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Dear Client:

“We’re in a worse tech bubble than in the old dotcom days.” Huh? You mean the days when dotcom companies cratered and Austin’s economy suffered big-time? That bubble? Yeah, that bubble. Well then, who said this? The high-profile outspoken Texan who sold his dotcom company in 1990 for \$5 billion just before the 1990s bust, that’s who.

Known for being the owner of the Dallas Mavericks pro basketball team and for his appearances on the *Shark Tank* TV series, **Dallas billionaire Mark Cuban is also known for his knack of making shocking comments.** But shocking though his comments may be, Cuban is a guy who has been-there, done-that, so his views need to be considered.

Here’s how Cuban views the situation. He seems to think it was better back when the **inflation of the dotcom companies occurred in the public markets**, where investors could buy and sell their stakes. Now he says most of the money being raised by new tech businesses is happening in the private markets, such as “angel investors” or “crowd funders.” Here’s what Cuban wrote:

“I have absolutely no doubt in my mind that most of these individual angels and crowd funders are **currently under water in their investments. Absolutely none. I say most. The percentage could be higher.**” Well, of course that could be true, notes a senior tech writer in the Silicon Valley, **Cromwell Schubarth.** He notes that “the average failure rate for angels and VCs is greater than 90%.”

But how serious is that for everybody else? Schubarth points out **angel investors are high net worth individuals. They can take a hit and they know the odds.** If they lose a bunch of bucks, are we headed for an economic disaster on the scale of the dotcom disaster that hammered Austin and other economies? Schubarth says Cuban doesn’t offer hard numbers so **“it is hard to be persuaded by his arguments that the current situation is worse than the 1990s.”**

“But that doesn’t mean we aren’t in a bubble, of course,” Schubarth continues. “Many from the venture and angel world say they probably believe we are. **The unresolved question is how this one will pop, with one big burst or a bunch of smaller pops like we saw last year in the enterprise software sector.**” One question for those who’ve been around the block: did you feel the “pops” last year as you did in the 1990s dotcom bubble bursting?

Now's the time to have your say on future transportation solutions in six Central Texas counties. A 25-year-plan for transportation investments and strategies is being drafted as we speak. How important is this? If transportation projects are *not* included in this plan, federal funds will not be approved for the projects – plain and simple.

Oh sure, it's easy to dismiss a plan that looks 25 years in the future. For instance, how could you predict in 1991 what was going to happen in 2016? (Remember, in the 1990s the dotcom bubble burst, seriously damaging Austin's economy.) But the *2040 Regional Transportation Plan* is what we have to work with. **The Capital Area Metropolitan Planning Organization (CAMPO), www.CampoTexas.org, is accepting public comment now.**

CAMPO's jurisdiction covers Bastrop, Burnet, Caldwell, Hays, Travis and Williamson counties. It coordinates planning with those counties, cities, Capital Metro, TxDOT, the Central Texas Regional Mobility Authority and other transportation providers in the region. A draft plan is available. **A lot of money is involved. But, more importantly, your ability to move around in these six counties is at stake.** Those concerned need to pay attention.

Speaking of transportation, are you aware Austin's airport is one of the few in the country to allow arriving international passengers to clear customs up to 40% faster. It's a "one-stop" process, instead of the traditional "two-stop" method.

If you've returned to the US after a trip abroad, you know that you made two stops -- first going to a Customs and Border Protection (CBP) admissibility booth. That's where you **showed your passport and other docs** to be cleared as an individual. Then you moved on to pick up your luggage and went through **additional screening for your luggage.**

But at Austin-Bergstrom International Airport (ABIA), **you pick up your luggage first, then clear luggage and show your passport at the same spot.** This is possible, because in a smaller airport like ABIA, luggage is off-loaded quickly – much faster than 20-minutes it takes for your bag to be delivered in a larger airport.

The only time an arriving international passenger has to see an airport officer for a second time at ABIA is if they're pulled out of line for secondary screening. This is important as international flights are added -- such as the British Airways non-stopper between Austin and London -- and international events such as Formula One make an impact.

Is the third time charm? This is the third session of the Texas Legislature to consider changing the name of the Texas Railroad Commission that no longer regulates railroads. Two suggestions: the Texas Energy Commission and the Texas Energy Resources Commission.

