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Dear Client:

It appears the stars are aligned for the Texas Legislature to turn loose big bucks – maybe as much as \$2 billion -- to address the diminishing water supply in Texas. But, as usual, the nitty and the gritty are in the long-term details of how that money will be spent.

Even though the water funding is on a fast track, the final details are yet to be determined on **how the money will be spent**. It should come in due course. Almost every region of the state is being affected by the current drought (it could become the “drought of record” -- meaning as bad as it can get -- surpassing the drought of the 1950s). Rainfall is iffy, at best. So, honest people will disagree on priorities.

A Texas water expert raises some serious concerns on Texas water laws, maintaining the current setup is not sustainable for the long term. It’s not clear if his concerns will even be addressed in the \$2 billion legislative action. The expert is **Andy Sansom**, the Executive Director for the Meadows Center for Water and the Environment at Texas State University. Prior to that, he was the Exec Director of the Texas Parks and Wildlife Department. Here’s how he puts it:

“We treat groundwater, which lies beneath the landscape, and surface water, which forms our rivers and lakes as if they were a different substance,” Sansom noted. **“Groundwater is considered the private property of the landowners above and surface water is considered the property of the state. We can’t have it both ways.”**

“Today, property owners with wells at the head of our river basins and water rights holders downstream have both been told by the state that *they own the same water*,” Sansom continued. “This *disconnect* between groundwater and surface water is unsustainable and a **recipe for endless lawsuits** in the years ahead,” he warned.

All this is exacerbated by the fact that Texas population will essentially double in the next half century or so “and **we have already given permission for more water to be withdrawn from many of our rivers than is actually in them – today**,” he said. And he added that every year this current drought continues, it will “cost the economy of Texas an annual \$11.9 billion and 115,000 jobs.” Sobering words, indeed. We’ll keep monitoring this for you.

Speaking of water, here's a heads-up: take a close look at your February 2013 water bill from Austin Water. Changes, more than likely with increases, will go into effect with this billing.

Back in September 2012, the Austin City Council approved a **5% system average water rate increase** and a **modified rate structure** (that could generate even higher charges for you). Residential and commercial users will see new items listed on February bills, including:

Residential volume-based tiered minimum charge ... multifamily & commercial meter-based fixed charge ... and large volume fixed charge, as new items. Gone is the Revenue Stability Fee. The stated goal for the utility is to have 20% of total water revenue collected from fixed minimum charges.

Oh, yeah. **All customers will see a "volume-based" Reserve Fund Surcharge on the water bill.** Austin Water, the city-owned water utility, says "this is to build a reserve to offset revenue losses caused by extreme weather patterns, both wet and dry." As we said, check your February water statement closely and be prepared to write a bigger check than normal.

Meantime, the Austin economy continues rolling with a big head of steam. In fact, just this week a home-grown Austin company announced it plans to add 1,000 jobs.

National Instruments was founded back in 1976. It designs and develops tools for scientists and engineers and has grown to the point it now has 2,273 employs. Now it will add 1,000 more employees to **expand its research and development role – all at a cost of about \$80 million.**

It's not yet a done deal. A local incentive package must be worked out with local governmental entities to complement the **state's Texas Enterprise Fund investment of \$4.4 million.** National Instruments, listed on the Nasdaq stock exchange, has been a solid corporate citizen in Austin for more than three decades. And, by the way, it is quite profitable.

If you want to *sell* a home in Austin, now's the time to get it all spruced up for a top-dollar sale. If you want to *buy* a home in Austin, better get your financing ducks in a row and be prepared to move quickly if you find what you want. The Austin area is that kind of market.

Homes are selling at mind-blowing fast clip – **33% more sales** in January 2013, compared to the same month a year ago. And sale prices are ratcheting up as a result. Builders are scrambling to finish new homes, so much so that **Austin ranks #6 in the nation for the highest number of housing permits**, behind such bigger metros as #1 Houston, #2 Dallas, #3 Phoenix, #4 Atlanta and #5 Washington DC. This momentum should build as the spring selling season begins and it is likely to continue for the rest of 2013.

Texas USSenator John Cornyn is running hard for another 6-year term, to be determined in 2014. There may be a bigger political prize awaiting him in Washington if he is re-elected. It's possible he could be the GOP Senate Minority Leader -- or *Majority* Leader, depending upon the post-election shuffle that will add new USSenators to that august body.

