



## Exhibition Place

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### Item No. 6

November 15, 2012

To: The Board of Governors of Exhibition Place

**ACTION REQUIRED**

From: Dianne Young  
Chief Executive Officer

Subject: **CNEA Financial System**

#### Summary:

As part of the CNEA's transition to financial and administrative independence on April 1, 2013, it is necessary for the CNEA to acquire a financial system. In the course of investigation of software products, CNEA staff concluded that it required a system that was more comprehensive in its functionality than just an accounting system (i.e. an Enterprise Resource Planning ("ERP") system). The broader performance characteristics of an ERP system would include a customer relationship processing capability, human resources functionality, and electronic document processing, together with its core functionality of processing financial transactions.

This report is recommending capital expenditures for an agreement between the CNEA and Altus Dynamics for the provision of a Microsoft NAV system and for related equipment. Altus Dynamics received the highest ranking through the competitive Request-for-Proposals process.

#### **Recommendations:**

**Subject to the approval of the CNEA Board of Directors, it is recommended that the Board approve:**

- 1) The expenditure by the CNEA of \$178,464 ( $\pm$  10%) for an agreement between the CNEA and Altus Dynamics for the purchase and implementation of a Microsoft Dynamics NAV System and a Customer Relationship Management (CRM) Module; and**
- 2) The expenditure of an additional \$15,000 to acquire a dedicated server and server maintenance contract for the first year.**

#### Financial Impact:

Funding for this agreement will be provided for in the final 2013 CNEA Operating Budget.

This purchase of the system software and its related implementation costs will be considered by the CNEA as a capital acquisition and will be amortized over a period of five years on a straight line basis. The full capital amount will affect the financial settlement with the Board of Governors, post-independence, in that it will lower the funds set aside in the Stabilization

Reserve to be transferred to the CNEA. However, because the 2011 and 2012 CNE operations out-performed its budget target, the balance in the reserve is sufficient to absorb this expenditure.

Approval of the recommendations of this report may require a budget transfer to the CNEA Finance Department of approximately \$60,000. The current estimate is that the existing 2013 Operating Budget of \$387,760 will need to be increased by the \$60,000 to approximately \$450,000. The ongoing operational costs are affordable for the CNEA especially if one considers the cost of and budget for the financial services provided by the Board prior to the CNEA independence.

#### Decision History:

At its meeting of January 27, 2012, the Board approved a direction to move the CNEA to full independence from the Board and the City, which report was approved by City Council City at its meeting of March 5, 2012.

Pursuant to the Board's Financial By-Law 2-10, an expenditure of over \$150,000 requires approval by the Exhibition Place Board.

At its meeting of June 2012, the CNEA Board of Directors approved a preliminary operating budget for 2013.

#### Comments:

In June 2012, the CNEA Chief Financial Officer began a review of available financial software products to assess their suitability for the independent CNEA which system would require production of invoices, cheques, financial reports and other financial functions. Many suppliers were invited to demonstrate their products and their performance capabilities and indicate what the product pricing would be.

The CNEA evaluation team used the following criteria to assess the software products:

- The variety and versatility of its performance features such as electronic approval of documents and ability to transfer data to and from other software program;
- The intuitiveness and ease of use of its client interface;
- The cost of the software ;
- The manufacturer's resources to improve its product and its commitment to support its product in the future;
- The software's ability to offer the CNEA a wide variety of capabilities beyond a "traditional" accounting software package; and
- The software's integrity and documentation to support audit requirements.

#### **CNEA Requirements**

Early in the process of reviewing different products, the CNEA determined its need for a product that had capabilities beyond that of a traditional accounting program. The CNEA deals with hundreds of clients each year that rent space (for the annual 18-day fair) inside various buildings and at outdoor locations, and produce revenue exceeding \$5.0M. A software product system

(CRM) that could capture all client information, produce rental contracts and initiate an invoice would be an efficient and productive tool for the CNEA.

Furthermore, since the independent CNEA will be responsible for its management of the human resources function, the CNEA also looked for a software product that had the capability to store basic employee information, such as job title and salary, benefit, pension information and also be able to process information about employee absences such as sick and vacation time.

Because of these considerations, the focus of the CNEA evaluation team shifted to the acquisition of a software product with broader customer relationship and human resources capabilities such as an ERP system. This is a more versatile product than a one dimensional financial or accounting system and will allow the CNEA to be more efficient. For example, duplicate entry of customer data in two places will no longer be required.

Accordingly, the first step identified which ERP system or systems would best serve the CNEA's needs and resulted in narrowing the field to two systems: the Microsoft NAV system and the SAP-Business One. The next step was to issue a Request for Proposal (RFP) to find the right supplier to provide the ERP system and work with CNEA staff on implementation.

### **Request for Proposals**

An RFP was issued to eight companies on October 11, 2012 requesting proposals for the supply and implementation of an ERP system based on one of the two systems: Microsoft NAV or SAP-Business One. The companies were also asked to submit detailed pricing including the cost of one year of complete service and support after the product had been installed. The RFP was issued with the assistance of the Exhibition Place Purchasing Manager in compliance with Board's Purchasing Policy and protocol.

The RFP closed on November 2, 2012, and six (6) bids were received and were evaluated on a number of criteria such as the qualifications of the proponent, pricing, post implementation support and the functionality and performance characteristics of the product.

The following table indicates the total aggregated points that were awarded to each of the bids received:

<b>Company Name</b>	<b>Total Points (out of 400 possible)</b>	<b>Ranking</b>
Altus Dynamics ( <i>NAV</i> )	360	1
BDO Canada ( <i>NAV</i> )	335	2
Acceo Solutions ( <i>SAP</i> )	322	3
Second Foundation ( <i>NAV</i> )	284	4
Illumiti Inc. ( <i>SAP</i> )	255	5
360 Visibility ( <i>NAV</i> )	221	6

The three highest scoring companies were invited to an interview to elaborate on their proposals and answer questions. The scores and the ranking of the proponents did not change as the result of the interviews.

Altus Dynamics displayed a depth of management and professional services, were knowledgeable about the CNEA's core business, and provided a commitment to achieve the April 1<sup>st</sup> deadline to have the system operational. The three (3) references offered by Altus Dynamics were contacted and CNEA staff received confirmation that the company had successfully completed projects of equal or greater scope.

As a result of the RFP process, CNEA staff are recommending an agreement between the CNEA and Altus Dynamics for the supply and implementation of a new ERP system as specified at a price of approximately \$178,464.00. It should also be understood that minor pricing adjustments may need to be made in the contract as the implementation proceeds in the first quarter of 2013. These pricing adjustments should not exceed 10% of the contracted price.

It is expected that the computer software will be installed in December 2012 and that the detailed training and implementation work will occur in the first quarter of 2013. This will include the configuration of the financial software, testing of processes and transfer of existing historical data into the new system. The CNEA Finance Department will be fully operational on April 1, 2013.

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