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Dear Client:

More than a million people rely on water from the Colorado River that courses through the heart of the Austin area. The two Highland Lakes that impound water are experiencing the driest nine-month period since 1895 and are expected to fall a foot a week until October unless the tropical storm season brings higher than average rainfalls. (At the time of this writing, all eyes are on tropical storm “Don” developing in the Gulf of Mexico). Yet, a contract to sell even more water will be considered in less than two weeks.

The Lower Colorado River Authority (LCRA) may vote 8/10/11 to sell up to 25,400 acre-feet of water a year to White Stallion Energy Center’s power plant in Matagorda County, where the river flows into the Gulf of Mexico. **How can the LCRA sell such a large amount of water during this period of exceptional drought? And won’t this draw down Lakes Travis and Buchanan in Central Texas even more?** Here’s how the LCRA explains the situation.

Based upon the 10-year drought of the 1950s, **LCRA maintains there is still water available** — about 86,000 acre-feet of water per year, in addition to 50,000 acre-feet of reserve. And, as a legislatively created regional water supplier, if the LCRA has available water and an applicant complies with LCRA’s rules, **LCRA must make that water available.**

Yeah, but what about the impact on Lakes Travis and Buchanan that are so important to the Austin area economy, recreational interests and commercial and residential water needs? First of all, **White Stallion must pay LCRA \$55 million up front, within one year of the contract date.**

LCRA plans to use a portion of those funds to build a **5,000 acre-foot off-channel reservoir in the Lower Basin that can serve White Stallion and other customers.**

There are many other provisions in the proposed agreement, but the LCRA says that “once the new reservoir is constructed, **White Stallion will get the water it needs without impacting the Highland Lakes or water for agriculture.**” The new reservoir, that can be refilled multiple times over a year, will allow the capture of rain that falls *downstream* from Austin. And the LCRA says the funding will allow it to take a “first step towards developing additional water supply for our basin’s needs.”

California's higher education system, once the gold standard recognized worldwide, is now "average, at best, and trending downward." In the highly competitive world of higher education, this bodes well for UTAustin.

An analysis by California State University-Sacramento resulted in the harsh assessment of the once-proud higher education system in California. The report, by Sacramento State's Institute for Higher Education Leadership & Policy (IHELP), **pins most of the blame on politicians and policymakers who are pulling in too many different directions.** What kind of blame?

It pointed out that California ranks dead last of the 50 states in total funding per student – a combination of money from the state and tuition paid by students. And although the Golden State rates "about average" on college costs, that is likely to change due to big cuts to state university funding, according to the analysis.

As reported by the *San Francisco Business Times*, the analysis went on to point out that **tuition has been raised in all the state's higher education systems** (University of California, California State University and community colleges) but "family income has stagnated."

Over the seven years covered in the study, **California improved in only one area – preparing high school students for college – and even in that area it was still worse than most states.** Its high school graduation rate is just 68%, putting it at #36 among the states.

"This troublesome performance is *not* for lack of commitment and effort by faculty and staff at California's colleges and universities. **Rather it reflects lack of coordinated attention by the state's policy leadership,**" IHELP said. "Other states are taking far more proactive and intentional steps," the report continued.

Of course Texas higher education took some financial lumps in the recent Texas Legislative session just concluded. And there has been serious debate about the roles of teaching and research. But as is true in most cases, **everything is relative.** Compare the more favorable status of UTAustin and other higher education institutions in Texas with California and you will see why **Texas is getting an edge over California in the competition for administrators, faculty, students and grants.**

The IHELP report said California has not changed its master plan for higher education to reflect the times. There has been no "real acknowledgment that a new affordability policy is needed, one based on deliberate choice about the distribution of costs between students and taxpayers." To be prosperous in the future, California must "dramatically improve outcomes" for immigrants, first generation college kids and poor people of all races, the report noted. Meantime, as California's higher education is "trending downward," **Texas – despite current difficulties – can strive to replace California's system as the nation's gold standard.**

The number of pre-owned homes sold in June 2011 in Austin was higher than last year but homes stayed on the market 7% longer than a year ago. The median sales price was about the same. And the number of homes listed for sale in June was lower than June 2010.

