Financial Workgroup Meeting

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

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

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
**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

**Annualized Cost Index**

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

**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

**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