



City of Houston, OBFA Program

Developer pro forma model interface instructions

Prepared by: Adroit Project Advisors, LLC

Houston, TX



1 INTERFACE CONCEPT AND METHODOLOGY

The concept of creating a pro forma model interface versus a standardized template is to give the project developer the flexibility of maintaining the original model and body of work in a singular unit without having to retrofit and recreate his business model into a template. This method allows for the developer to summarize the line item calculations into a standardized set that will be used to create the required schedules. Necessary financial statements will then be constructed to determine the profitability and viability of the proposed OBFA project and compare the results of each developer on an “apples to apples” basis. The COH will set the debt to equity ratios, interest rates, and inflation assumptions for its internal analysis that the COH believes the project will be executed.

2 ITEMS IN PACKAGE

1. Instructions (this document)
2. MS Excel model interface (“The Interface”)

3 GENERAL INSTRUCTIONS

1. The developer pro forma model (“DPFM”) will be the model supplied to the COH with the required summary items calculated and mapped to the embedded interface with generalized assumptions:
 - a. Required adjustments to DPFM
 - i. Set all inflation/escalators assumptions to zero
 - ii. Set tax rate to zero
 - iii. Set interest rate for cash balances to zero
 - iv. Set COH Revenue Share to zero
 - v. Remove depreciation expense
 1. If model has depreciation and interest expense in operations, remove costs and set to zero. For this exercise, the COH is only concerned with operational costs.
2. Follow instructions in the “Control Panel” sheet in The Interface to copy the necessary sheets into DPFM.
3. In column “C” of the “Operational_Import” sheet, you will find the required line items that will need to be summarized on either a cost per ton or gross/fixed or variable basis. All variable costs are to be expressed on a cost per ton basis.

4 CAPEX INSTRUCTIONS

1. **Goal:** Model each developer’s project solely based on hard costs, bringing all soft costs to zero to remove disparate developer assumptions. The adjustments of the CapEx schedule are based on the assumption that the COH will leverage its relationships in the capital markets to achieve the lowest banking fees by introducing competition at the time of execution. If the developer

has contracted with a source of financing that explicitly states a committed cost structure, then the COH will use those assumptions. Please provide documentation of the commitment fees.

2. **General**

- a. The model is segregated into three sections:
 - i. Advanced Resource Recovery (“ARR”)
 - ii. Anaerobic Digestion Facility (“ADF”)
 - iii. OPTIONAL: Drop In Fuels Facility (“DIF”)
- b. Adjustments to DPFM:
 - i. Set developer fees to zero
 - ii. Set construction contingency to zero
 - iii. Set all reserve accounts to zero
 - iv. Remove interest during construction

4. **CapEx Assumptions**

In the CapEx_Import Sheet, Column H:

a. **ARR Line Items:**

- 1. Enter Depreciable CapEx
- 2. Enter Non-Depreciable CapEx
- 3. By Default, ARR construction starts Period 0
- 4. Enter total construction period in months

- b. For example, if total CapEx is \$100,000 and the construction period is 10 months, then the drawdown period will be calculated to \$10,000 per month.

c. **ADF Line Items:**

- 1. Enter Depreciable CapEx
- 2. Enter Non-Depreciable CapEx
- 3. ADF construction begin period can start at the same time as ARR, or at a later date.
 - a. Example: If the FPF is staggered to start construction 6 months later than ARR, then enter 6.
- 4. Enter total construction period time in months

d. **DIF Line Items:**

- i. Same as item C.

5 OPERATIONAL INSTRUCTIONS

- 1. For each line item of each section you will be required to summarize on an annual basis for operational periods 1 through 15 (Columns E through S):
 - a. Revenue
 - i. Expressed on a gross basis
 - b. COGS_Fixed
 - c. COGS_Variable
 - d. COGS_Variable Cost per Ton
 - i. Recovered
 - ii. Landfilled
 - e. O & M_Fixed

- f. O & M_Variable Cost per ton
 - i. Recovered
 - ii. Landfilled
 - g. Sales_Fixed
 - h. Sales_Variable Cost per ton
 - i. G&A_Fixed
 - j. G&A_Variable Cost per ton
2. For each line item, analyst will link cells in Operational_Import sheet for each line item to respective cells in developer model for periods 1 through 15.
 3. Values must be expressed in thousands (\$'000s omitted)

6 CAPITAL STRUCTURE INSTRUCTIONS

1. **Capital Structure:** In light blue input cells, developer will input the percentage of each debt and equity line item. Please refer to sample data.
2. **Debt Repayment:** In light blue input cells, debt term (in years) for senior and subordinated debt.

7 EMPLOYMENT SCHEDULE INSTRUCTIONS

1. In light blue input assumption cells, developer will input values according to each line item.

8 ADDITIONAL INFORMATION

1. Due to the complexity of this project and analysis, extraneous circumstances may require more information based upon the developer's model. Although we feel that this is a comprehensive analysis, should we find error or omissions in our logic, we will work with you on an iterative basis to ensure that your project is analyzed correctly.
2. There will be a webinar tutorial to walk analysts through this document. Date and time will be announced at preconference meeting.
3. In addition to the webinar tutorial, Adroit Project Advisors, LLC ("APA"), financial consultant to the COH for the OBFA Program, will provide an additional 1 hour of consulting time for each developer to address further questions and issues.
4. For further information, please email kedgar@adroitpa.com.