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Dear Client:

Downtown Post Office customers, who are complaining loudly about no (that's zero, zip, nada) parking spaces at the new location, now have the Texas Legislature to contend with as they search for a vacant parking meter. Good luck.

It's a perfect parking storm – because, additionally, **the City of Austin in its wisdom decided to reduce lanes on a key cross street from four to two** over the next six months because of construction. Here's the deal:

The new US Post Office location, with retail counter service and boxes for long-time customers, opened last week in **new digs at 823 Congress Avenue**, moving from a location a few blocks away with scads of parking to a storefront on the Main Street of Texas with **no designated parking** – just a few 3-hour metered spaces. Try cruising around the block a jillion times until a space opens up. Bad enough, right?

Then, this week, the biennial session of the Texas Legislature opened and will be attracting visitors, protestors, those doing business with the legislature, tour buses, etc. until June. **The main south entrance to the State Capitol fronts 11th Street**, just a little more than two blocks, criss-crossed with one-way streets (let's see, which street goes which way?), from the Post Office at 823 Congress Avenue.

If that's not bad enough, **the City of Austin has cut down West 8th Street between Congress Avenue and Colorado Street from four lanes to two (losing parking spaces in the process)** for a six-month construction project. Oh yeah, just a few steps to the west, on 8th Street, the City is getting ready for more traffic messes with the construction of a roundabout at West 8th and Rio Grande Street.

But, yeah, you say, the legislature and the construction projects will be wrapped up by summertime (when is the last time you saw a city street project end on time?), so this is a *temporary inconvenience*. Uh, huh. After the construction is complete, **a traffic lane will be eliminated on 8th Street to accommodate sidewalk widening**. Can you say more *permanent* traffic negotiation problems?

You are hereby forewarned if you need to drive in that area of downtown Austin.

As Texas legislators gathered in Austin this week, they got welcome news. They will begin their two-year budgeting task with 12.4% more revenues anticipated than available during the current biennium. Make no mistake: an oil and gas drilling binge has led this financial turnaround. And, frankly, it could be even better than predicted.

Remember, under the Texas Constitution, the legislature cannot spend more money than State Comptroller **Susan Combs** projects will be available. **Combs' estimate two years ago fell short of the actual revenue by \$8.8 billion.** **Christi Craddick**, one of three commissioners who oversees the Texas oil and gas industry, said no one was predicting two years ago how big the oil and gas boom (spurred by hydraulic fracturing known as “fracking” and horizontal drilling) would become.

Just how big is the boom? Craddick points out that in the Eagle Ford shale play south of Austin, **drilling permits have soared from 26 in 2008 to nearly 4,300 in the first ten months of 2012.** By anyone's measure, this is a big boom! She even said this week that this South Texas shale play might turn out as large as Alaska in terms of fossil fuel wealth.

Global energy research firm Wood Mackenzie was quoted this week as estimating **the industry will sink \$28 million into the Eagle Ford this year. This is about 27% of all oil and gas investment in the lower 48 states.** And between 2012 and 2015, Wood Mackenzie expects capital spending of about \$116 billion in that small section of South Texas. All this means more revenue for the state and a more dynamic economy for the Austin area and much of Texas.

But there may be even more activity in Texas that was not calculated in the current Comptroller estimate. Hang on. **If the Eagle Ford seems big, get ready for what's happening in West Texas** where oil and gas production is ramping up in shale layers such as the Wolfcamp in and around Midland.

An expert from the Texas Christian University Energy Institute was quoted in the *San Antonio Express-News* this week as saying **the West Texas opportunity is “like the Eagle Ford on steroids.”** Institute Director **Ken Morgan** said “they haven't even begun. We're just in the toe of this thing. They're getting thousands and thousands of feet of pay zone.” He estimated it will take “decades and decades” for companies to work through the shale reserves in West Texas.

Stop and take a deep breath. **A number of factors can come into play to alter this scenario.** The legislator's hands are tied by the current Comptroller's estimate of anticipated revenue – though she could revise the estimate in May as the regular session winds down and demands by state agencies, schools, etc. for revenue reach a peak. But the fact remains, as the old timer says, **“you ain't seen nothin' yet.”** Watch the horizon. Texas' financial future – years down the road – could continue to be the envy of the nation.