Looking a bit ahead, the number of pending sales in June was up for the second month in a row – a 31% increase over last year. Conclusion? Overall, **the residential real estate market is showing signs of strengthening. Sales prices are stable.** And with fewer homes available, the market is moving toward a **semblance of balance** between buyers and sellers.

Austin's office leasing market is enjoying a sustained recovery and the industrial leasing market has seemingly turned a corner and is headed in the right direction.

Those are the observations of two commercial real estate operations. Grubb & Ellis reports “the strong local economic recovery and the addition of thousands of jobs are translating into healthy demand and a **rebounding office market that is seeing the tide turn from a tenant's market to a landlord's market.**” G&E's comments were based on 2nd quarter results.

As for the *industrial* leasing market, NAI REOC reports that “after reaching a 20-year high of nearly 24% at mid-year 2010, the citywide vacancy rate dropped 5% to close the 2nd quarter at 18.7% — down from 20.2% last quarter.” What about rents? “The market's ability to sustain **the current positive absorption trend will likely result in the gradual reduction of discounts and concessions leading to market-wide rent stabilization,**” noted NAI REOC.

With day-after-day of 100-degree-plus temperatures piling up in the Austin area, is it possible that temporary rotating power outages may be implemented, as happened before?

Planned rotating power outages are an option if the usage of electricity peaks during these dog days of summer. At such a time, the Electricity Reliability Council of Texas (ERCOT) **instructs utilities to reduce demand on the power grid by conducting temporary power outages at the local distribution level.** Peak electricity usage occurs from 3 pm to 7 pm.

These outages are normally planned to **last about 15-40 minutes in one neighborhood, then rotate to another neighborhood.** This is called Level 3 in the Energy Emergency Alert System. Levels 1 and 2 are less severe. In fact, Level 1 – a request to voluntarily reduce electric power usage while power is brought in from neighboring grids — was implemented in the Austin area 6/27/11 when responsive reserves dropped. Level 2, which has not yet been implemented this year, calls for interrupting power to certain large commercial customers. **It is certainly possible that as the oppressive heat continues and air conditioners crank more cool air, Level 3 rotating power outages could be felt in the Austin area.** Stay tuned.

Even as Texas Gov Rick Perry considers a run for president, his political history is being dissected and it will only become more intense if his Stetson is tossed into the ring. But will his time as an elected *Democrat* hold much sway in the *GOP* primary process?

Conservative credentials are an important factor for many Republicans as they vote for their nominee. **Does Perry's time as an elected Democrat in Texas diminish his credibility if he campaigns as an avowed conservative?** Not really, says **Mark Jones**, the chair of the Department of Political Science at Rice University, because Perry was part of the **"ultra conservative wing of the Democratic Party, light years away ideologically from liberal Democratic colleagues."**

A little political refresher is important here. For almost all of the 20th Century, Texas was in effect a one-party state. In Perry's West Texas House District, the Democratic Party was the only game in town. **In fact, as recently as 1965, the Texas House of Representatives was composed of 149 Democrats and 1 Republican.** Perry arrived in Austin as a Democratic legislator in 1985.

In a very in-depth analysis of Texas ideological voting records, Jones concludes that **Perry's voting record as a Democrat was more conservative than 77% of Democrats.** Perry switched to the Republican Party in 1989. In the session following Perry's departure from the House in 1991, only two Democrats had more conservative voting records than Perry, and **since 1997, no Democrat more conservative than Perry has served in the Texas House.**

This bit of history is important for those who vote in the Republican presidential primary – especially if Perry's **potential opponents for the GOP nomination start to slam him as a philosophical flip-flopper.** Should Perry jump in and win the GOP nomination, it's a different ballgame to win votes in the General Election. But that's another story for another day.

Dr. Louis Overholster points out a bus station is where a bus stops, a train station is where a train stops, so he now calls his desk a work station!

Sincerely



Editor/Publisher