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Dear Client:

While enjoying leftovers from the Thanksgiving holiday weekend, it's time to look ahead at a special Austin City Council runoff election that will likely be largely overlooked. Even though Council positions are theoretically non-partisan – candidates are not listed by political affiliation – Council District 8 has taken on an aggressively partisan Dem vs Repub tone.

It's a special runoff election December 11, 2018 for three seats on the Austin City Council. No candidate got 50+% of the vote November 6, 2018. **So the top two vote-getters for District 1, District 3 and District 8 must face voters once again.** Here's how it breaks down.

District 1 features newcomers **Natasha Harper-Madison** against **Mariana Salazar**. District 3 is a re-match of a family affair: incumbent **Pio Renteria** is in the runoff with his sister, **Susana Almanza**. Neither of these contests has partisan overtones. **No matter who is elected, these districts will continue to be represented by another left-leaning Council member.**

The change in tone is for the District 8 Council seat. You'll recall this is the Council district currently represented by **Ellen Troxclair**. An avowed conservative, Troxclair – who was frequently on the short end of 10-1 votes – decided not to seek re-election.

The runoff for this seat pits **Paige Ellis** against **Frank Ward**. Why do we say this is a highly-partisan contest? The Travis County Democratic Party endorsed Ellis. And described the contest this way: **“Her opponent Frank Ward is a Trump-Republican and former staffer for the Republican National Committee endorsed by outgoing conservative Council Member Ellen Troxclair.”**

The Dem Chair says of Ellis: **“Paige is an advocate for Planned Parenthood and believes that Austin can be a leader in gun safety reform ... and is running to ensure environmental responsibility.”** The Democratic Party is raising money for Ellis and is block-walking Sunday, November 25th to get out the vote for her.

If Ellis wins, there will be no conservative voice, much less a lone vote, on the Austin City Council. And, as the *Austin American-Statesman* noted previously, in the very diverse 11-member City Council, **there will be no white, heterosexual, Christian male serving on the law-making body.** Early voting runs from November 29th to December 7th.

Even if US foreign affairs is not at the top of your list of concerns, you need to realize the Korean conflict has an important, direct economic impact on the Austin area. Oh sure, North Korea's massive military gets global attention. And, the tenuous relationship it has with South Korea is obviously significant. But, on a local level, South Korea continues to have a vital impact on Austin's economy.

More than two decades ago, **South Korea's tech giant, Samsung, selected Austin as its US semiconductor headquarters.** And, my-oh-my, it has contributed to the Austin area in so many ways since 1997.

Bottom line first: **Samsung Austin Semiconductor has invested more than \$17 billion – that's billion, with a "b" – in its Central Texas operations *so far*.** "So far" is an important qualifier, because just this month Samsung indicated it will soon invest **another \$291 million** in its northeast Austin plant. This new money will be spent toward **facility renovations** (\$183 million) and for **tools and equipment** (\$108 million).

What about employees? Jobs? **Payrolls that will be spent throughout the Austin area?** Best we can tell, Samsung employs almost 3,000 people in its local operations. And it continues to hire new people. It invests heavily in its people. In fact, it has sent some new hires to South Korea for an introduction into its corporate culture.

Samsung has proven itself a solid corporate citizen in Austin.

So, keep an eye on the developments on the Korean peninsula. Despite some optimism over recent negotiations, the Korean situation is far from resolved. **It remains a major focus of US foreign strategy, with military options still on the table.** What happens there means a lot, not only globally, but to Austin's economy.

While on the topic of jobs in the Austin area, here's another update: in the 12 months ending in October, Austin added 40,400 *net* new jobs. This type of forecast is becoming so common it might not get more than a ho-hum reaction. So what's different this time around? Well, this 3.9% job growth made the Austin area the second fastest growing major metro in the US.

Texas cities also showed well. **Houston and Dallas were up 3.9% and 3.3% respectively, making the Top Ten.** Fort Worth was up 2.3%, San Antonio up 0.9%. As impressive as Austin's job growth is, it's even more amazing when you realize the **Austin area's seasonally-adjusted unemployment rate in October was 2.8%.** It was the same in September. But this isn't just a blip (again, don't let the ho-hum factor take hold), **unemployment has been at or below 3.0% for the last 14 months.**

The US Army Futures Command made history when it selected Austin as the site for a new Army headquarters to be located in the new UTSystem building downtown. But, not to be outdone, TexasA&M is aggressively promoting its extensive military expertise “to help the US military in its quest for modernization.” Recently, TexasA&M hosted a 3-day trip to Aggieland for 4- star General John “Mike” Murray and his senior staff to see firsthand what the Aggies can offer. And the Aggies didn’t hold back in showcasing its assets.

