



Minutes

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Finance Committee November 4, 2014

Minutes of a meeting of the Finance Committee (FIC) held in the offices of the association, 40 Sheppard Avenue West, North York, Ontario, on November 4, 2014 commencing at 4:00 pm.

In attendance:

Finance Committee Members:

Dave Adams, P.Eng., (Ex-officio)
Roger Jones, P. Eng.
Michael Wesa, P.Eng.
Charles Kidd, P.Eng.
Dr. Ravi Gupta, P.Eng.
Jason Green, CPA, CMA, MBA, P.Eng. (via conference)
Nick Colucci, P.Eng. (via conference)

Staff: Gerard McDonald, P.Eng., MBA, Registrar
Michael Price, MBA, P.Eng., FEC, Deputy Registrar,
Licensing and Finance
Maria Cellucci, CPA, CA, Controller
Scott Clark, Chief Administrative Officer
Alan Zimmermann, Director, IT
Lucy Capriotti, Administrative Assistant

Regrets: Thomas Chong, P.Eng, (Ex-officio)

1. Approval of Agenda

The agenda was approved with two items added to item number 10 "Other Business":

10 a) 2014 Items carried over to 2015 – ground floor renovations

10 b) Update on Strategy Objectives

MOTION

That the revised agenda be accepted with modifications to item ten of the agenda.

Moved by R. Jones and seconded by R. Gupta.

MOTION CARRIED

2. Approval of Minutes from September 4, 2014

The Minutes as presented were reviewed with a minor change to correct a spelling error.

MOTION

That the Minutes of the September 4, 2014 meeting as presented be approved.

Moved by C. Kidd and seconded by M. Wesa.

MOTION CARRIED

3. Business Arising from the Minutes

D. Adams discussed the updates on the overview of the strategic plan. A document was prepared offering strategies for 2015 – 2017 member input. The new strategies are now available to each of the committee members. Document C497-3.1 is the document which will be distributed to Council at the November meeting. R. Gupta informed the rest of the committee that himself, D. Adams

and R. Jones had worked on the previous addition of the objectives. They will work on the updated strategies and make sure they address FIC's concern. He will make these updates available to the FIC.

4. 2015 Draft Operating Budget and Capital Budget Approvals

R. Jones had asked M. Cellucci to prepare a revised Operating Budget schedule including an additional column showing percent change budget 2015 to forecast 2014. This version of report was handed out to members.

M. Price reviewed the 2014 – 2015 business planning cycle for PEO. Back in May, the 2015 budget assumptions were developed by management and brought to FIC for review and approval. The FIC then presented these assumptions to Council in June for their approval which occurred. Staff developed 2015 budgets based on these assumptions that were approved by Council. Both the Operating and Capital budgets were presented, discussed and approved by FIC during the September meeting and then forwarded to Council for approval feedback. Minor adjustments were made based on Council feedback and this is the final draft budget to be reviewed and approved by FIC today, and presented to Council in their November meeting for final approval.

M. Price reviewed the 2015 operating budget highlighting the changes from the last draft (Page 1). The changes were minor. Revenues increased by \$10k as a result in changes to the building budget. Expenses increased by approximately \$25k due to changes in amortization, transaction fees, purchased services and building operations/occupancy.

After these changes, the budgeted excess of revenue over expenses decreased by \$15k to \$204k. He advised that staff met all of the assumptions that were provided and approved by Council. There will be another proposal on the Repeal of the Industrial Exception for research which needs to be incorporated into this budget for \$80k at the November Council meeting. G. McDonald talked about Council not wanting to proceed with an aggressive Repeal plan, what they did request is that management come back with a plan to assess the value of the

benefits over the costs of proceeding with the repeal so that an assessment could be made if it is worthwhile spending more money on pushing it. L. Latham and her staff have put together a plan and they have projected that they would need \$80k in 2015 to do this.

Page 5 – M. Price discussed the impact of these changes to the Cashflow Statement. The forecast for this year is still a cash/investments position of \$8.17M which exceeds the \$4.5M cash reserve requirement. Next year's budget shows a \$5.4M cash/investments position which also meets the Minimum Cash Balance Requirement Policy. M. Price discussed the cumulative impact of eliminating/reducing an expense which was budgeted yearly (e.g. of the Repeal of Industrial Exception research).

