



Volume 37, Number 36

November 27, 2015

Dear Client:

**The Austin economy should give thanks this Thanksgiving holiday season for California. And, further, it should wish a healthy economy for the Golden State. What's this? Why? Aren't the Silicon Valley and San Francisco considered major competition for Texas and Austin? If so, why wish them more economic success? Well, if you think of them as "incubators" for future Austin businesses, you will see why.**

One of Austin's leading economic development volunteers, Heritage Title's **Gary Farmer**, is a proponent of the "incubator" theory. He likes to point to business successes in California as being vital to Austin's economic development. He suggests that **when many California businesses start to grow, they find the economic environment there stifling and inhibiting. And they see greener pastures elsewhere.**

You gotta give California credit in one respect. **It is a hotbed of entrepreneurial creativity.** Its culture nurtures the growth of "good idea" companies. And, importantly, there is a **massive amount of investment capital** in California seeking companies with great growth potential.

And therein lies the rub. As many California companies grow, they find the **taxes and regulations to be burdensome. And it costs them an arm-and-a-leg to hire good employees** due to the very high cost of living. Add up those factors, and moving to Austin makes good economic sense. **So California "incubates" these companies and then they leave the nest to expand and grow.**

Wait a minute. Granted, the tax and regulatory environment is light-years better in Texas than in California, **but isn't the cost of living in Austin rising as we speak? True.** However, it hasn't reached the stratosphere found in California. Check this comparison.

We noted a media report out of San Francisco last month that said a **median two-bedroom apartment now rents for \$5,000 a month.** Want to know just how outta sight this is? **It is the highest in the nation and, get this, it is one-third pricier than runner-up New York City.**

**There are other cost-of-living comparisons that favor Austin. Plus, the Silicon Hills of Austin are great for high quality talent and quality of life. Advantage: Austin.**

**Okay, we've previously put you on notice about the high electric rates being charged by city-owned Austin Energy. Now, recent Council action to approve the purchase of a large amount of solar power is triggering possible action by the GOP-dominated Texas Legislature. And it's no idle threat. It is real -- and backed up by a man who can do something about it.**

“City energy policies should be driven by affordability, economic realities and the need to deliver reliable electricity to customers,” says Travis County GOP State Representative **Paul Workman**. **“Instead, these policy decisions are being driven by social engineering.”** Workman cited the “outrageous” cost for its recent solar power commitment.

Here's why the plan for the Legislature to intervene is not just a war of words. During the previous legislative session, Workman and others **“advanced a measure that would have helped alleviate the cost burden to Austin Energy ratepayers.”** But the bill was not pursued to passage because Austin Mayor **Steve Adler** intervened and promised the City would react.

Fast forward to now. After Workman recently expressed his concern about the solar power cost – that it didn't fit the definition of affordability -- **a meeting was set up with the mayor, his staff and Austin Energy leadership.** So, how did it go, Paul?

“The meeting, which was requested by the mayor to help me understand, **failed to persuade me that the decision was about affordability,**” said Workman. “Austin Energy ratepayers know current costs are unaffordable.” And he said “the City Council has made matters worse.”

Hold on. What about local control? **Can't the city do whatever it wants without the legislature sticking its nose under the tent?** Well, here's how Workman explains that.

**“Austin Energy is a division of the Austin city government and its ratepayers are captive customers to a *state-law approved monopoly.*”** Note, he already started down that state-intervention road without it being questioned in the last legislative session.

**Need we remind you that the Texas Legislature is not a friendly forum for Austin,** where the term “Austin-bashing” is bandied about to describe the disdain with which Austin is held in the Capitol's conservative-dominated chambers

Workman makes it plain he is not going away, in fact is staying on top of the situation: **“I will continue to closely watch these and other actions to assess what *adjustments will be needed to state law to help Austin energy customers to purchase reliable, affordable electricity.*”**

Want to know more about Workman's concerns? He spells them out more thoroughly in an op-ed column in the Monday, 11/23/15, edition of the *Austin American-Statesman*.

