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Dear Client:

**The USCensus Bureau last week proclaimed Austin's speedy population increase has pushed it to become the 11<sup>th</sup> largest city in the nation. Wow! But when you analyze it, the City of Austin governance is even "bigger" than that. Wow, again!**

The Bureau has set the **official population within the city limits of Austin at 842,592**. Bear in mind, this is *inside* the city and does not reflect the nation-topping growth of certain other cities in Austin's 5-county metropolitan area. Compared to the population *inside* the city limits of all US cities, **Austin now ranks #11 in the country**.

**Even more dramatic, this is official as of July 1, 2012 – almost a year ago.**

At the same time, the USCensus Bureau calculated the City of Austin population averaged **increasing about 70 people per day** for the year prior to 7.1.12. No one is suggesting Austin's growth has slowed in the past year. If nothing else the growth pace may have quickened, but there is no official tally to confirm this.

This population surge didn't occur overnight, though it may seem that way because it was the **5<sup>th</sup> fastest numeric growth in the nation** with much bigger cities – New York, Houston, Los Angeles -- ranked #1, #2, and #3.

This has enormous implications beyond the obvious (such as **traffic impact**, which you feel every day you jump into your jalopy.) It impacts the entire *governance* of the City of Austin. Think about it: **police and fire protection**. Crowding of city-run **parks and recreational facilities**. Residential and commercial **water and sewer** availability. The list goes on and on.

But it is not just the "normal" functions of a city government that are impacted. **Austin is one of the few big cities in the nation that operate both an airport and an electric utility** – Austin-Bergstrom International Airport and Austin Energy. These enterprises are huge in-and-of themselves. **And both of them together represent a mighty undertaking for any city's governing body**. Yes, Austin is a big city, but it is even *bigger* when you consider the task of running the city with these two major enterprises sucking management expertise every day.

Take a look at the next two items where we demonstrate the magnitude of the utility and airport enterprises and examine the **impact of suburban growth outside the city limits**.

**The City of Austin's population growth rate is the 5<sup>th</sup> fastest in the US – not by percentage, but by actual numbers (much larger NYC, Houston and LA are #1, #2, #3). How can city leaders, who already have their hands full, wrap their arms around this enormous growth problem?**

It's not an easy management problem. And it is made more complicated by the fact, mentioned in the previous item, that **Austin is one of the very few cities in the US to own and operate both an airport and an electric utility.** Just how big is this problem?

Well, consider only the public utility: **while the City is now the nation's 11<sup>th</sup> largest, Austin Energy is the 8<sup>th</sup> largest** of all 2,000 public power utilities in the US. Its annual revenues are \$1.2 billion – billion, with a “b.” The assets of the system that covers 437 square miles amount to \$3 billion. Whewwww! This is a big enterprise, with all that this entails. And it is run by the city government.

The 2,000 cities with their own public utilities dwindle to a small handful when you add an airport's operation to the mix. And Austin-Bergstrom International Airport (ABIA), also owned and operated by the Austin's city government, is huge in its own right. **ABIA's operating revenue in 2012 (unaudited) was \$95.4 million, with expenses (also unaudited) running about \$79 million.** Again, this is a significant enterprise by any measure.

Austin Energy now has about **420,000 customers**, with almost 100,000 added since 2000. It maintains **11,000 miles of power lines**, including 2,000 miles added since 2000. And on top of this growth it is challenged by providing power **reliability for power-sensitive high tech industries.**

The airport? **More than 9,430,000 passengers used ABIA in 2012 – a record.** This was an increase of 4% over the previous year. ABIA has about 360 employees, but **airport-wide -- including airlines, TSA security operations, concessions – approximately 3,000 employees keep the airport humming.**

The wheels of change in city government turn slowly, but they appear to be turning. The governance structure itself is in the midst of a major change. Austin will still be run by a **Council/Manager form of government**, where a professional city manager is hired to oversee day-to-day operations. But the City Council makeup will be dramatically changed by next year when the **number of council seats will be expanded and elections will occur by district, rather than citywide.** The verdict is still out on the end result, but change is underway.

And the Council recently tackled the thorny issue of whether **Austin Energy should be managed and operated by an independent board** (similar to how it's handled in larger San Antonio), but controversy surfaced and action has been recently postponed. Now, add the **enormity of suburban growth.** This also has a major impact on what happens inside Austin's city limits. Check out the next item for insight into the spectacular metro area growth.

