THE Neal Spelce AUSTIN LETTER

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Dear Client:

The inaugural *Metro Magnets Index* that analyzes 384 US metro areas ranks Austin tops in the nation for *percentage* household growth rate over the next five years. But maybe more amazing is where Austin ranks in the increase in households in *absolute* terms.

Pitney Bowes Software's Data Analytics has published for the first time its study of the projected increase in households in US metro areas and it, **unlike many forecasts, looks out only five years – between 2012 and 2017 – so the information is a bit more actionable**. Also, its numbers are based on *households*, not population per se, and therefore has more usable info as it relates to real estate, schools, property taxes, apartments, city infrastructure, etc.

Most people will focus on the fact the **Austin-Round Rock-San Marcos metro is #1 in the nation (sharing with Provo-Orem, Utah) with the highest percentage projected household growth rate in the nation**. The percentage total for each metro is impressive indeed – 7.4% household growth.

Also indicative of the dynamism of the central part of the state, the **Killeen-Temple-Fort Hood metro** is next, tied with Raleigh-Cary, NC at 7.2% — followed closely by the **San Antonio-New Braunfels metro** at 7.1%. These are the only US metros topping the 7% household growth mark.

Other Texas metros in the Top Ten include **#7 Houston-Sugar Land-Baytown** at 6.7% and **#10 McAllen-Edinburg-Mission** at 6.6%. All of this is impressive indeed. But to give you a perspective on these percentages, you need to analyze the *precise number of households* predicted for each metro. **The Austin metro ranks #9 for *absolute* household growth over the next five years, with a projected increase of 49,074 households**. The top 7 cities range in current population from 1.3 million to 4.3 million. Austin has only 667,168 households.

This is very significant. Austin's five year increase of 49,074 households means it is projected to **gain more actual households than (in descending order) either San Diego, Los Angeles, Denver, Seattle, Tampa, Minneapolis-St.Paul, Chicago, Philadelphia or Baltimore**. Each of these big cities has a current household population of more than a million compared to Austin's 667,168 households, yet they are predicted to gain from only 47,913 households (San Diego, on the high end) to Baltimore's 20,719. If this inaugural forecast holds true, think of the enormous implications facing the 5-county Austin metro area over the next five years.

One indicator of the "rush" to move to the Central Texas area is the number of U-Haul vehicles headin' this-a-way, as the exodus from California continues.

"Seems like that old adage '**where California goes, there goes the nation**' got it pretty much right, at least with regards to business and job opportunities. **Yup, a lot of them are haulin' off to Texas**," writes **Larry Bell** in *Forbes* magazine.

He cited a U-Haul Index tracking study to bolster his point. Rental rates for U-Haul trucks are reflective of demand – **the more demand, the higher the rental rates.** His example: **the U-Haul tab for a 20-foot truck one-way from San Francisco to San Antonio costs $1,693**. **But with lesser demand, one going the opposite way could be rented for $983**. He also pointed out that "according to census data, California lost one-half million people to other states between 2007 and 2010, while Texas gained 394,000."

But Bell made a more serious point in *Forbes*. He was critical of the fact California has a **newly-enacted "carbon cap-and-trade (tax) program**." He said this "climate change law" "will be accomplished through a **web of new taxes and regulations that mandates a 30% cut in carbon emissions from cars, trucks, utilities and other businesses by 2020**."

He continued by saying "**this legislation will add even higher burdens to businesses** that already endure the fourth worst state regulatory burdens and among the highest corporate taxes … a state that consistently ranks at or near the bottom for business-friendliness … one with the nation's highest state sales tax, and the third highest income tax for citizens."

"The new cap-and-tax law will be a bonanza for alternative energy investors and producers, (wind, solar and other so-called 'clean sources') that can't otherwise compete with fossils, **it won't be any bargain for already-strapped corporate and private energy users**," Bell said, then added: "**Californians already pay up to 50% more for their electricity than the rest of the country**."

Meantime, TexasA&M Real Estate economist **Mark Dotzour** noted this week that **Los Angeles has sent Houston another gift**. He was referencing the Port of Long Beach and the Port of Los Angeles, two of the largest in America, where goods made in China arrive by ships. The goods you buy at Target, Walmart and virtually every other retailer in the country are put on trains and trucks "and shipped to consumers all over the fruited plain."

