Project Cash Flow Worksheet Instructions

The Project Cash Flow Worksheet is designed to determine the incremental value the proposed project will add to your business over its lifetime. Reasonable estimates of the expected cash flows from the project are sufficient for completing this worksheet. Information from it will be used by review staff to help determine the role of an EIP investment in the project.

If your company has completed a similar incremental cash flow analysis for internal purposes, it can be substituted for this worksheet, provided it illustrates the same information. For newly formed companies, where the project cash flows are the same as the cash flows for the entire business, the Project Cash Flow Worksheet may be used to satisfy the financial projections.

The Project Cash Flow Worksheet is comprised of four fillable pdf spreadsheets labeled as follows:

- “Without Project” Projections of the operating costs and revenues the company would incur if you did not move forward with the project are entered in this spreadsheet.
- “With Project” Projections of the operating costs and revenues the company would incur if you move forward with the project are entered in this spreadsheet.
- “Difference” This spreadsheet (which covers two pages) automatically calculates the difference between the “With Project” and “Without Project” operating costs and revenues, revealing the incremental value the project will add to your business. Other information about the project (initial capital costs, projected depreciation schedule, etc.) is also entered into this spreadsheet.

The instructions below will guide you through entering data. If you need help, contact Environmental Investment Program staff at (518) 292-5340 or environment@esd.ny.gov.

- To start, save the blank fillable pdf on your computer. You can then enter information and save it as you work. Upload the completed worksheet using the “Upload” button in the CFA.

- Note that you need to use the tab key or your mouse, not the arrow keys, to move between cells.

“Without Project” Spreadsheet

NOTE: If this is a new company and/or there will be no operating revenues or costs without the project, leave the “Without Project” spreadsheet empty.

1. Enter the name of the Company
2. Enter the CFA# for the application
3. **Enter the Life of Project** - Enter the number of years over which you anticipate the project/investment will add value to the company’s bottom line (enter this information here even though it is the “Without Project” spreadsheet – the information will carry to the other spreadsheets). Use this number to determine the number of years over which to fill in data in the remainder of the spreadsheet. The Life of the Project can be determined by the physical, engineering or accounting life of the equipment to be installed for this project or by any other common convention used to determine project life. The Project Cash Flow Worksheet provides space for a project life of up to ten years - the projected life of your project may be shorter or longer. You should confirm with a qualified professional (engineer, accountant, etc) that the number of years you have selected is appropriate for the project.

4. **Enter Operating Revenues and Operating Costs (by line item) without the project** - in each line item appropriate for your project, enter the operating revenues and costs that the company would incur if the project did not go forward. Operating Revenues generally include income from sales. Operating Costs generally include materials, labor, utilities, waste management, regulatory/compliance, insurance, and other costs directly related to generating sales (these items fluctuate according to the level of production/sales). Do not include financing costs (these costs are incorporated in the firm’s cost of capital which is captured in the “Difference” spreadsheet), taxes or salaries unrelated to production labor. Add any revenue or cost line items not listed on the spreadsheet next to “Other,” as needed. These labels will automatically copy onto the “With Project” and “Difference” spreadsheets.

**“With Project” Spreadsheet**

1. **Enter Operating Revenues and Operating Costs (by line item) with the project** - in each line item appropriate for your project, enter the operating revenues and costs that the company would incur if the project goes forward. Operating Revenues generally include income from sales. Operating Costs generally include materials, labor, utilities, waste management, regulatory/compliance, insurance, and other costs directly related to generating sales (these items fluctuate according to the level of production/sales). Do not include financing costs (these costs are incorporated in the firm’s cost of capital), taxes or salaries unrelated to production labor. Add any revenue or cost line items not listed on the spreadsheet next to “Other,” as needed. These labels will automatically copy onto the “Without Project” and “Difference” spreadsheets.

Based on the information entered into the “Without Project” and “With Project” spreadsheets, the “Difference” spreadsheet will calculate the incremental (net) Operating Revenues and Operating Costs that will result from the project – that is, the difference in the firm’s cash flow for each line item if the project is undertaken, versus if it is not undertaken, for each year of the Projected Life of the Project.

**“Difference” Spreadsheet**

1. **Enter Capital Costs** - At the top of the spreadsheet, itemize all of the capital costs required to start the project. These may include equipment and machinery, real estate, materials, utility systems and connections, site preparation, construction and
installation, planning/engineering, start-up training, regulatory fees, and working capital. The capital costs should include all of the eligible project costs in the EIP proposal but may also include other, ineligible costs.

2. **Enter Depreciation** – For each year of the life of the project, enter the amount by which the project assets will be depreciated (may be 0). Depreciation, while not an actual cash outflow, has an important effect on the project cash flows and needs to be included in the analysis. Depreciation is usually calculated on the basis of the total capital cost of the project. However, for EIP projects, the applicant (the IDA, EDC or other local entity), not the co-implementer (the company), will maintain title to the machinery and equipment supported with EIP funds for the life of the project. You may wish to seek professional advice regarding the treatment of depreciation of this equipment for your company’s financial reporting purposes.

3. **Before-Tax Cash Flows** represent the operating cash flows less depreciation. The spreadsheet will automatically calculate this number.

4. **Enter Tax Rate** - Enter the combined federal, state and local income tax rate for the company in the space provided (the spreadsheet defaults to 40%, but this rate can be changed) The spreadsheet will use this number to calculate the tax effect of the project (derived by multiplying the before-tax cash flows of the project with the combined income tax rate).

5. **After-Tax Cash Flows** – are derived when taxes are subtracted from the before-tax cash flows. The spreadsheet will automatically calculate this number.

6. **Net Cash Flows** – are derived when depreciation expenses are added back to the after-tax cash flows. The spreadsheet will automatically calculate this number.

7. **Enter the Cost of Capital** - The Cost of Capital is comprised of two components: debt and equity.
   - Debt is the rate a bank would charge your company to borrow money for the project. Enter this rate in the box provided.
   - Equity is either the return that new investors would expect if they were to invest their money in the company, or the return that existing owners of the company would expect for any additional money they invest in the business. Enter this rate in the box provided.

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**Tips:**

- The Project Cash Flow Worksheets should not include financing costs, (i.e. interest expenses), because financing costs are incorporated in the firm’s cost of capital.

- Opportunity costs should be considered, where feasible, when estimating project cash flows. For example, suppose a company decides to expand its recycling operations into another building at its site. The use of that building is also being seriously considered for some other purpose, (e.g. for renting out as storage). The lost opportunity (i.e. lost revenues) to use that building should be accounted for in the operating cash flows for the project as negative revenue.

- The effect of the proposed project on existing operations, or other projects the firm has undertaken, should be considered when estimating project cash flows as well. For instance,
if a pollution prevention project would save costs in one part of the plant’s operations but increase costs in another part of the operations, then those costs should be accounted for in the incremental operating costs. If such effects cannot be quantified, then they should at least be noted so that project reviewers are aware of their existence.