

THE

Neal Spelce

# AUSTIN LETTER

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Dear Client:

**Because water planning in drought-prone areas such as Texas often takes decades – and causes bitter battles – you need to ask if the Austin area has enough water for the foreseeable future. The answer is yes – but.**

The Lower Colorado River Authority (LCRA) controls and manages the only source for Austin's water, and the LCRA will tell you there is enough water in the Colorado River to supply Austin in both the near- and long-term. But, long-term **there is not expected to be enough water for the region** served by the LCRA from up above Lake Buchanan to the Gulf of Mexico.

In 1999, Austin **entered into a 50-year contract with the LCRA for a guaranteed delivery of 325,000 acre-feet per year**. That's a lot of water. For instance, Austin currently only uses about 160,000 a.f./year. But, with Austin's projected growth, the City projects it will hit the 325,000 mark by 2041 – short of the 50-year contract period.

Part of the city's plan to cover the gap calls for **continued emphasis on conservation**. It has had some success with such an effort, saying its conservation policies have resulted in a decrease in per capita water usage of 20%, since introduction of its 1984 conservation plan. So, Austin *should* be okay until 2050.

But here's where the old Texas saying, "whiskey is for drinkin' and water is for fightin'" comes into play: **the LCRA is in a knock-down, drag-out legal battle with its largest customer, the City of Austin**, over future access to additional water. The city has applied for a state "Bed and Banks" water permit. The permit would allow the city to recapture 100,000 a.f./year of its wastewater that it discharges into the Colorado River to re-treat and re-use.

The LCRA claims this isn't the city's water, it's the state's, and if Austin pulled out that much water, which historically has been available for others, it would push the LCRA **over the minimum 400,000 a.f./yr of water needed during times of drought** to service all its customers. This fight could go to the US Supreme Court.

Putting this "water attorney's retirement fund" legal battle aside, there is another major effort underway that could be even more important for the future. We'll examine that next week.

**Since economic indicators except for jobs are strong nationally, is Austin better off because our jobless rate is dropping? Or is our positive jobless trend masking a negative situation?**

In our 9/19/03 edition, we pointed out Austin's unemployment rate was "low and dipping lower." We wrote: "it's a good showing for the Austin area and it continues a **trend that is pointing in the right direction.**" We further noted that our lowering unemployment percentages were better than the state as a whole, and led all the big metro areas in Texas.

But, **Professor Michael Granoff** e-mailed us from the UT Austin business school to say "Austin may not necessarily be running counter to the nation's job trend. Nationally, unemployment is down, but so also is employment. That is, owing to the **difficulty of finding jobs, many workers are leaving the workforce and are no longer being counted as unemployed.** Hence, we really need to consider the employment rate in Austin as well as the unemployment rate."

Good point, Michael. So we did just that. We dug back into the Texas Workforce Commission's (TWC) database to look at **employment as well as unemployment numbers** for each month in 2003 – from January through the latest tally in August. And, interestingly, the *employment* figures from Austin are also, impressively, heading in the right direction.

In January 2003, those listed by TWC as employed in the 5-county Austin metro area totaled 730,085. By August 2003, the number of employed workers had risen to 751,751. **In just eight months, the number of people who had jobs in the Austin metro increased by 21,666.** Our *employment* actually increased measurably, while nationally, employment was down.

Well, was this just a last-minute spurt – or a continuation of a trend? **It's a solid trend.** The number of **employed workers increased each month** from January through August 2003 – except from April to May, when it stayed relatively even, dropping only 379 in May from April's total. But it moved back up significantly in June and continued to rise until this latest reporting month of August.

It looks good. But, due to the uniqueness of this economic recovery, it still needs to be monitored closely – especially in the first few months of the state's budget year this fall, as the legislative-mandated state agency cutbacks kick in.

**By the way, our friends at *The Kiplinger Letter* predict that nationally, "a revived job market isn't too far off.** They forecast "an accelerating economy" will force firms to "ramp up production to satisfy rising demand. By spring, employment will be humming, posting a net gain of about 100,000 a month ... seen by economists as a sustainable recovery." However, it won't be across the board. Some industries will continue layoffs as others hire, *The Kiplinger Letter* noted.

**Speaking of “wage-earners,” how much wealth do you think you need to have to rank among the Ten Richest Texans? If you’re guessing in the *hundreds of millions*, guess again.**

According to *Forbes* magazine, if your net worth is \$1.5 billion you still are not rich enough to rank among the ten richest Texans. Before we give you the list, here’s another question. Who is the richest Texan of them all? Again, if you came up with a *man’s* name, guess again.

