



Minutes

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Finance Committee September 10, 2012

Finance Committee

Minutes of a meeting of the Finance Committee held in the offices of the association, 40 Sheppard Avenue West, North York, Ontario, on September 10, 2012 commencing at 2:00 p.m.

In attendance:

Finance Committee Members:

Danny Chui, P.Eng. (Chair)
Santosh Gupta, P.Eng. (Vice Chair)
Denis Dixon, P.Eng. President (Ex-officio)
Annette Marie Bergeron, P.Eng. (Ex-officio) (via conference)
Jason Green, CMA, MBA, P.Eng. (via conference)

Staff: Michael Price, P.Eng., Deputy Registrar, Licensing and Finance
Scott Clark, Chief Administrative Officer, Corporate Services
Maria Cellucci, Controller
Lucy Capriotti, Administrative Assistant

Guests: Ernie Toperczer, F.C.A.
Don Scott, C.A.

Regrets: Robert Willson, P.Eng., Finance Committee Member
Michael Wesa, P.Eng., Finance Committee Member
Linda Latham, P.Eng., Deputy Registrar, Regulatory Compliance
Johnny Zucco, P.Eng., Deputy Registrar, Tribunals & Regulatory Affairs

1. Approval of Agenda

D. Chui requested the following additions to the agenda under item number 4 - 2013 Budget:

4a) Cash Flow Discussion and, 4b) Committee Operation in 2013.

S. Gupta requested that the J. Green's analysis previously sent to members should be printed and made available for the committee to discuss. The following two emails sent by J. Green were printed and distributed in the meeting: 1) Fri. Sept. 7 – "Updated Analysis"; and 2) Mon. Sept. 10 - "BC AB ON comparison"

MOTION

A motion was made to approve the agenda as presented with the addition of items 4a and 4b to number 4.

Moved by D. Dixon and seconded by S. Gupta.

MOTION CARRIED

2. Approval of Minutes from August 28, 2012

MOTION

A motion was made to approve the minutes of August 28, 2012.

Moved by S. Gupta and seconded by A. Bergeron.

MOTION CARRIED

3. Business Arising from the Minutes

D. Chui asked if D. Dixon had followed up to set up a Pension Committee. D. Dixon responded that he has asked A. Bergeron to add this item onto the next HRC agenda.

D. Chui asked E. Toperczer if he had revised the Operating Reserve Policy. Since the operating reserve which is in retained earnings on the balance sheet is tied up in the Capital Assets, an operating reserve policy is not important at this time. As a result, Ernie prepared a Minimum Cash Balance Requirement policy (distributed Sept. 10 am to Finance Committee members). This policy resets the cash PEO will need to finance future unbudgeted expenses, future capital additions, and any unexpected occurrences. E. Toperczer did not include a figure for this minimum cash balance as there should be a full discussion in the Finance Committee between all members and with management.

E. Toperczer reviewed the proposed policy. He defined cash as cash plus marketable securities. The minimum cash balance should be in place on an ongoing basis but reviewed at quarter-end.

In determining the amount of the minimum cash balance requirement, consideration should be given to various items. As an example, some organizations indicate a minimum of 3 months worth of expenses i.e. salaries plus capital additions for the next year (budget for \$1.9 M). E. Toperczer said that a reasonable amount, using above criteria, may be around \$5- \$6 M. M. Cellucci indicated that consideration should also be given to the risks associated with PEO when determining an adequate level of cash reserves. PEO has fairly consistent and known cash flows. PEO is an association and therefore the risk of significantly missing revenue targets is low. As well, most expenses are known and controllable except for building related and pension.

4. Budget

J. Green reviewed his analysis (handed out at beginning of meeting). He indicated that we need to be mindful with what is happening with full-time staff salaries as there is a big jump in 2012 compared to 2011.

M. Price clarified that the 2011 actual salaries does not show the affects of having unfilled positions during the year. He indicated that during 2011, PEO

had at least 8 unfilled positions during that year so we should be using the 2011 budget figure as a base. The 2011 actual is really not an appropriate base as we were understaffed at that time and this needs to be taken into account. M. Price discussed that PEO has the highest ratio of members being served per full-time staff of all the engineering regulators in Canada. J. Green's second analysis comparison to Alberta and BC supports this.

M. Price then reviewed the budget package:

He indicated that the overall budget showed a small decrease in revenues over the 2012 budget of less than 1% mostly due to a decrease in 40 Sheppard Ave. revenue as ADT was budgeted to vacate their tenancy effective August 1, 2013, which meant that there would be a several months of vacancy. P. Eng and related revenue showed a small increase. Overall expenses were budgeted to drop by 1% over 2012 budget, thereby creating a net excess of revenue over expenses of \$565k, which is \$64k higher than 2012 budget and \$440k higher than 2012 forecast. The overall cash position increased by \$643k and cash and investments for 2012 and 2013 would be well within current operating reserve policy requirements. Therefore, the budget prepared and presented by staff had met the 2013 budget assumptions received by Council in July, 2012.

The 2013 budgeted program expenses by department, as compared to 2012 budgeted program expenses was reviewed by staff. Finance Committee members asked about the comparisons to 2012 forecast which was provided. The 2012 forecast would be added to the final version of the package going to Council.

The Finance Committee requested that - item #480 – Education Committee – be reduced for APEGA EnGenious and Province Wide Challenge programs. These programs are under discussion – negotiate with OSPE to take them.

In regards to the building, D. Dixon said there are three members on the task force looking after the building, but there would be a new task force developed which would focus on preparing a five year plan for capital spending on the building (both recoverable and PEO only spending), and which would be mindful

of the cash flow requirements PEO will have during the period and the new policy being developed by E. Toperczer, the Finance Committee and staff.

Most other expense changes appeared reasonable. A discussion followed regarding the assumption of salary increases of 4%. J. Green indicated that, unless there were negative repercussions, a wage freeze could be imposed for 2013. Members indicated that the economic times are uncertain so a wage freeze would be a good course of action. M. Cellucci indicated that a wage freeze was essentially a decrease in pay for staff because there is always a cost of living increase yearly for Ontario. S. Gupta indicated that he would support a cpi increase for 2013. Members all agreed to a cpi only increase for 2013.

A review of the 2013 capital Budget followed. The Finance Committee recommended the following reductions:

- (1) Reduce the purchase of iPads by \$3,000.
- (2) Eliminate the IT infrastructure expansion for the 6th floor (2012 carryover)

M. Price indicated that the original FY13 budget would remain as is for presentation to Council but that a summary page would be inserted which would provide Council with potential reductions to the original FY13 budget. Council would be asked for direction.

D. Dixon agreed that he would meet with M. Price to make a list of all items recommended.

MOTION

A motion was made to recommend to Council that the wage increases be capped at inflation.

Moved by S. Gupta and seconded by J. Green.

MOTION CARRIED

5. Date of next meeting.

It was decided that two meetings would be required. The first meeting was to strictly discuss The Minimum Cash Requirement– conference call scheduled for October 10, 2012, 3:00 – 4:00 p.m. To be chaired by S. Gupta.

A second Finance Committee meeting was scheduled for October 24, 2012 at 6:00 p.m, the purpose being to finalize the Capital and Operating Budgets to be presented at the November Council meeting for approval.

6. Adjournment

The Finance Committee adjourned at 5:30 p.m.