Not to worry. This is not a move to lure the Futures Command away from the Capital City. In fact, one of the reasons Austin was selected was because it was **central to a number of facilities that could help the Futures Command mission. Just north of Austin is the world’s largest military base at Fort Hood.** And to the east, is TexasA&M, with a significant military training and education program that has a long history of graduating distinguished military leaders.

So what was the Army brass looking at in College Station? First of all, General Murray said the Army Futures Command is focused on making sure soldiers will have **new equipment, improved tactics and the operational schemes necessary to remain dominant on the battlefields of the future.**

The Aggies highlighted several items that could be of value to the Army: research on **hypersonic travel** ... developments with **unmanned aerial vehicles** ... advanced communications systems ... and the latest search and rescue capabilities.

The Aggie effort was primarily “show and tell” – no contracts were granted. General Murray said “although we are based in Austin, we are on a **countrywide search for the best talent and best ideas we can find.** So we are thrilled with any partnership we can build. We are thrilled with whatever we can contribute to the work that goes on down here at TexasA&M or throughout the entire System.”

One of the important elements of this new Army Futures Command is that it will **not be spending money to build a huge military base like it has at other locations (no tanks, no barracks, no parade grounds, etc.).** It will be funneling big bucks to entities that can help in its futuristic research, such as TexasA&M.

In addition, the Command is **tech-oriented. It will be hiring civilian and military talent and thinkers. This is why Austin was so attractive – as a source for bright minds,** as well as its Central location in Texas, a state well-known for its support of the military.

Yes, you will be seeing more military uniforms in Austin than you have previously. But not that many more. **No question, a military hierarchy will be in control of the Army Futures Command. But to signal this is a “futures” Army base, civilian clothes may dominate.** The jeans/tee shirt techie dress may prevail. Haircuts, facial hair, tattoos? Uhhh, wait and see.

Much has been made of the Trump administration’s deployment of thousands of US troops to Texas and other states along the border with Mexico. The announced intent was to secure the area, as thousands of Latin Americans, operating in caravans, said they wanted to enter the US, either legally or illegally. Major confrontations have yet to unfold, but the caravans keep getting closer to the border. One Texan thinks deploying troops to the border will cause *economic* harm, no matter how it might escalate.

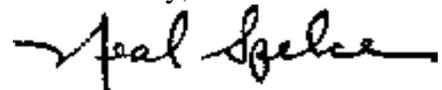
Without regard to security issues and immigration laws, longtime Texas economist **Ray Perryman** says “the deployment increases feelings of uncertainty about the area’s stability and it **could discourage business investment, tourism and other desirable economic activity.**” Acknowledging the troop deployment leads to some increase in business activity, Perryman said the “**overall net effect is clearly negative**” economically.

What a difference a quarter makes. Not the currency. The calendar. Three months ago, drought conditions impacted 59% of the state. Now? Would you believe just 1% of Texas is incurring drought conditions. Where? Two locations: far west Texas, just east of El Paso near the Hudspeth-Culberson County line ... and in Armstrong County in the Panhandle. And, those two areas are ranked in the two lowest (out of five) categories of drought.

The widespread rains (not just here in Central Texas) had another positive impact as we move into December. The Texas Water Development Board reports that since early September 2018, *statewide water supply storage in reservoirs*, such as Lakes Travis and Buchanan in our area, is up more than 14 percentage points. “**Storage is currently 88.6% of capacity, slightly surpassing the mid-November capacity record set in 1992.**” Quite a nice change in a state that frequently suffers from the ravages of unpredictable weather.

(Spoiler alert: bad pun ahead.) **Dr. Louis Overholster’s** family told him to stop telling bad Thanksgiving jokes this holiday season, but he told them he couldn’t just quit cold turkey! (Don’t say you weren’t warned.)

Sincerely,



Editor/Publisher