The richest Texan is also the 4<sup>th</sup> richest person in the nation, and she increased her net worth by a paltry \$1.7 billion over the previous year. Still don’t know who it is? It’s **Alice Walton**. One of the heirs to the vast Wal-Mart fortune, she lives in Fort Worth and has a net worth of \$20.5 billion.

The #2 Texan (and the nation’s 10<sup>th</sup> richest) is a young local boy named **Michael Dell**, whom *Forbes* says is the only other **double-digit billionaire Texan**, with an estimated worth of \$13 billion. (He gained \$1.8 billion last year.) The wealth drops off considerably after the top two – but it still takes billions to make the list.

**Ross Perot** (\$3.7 billion), **Robert Bass** (\$2.6 billion), **Robert Rowling** (\$2.5 billion), **Ray Hunt** (\$2.3 billion), **Charles Butt** (also at \$2.3 billion), **Richard Rainwater** (\$2.0 billion), **E. Pierce Marshall** (\$1.6 billion) and **George Mitchell** (also at \$1.6 billion) round out the Top Ten Richest Texans, according to *Forbes*.

Other Texans in the billionaires club: **Lowry Mays** (\$1.5 billion), **Fayez Sarofim** (\$1.5 billion), **Richard Kinder** (\$1.4 billion), **Harold Simmons** (\$1.4 billion), **Mark Cuban** (\$1.3 billion), **Gerald Ford** (\$1.3 billion), **Robert McNair** (\$1.3 billion), **Christopher Goldsbury** (\$1.2 billion), **Joseph Jamail** (\$1.2 billion), **Robert McLane** (\$1.2 billion), **Albert Ueltschi** (\$1.2 billion), **Sid Bass** (\$1.1 billion), **Red McCombs** (\$1.1 billion), **Kenny Troutt** (\$1.1 billion) and **Henry Zachry** (\$1.1 billion).

*Forbes* has been compiling this annual list since 1982 and it seems each year there are those who question the accuracy of some of the individual designations of wealth.

**One population segment that is *not* growing in Travis County – and it’s a good thing — is the jail population.**

According to the Travis County Budget and Planning Office, the average number of inmates in Travis County jails has decreased from 2,721 in 2001 to 2,266 in 2002. And the average jail population in 2003 is projected to decrease even further – to 2,175. **This is a significant decline in the number of inmates in a short period of time.** This reduced average is one of the reasons the Sheriff’s Office could slice \$2.4 million out of its budget. The bulk of those cuts came in the form of 43 full-time positions, most of which are correctional officer positions.

**Austin is not known as the “City of Brotherly Love,” but three very talented movie-making teams of brothers have ties to Austin – and it’s an unusual occurrence.**

First of all, brother film teams are rare. The newest team of movie-making brothers is shooting a movie in-and-around Austin right now. And it’s a Texas team. **Luke Wilson** has written, and is directing and starring in *The Wendell Baker Story*, also starring his brother, **Owen Wilson**. Another brother, **Andrew Wilson**, is co-directing. The Wilson boys are from Dallas.

The movie is a comedy about a guy who sells fake Texas driver’s licenses to undocumented workers. It also stars frequent Austin visitors **Harry Dean Stanton** and **Kris Kristofferson, Will Ferrell, Seymour Cassel** and **Eva Mendes**. The movie is being shot in Austin Studios, and in area locations such as Taylor and Wimberley. The budget for the flick is around \$8 million, not large.

The first famous team of movie-making brothers to shoot a film in Austin was the Coen brothers. Some credit them with launching their film careers here. It’s been quite a career with films such as *Fargo, O Brother, Where Art Thou?, Raising Arizona, Blood Simple, Miller’s Crossing, The Hudsucker Proxy*, etc. **Joel and Ethan Coen**, who share producing and directing chores, first shot in Austin in 1982.

**Peter and Bobby Farrelly** walk a fine line between being funny and offensive, with comedy hits such as *There’s Something About Mary, Me, Myself & Irene, Dumb and Dumber* and *Shallow Hal* as examples. The siblings are tiptoeing that funny/offensive line once again with a movie to be shot in Austin in a few weeks called *The Ringer*. It stars **Johnny Knoxville** (host of MTV’s *Jackass*) as a guy who pretends he’s disabled in order to win The Special Olympics.

What is it about Austin that attracts these three teams of brothers? It may just be coincidence. But, **Austin’s worldwide reputation as a filmmaking mecca** also has a lot to do with it.

**Dr. Louis Overholster** says he never realized how much the airlines were doing to protect us — until they stopped serving food!

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