning, design and permitting completed before they are needed.

Why all this effort downstream of Austin, instead of upstream? First of all, long-time water contracts with agricultural and industrial interests between Austin and the Gulf Coast have caused **huge amounts of water to be released from lakes Buchanan and Travis during the summer.** At a time of high water evaporation during the summer, this has reduced water levels in those lakes dramatically.

Now with these downstream projects, there will be a reduced need for water to be sucked out of lakes Travis and Buchanan each summer. Not this summer. Because the Arbuckle Reservoir will not be operational in time. But a few months after this summer's heat, water can start to be captured downstream. Next year will start to see the fruits of LCRA's planning and spending. Keep your fingers crossed drought conditions will be slight *this* summer.

It seems you're seeing more indicators of a "no growth" movement in Austin these days. Examples can be seen in the vocal opposition to attracting a major league soccer team, and to tee shirts that read "Don't Move Here." This feeling is bolstered by the release this week of new USCensus data that reported more than 151 people moved to the Austin area each day last year. A no-growth attitude in Austin is nothing new.

Years ago – in the late 1800s, to be exact – a Frenchman **Jean-Baptiste Alphonse Karr** coined the phrase, *plus ca change, plus c'est la meme chose* – or loosely translated: **"the more things change, the more they stay the same."** Anyone who has been in the Austin area for even a short time can recite changes they have seen. Yet, certain attitudes toward these changes have stayed the same over the years – stop the growth. Can't be done.

Sure there are ebbs and flows. The 151 people moving here in 2017 declined a bit from the previous year, but it was even higher in prior years. In fact, **Austin has experienced growth since the city was officially incorporated December 27, 1839 – so much so, its population has doubled approximately every 20 years.**

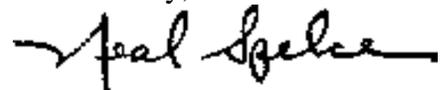
The attributes of the Austin area are obvious, starting with the hills, trees and water. The state capitol is important. However, **the major economic engine for the area is UT Austin, founded March 30, 1881.** As the university has increased its world class stature, its impact cannot be overestimated.

Decades ago during a particularly active no-growth movement, we made a speech titled **"If you want to stop growth in Austin, move the university to Amarillo."** This is even more true today.

By the way, when you examine the USCensus figures **for the past seven years, the Austin metro ranks #1 in the nation.** Growth, with its attendant benefits and problems, is here to stay. Maybe it will taper a bit, but it is part of what Austin is all about.

Dr. Louis Overholster urges kids to respect your parents – they passed school without Google!

Sincerely,



Editor/Publisher