



Minutes

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Finance Committee Meeting on August 29, 2017

Meeting Minutes issued:

Minutes of a meeting of the Finance Committee (FIC) held in the PEO offices at 40 Sheppard Avenue West, North York, Ontario, on August 29, 2017 commencing at 4:00 pm.

In attendance:

Chair: Michael Wesa, P.Eng.

Vice-Chair: Michael Chan, P. Eng.

Noubar Takessian, FEC, BScME, GSC, P.Eng.
Warren Turnbull, P.Eng.
Ciro Tarantino, PMP, P.Eng. (via conference)
Frank Dicintio, CPA, CMA, MBA, P.Eng.

Staff: Gerard McDonald, P.Eng., MBA, Registrar
Scott Clark, Chief Administrative Officer
Linda Latham, Deputy Registrar, Regulatory Compliance
Johnny Zucco, Deputy Registrar, Tribunals & Regulatory Affairs
Pauline Lebel, Manager Licensure
Michelle Wehrle, Director of IT
Chetan Mehta, MS, MBA, Director, Finance
Peter Cowherd, CPA, CMA, Manager, Financial Services & Procurement
Lucy Capriotti, Administrative Assistant

Guests: None

Regrets: Basel Jarrad, MBA, P.Eng.,
Michael Price, MBA, P.Eng., FEC, Deputy Registrar, Licensing
David Smith, Director, Communications

1.0 Call to order and welcome

The meeting was called to order at 4:04 p.m. by M. Wesa and the draft agenda was presented to the committee members for their review and approval.



2.0 Approval of the meeting Agenda

The committee members agreed to proceed with the agenda as presented.

MOTION

That the FIC agenda be approved as presented.

Moved by N. Takessian and seconded by W. Turnbull

CARRIED

3.0 Approval of Minutes from July 25, 2017

The FIC members reviewed the draft minutes of the last FIC meeting which was held on July 25, 2017. M. Wesa proposed three minor changes all of which were agreed to by the committee members and a motion was passed to that effect.

MOTION

That the Minutes of the July 25, 2017 meeting as presented be approved with the following amendments:

- 1) On page 3, item number 5.0 in the second paragraph, change **M. Wesa** to **M. Chan**
- 2) On page 5, item number 12 a) last paragraph, change **pay it off** to **pay it down**
- 3) On page 6, item number 12 b) add to end of sentence **which is currently at \$4.5M**

Moved by M. Chan and seconded by N. Takessian

CARRIED

4.0 Matters arising from the Minutes

M. Wesa asked if there were any changes to the building occupancy. C. Mehta responded that there were some developments on this matter and that PEO's leasing team was in discussions with two potential tenants for the fourth floor. However, due to confidentiality reasons, he was not privy to the specifics.

M. Wesa asked if there were any updates on the Investment Sub-committee meeting. C. Mehta advised that per his conversation with F. Goncalves on this topic, one appointment had been made and one additional position was yet to be filled. Once this was done, a



meeting with the Investment Sub-committee would be arranged sometime after the September Council meeting.

M. Wesa then asked for an update on the review of the expense reimbursement policy. C. Mehta replied that research on the expense policies of other associations was currently underway. He said that he had received a copy of the expense policies from Engineers Canada, the Associations from Alberta and BC whereas the expense policy from OIQ was awaited. A comparison of these policies would be done and a draft version will be circulated to the committee and other stakeholders for feedback.

5.0 2018 Draft Operating and Capital Budgets

G. McDonald proceeded to provide an overview of the 2018 budget. He began by stating that presenting a deficit budget was not something that the Association had done to for a long time. However, it was important to keep in mind the fact that for the past almost 11 years, the Association has not had any membership fee increases and this was bound to eventually have an impact on its finances. He said that there were several reasons for the deficit and proceeded to elaborate on these.

The two main contributing factors were overly optimistic revenue projections which are now forecasted to be off by \$500k; and the second reason being an aggressive gapping adjustment for salaries and benefits for nine vacant positions which we had pursued in consultation with the FIC the last year. To add to this, there were additional Council discretionary expenditures that were approved during the year in 2017 and which have become part of regular operations in 2018.

An amount of \$140k is expected to be spent in 2017 for the PEAK program; there was \$100k for the public information campaign and increases to the OPEA gala worth \$42k. Due to the projected deficit, staff had been instructed to pull back on any discretionary expenditures for this year. But despite cuts, it is likely that we would still have a deficit in 2017. Based on our experience this year and after cutting down costs and adjusting our revenues and gapping adjustments, we are also expecting a deficit for 2018. In light of this situation, there were a number of options that Council could consider to adjust the budget.



Some options could address the deficit for one year whereas other options could have a longer-term impact. But those policy decisions need to be taken by Council.

G. McDonald pointed out that the Association did have healthy reserves so a deficit budget for a short period of time would not be the end of the world for the organization. But the organization had to decide how it wishes to address its financial health as we move into the longer term. SMT has been working very hard over the past few weeks trying to tighten our belts as much as we can. However, we can't make the policy decisions that Council can make. We assume that all operations that we currently have will continue and that all the assumptions or all the approvals that Council has made with respect to increase in funds for programs will be honored at this time. Any decisions or recommendations that we want to make to Council had to come through the FIC.

M. Wesa asked if there was a mandate to have a balanced budget. G. McDonald stated that there is no by-law or regulatory legislative roadblock that would stop us from running a deficit budget and that we would have a better idea on the 2017 forecast once the Q3 financials were generated.

