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Dear Client:

**What if the Russians (or other “enemy entity”) hacked into your power supply, Austin Energy? How about the nuclear power plant that supplies a portion of Austin’s electricity? Or the source of your water supply, the Lower Colorado River Authority (LCRA)? In other words, what if your access to water and/or electricity is cut off? This was the subject of a recent FBI/Homeland Security report on Russian hacking.**

The Department of Energy has begun the task of creating an office of cybersecurity and emergency response. **“But at the local level, it will be up to officials to take whatever steps are needed to prevent hacking attacks,”** says Mary Scott Nabors, CEO of Austin-based Strategic Partnerships. **“The possibility of future impacts is enormous.”**

“Our power plants, nuclear generators and water infrastructure are all outdated and vulnerable,” Nabors noted. **“It would not be that difficult for unsophisticated hackers to shut down our electric grids or our water plants.** It’s even plausible to think that hackers could reroute our airline flights.”

It’s not just foreign powers that pose direct hacking problems. “To gain access to something significant like a power plant, **hackers usually first attack smaller, less secure networks – like firms that make parts for generators or sell software to power plants,**” observed Nabors. “Virus and malicious code usually enters a network via a third party breach.”

Nabors acknowledged local entities are already investing in safeguards. But, she said “that will **escalate significantly in the near future.**” It is estimated that US utilities will spend more than \$7 billion on grid cybersecurity by 2020.

The reason for this increased effort: “between 2010 and 2014, hackers infiltrated the US Department of Energy’s networks 150 times.” **And, 68% of oil and gas companies have experienced at least one compromise over the past 12 months.**

Nabors points out federal funding sources are available for local cyber security: “The threats are significant and funding and assistance are available. **It seems important for state and local officials to avail themselves of all assistance possible.**” She also admitted it will be difficult, as the federal government is large, complicated and bureaucratic.

**There is still no official word from Amazon about its quest to locate a site for its massive second headquarters, referred to as Amazon HQ 2. But, speculation continues to run rampant. And, one site selection executive slammed Austin in front of hundreds of business people in Nashville. It had to do with Austin's infamous traffic congestion.**

The executive who criticized Austin is **Kim Moore**. She is managing director of the real estate firm, Newmark Knight Frank. Her remarks about Austin were reported in the *Nashville Business Journal*, as follows:

**“You can't get anywhere in that city. When I'm touring with clients, they're saying 'Where can we put our company in Austin so we're not stuck in traffic? Where will our workers live so they can easily get to work?'”**

She also reportedly said Austin hasn't invested enough in infrastructure to handle the huge numbers of people moving to the area.

**Despite criticism from some quarters about how Austin is handling congestion caused by growth, office space is leasing at record high rates and construction is continuing. In fact, an EVP with a local commercial brokerage firm, Troy Holme, sounded absolutely bullish about the Austin market in a recent interview.**

Holme, who works for the real estate brokerage firm CBRE, told the *Austin American-Statesman*: “We are still seeing certain industries, specifically tech, engaging and consummating deals for expansion. **Inbound business (companies looking to expand into the Austin market) has also continued to be robust.**”

**“We believe that Austin is going places never seen before,”** Holme said, “Even if there is a hiccup, large or small, in the overall national economy, **Austin is perfectly positioned to withstand a downturn due to the diversity of industries, favorable state taxes and incentives, and the environment Austin has to offer,**” Holme observed.

He added the drive shown by existing and new companies to either grow or settle in Austin point to continued strength in the market.

**Didja know Austinite (and Academy Award winner) Matthew McConaughey is joining with the Wild Turkey Distillery to introduce a *new* whiskey called Wild Turkey Longbranch. It is infused with Texas mesquite and charcoal to “enjoy drinking neat,” noted a press release. McConaughey's name will appear on the bottle – a first.**

**We don't normally do book reviews. But a book about Texas and Austin, written by a Pulitzer Prize-winning Austinite, was just released in hardcover this week. And it's a doozy. It's called *God Save Texas: A journey into the Soul of the Lone Star State*, by Lawrence Wright (Larry, to his friends). It's a fun read, though some parts are a tad controversial – simply because they are his personal analysis, opinions and observations.**

He's an author, screenwriter, and playwright. Several films have been based on his work. ***TIME* magazine called *The Looming Tower* one of the 100 best nonfiction books ever written.** Therefore, having lived the last 38 years in Austin, his perspective is entertaining. He covers the entire state, but here are some observations from his essay about Austin.