Here is how it is stacking up at this early stage. Senate Minority Leader **Mitch McConnell** could be in trouble back in his ole Kentucky home. We're hearing it is **nearly certain McConnell will face a tea party opponent** in his state's 2014 GOP primary. In fact, fewer than one in five Kentucky voters say they back McConnell right now. Obviously this could change when campaigns kick into high gear.

But, if McConnell is ousted, **Cornyn is next in line for the high-profile post – waiting to take over as the GOP Senate boss.** Cornyn has moved into the position of **Senate Minority Whip**, where he is responsible for corralling GOP votes on key issues in the Senate.

Prior to this new responsibility, **Cornyn built up a lot of political chits by chairing the USSenate Republican Campaign Committee**, where he doled out money and support to GOP Senators in their re-election campaigns. Additionally, he is taking a very high profile in Washington and is easily recognized with his full head of white hair and charismatic bearing.

Make no mistake Cornyn is running full-bore for re-election as Texas Senior Senator. But he, too, has to worry about a tea party opponent – though none has yet emerged. In fact, to head off a viable tea party candidate, **Cornyn appears to be aligning himself with Junior Texas Senator Ted Cruz who with tea party backing defeated favored LtGov David Dewhurst.** You'll get a kick out of this: the joke in Washington is that Cruz is the only rookie Senator who gets *two* votes because Cornyn is tracking his voting record to coincide with Cruz's.

Admittedly, **for Cornyn to emerge as the GOP Leader in the Senate, a lot has to happen.** But it is worth watching. (Quick, who was the last USSenator from Texas to head up his party in the Senate? Democrat **Lyndon Johnson**, who ran for president with the slogan "A Leader to Lead the Nation.")

Speaking of politics, what is Hillary Clinton up to, now that she has stepped down as USSecretary of State? Making money and keeping her name in front of the public.

She has signed the Harry Walker Agency to book her for speeches – easily in the six-figure range. How much money can she make? Well, her hubby also retained the same agency and in **2011, former president Bill Clinton earned \$13.4 million** in speaking fees (he sometimes got as much as \$500,000 a pop) and his **speaking earnings over ten years totaled \$89 million.**

South Austin restaurant icon, Hill's Café, was kept from shutting down this week with a cash infusion and change in majority ownership. Hill's has been serving similar food items for more than a half-century. So, this caused us to ask: "how many Austin restaurants still have the same food items on their menu that they had 50 years ago?"

With all the eateries that have come and gone in recent years, which **Austin eating establishments have survived at least 50 years without dramatically changing their menus?** They must be doing something right. See if you can add to this top-of-the-head list:

El Rancho (in its 3rd location, now in South Austin) ... **El Patio** (UT area, still serves crackers and butter patties with its Tex-Mex meals upon request) ... **La Tapatia** (in its 2nd East Austin location) and **Cisco's Bakery** (in the same East Austin location) have all had similar menus for at least a half-century.

For burgers and beer, there's **Dirty Martin's Kum-Bak** on the Drag, **Hut's** and **Mike's Pub** in downtown, **Nau's Pharmacy** and **Sandy's Ice Cream** (where a milk shake can replace the beer), and **The Tavern** on Lamar Blvd.

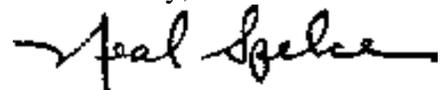
South Austin's **Hill's Café** (with its signature Sizzler Steak) and the **Broken Spoke** both serve up mean Chicken Fried Steaks. Don't forget the **Hoffbrau** downtown, still serving the same T-Bones dripping in butter for dippin' potatoes and the **Night Hawk-bred Frisco Shop** for the sirloin-tasting Top Chop't.

Almost forgot. For barbecue, there's **Iron Works** still standing near the Convention Center. And **Green Pastures** serving genteel southern fare in a Old South mansion in South Austin. And **Threadgill's** downtown with home-style cookin' and **Scholz's Bier Garten** with its German offerings.

What does it say that almost all these 50-year icons serve **non-trendy, artery-clogging food?**

Dr. Louis Overholster takes life with a grain of salt – plus a slice of lemon and a tequila shot!

Sincerely,



Editor/Publisher