One demand that is likely to take a big hunk of legislative money is a first big step addressing the water problem in the Austin area and around the state. Even with the soaking rains of this week, drought conditions persist. But the legislative stars seem aligned to take action.

As we have reported repeatedly over the past few years, **Austin's dwindling water supply is indicative of what is happening in practically every area of the state.** The state's 2012 water plan calls for allocating almost \$30 billion on water projects over the next 50 years. The way it would work is the state would loan money to local entities to fund water projects, and as the loans are repaid, the state would put those re-payment dollars back into the marketplace for other entities to borrow.

But what about right now? All the top state leaders are calling for action. It's hard to find anyone who argues against doing *something*. But what? Lt.Gov. **David Dewhurst** a few weeks ago suggested tapping the Rainy Day Fund for a billion dollars as a starter. That's a lot of money.

State Comptroller **Susan Combs predicts the Rainy Day Fund will grow to \$11.8 billion in the next biennium.** And while the restrictions on drawing down money from the Fund are strict, the mood of normally conservative legislators – many of whom represent water-starved districts – may allow for such a step.

The ante was upped this week when an ally of GOP House Speaker **Joe Straus**, the chair of the House Natural Resources Committee **Allen Ritter**, introduced a bill to pull \$2 billion from the Rainy Day Fund to make low-interest loans for water infrastructure projects in Texas. While not endorsing the amount, Straus said he was **confident the House will "take bold, substantial action to address our water needs."** This starts the process, that will likely include water conservation laws, as well.

Speaking of water, the nuclear power plant that uses huge amounts of Colorado River water to provide inexpensive electricity to Austin area energy customers suffered a glitch this week.

It wasn't widely reported, but **one of the two nuclear reactors at the South Texas Project (STP) on the Colorado River near the Gulf of Mexico, was shut down this past week because of a transformer fire.** STP's Unit 2 declared the lowest level of emergency due to a main transformer fire. The reactor tripped offline following the loss of power.

STP's on-site fire brigade extinguished the flames, emergency diesel generators were started and the **reactor is now stable**, according to a plant spokesman, and the plant at **last report was operating at about 48% of capacity.**

Austin owns, and uses, 16% of the electricity generated by the nuclear power plant.

“The Little Creamery in Brenham” is expanding and adding about 50 employees because you, and others like you in 20 states, can’t get enough Blue Bell Ice Cream (did you try that yummy peppermint ice cream flavor in stores for the holidays?).

Even though Blue Bell is only available in less than half the US, it is the nation’s third best-selling ice cream behind Breyers and Dreyer’s. The \$14 million expansion project at its headquarters plant in the Central Texas town of Brenham will increase its capacity by 25% and is the first major expansion since the early 1990s.

How did a simple plant in small town Texas rise to such a dominant position? **It opened more than a century ago as the Brenham Creamery Company in 1907. It started as a dairy farmers’ cooperative** and in 1930 changed its name to Blue Bell Creameries in a nod to the state flower of Texas.

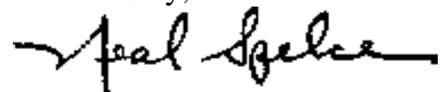
It did business as a small local operation until the early 1960s when it started selling its ice cream in Houston. The rest is history. It was helped along by homespun ad campaigns that enticed customers to try its product with slogans such as **“We eat all we can and we sell the rest!”**

Another ad campaign talked about how the milk used in its **ice cream came from “contented cows,” featuring cows in bucolic countryside settings.** Even though it features a wide range of flavors and continues to come out with new varieties, its best selling product is “Homemade Vanilla.”

And it has always talked about being the “little creamery in Brenham.” But as it begins this current expansion, the Brenham plant now has 875 employees and has production plants in Oklahoma and Alabama with 57 distribution facilities scattered around the US. It is privately-held. **It has thrived during the recession, probably because of what its plant operations manager said was “a great quality product, day in and day out.”**

Dr. Louis Overholster says worrying works – 90% of the things he worries about never happen!

Sincerely,



Editor/Publisher