

Employment Program of B.C. Financial Modeling Tool Demo

Understanding and Managing the Risks
January 18, 2011



Agenda

- New contract model
- UCS Co-op's Role
- Financial Modeling Tool development
- Visualization



Payment Structure

1. Fixed Operating Fee
2. Variable Services Fees
3. Direct Cost Reimbursements
 - Financial Supports
 - Purchased Services
4. Outcome Fees



Questions and Issues Coming to UCS Co-op

- Clarifying information in the RFI related to payment structures, methods, and partnerships
- Extrapolating an annual outlook over the long-term in an economically unpredictable world
- Engaging in conversations with peers and business analysts
- Searching for business analysis tools



Identifying and Mitigating Risk

- Measurement risks – Assuming values for difficult-to-measure variables
- Macroeconomic risks, e.g. effect of unemployment rates on client volumes, increase in costs from inflation
- Developing risk management scenarios – Identifying key sensitive variables and how they affect the bottom line



The Co-op's Approach

- Engaging in conversation
- Learning about differences between the current and new models
- Breaking down the payment structure and its related costs
- Developing a **Financial Modeling Tool**
- Testing process with various organizations

The Co-op's Observations

- Given our view of the problem, there is a solution by working together
- Transparent partnerships and co-ops are well suited to this model – to mitigate risk and reduce costs
- Prime/sub bargaining is economically inefficient

Financial Modeling Process

Purpose

- Support organizations in critical decision making
- Enable organizations to produce high quality, cost effective services

Components

- Traditional staffing model – current model
- Transactional service model – retail model
- Bridging tool – translating the present to the future
- Visualization – dynamic ‘what if’ scenarios



Using the Financial Modeling Tool

- Gathering preliminary data: operating costs, staffing costs, and variable services fee estimates
- Imbedding data into modeling tool
- Analyzing and interpreting findings
- Adjusting estimates / 'what if' scenarios

Financial Modeling Data Sheet

Category	Source(s)	Figure
i. Administration Costs		
5. One time (setup) costs (amortized over the life of the contract)		\$0.00
a. Furniture		
b. Renovation		
c. Audio-visual Equipment		
d. Appliances		
e. Accessibility and signage		
f. Carrying Costs		
Projected Staff Costs		
a. Name of position	Contractor	List separately in 'Estimated Staff' Sheet under 'Ancillary' or 'Variable' fee type, as appropriate.
b. Associated fee type		
c. Number of positions		
d. Hourly wage		
e. % of wage in benefits		
Variable Services Fees		
1. Core Variable Services Staff Data		
a. Hours worked / day		
b. Days worked / week		
c. Weeks worked / year		
d. Vacation days / year		
e. Sick days / year		
f. Stat days / year		
g. Hours / week not involved in services		
h. Average Hourly Staff Rate		
i. % of wage in benefits, training, and development		
2. Service Provision Efficiency		

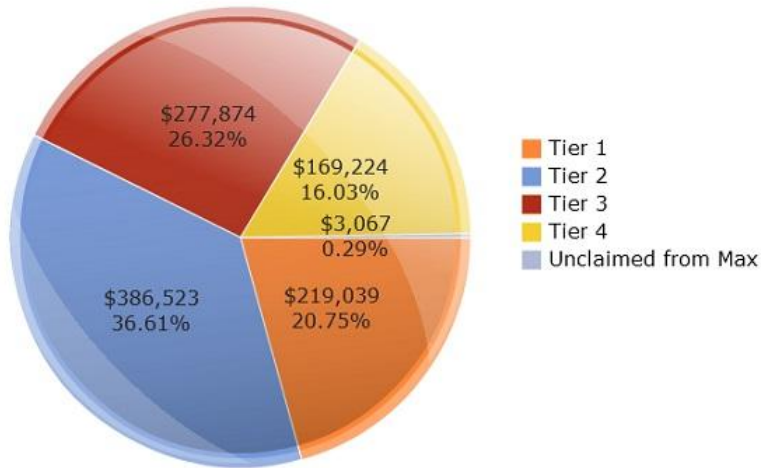
Visualization

Financial Modeling Tool Sample Contract



Client Tiers | Staff Variables | Annual Summary | Extended Outlook

Total Service Fee Revenue / Client Tier



Average Revenue / Client Tier

80% or Less of Max = Green, 80% to 100% of Max = Yellow, Over Max = Red



% in Tier 1



55.0%

% in Tier 2



30.0%

% in Tier 3



10.0%

% in Tier 4



5.0%

Features of Modeling Tool

- Built from the revised payment tables
- Generates a costing model from the variable services fee payments
- Dynamically accounts for tier maximum averages
- Integrates all cost factors
- Dynamic scenario testing

