

**Special Board Meeting  
March 24, 2009**

**STAFF HANDOUT No. 1**

**AGENDA ITEM 2  
LCRA sale of Brushy Creek Regional Wastewater  
System**

**Outline of response to LCRA's Counteroffer dated  
February 18, 2009**

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## Outline of response to LCRA's Counteroffer dated February 18, 2009.

Response to LCRA's additional conditions to counteroffer:

- Buyers agree System is to be transferred as is, where is (without warranties), except that the real estate will be transferred with a general warranty deed.
- Buyers agree to cooperate with the LCRA in obtaining the approval of Sub-regional Customers for assignment or termination of existing wholesale service contracts. If Sub-regional Customers refuse to grant such approval, LCRA agrees to remain a "Customer" of the System on behalf of the Sub-regional Customers.
- Buyers agree to obtain approval of City of Austin.
- Buyers agree to obtain approval of Brazos River Authority.

Additional Buyer conditions:

- LCRA must agree to a financial audit/review of accounting and debt service transactions related to the System. LCRA and Buyers to agree upon independent 3<sup>rd</sup> party to conduct audit. LCRA shall allow access to all historical financial transactions associated with the System. Cost of the financial review/audit will be borne by Buyers. A proposed scope is attached to this counteroffer.
- A complete inventory and verification of assets being purchased must be provided by LCRA.
- Buyers and LCRA agree that the cost to defease the debt should reflect actual costs at the time the escrow is established. Buyers and LCRA shall agree in advance on protocol and costs to establish escrow such as method to procure escrow securities, cost of verification report, selecting the escrow agent and obtaining legal opinions.

The parties agree that the present value of the future cash flows will be calculated as follows:

- Calculate the capital management fee based on the payoff of the amount to be held in escrow for the bonds that are not yet callable not including interest earned on the escrow and less the amount associated with Williamson County reuse.
- Buyers agree to the 5% management fee on the flat O&M amount until 2038. <sup>\$</sup>2,145M
- Set the discount rate at 5.83%, which is the March 16, 2009 value for the 25 year Bond Buyer Revenue Bond index rate.

In accordance with the foregoing, and as shown in the attachment, Buyers propose to pay LCRA the sum of \$ 2,145,437 for the conveyance of the Brushy Creek Regional Wastewater System.

Remove 2009  
 Remove CP Debt Service  
 O&M Management Fee - to 2038  
 Tie discount rate to Bond Buyer Index - Revenue Bonds - March 16, 2009  
 Debt Service Management Fee based on call date of bonds

Analysis		Projected CP Debt Service				Discount Rate		Projected O&M	
		Annual Debt Service	30 yrs @ 6%	Total Annual Debt Service	5% Mgt. Fee	5.83%		5% Mgt. Fee	5.83%
1	2009								
2	2010	15,500,677	-	15,500,677	775,034	691,995	215,087	10,754	9,602
3	2011	11,632,899	-	11,632,899	581,645	490,718	215,087	10,754	9,073
4	2012	19,550,077	-	19,550,077	977,504	779,262	215,087	10,754	8,573
5	2013	1,137,971	-	1,137,971	56,899	42,860	215,087	10,754	8,101
6	2014		-	-	-	-	215,087	10,754	7,655
7	2015		-	-	-	-	215,087	10,754	7,233
8	2016		-	-	-	-	215,087	10,754	6,835
9	2017		-	-	-	-	215,087	10,754	6,458
10	2018		-	-	-	-	215,087	10,754	6,102
11	2019		-	-	-	-	215,087	10,754	5,766
12	2020		-	-	-	-	215,087	10,754	5,449
13	2021		-	-	-	-	215,087	10,754	5,148
14	2022		-	-	-	-	215,087	10,754	4,865
15	2023		-	-	-	-	215,087	10,754	4,597
16	2024		-	-	-	-	215,087	10,754	4,344
17	2025		-	-	-	-	215,087	10,754	4,104
18	2026		-	-	-	-	215,087	10,754	3,878
19	2027		-	-	-	-	215,087	10,754	3,665
20	2028		-	-	-	-	215,087	10,754	3,463
21	2029		-	-	-	-	215,087	10,754	3,272
22	2030		-	-	-	-	215,087	10,754	3,092
23	2031		-	-	-	-	215,087	10,754	2,921
24	2032		-	-	-	-	215,087	10,754	2,760
25	2033		-	-	-	-	215,087	10,754	2,608
26	2034		-	-	-	-	215,087	10,754	2,465
27	2035		-	-	-	-	215,087	10,754	2,329
28	2036		-	-	-	-	215,087	10,754	2,201
29	2037		-	-	-	-	215,087	10,754	2,079
30	2038		-	-	-	-	215,087	10,754	1,965
31	2039		-	-	-	-			
32	2040		-	-	-	-			
<b>Total</b>		<b>47,821,624</b>	<b>-</b>		<b>2,391,081</b>	<b>2,004,835</b>	<b>6,237,523</b>	<b>311,876</b>	<b>140,602</b>
		436,511		Reuse Amt based on Virchow Report p. 81					
		48,258,135		Ties to SPFI Report					
						<b>\$2,145,437</b>	Total Proposed Settlement		

## Proposed audit scope to verify costs and debt service

Consistent with Section 6.04(d) of the Contract, the purpose of this engagement is to have an independent review and report of the accounting and debt service transactions incurred by the LCRA related to the BCRWWS System. The BRA transactions are not included in this review.

### Scope of Services

1. Since inception, verify that all debt incurred was System related by reconciling capital expenditures to principal amounts of debt issued and the associated debt schedules. Verify that other related charges are supportable with documentation. Identify financial responsibilities for each Customer. Identify how the debt (capital component charge) charges were related to System costs. Provide a breakdown of all related costs applied (ex: principal, interest, overhead, mgt fees, etc.) Provide debt balance as of given date (principal & interest paid). Provide a history of how debt schedules were modified with supporting documentation.
2. Since inception, verify all costs allocated to System projects. Review all System project records to identify how costs were applied (ex: direct, overhead, allocated or identify specific methodology). Identify unusual allocations or direct costs applied to System projects. Verify all costs and any other related charges are supportable with documentation.
3. Verify all costs allocated to LCRA's operations component. Verify that all charges are supportable with documentation.
4. Document reviews performed in accordance with Sections 6.02(a) and 6.04(b) of the Contract relative to issuance, structure and timing of debt issued by the LCRA for the System.