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Dear Client:

**The City of Austin is one of the few cities in the US where the Mayor/City Council have responsibility for operation of three different revenue-generating enterprises – the Energy and Water utilities and an Airport. Energy and Water are vastly different, important and very complicated entities. Yet, they are intertwined and, in some ways, they constrain each other. Now consider this: the *new* mayor and nine *new* councilmembers plus one carryover member, have no expertise in either water or energy. (We'll discuss the airport another day.)**

No issues impact Austinites personally and every day more than energy and water. (Traffic is a close second.) **And both energy and water are at critical junctures.** They can't be labeled crises yet, but each of your elected city leaders needs to take a crash course on the policies and workings of Austin Energy and Austin Water.

**Your electric utility bills have skyrocketed in recent years due to decisions made by previous City Councils.** And they are on a course to continue escalating as Austin pursues established goals to lead the nation in greater reliance on alternative fuel sources such as solar and wind (even though the sun doesn't shine and the wind doesn't blow every day).

**Water? All you need to do is take a look at the near-record lows of the city's two drinking-water reservoirs, lakes Travis and Buchanan.** Oh yeah, you can also check the stats that show the area is in the midst of a lengthy drought. Austin Water recommended its customers conserve water and when they did, Austin Water lost revenue and wanted to raise rates on those who were conserving water.

Simplistically, it takes electricity to deliver water and it takes water to produce electricity. And extreme weather (harsh freezes, blistering heat) impacts both the delivery of energy and water. **So, while the city's two enterprises are different revenue-generating departments of city government and have different staffs, they intersect significantly.**

It's going to take more knowledge than how to flip a light switch or turn on a faucet to set policies for these two vital utilities. Obviously, this is a facetious statement. But it is meant to underscore the **importance of future decisions being made by leaders who are now in a position to affect your everyday life – and who have no expertise in utility operations.**

**The results of the city government runoff elections this week signal a sea-change in the governance of Austin. While future majority votes cannot be easily predicted, there are a number of insights and perspectives that can be gleaned with an analysis of the results.**

The terms of the current 6-member Austin City Council and Mayor don't end until **January 6th 2015 when the new Mayor and 10 Councilmembers officially take the oath of office.** But there are some interesting observations that can now be drawn.

First the obvious: **there will be 7 women on the 11-member governing group.** It wasn't too many years ago when we were reporting on the "first woman," etc.

There will be 3 councilmembers -- **Sheri Gallo, Ellen Troxclair and Don Zimmerman** -- **who have openly declared their Republican activities.** No member of the current council, or rarely on previous councils, were GOP activists.

Every member of the current council lives within one mile of the downtown area. **Only one member of the new council – holdover Kathie Tovo – lives in the district drawn to represent downtown.**

As for direction of the city and activities of the current council, **Steve Adler defeated two councilmembers – mayor pro tem Sheryl Cole and Mike Martinez – calling for a new direction as he campaigned citywide for Mayor.** In fact, in the general election he solidly trounced Cole and Martinez and then beat Martinez in the runoff this week in a landslide. Can you spell m-a-n-d-a-t-e?

So what can be inferred from these results?

**You can look for more careful scrutiny to be given to spending projects in the downtown area** – maybe even a modification of certain policies, as the criticism of downtown traffic gridlock grows to a roar.

Even though the three councilmembers with Republican backgrounds do not represent a majority, they will have **first-ever loud voices to rally public opinion and support for views that, heretofore, have not had a council megaphone.** This could be especially effective on spending priorities, such as utilities, where rates have skyrocketed.

