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Dear Client:

Austin Community College (ACC) enrollment is growing faster than the population of the metro Austin area, but, according to a recent report, it should grow even faster to enhance its support of the area economic growth.

Between 2000 and 2008, ACC's overall enrollment grew by an average of 3.4% annually while Metro Austin's population grew by an average of 3% each year, according to a report prepared by the Austin Chamber of Commerce to be presented to ACC's board of trustees. Most of this growth was in courses completed by students planning to transfer to four-year colleges. This emphasis needs to be expanded, according to the CofC.

“ACC's plan for minimal increases in the number of graduates in technology fields such as computer support will likely **lead local employers to continue to look outside Metro Austin to hire the most relevant technology workers**”, the report warns.

As a result of this finding, the CofC recommends that ACC should *significantly increase its targets* for the number of graduates from non-health technology-related programs, such as those **for computer support specialists, to 90% of the expected market need by 2015.**

At the same time, the CofC praised ACC's plans to meet the need for educated workers in the fast-growing local field of health care. Its finding: **“ACC's planned increase in the number of nursing and other health field graduates will likely allow it to meet most of the local health field employers' labor needs by 2015.”**

ACC is already a large multi-campus institution. So what is the suggested enrollment level generated by the CofC report? **“Student enrollment should rise from 33,700 in 2008 to 45,000 by 2015.”**

This report was generated by a CofC Task Force team of a dozen Metro Austin business leaders in order to **track ACC's progress in the areas most important to regional economic growth: workforce development and supply.** But substantial growth at ACC and a change in certain areas of emphasis require additional classrooms, labs, faculty – maybe even new campuses in the Central Texas area. Check out the next item for additional info.

Expansion of an already-large public educational institution is easier said than done, especially when an increase in taxes in Metro Austin may be necessary.

A trained workforce is one of the key ingredients when companies look to locate or expand to create jobs in the Austin area. Austin has long been noted for an educated workforce and UTAustin has been at the forefront in creating this condition. However, **certain important workforce skills do not require the educational attainment achieved at a highly-respected research university.** This is where Austin Community College (ACC) comes in.

Even though ACC is a relatively “young” institution, from day-one it has **emphasized educating students and teaching them skills to help them find better jobs** – in addition to preparing students to move on to continue their education at a higher level. But workplace needs change.

ACC responded in 1983 when a government-job-oriented region morphed into what would soon become one of the world’s *high tech centers*. **New courses were created and new facilities were placed into use.** The same with *health care*. As Metro Austin is growing now into a major health care center, ACC is adjusting to meet the challenge of giving its students the education and training to address the demand for jobs created by this health care expansion.

The Austin Chamber recommends that by 2015 ACC supply at least 90% of the associate and technical degree holders – particularly in health and tech-related jobs – local businesses will need. “I hope that by its next budget cycle ACC will ... (be) **setting enrollment and completion goals based on meeting projected job market demand,**” said **Barry Meyer**, president of Tokyo Electron US Holdings and the chair-elect of the Austin Chamber.

“**The Metro Austin business community also has to do its part** to support ACC to ensure that the college can increase capacity, expand key programs and continue to grow enrollment to meet the Chamber’s goals,” said Freescale Semiconductor executive **Eliseo Elizondo**, ACC Task Force Co-Chair.

“To aid ACC in reaching these goals, the **Metro Austin business community should consider supporting thoughtful efforts to expand ACC’s taxing district,**” concludes the report. There you have it. Without giving ACC *carte blanche*, the Chamber is saying it is willing to get behind more money for ACC if the college’s plans meet the Chamber’s goal.

So, how solid is ACC’s financial footing at this time? Pretty good. Standard & Poor’s has raised ACC’s bond rating from A to AA-, an increase of two rating levels. ACC President/CEO **Stephen Kinslow** said “This is a testament to the college’s financial strength at a time when the nation’s economy is in a recession.” **This rating means ACC will be eligible for lower interest rates when, as part of its strategic plan and upon its board’s approval, may acquire land for future expansion.**

Another indicator from a respected source indicates that the Austin area may move into a growth position earlier than previously thought.