Guess what happened this week. **The International Longshore and Warehouse Union went on strike at the two ports**. A senior port official told the *Long Beach Press-Telegram* "**we are completely shut down**."

Dotzour doesn't suggest how long the ports will be closed during this big retail holiday season. But the implication is the **Port of Houston is the likely beneficiary now and in the future**.

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As you know, your residential and commercial monthly bill is now being calculated using a hotly-debated, across-the-board rate increase voted by the Austin City Council. In San Antonio, where an independent energy board runs its city-owned utility, there is no rate hike in its 2013 budget.

Admittedly this is an apples/oranges comparison that doesn't take into account past history or other factors. But it is served up here to **illustrate how the two city-owned utilities operate under two different management structures.**

San Antonio's CPS Energy had considered a rate increase for 2013, but in October announced that it would **defer the increase**. Instead the CPS independent board said it may ask for a rate increase that would **kick in around February 2014. This increase could total 5%, but may be rolled out across a two-year period in 2014 and 2015.** And it signaled another rate increase — 4.75% — could occur over 2016 and 2017.

As you noted in the first story, San Antonio households are pegged to increase at a 7.1% rate between 2012 and 2017, close behind Austin's 7.4% household growth. **But San Antonio is predicted to gain 55,017 households from 2012 to 2017, besting Austin's impressive total of 49,074.** Yet, even with its past fast growth and predicted future increase, **San Antonio's CPS Energy continues to shed employees through attrition.** It had 3,650 employees in 2011, but expects to have 3,400 next year.

Take a close look at the "fees" on your Austin Energy monthly statement. They are increasing along with your electric usage rate.

For example, take the "customer charge" on your statement. It used to be $6 per month. Now it is $10. This money will be allocated to the cost of meters, billing, customer account management, etc., though it will not cover the entire cost.

The "community benefit charge" appears to be a catchall category. It covers three categories for the greater community as a whole, as authorized by the Austin City Council. Without digging deeply into how these charges are calculated, for comparison purposes they are based on charges per 1,000 kWh.

Here's the breakdown: 1) a $1.72 per 1,000 kWh on your bill will go to **fund utility bill discounts for low-income customers**; 2) another 93 cents per 1,000 kWh maintains and powers **streetlights and traffic signals in Austin and 14 other surrounding communities** served by Austin Energy; and 3), you will pay $2.89 per 1,000 kWh each month for programs that provide "**energy efficiency**," **Green Building and on-site solar power**. There are other fees, such as the "power supply adjustment" and "regulatory charge", but you get the point.

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Now that the election dust has settled and the US House of Representatives will once again be under Republican control when Congress re-convenes in January, it appears the GOP Texas Congressional delegation will be increasing its influence and power.

The concentration of power in the Congress is in committees, with the **committee and subcommittee chairs wielding the most control**. And under House rules, some committee positions change with each new session, due to term limits for the posts. One constant is that the party in control – the GOP – gets a majority of each committee and names the chairs.

To begin, Texas has the largest GOP delegation in the US House — 24 members. From this group, the way Congress is currently organized, Texas will have **double the number of chairmanships**. And some of those committees are quite powerful.

Austin Congressman **Mike McCaul** will chair the important Homeland Security Committee (overseeing security from the border to al-Qaida threats), and Congressman **Lamar Smith**, who represents a portion of the Austin area, will chair the Science, Space and Technology Committee (the space program). Smith, under term limits, had to relinquish his chairmanship of the Judiciary Committee.

Dallas Congressman **Jeb Hensarling** will chair the Financial Services Committee (oversight of the banking and financial industries) and another Dallas Congressman, **Pete Sessions**, will run the Rules Committee (controlling all legislation that reaches the floor of the House for a vote). Additionally, Round Rock Congressman **John Carter** will be a subcommittee chair of the all-important House Appropriations Committee.

There's more. For instance, Sessions who headed up the House campaign to elect GOP members to Congress, will be part of Speaker **John Boehner**'s inner circle. The USSenate is under Democratic control, so the two GOP Texas Senators are shut out of chairmanships.

Dr. Louis Overholster observes that everybody lies, but it doesn't matter since nobody listens!

Sincerely

Neal Spelce

Editor/Publisher