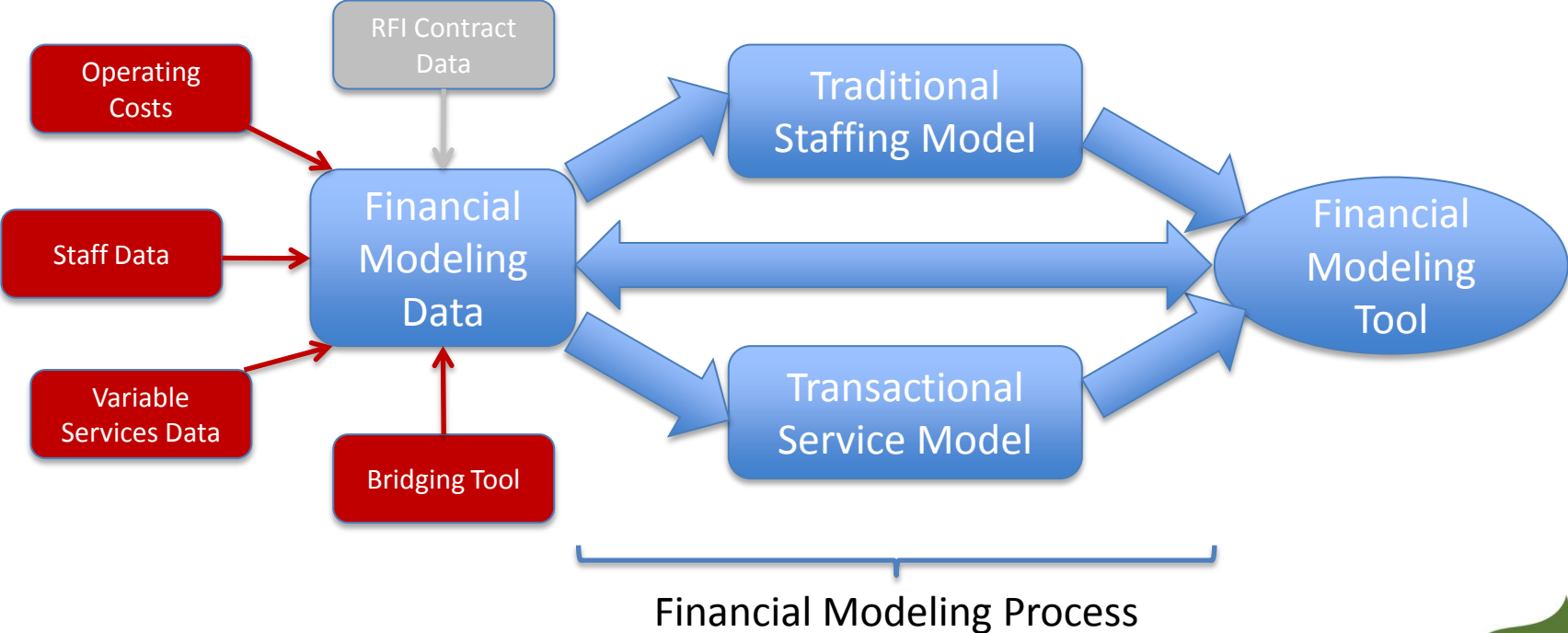


Operational Benefits

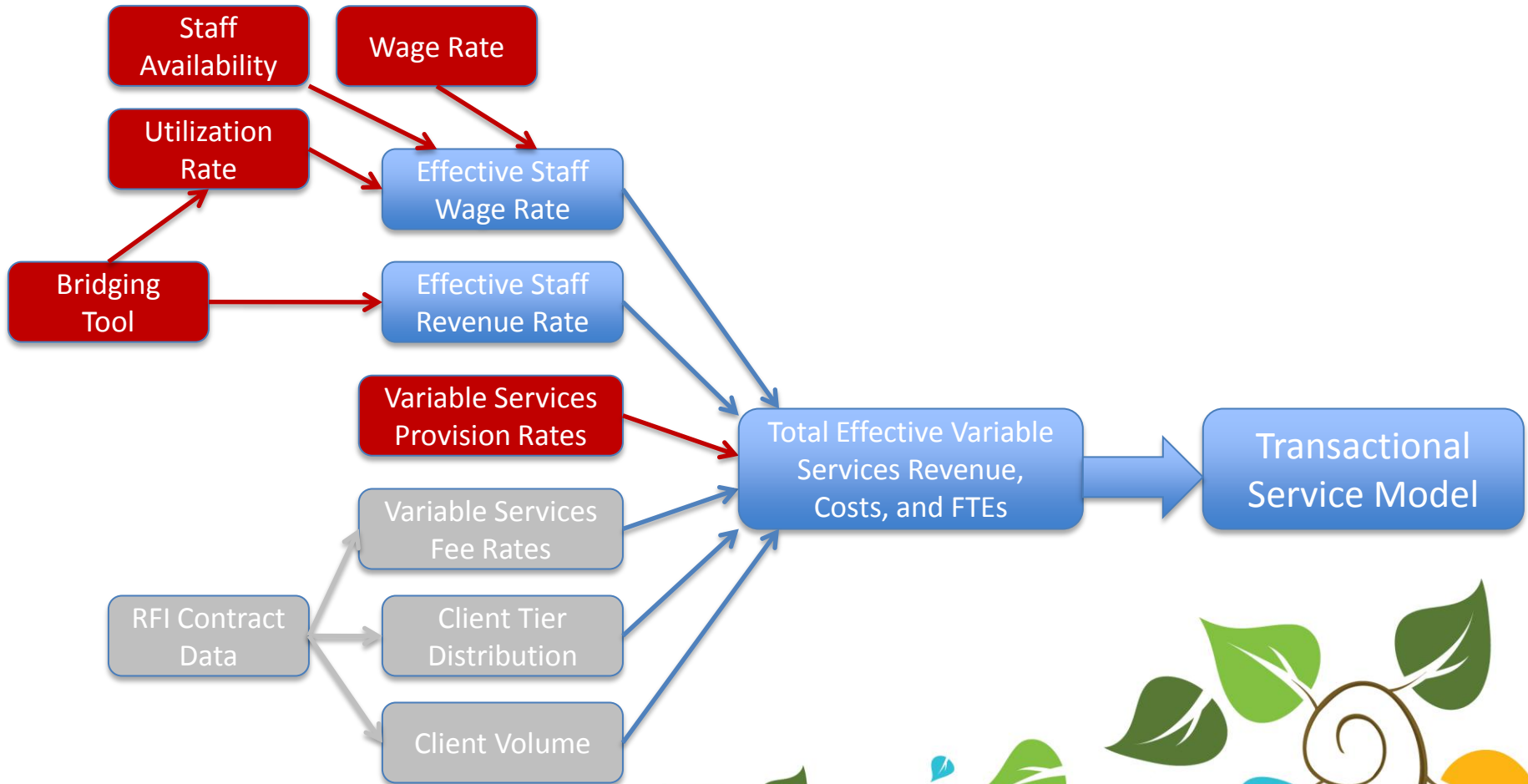
- Can be used for
 - Operational Planning
 - Budget Preparation
 - Ongoing tracking and evaluation of services and staff
 - Long-term, shared, anonymous database to equip the sector for business improvement and advocacy



Financial Modeling Schema



Transactional Service Model Process Diagram



Contact Information

www.changingthemodel.ca

www.ucscoop.com

Tim Beachy, CEO
timbeachy@ucscoop.com

Barbora Farkasova, Product Manager
barborafarkasova@ucscoop.com