“This drought is now the most severe the region has experienced since construction of the Highland Lakes began in the 1930s.” Whoa! That’s strong. But that’s what the Lower Colorado River Authority (LCRA) reported this week. A comment like this screams out for a perspective. So here goes.

The LCRA’s numbers don’t lie. **Despite recent rains in the area, the Central Texas region is in the 8th year of a severe drought.** The drought of the 1950s was bad, but this is worse as far as the Highland Lakes are concerned. Sure, rain has fallen, but not where it can flow into lakes Travis and Buchanan. **Six of the 10 lowest annual inflows on record have occurred since 2008, when this drought began.** So, the lake levels are really, really low.

This is more important than just making it difficult for recreational boaters. **Lakes Travis and Buchanan provide drinking water to more than a million people and water to industries, businesses, the environment** and, when enough water is available (which it is not now), agriculture in the lower Colorado River basin downstream near the Texas Gulf Coast.

So, let’s dig a little deeper into what this means for you. For instance, **are you going to run out of drinking water?** Will area businesses (such as those tech manufacturers that use a lot of water) have to **go begging for water to sustain their operations and keep job levels at their current level?** Here’s how **John Hofmann**, LCRA’s VP/Water, speaks to that:

“We have not run out of water and LCRA can meet its firm water commitments. Lakes Travis and Buchanan are still more than a third full. **We have enough water, but not enough to waste.”**

The key word he uttered is “firm.” **“Firm” means the contracts with cities and businesses are not interruptible. They can’t be cut.** But the “firm” customers can be required to **reduce their water use by 20%** from a baseline year (more on this in a minute). On the other hand, water could be cut off to all *interruptible* customers, such as agriculture interests (as they have been three years in a row).

For more perspective, let’s examine **what can happen without additional rain in the Highland Lakes watershed.** Again, here’s how the LCRA explains that possible scenario:

“There is a small chance – less than 1% -- the combined storage of lakes Travis and Buchanan could fall to 30% of capacity, or 600,000 acre-feet in the June-July 2015 time frame.” Okay. What then? This is when the LCRA would **require cities, industries and other firm customers to reduce their water use by 20%** from a baseline year.

As we have mentioned previously, **long-range weather forecasts call for a wetter-than-normal summer just ahead.** Keep your fingers crossed and your eye on the sky.

January is a slow month for retail. Think about it. The ads that bombarded you from all directions during the preceding holiday shopping frenzy almost disappear. Many Austin retailers scale back their staffs and they close out their books for the previous year. Yet, by one measure, January was a relatively good month for Austin retailers.

The way to tell is to check sales tax reports. This week, the State Comptroller sent cities, and other entities that levy local sales taxes, their portion of the revenue that was generated in January. (This is the normal lag time.) **Austin's sales tax revenue was up 6.6% in January 2015 over what was collected in January 2014.** And 2014 was a good year.

In an example of the **growing economic might of smaller suburban cities** in the Austin metro, many area cities with an expanding retail presence did even better. Look at the numbers for **Kyle (+27.8%), Dripping Springs (+27.3%), Buda (+27.1%) and Bastrop (+21.9%)**. Other double-digit-increase area cities: **Leander (+15.6%), Pflugerville (+14.5%), West Lake Hills (+13.4%), Sunset Valley (+11.3%), Bee Cave (+10.3%) and Marble Falls (10.2%)**.

Remember, these increases are in the slow retail month of January 2015 over January 2014. So the total volume cannot compare to the preceding holiday season. But this vitality reflects the fact that **retailers follow population growth**. And, while this is hard to measure, it probably is also an indication that **with Austin's traffic congestion, more residents are shopping closer to home**.

One anecdotal example: when a **2nd Costco opened in a new shopping area further northwest on US183 from the older location**, the older US183 location suffered an expected decrease in volume. Not bad, by any means. But reduced sales all the same. However, the new location further north toward the fast-growing cities of Cedar Park and Leander thrived, starting with a base of existing Costco customers, who didn't want to travel further down US183.

When he read the previous story, **Dr. Louis Overholster** got a twinkle in his eye and said "Well, when you've seen one shopping center, you've seen a mall!" (Groaaan!)

Sincerely,



Editor/Publisher