The Federal Reserve Bank of Dallas calculates economic data every which way and the information is broken down for each US metro area. The Dallas Fed combines some of this data into a report called the Metro Business Cycle Index. **The latest trend for the Central Texas 5-county metro area is encouraging.**

“The last time we extrapolated this trend line after the release of data through July, it appeared the Austin economy could be expanding again by about September 2010,” reports **Beverly Kerr**, the Austin Chamber’s VP/Research. **“With new data and revisions through September, it appears possible that Austin could return to growth as early as this February instead.”**

Make no mistake, the Fed’s Business Cycle Indexes for Austin (and Texas, as well) still remain in negative territory. But — and this is important — **the pace of decline has slowed. This gives the trend line a more or less steadily upward slope through the last two quarters.** And this is the evidence Kerr is using to suggest Austin’s economy could start expanding within about 90 days, instead of the previous estimate of about a year from now.

Even if the Austin metro area moves into a “growth mode” within 90 days, the local apartment market may still lag behind this timetable.

A report from Marcus & Millichap (M&M) suggests Class A apartment owners will face challenges into the first half of next year. It points out that **homes are becoming increasingly affordable and that will likely entice some renters into ownership in the coming months.** The report also contained some other interesting data:

Payrolls are anticipated to expand in the 4th quarter, limiting **job losses in Austin this year to 5,000 positions – a modest 0.6% decline.** To put this into perspective, the Austin market has added nearly 130,000 jobs since the dot-com recession. Want another comparison for perspective? **Dallas employment is projected to decline by 2.5%**, a total of 73,000 positions.

The pace of apartment development in Austin will remain robust in 2009 as 9,900 units come online. But a slowdown in permitting activity, and the thin development pipeline, suggest a **significant decline in construction in 2010.**

What will this do to apartment rents? M&M forecasts that *asking* rents will end the year at an average of \$852/month – a 2.1% decline. However, ***effective* rents are projected to fall 4.7% to about \$747 per month by year-end.**

As we reported 9/11/09, JetBlue Airways has gone “all in” with a major Austin area marketing push tied to the Texas Longhorns athletic endeavors. So, how’s it coming along?

The discount airline committed to tie JetBlue promotions and support to all 20 UT Austin men’s and women’s sports programs through 2010. It is the “Official Airline Sponsor of University of Texas Athletics.” **The most visible effort to date is its connection with the Texas Longhorn football team as it makes its high-profile run for a national championship.** It will also have a presence at basketball, baseball and volleyball events.

An example of one promotion: the “Score and Jet” sweepstakes. **JetBlue is giving away roundtrip flights equal to the number of points scored by the Horns at home football games.** There is only one home game remaining (Kansas, 11/21/09) but the Horns **high-octane offense has scored a total of 230 points in the previous five home games.** The final roundtrips could surpass 250.

But what about the bottom line? Has all this helped put butts in seats on JetBlue’s somewhat limited schedule at Austin-Bergstrom International Airport (ABIA)? It’s early in the promotion but, so far so good. **The latest numbers (September travel) show JetBlue’s passenger total up 3.5%. Total passenger traffic was up only 2%.** So JetBlue, in September, performed better than the ABIA average.

Speaking of ABIA, if you’ve wandered the concourse this month, you may have noticed **eight gaily-decorated giant 10-foot-tall guitars spread throughout the airport.** They were grouped together atop baggage carousel 3 until November, when they were moved upstairs. They were donated to ABIA by Austin resident **Milton Verret.** He purchased them for \$120,000 at a charity auction in 2007, after they were displayed throughout Austin and at City Hall. Local artists decorated them with various themes, and celebrities such as **Lance Armstrong** and **Dennis Quaid** have signed some of them.

Dr. Louis Overholster says before you criticize someone, you should walk a mile in their shoes. That way, when you criticize them, you’re a mile away and you have their shoes!

Sincerely



Editor/Publisher