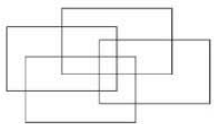


OFFICE OF FINANCE USER SYMPOSIUM 2008

VALUE OF WEB BASED BUDGETING

Jeff Kamin
ZC Sterling



LSA Solutions
Value Beyond Software



MERADOR

CONCESSIO
harmony through technology



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Who is the speaker and why is he here?

- Jeff Kamin is the head of planning and forecasting at ZC Sterling
- BS from Cornell University and MBA in finance from The University of North Carolina
- 18 years of experience in budgeting, forecasting, strategic planning, and mergers and acquisitions. Internal Venture Capitalist at Fortune 500 Company. Former Investment Banker and Strategy Consultant.
- In addition to ZC Sterling, also worked for BellSouth and Rollins. Consultant to numerous companies in diverse industries.
- Expert in Budgeting - started with Excel based budgeting systems and developed budgets for over 18 years. Experienced in linking strategic plans and long range forecasts with budgets.
- Worked with Cognos for over 7 years – first with Adaytum then with Cognos Analyst.

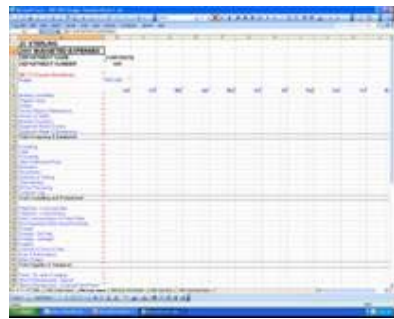
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Snapshot of Company

- ZC Sterling is a leading, niche provider of technology-enabled outsourcing and insourcing solutions for the mortgage industry
- Company provides “Lender Placed” hazard insurance
- The company has 3 main business lines plus corporate.
- There are 150 cost centers or “departments”. Most of the departments are in one of the three different business lines or corporate. There are a dozen departments that are allocated in different ways among two or more business lines.
- Budgeting by business line and by functions that may be in multiple business lines.

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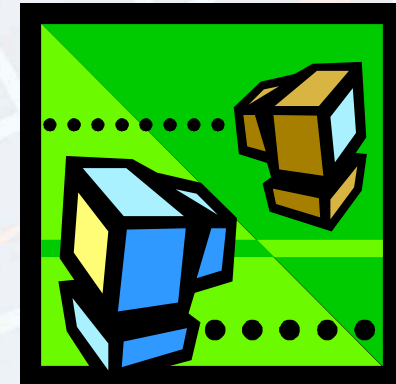
Evolution of Budgeting



Excel



Hybrid:
Excel + Database



Web based system

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Types of Budgeting Systems

- Excel Spreadsheets
 - Prone to process errors
 - Cumbersome
 - Resource intensive
- Hybrid system – mix of spreadsheets combined with a database (Analyst)
 - Prone to process errors
 - Less cumbersome
 - Less resource intensive
 - Budget cycle was 4 months
- Web based
 - Process errors eliminated (errors only due to model missteps)
 - Efficient
 - Analyst used for allocations and data manipulation and data transfer
 - Minimize time spent in budgeting
 - Budget cycle is only 2 months
 - Budgeting staff now revered and viewed as a partner (go from villain to hero!)

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Problem: How to Improve Budgeting Process from a Hybrid System

- Growth or restructuring required significant time in budget preparation and production – ERROR PRONE
- Budgeters use wrong versions of spreadsheets – ERRORS
- 7 separate worksheets for each of the 150 departments – all had to be locked – TIME CONSUMING AND ERROR PRONE
- No workflow capability to determine status
- Budget cycle was long – 4+ months
- Difficult to do rolling forecast or revise budgets
- Difficult to change general assumptions during process
- No review capability of budgets or financials until ending points

Evaluation of Budgeting Vendors

- Studied budgeting systems of various vendors besides Cognos
- Wanted to see if there were better ways of doing budgeting
- Researched criteria for “best of breed”
- Evaluation based on:
 - improvements over current system
 - cost to implement
 - cost of renewals
 - flexibility and scalability of system
 - limitations of system
 - can Finance team develop models and be administrators with limited IT involvement
- Would choose a vendor other than Cognos if there was a system that was clearly superior

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Benefits of Web Based System