**For more than five years now, Austin has posted an enviable job-creation record. Would you believe about 20,000 new jobs have been created each of these past few years? This has really powered all growth in the area – with housing being a very visible beneficiary.**

The housing impact has been so strong that the Austin Board of Realtors – after revealing October’s sales figures – is predicting **2015 will be another record year of home sales.**

**As you know, water is a big deal in Texas and in Austin. In fact, it’s a big *economic* deal that is getting bigger all the time. A recently-issued report quantifies the extent of this water-related growing goliath. The expanse, reach and impact is truly something to behold. And it has enormous implications for the state’s future.**

As with most well-meaning reports of this nature, the sentences are overly-long, the jargon makes it hard to decipher, etc. It’s easy for an average reader to get bogged down. **So let’s try to translate it for you. The impact and extent is what is important – not the phraseology.**

**The total number of Texas water-related jobs in 2015 is 1,030,929.** This compares to 865,558 ten years ago, in 2005. The predicted number of jobs in 2025: 1,168,320 – an increase of 35%.

**Texas is 2<sup>nd</sup> only to California** in the number of water-related products, services, industries and sub-sectors.

When you discuss certain types of industries that drive the Texas economy, you come up with names like energy ... aviation ... defense ... electronics ... bio-life sciences. **The report suggests “water and water technology” is in the top five of these industry clusters.**

To illustrate the extent of “water-related” jobs, the report points out that **agriculture-related jobs are obviously linked to water – as are car washes, laundries, fishing, recreation and entertainment, etc.**

And in a nod to the tech sector, such as in Austin, it references **information, electronic, material and chemical processes that rely heavily on water.**

This is just a sample of what was mentioned in the report. So, what’s its objective? First of all it says the “issue of near-and-long-term employment in this very large sector has not received the attention it must.” As the Executive Director of **AccelerateH2O, Richard Seline, put it: “We are at the cusp of something very significant as a water technology powerhouse.”** A copy of the report can be found through the Texas Water Innovation Clearinghouse at <http://www.AccelerateH2O.org>.

**Not another El Nino reference. I know, I know. It seems like each week we make some mention of it. But if weather is important to you – and, frankly, it is second in conversation topics only to Austin’s traffic – this is good to know: the El Nino effect will continue to impact Austin’s weather big-time and *it is now officially the strongest in modern history.***

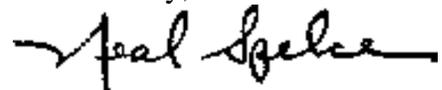
El Nino is the name given to a weather phenomenon that occurs only from time to time. In its simplest form, it is a warming of the Pacific waters off the coast of South America. When it occurs, it triggers all sorts of variations in weather from California to Austin and Texas on through the southern states to the East Coast. **It has already been a local drought-buster. Forecasters predict it will peak by the end of the year and then ebb away by late spring.**

**Quick! Now that British Airways (BA) is offering nonstop flights between Austin and London, how many Austin-Bergstrom International Airport (ABIA) passengers do you think took advantage of those pricy trips during September? It’s not a huge number, because it takes a while for any airline to build traffic between new destinations. Plus, BA is certainly not a budget airline by any means. But, at first glance, the total seems to be satisfactory.**

The latest stats available show that **10,504 passengers buckled up BA seat belts during September 2015.** Not bad, it seems. For sure, the numbers don’t compare to the established (or even the relatively small) airlines that service ABIA. But BA’s London nonstop travelers are about four times those carried by Air Canada to that international destination to the north (2,449). By the way, through September, **ABIA recorded 36 consecutive months of passenger growth,** compared to previous comparable months. And going back further, only one statistical glitch interrupted a 5+ year string. **The running total of passenger growth now stands at 68 out of 69 consecutive months.**

**Dr. Louis Overholster** likes to remind international visitors, as they navigate Austin streets in their rent cars, that if someone actually has their turn signal on, it’s probably a factory defect!

Sincerely,



Editor/Publisher