

MA-B4-1

DATE: March 15, 2012

REPORT TITLE: **PROFESSIONAL CONSULTING SERVICES TO SUPPORT LONG TERM FINANCIAL MODELLING DOCUMENT 2012-073P**

FROM: Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That the contract (Document 2012-073P) for Professional Consulting Services to Support Long Term Financial Modelling, including the initial installation of the software, data population, support and professional services be awarded to Hemson Consulting Ltd. in the estimated amount of \$256,580 (excluding applicable taxes) in accordance with Purchasing By-law 63-2008;

REPORT HIGHLIGHTS

- The project is to implement a long term financial modelling application.
- This investment was included in the 2010 approved capital budget under Capital Project Number 10-7113.
- Request for Proposal Document 2012-073P was issued as a competitive bid for Professional Consulting Services to Support Long Term Financial Modelling, Hemson Consulting Ltd. is recommended for award.

DISCUSSION

1. Background

Long term financial planning will be an iterative process that identifies current and future financial needs in order to achieve the Region's strategic goals. Through integration of the financial plan with the Region's strategic objectives, a roadmap towards enhancing financial sustainability will be developed through logical and achievable financial plans and policies to help achieve the organization's goals. The Long Term Financial Plan (LTFP) and supporting financial policies, processes and practices will assist in informing decisions and will rely on a financial 10 year forecast developed by a modelling application.

The Region of Peel is seeking the services of a qualified vendor to assist in the development of a process to support a LTFP and a forecasting model application that expresses, in financial terms, the outcomes Council will influence over the next ten years in the context of financial and non-financial factors. The LTFP strategies, principles and model will assist in informing decision-making for Regional staff and Council.

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The proposed financial modelling application will:

- Identify the Region's financial condition, including revenue, expenditure, assets and liabilities, including debt trends at an integrated macro level.
- Identify and quantify the financial impact on the Region's financial condition of influencing factors (economic environment, demographic profile, population, growth and assessment mix).
- Identify key assumptions for forecasting revenues, expenditures for both tax-based operating and capital activities and utility-rate operating and capital activities.
- Identify potential funding gaps to inform the development of financial strategies and actions to close funding gaps.
- Inform strategies and policy recommendations to ensure long term financial sustainability.
- Support deliberations by Council to prioritize financing and resource allocation decisions for program alternatives and service level preferences.

2. Procurement process

The Region issued a Request for Proposal (RFP) for Professional Consulting Services to Support Long Term Financial Modelling.

The Region issued RFP Document 2012-073P on January 30, 2012 and it was publicly advertised on the Region of Peel's and Ontario Public Buyers Association's Internet sites. This document was issued to 21 vendors with five compliant submissions received on the closing date of February 22, 2012, from the following vendors; BMA Management Consulting Inc., Ernst & Young Orenda Corporate Finance Inc., Hemson Consulting Ltd., The Public Sector Digest Inc., and Watson & Associates Economists Ltd.

The proposals were submitted in two parts: the first being the technical component and the second the financial component. The Evaluation Team reviewed the submissions in accordance with set criteria. The evaluation criteria includes vendor profile and experience, staff qualifications and experience, references, vendor approach, work plan, training, forecasting model application, value-added services, vendor presentation and proposed system demonstration, and the estimated cost to complete the assignment. The three highest scoring vendors were shortlisted to demonstrate their proposed financial modelling solution. Upon completion of the technical demonstration, three vendor submissions were deemed qualified to meet the needs of the Agency and entered into the second phase of the evaluation.

Hemson Consulting Ltd. is one of the leading consultants in demographic and economic forecasting in the Province with previous experience providing this service to the Region and area municipalities. Hemson Consulting Ltd. has a team of senior consultants with significant experience in developing and implementing long term financial planning and financial modeling. The proposed financial modelling application is a commercially available off-the-shelf product specifically oriented towards municipal finance clients and can be configured by the user to integrate any third party data source. The modelling application has maximum flexibility in adjusting variables and drivers to undertake sensitivity analysis and "what if" scenarios which can be saved as a snapshot, shared and used as baselines for comparisons against other scenarios. The modelling application allows for easy modification and addition of indicators and measures and will cover a 10 year planning period with the potential to add additional years. The modelling application will enable

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Region of Peel staff to update and maintain the information as part of a long term financial planning process.

Three vendors advanced to a demonstration of their financial modeling solution. Upon the completion of the technical evaluation all three vendors proceeded to the final phase of evaluation and the purchasing representative completed the financial analysis. The scores were then combined and the overall ranking determined.

The evaluation summary is as follows:

Vendor Name and Location	Technical (80 per cent)	Financial (20 per cent)	Price Submitted	Overall Ranking
Hemson Consulting Ltd. Toronto, ON	1	2	\$256,580	1
BMA Management Consulting Inc. Hamilton, ON	2	3	\$296,860	2
Watson & Associates Economists Ltd. Mississauga, ON	3	1	\$165,750	3

The proposal submitted by Hemson Consulting Ltd. received the highest score when assessing the combination of technical proficiency and price. The vendor demonstrated a thorough understanding of the assignment, proposed a comprehensive project approach and presented an experienced project team. The financial model proposed by the vendor has significant advantages. The application is able to integrate with our existing databases, reducing the manual inputs required and reducing the level of staff support needed to maintain the model. The financial modelling application supports an ongoing operational process of long term financial planning, by allowing the information to be easily updated and reconfigured as required. The application's flexibility to conduct "what if" modelling and scenario comparisons will support decision-making and allow for evidence-informed decisions to be made. The proposal submitted by Hemson Consulting Ltd. provides the best overall value to the Region.

FINANCIAL IMPLICATIONS

Sufficient funding is available under Capital Budget 10-7113.

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Norma Trim
Chief Financial Officer
and Commissioner of Corporate Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

*For further information regarding this report, please contact Angela McLean at extension 4856
or via email at angela.mclean@peelregion.ca*

Authored By:

c. Legislative Services
 Frank Morrow, Acting Director, Purchasing
 BT, Manager, Financial Support Unit (FSU)