Oh, by the way, remember we told you about the expensive two-page, full-color, double-truck *Austin American-Statesman* ad that harshly criticized consultant **David Butts**, who has been the mastermind behind many victorious City Council candidates. The ad said Butts represented the following in the runoffs: **Greg Casar, District #4 ... Leslie Pool, District #7 ... Ed Scruggs, District #8 and Mandy Dealey, District #10.** So what were the results? Fifty-fifty. **Casar and Pool won, Scruggs and Dealey lost.**

**The continuing red-hot immigration debate has largely overlooked a component critical to a key segment of the Austin area economy. What about the hundreds of *high-tech* immigrants? How will they be affected by the president's controversial executive immigration order? And what will happen when the GOP gains control of both US legislative branches next month?**

Good questions. The answers are yet to be determined. As for the executive order, the rules are being worked out as we speak by the USDepartment of Homeland Security. And Republicans are promising action when they gain control of the USSenate in January, to go along with their huge majority in the USHouse. **Meanwhile, Austin's high-tech community and higher education programs have a huge stake in what will ultimately happen.** Consider these:

**Entrepreneurship visa.** Many business leaders want to see foreign-born entrepreneurs who have attracted investors and want to start businesses have the ability to do so. This is really restricted under the current system. **Watch for expanded immigration options for entrepreneurs who meet criteria for creating jobs, attracting investment and generating revenue locally.**

**Foreign students.** Many high-level, high-tech programs at UTAustin and Austin Community College are important to exceptionally-bright foreign students as well as to Austin area businesses that depend upon those students as a source of workers. Right now, foreign-born students who graduate have about a year before they must leave the country or obtain a new visa. As a result, many take their degrees earned in Austin and head back to their home countries to start companies. **Watch for stronger ties between students and their colleges following graduation. Foreign-born grad student researchers who want to start companies could gain more flexibility to do so.**

**H-1B visa holders.** High-tech companies want the 85,000 H-1B worker cap raised to 200,000-500,000 H-1B visa holders. Also these workers can get stuck in jobs for years while waiting for their green card and other immigration applications to go through. **Watch for restrictions changed to make it easier to transfer from one company to another and for the cap to be raised.**

**Spouses of visa holders.** Currently spouses of H-1B visa holders are not allowed to get jobs, regardless of how skilled they may be. **Watch for changes so the spouses of high-tech immigrants can get jobs, especially in technology, engineering and medicine.**

The news stories you have seen, and will likely continue to see in the months ahead, revolve around border security, the tens of millions of undocumented immigrants already in this country, number of Hispanics, etc. **Seldom is this issue of high-tech workers – so important to Austin businesses and higher education – mentioned in the highly-charged debate.** But it certainly bears watching for those who count on the Austin economy.

**This edition of the newsletter is our final 2014 publication. So, let's review a few snippets of info you may need in 2015.**

Changes in the Austin area are underway after the first of the year. You may need a little advance reminder on some of them. For instance:

**Distracted driving.** Effective 1/1/15, you could be **fined up to \$500 for participating in a conversation with your phone held to your ear.** No texting or emailing. You can't enter or change info on your GPS device. The Austin City Council expects you to set your GPS prior to driving.

**Brazos Street downtown converts to two-way driving.** Beginning in mid-January, **Brazos between Cesar Chavez to 6<sup>th</sup> Street will become two-way** "to create a safer environment for drivers, cyclists and pedestrians," according to city officials. Critics claim it is another step to make driving downtown more difficult.

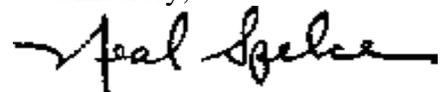
**Capital Metro will raise bus fares beginning 1/11/15.** It's the 2<sup>nd</sup> phase of a fare change policy adopted by CapMetro in September 2013.

**Austin will start testing really bright street lights on 6<sup>th</sup> Street.** After testing, they will be brightened *as appropriate* to increase safety. They should be operative in time for the massive downtown crowds at South by Southwest.

**Air travel to/from international destinations will be smoother.** A new state-of-the-art Customs facility, with more than double previous passenger capacity, just became operational in time for holiday travel at Austin's airport.

There's more -- such as **you won't have to worry about hurricanes until the season officially starts 6/1/15.** This is also a good time to remind you that, as has been our custom since 1979, we take a two-week hiatus at year-end. The next edition of the newsletter will carry a Friday, January 9th 2015 date. Meantime, we hope you have a memorable holiday season and a prosperous New Year. Be careful. And follow **Dr. Louis Overholster's** driving advice: "Honk if you love Jesus. Keep texting while you drive if you want to meet him!"

Sincerely,



Editor/Publisher