**“To my astonishment, Austin is now the second most popular tourist destination in the country, behind Las Vegas, which puzzles me.”** He went on to observe **“the very places that made Austin so hip are being demolished to make room for the hotels and office spaces needed to accommodate the flood of tourists and newcomers who have come to enjoy what no longer exists.”**

**“When we arrived in Austin in 1980, there were drug dealers and prostitutes along South Congress Avenue,”** he reminisced, pointing out “that's all been cleaned up now.” He lived in a South Austin duplex near neighbors *Texas Monthly* editor **William Broyles** (Wright's boss at the time) and writer **Molly Ivins** who said South Austin's motto should be “A great place to buy auto parts.”

Wright has developed an interesting Texas theory of how *cultures* evolve, recognizing **Austin has one of the highest rates of start-up companies of any metro area in the country.**

**“Mike Levy began *Texas Monthly* in 1973, and it became the seedbed for the literary community,”** Wright mused. **“Bill Wittliff, the screenwriter for the epic series *Lonesome Dove* and a number of successful movies, decided not to move to Hollywood, and his intransigence made it plausible for filmmakers to stay in Austin. Now Richard Linklater, Robert Rodriguez and many others have turned the city into a film capital of international stature.”**

**“In the fall of 1980, John Mackey started what would become the first certified organic grocery store in the United States. It was not much larger than a 7-Eleven,”** Wright wrote. **“By 2005, it had become a *Fortune* 500 company, called Whole Foods. In 1983, Michael Dell, a freshman pre-med student at UT, started assembling computers in his dorm room. There are more than 5,000 high-tech companies in Austin.”**

**“In each of these examples,”** Wright concluded, **“a single individual with a unique vision started a company that became a hub for similar enterprises and in the process transformed the culture.”** Wright's unique look at Austin and Texas makes for a good read.

**Texas has long held the right to divide itself into five states. Over the years, some have argued Texas should take this action as, among other things, it would give Texas ten US Senators, instead of two. But, there has been no serious effort to pursue this in Texas. However, Californians may soon vote in November to break up the Golden State into three states. This effort, while it still has a long way to go, is gaining momentum. It's dubbed CAL 3.**

It's led by wealthy venture capitalist **Tim Draper**. It takes 365,880 signatures on a petition to place an item on the state's general election ballot in November. **Draper claims he has 600,000 signatures that have been submitted to California election officials.** To some extent, the support for CAL 3 is a negative reaction to the policies and actions of left-leaning Democrats who control most elective offices. So, how would the state be sliced-and-diced?

CAL 13 proposes a central state consisting of **Los Angeles, Ventura, Santa Barbara, San Luis Obispo, Monterey and San Benito** counties.

Another state would be made up of **Orange, Riverside, San Bernardino, San Diego, Imperial, Kern, Kings, Fresno, Tulare, Inyo, Madera and Mono** counties.

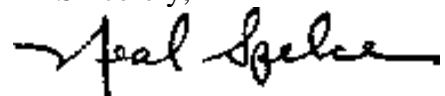
**The 40 remaining counties would be grouped into a northern state under CAL 3.** The three new states' names would be determined by its residents.

Draper told CBS13 in Sacramento **"The unanimous support for CAL 3 from all 58 of California's counties to reach this unprecedented milestone in the legislative process is the signal that across California, we are united behind CAL 3 to create a brighter future for everyone."**

CAL 3 has a long road to travel to success. Even if Californians vote to split the state, **the US Congress would still need to vote on the change.** But, the first milestone has been reached.

**Dr. Louis Overholster** observes that when you put "The" and "IRS" together, it spells "Theirs"!

Sincerely,



Editor/Publisher