C. Kidd indicated that the schedule showing assumptions that were made and on which PEO will build the budget was helpful. M. Price said that he would include this next year to the FIC. M. Price mentioned that they will be putting back in at least for the Council meeting the \$80k on the Repeal.

MOTION:

That the 2014 Operating Budget be presented, as amended at the meeting, to Council for approval.

Moved by R. Gupta and seconded by C. Kidd.

MOTION CARRIED

Capital Budget: A handout was provided to the Committee showing the year to date actual capital spend against budget and forecast for the year. M. Price reviewed the Capital Budget and indicated that projects are mostly on track except for the Aptify implementation. In order to achieve Go-Live, additional funds will be required and as a result, some projects slated to occur in 2014 will be deferred to 2015 so that those funds can be used to complete and implement

Aptify. A. Zimmermann talked about two primary reasons that there is an over run with project Aptify. An assumption was made 18-20 months ago that PEO could use the APEGA customized code and replicate what they have done in PEO's environment. This caused a lot of issues for PEO as APEGA's code was done five or six years ago and Aptify has updated their code so that some of the things IT felt needed to be customized are readily available in the stock Aptify and not necessarily required. Another issue is IT used a contracting firm called Shine Logic to do all their customizations which meant anytime they wanted to change something they had to go back to Shine Logic and get them to do it for them. A. Zimmermann meets with APEGA every few months and M. Bruce, APEGA Director of Client Services said we should decouple ourselves from Shine Logic or we will be totally reliant on them. PEO severed the relationship with Shine Logic and started using more stock Aptify and configuring instead of customizing what Aptify has as a base product. Another impediment has been that a staff member has been off on a leave of absence.

MOTION:

That the 2014 Capital Budget be presented to Council for approval.

Moved by M. Wesa and seconded by N. Colucci.

MOTION CARRIED

5. Minimum Cash Balance Requirement Policy

The committee briefly discussed the minimum cash reserve policy and unanimously concurred that no change to the current policy was necessary.

MOTION

That the Minimum Cash Balance Requirement Policy approved by Council during its 482nd meeting held on November 15-16, 2012 remain unchanged.

Moved by M. Wesa and seconded by C. Kidd.

MOTION CARRIED

6. Borrowing Resolution

M. Price explained to the members that an extension of the borrowing resolution was required to have Scotiabank extend credit facilities to PEO for corporate credit cards (\$120k) and for overdraft protection (\$250k) until January 31, 2016.

M. Price also indicated to the members that the amounts for the credit facility for the corporate credit overdraft protection had remained unchanged for many years and that, to his knowledge, PEO has never made use of the overdraft facility.

The members unanimously agreed to recommend the approval of the borrowing resolution to Council.

MOTION

That the Borrowing Resolution be presented to Council for approval.

Moved by M. Wesa and seconded by R. Jones.

MOTION CARRIED

7. Investment Sub-committee Update

M. Price gave a brief update on the set-up of the Investment Sub-committee. All members have been appointed except for the registered pension plan member (either staff or retired), which F. Goncalves has indicated should be appointed by mid December. Once this last member is appointed, R. Jones would like to schedule a meeting of the subcommittee with the current investment advisors.

8. Programs Review Sub-committee – Draft Terms of Reference

Further work needs to be done on the draft Terms of Reference. Members of the committee, D. Adams, R. Jones and R. Gupta will continue to work on the terms of reference in conjunction with G. McDonald will present a draft at the next Finance Committee meeting.

9. Review of the Q3 Financial Statements

M. Price discussed the Q3 Financial Statements in detail and answered any questions the committee members had.

10. Other Business

10 a) 2014 Items carried over to 2015 – ground floor renovations

10 b) Update on Strategy Objectives that G. McDonald discussed. Issues that were asked to be incorporated into the plan offered at the retreat.

That an update on the ground floor plans be provided to the FIC members.

11. Date of Next Meeting

Date of next meeting will be in early March, 2015.

12. Adjournment

Meeting adjourned at 7:15 p.m.