

**Brazos River Authority**

## Financial Workgroup Meeting

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## Financial Workgroup (Group) Formation

- June 23, 2009 - Stakeholders selected a smaller group of stakeholders to review financial model and decisions that led to the development of the Annualized Cost Index
- July 16, 2009 – Financial Workgroup met

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## Financial Workgroup Activities

- Make recommendations on the best way to present financial data to larger Stakeholder Group
- Review assumptions and data sources used for input into the financial model
  - similar to water quality model
- Group recommendations/decisions are highlighted in **red** throughout the presentation

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## Workgroup Participants

- Alva Cox - City of Granbury
- J.C. Wright - AMUD
- Mike Scott – Granbury Chamber of Commerce
- Don Perkins – Brazos River Authority
- Tim Osting – Espey Consultants
- Chris Stewart - Espey Consultants

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## Presentation of Financial Data

- Group discussed the benefits of using a cost index versus presenting actual data to stakeholders
- Group felt presenting actual data would:
  - Not provide a consistent basis for evaluating different management measures
  - Not provide a common method for comparing alternatives with different life cycles
  - Be too time consuming
- **Group recommended using a cost index to present financial data to stakeholders**
  - Easier to compare costs for different types of projects with different life cycles

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## Annualized Cost Index

- Group reviewed process Espey used to develop Annualized Cost Index
- **Group recommended no changes to Espey's Annual Cost Index methodology**

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## Sources of Cost Information

- Sources
  - RS Means
    - National cost averages
    - Area-specific adjustments
  - Espey statewide knowledge and experience
  - City of Granbury
  - AMUD
- **Group recommended no additional sources of cost information**

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## Assumptions

- Contingency Rate - 20%
- Interest for weighted cost of capital – 10%
  - Group discussed the concern that this rate is elevated over rates they are currently seeing
  - Due to uncertainty of economy, Group decided not to recommend lowering rate
- Power Rate - \$0.11/kWh
  - Both AMUD and City of Granbury stated that this rate is very close to what they are currently observing
  - Group discussed the concern that this rate maybe too low going into the future
  - Due to inability to accurately predict power rates, Group decided no to recommend increasing power rate in the financial model
- Power Availability – 3-phase power available
- **Group recommended no changes to major assumptions input into financial model**

## Conclusion

- **Group concluded that the financial modeling approach presented to them by Espey Consultants on July 16, 2009 was fine and sound**
- **Group requested no major changes or adjustment to methodologies used**