**Every city in the 5-county Austin metro area interacts with Austin in some way. And while Austin's population increase has been amazing, ten cities in the metro led Austin in percentage increase in population from 2011 to 2012. Talk about compounding growth's impact.**

To get an idea of the scope, all you need to know is that **one of those metro suburban cities is #1 in population growth** among US cities with a population of at least 50,000. And two other metro cities are in the nation's Top Ten.

**San Marcos, with a percentage increase of 4.91%, ranked #1** on the USCensus tabulation of population increase in the year leading up to July 1<sup>st</sup> 2012. Also in the US Top Ten of cities with at least 50,000 residents: **#4 Cedar Park (4.67%)** and **#7 Georgetown (4.21%)**.

Dropping below the 50,000 population threshold, the percentage numbers are even higher. Here is the one-year percentage population change of cities in our metro area that rank above Austin's increase: **Bee Cave (9.27%) ... Buda (8.19%) ... Hutto (5.55%) ... Leander (5.42%) ... Kyle (5.42%) ... Lakeway (5.15%) ... San Marcos (4.91%) ... Cedar Park (4.67%) ... Georgetown (4.21%) and Pflugerville (3.34%)**.

**Austin's one-year percentage population increase is 3.11%**. Others in the 5-county metro: **Dripping Springs (2.72%) ... Round Rock (2.57%) ... Taylor (1.88%) ... Bastrop (0.76%) and Lockhart (0.65%)**. Only smallish **Wimberley** lost population, (with 2,625 residents, it went down by 8 people) for a percentage decrease of -0.30%.

Many of these smaller metro communities, especially those with limited revenue resources, are **having serious demands placed upon their local governments by this one-year population growth**. Budgets are stretched and plans for services may be re-written.

**The very definition of a metro area is interaction within the boundaries of the metro**. How many suburban residents **work** inside Austin's city limits? How many go to the "big city" for **shopping? Health care? Recreational and cultural activities?** The **outdoor events** held on 227 days in Austin last year? Catch an **airplane?** All this interchange impacts governance.

With this, you can see the **growing enormity of managing the City of Austin – as well as the problems generated in managing the entities in adjacent communities**. This doesn't speak to managing each of the **five county governments** -- Travis, Williamson, Hays, Bastrop and Caldwell. Also, what about the **school districts**, many of them overlapping city and county boundaries? **Conclusion: it's even more important to elect qualified officials**. (And none of this takes into account what may be the **most impactful management problem of all for the entire metro area – transportation**. However, we *do* have an update on roadways – next.)

**Work on expanding one of West Austin's major roadways is now underway during the night-time hours, while dollars are being spent on a big bottleneck in South Austin.**

A 2½-year project is getting underway on **Loop1/MoPac from Lady Bird Lake north to Parmer Lane** and the first major development you will notice is the construction of seven miles of sound walls on each side of the roadway to dampen noise from construction seeping into neighborhoods and to mitigate after-construction roadway noise.

**But the construction of the sound walls themselves will create a lot of racket.** It will take months of heavy construction to erect the walls and it will not be a pleasant experience for citizens and communities along MoPac. And to make matters worse for those nearby, **the construction will take place all night long, 9pm to 5 am** – to minimize traffic disruption.

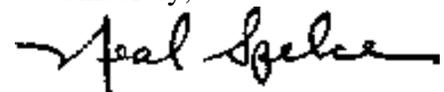
This \$200 million expansion project involves the addition of **one Express Lane in each direction for about 11 miles. Express toll lanes.** In addition, because this is Austin, there will be improvements for pedestrians and bicycles. Also there will be bridge widening. Completion is anticipated in late 2015.

The “Y” intersection in Oak Hill has been a problem in South Austin for years – years! An *interim* solution is underway. **Traffic times are expected to improve by 30% to 50% with the interim changes.** And the *interim* is expected to provide improved mobility for about 5-7 years, after completion.

**Widened lanes, larger shoulders and double-left-turn lanes** will be constructed and it will take about 14 months. Officials say the intersection of Highways 290 and 71 and Highway 290 and William Cannon will become “continuous flow intersections.” Travelers in the area are being forgiven if they say “it’s about time!”

While visiting a patient at a well-landscaped drug rehab center **Dr. Louis Overholster** said officials there didn't see the humor when he suggested they put up a “Keep Off The Grass” sign. (groan!)

Sincerely,



Editor/Publisher