- Finance team can develop and run system with minimal IT support
- Real time consolidation
- Workflow capabilities for status and control
- Capability to do rolling forecasts
- Budget cycle time would be reduced
- Universal changes could be made more easily and would be more visible to the users; global assumptions could be modified during the budget process
- Use of Excel spreadsheets for budgeting would be eliminated
- Could view budgets in real time at any time
- **ELIMINATION OF PROCESS ERRORS**

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Benefits of Web Based System

- Less time spent by employees on budgeting and rework of budgets
- Budget cycle time reduced
- Better information for executives and managers
- Capability of revising budgets or forecasts easily
- Capability of doing detailed rolling forecasts
- “What if” analysis capability
- Finance can focus on analysis and value-added activities versus budget production
- Budgeting team viewed in a good light – career enhancer vs. career buster

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Key Benefits

- Errors are eliminated!
- Time spent in looking for errors is eliminated!
- Finance team can shift emphasis from checking and heavy administrative tasks to value added analysis

Web Based System sections at ZCS

Application list

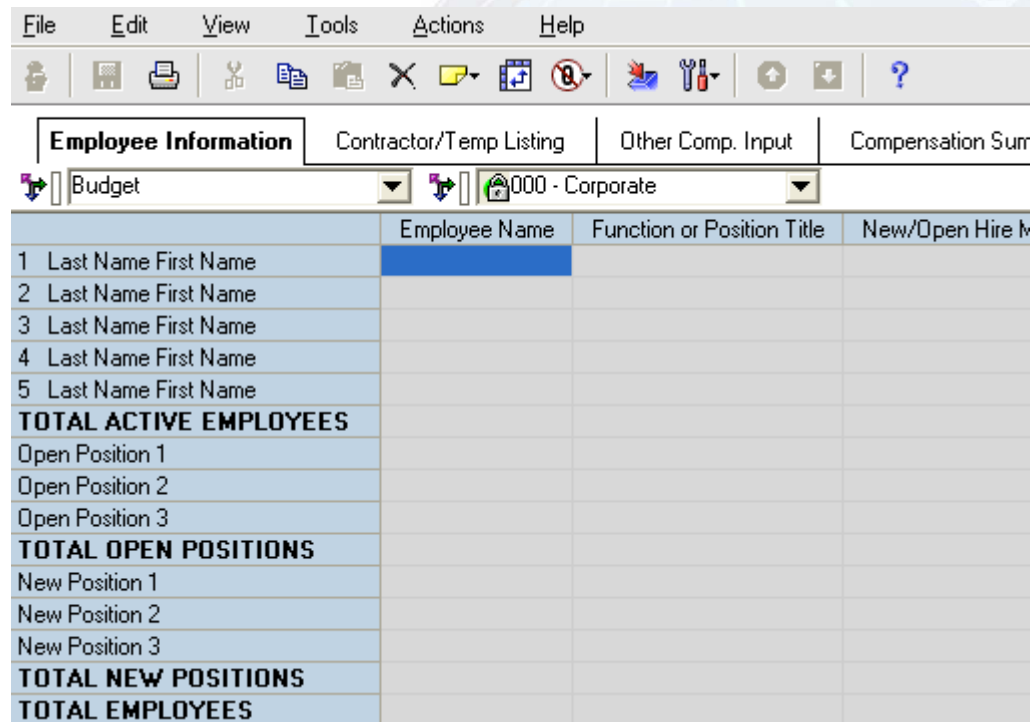
[Expense Data Analysis](#)

[Expenses](#)

[Revenue and Financial Statements](#)

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Expense Budgeting

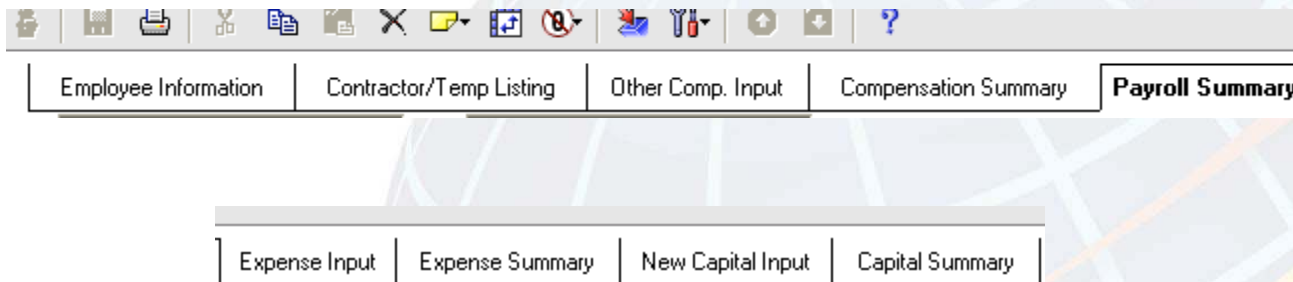


The screenshot displays a software interface for expense budgeting. At the top, there is a menu bar with options: File, Edit, View, Tools, Actions, and Help. Below the menu bar is a toolbar with various icons. The main window has several tabs: "Employee Information" (selected), "Contractor/Temp Listing", "Other Comp. Input", and "Compensation Summary". Below the tabs, there are two dropdown menus: one for "Budget" and another for "000 - Corporate". The main area contains a table with the following columns: "Employee Name", "Function or Position Title", and "New/Open Hire M". The table rows are as follows:

	Employee Name	Function or Position Title	New/Open Hire M
1	Last Name First Name		
2	Last Name First Name		
3	Last Name First Name		
4	Last Name First Name		
5	Last Name First Name		
TOTAL ACTIVE EMPLOYEES			
	Open Position 1		
	Open Position 2		
	Open Position 3		
TOTAL OPEN POSITIONS			
	New Position 1		
	New Position 2		
	New Position 3		
TOTAL NEW POSITIONS			
TOTAL EMPLOYEES			

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Expense Budgeting



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Revenue and Financial Statements

- Revenue drivers for each business line on one or more tabs
- P&L's – Consolidated and Business Lines
 - Consolidated eliminates Indirect Allocated Expenses
- Direct Cash Flow
- Balance Sheet
- Detailed expenses by Business Line (vs cost ctr)

Expense Reporting and Viewing

- Problem: Business line managers needed access to expense detail of multiple cost centers
 - Salary information is confidential and access is restricted
 - Cannot view expense budgets because salary information is viewable
- Solution: Create a new application or model
 - Transfer total salaries by cost center vs employee
 - Transfer all other expenses
 - Hierarchy is by business area as proxy for individuals

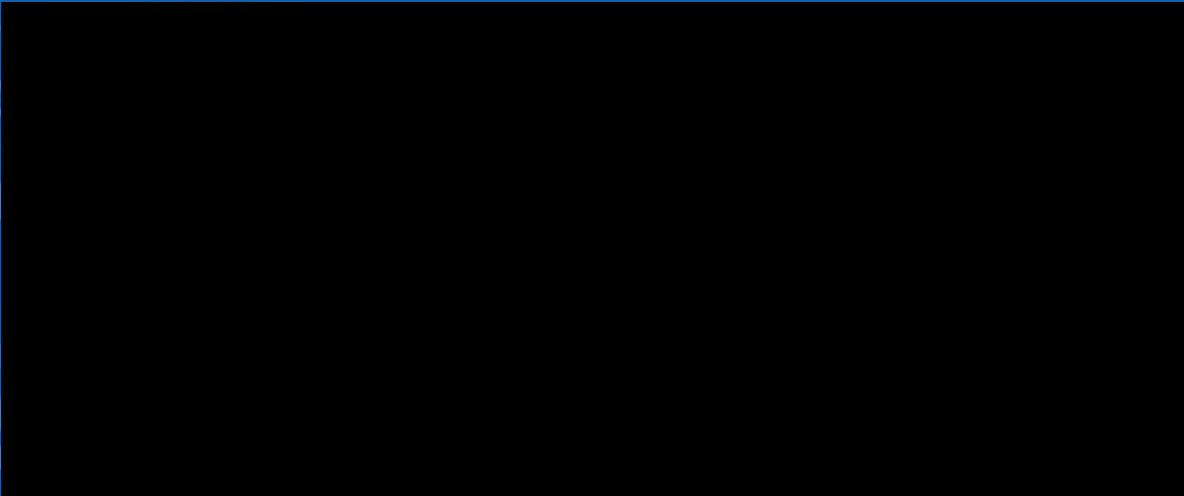
Cognos Capabilities

- Flexible system
- Many capabilities and uses
- Can now do rolling forecasts easily
- Can do multiple budgets or scenarios to incorporate risk based budgeting
- Can modify forecast as business conditions change

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Future plans with Cognos system

- 5 year forecast in volatile mortgage servicing industry is important
 - currently use a complex excel model to develop a 5-year forecast
- Will build 5 year forecast in Cognos using 1 year budget/forecast as a base



Thank you.
Any questions?



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