N. Takessian asked about the costs for the PEAK program. G. McDonald responded that we are projecting to spend \$140k this year whereas for the next year the forecast is \$272k. The costs are lower this year since the project was started sometime in June. A large portion of the expenditure for PEAK relates to the computer space needed for the online module.

M. Chan said that it would be worthwhile to focus on the forecast first and that the \$500k shortfall in revenues was a large amount. G. McDonald agreed and pointed out that one of the challenges we have been dealing with is that there had been a backlog of applicants due to staff being on long term disability. Although now since we were fully staffed up, there could be an increase in throughput which could lead to an increase in revenues.

W. Turnbull asked whether the training module was an ongoing expense for the PEAK program. G. McDonald confirmed that it was as we had been instructed to have a new module every year and pointed out that the costs for this training module were worth no more than \$20k. The lion's share were the hosting costs for the module as we had to ensure



there was enough computer space for members to be able to log in to the on-line module at any given time.

After some additional discussion, M. Chan said that it would be a good idea if staff could provide a list of options/programs along with the impact of these options on the budget.

G. McDonald indicated that he could identify a few options right now but he could not make any recommendations as this decision would be up to Council. He then proceeded to identify some options for cost savings:

- 1) A reduction in the merit increase would save approx. \$120k;
- 2) A reduction of the cost of living adjustment would save approx. \$245k;
- 3) Getting rid of the Council workshop would save approx. \$80k;
- 4) Stopping the serving of liquor at all except Council meetings and simpler meals would save approx. \$40k. G. McDonald also pointed out that apart from program cuts, Council could also consider increasing fees by 20% or by any amount it deemed fit.

W. Turnbull stated that it would be a good idea for this committee to have some proposals or suggestions ready for Council in case it decides to not have a deficit budget.

M. Chan and M. Wesa agreed that this was a good suggestion and requested G. McDonald to compile such options. G. McDonald indicated he would be sending such of list to the Chair within the next few days.

ACTION ITEM: G. McDonald to provide a list of options for potential budget cuts within the next week

The committee members then requested that the 2018 draft capital budget be reviewed.

C. Mehta walked the committee members through the key highlights on the 2018 draft capital budget and answered the questions the committee members had.



For capital expenditures for the building, the key areas of discussion were the inducements for new tenants, the emergency generator replacement, the windows replacements and the elevator replacements.

F. Dicintio asked if a capital leasing option had been considered for the emergency generators. C. Mehta replied that this decision was based on the recommendation PEO has received from the building managers.

N. Takessian asked about the nature of the upgrade on the elevators. S. Clark responded that the elevator in the parking garage which was a hydraulic elevator was upgraded the last year. For this year and the next, it was planned to have the three elevators in the lobby upgraded for computer boards, cables and motors.

There were no further questions on the 2018 draft capital budget and the committee requested that the next report showing the program expenses be reviewed.

C. Mehta proceed to walk the committee through the key highlights of significant changes in 2018 budget program expenses on page 1 of the report. Each department head then proceeded to walk the committee members through their respective departmental budget and answered questions the committee members had.

Communications: G. McDonald spoke on behalf of D. Smith and indicated that there was a decrease of \$59k or 6.3% decrease in costs for the Communications department. The main reason for the decrease was lower costs for branding as the work of the consultant for the public information campaign was expected to be completed in 2017. This decrease was partially offset by higher costs for Dimensions due to consolidation of printing and postage costs from other departments and higher costs for the Globe & Mail supplement for the OPEA gala.

Corporate Services: S. Clark stated that there was a decrease by \$240k or 2.8% largely due to lower costs for conferences which last year were held outside Toronto will be held inside Toronto resulting in some savings. There are some cost savings and reductions in volunteer and staff development costs. These are offset by some increases in costs for



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consultants for the GLC (\$25k for a consultant for the implementation plan), the HRC (\$20k for a 360 review of the Registrar); a \$25k increase in Chapter allotments and \$60k increase for the succession planning task force which was approved by Council.

Executive Office: G. McDonald stated he expects a decrease in 2018 by \$17k or 1.5% versus the 2017 budget mostly due to a reduction in travel related expenses for attendance at various events.

Finance: C. Mehta indicated that he expects a decrease by \$7.5k or 1.3% due to lower postage costs for mailing receipts and related member correspondence. These costs are expected to be partially offset by higher service charges for credit card transactions as an increasing number (over 70 per cent) of our members pay their dues online using credit cards.

ITS: M. Wehrle stated that she expects an increase by \$93k or 6.3% largely due to increases in monthly infrastructure costs and one time professional services costs. Info-sys development costs are higher due to professional services needed for upgrading the SQL databases for Aptify, Sharepoint, email archiving, etc.; costs for yearly disaster recovery testing. For information system ops, there are costs for an anti-virus server, expanded storage for growth in Aptify, Sharepoint and email databases; introduction of a new development and test environment, introduction of a new intrusion protection system. There was also a centralizing of mobile costs into IT whereas costs for printing systems has been moved to another department, etc.

Licensing: P. Lebel spoke on behalf of M. Price and stated that they had kept a lot of their cost items the same as previously and there were not a lot of increases. Where there are increases, it is due to making them align with the actuals of 2016 to give a value that is appropriate for 2018. Licensing and Registration expenses are expected to decrease in 2018 by almost \$29k or 3.2% over the 2017 Budget due to expenses held to 2017 forecast levels and the elimination of phase 2 of a consultant to review and implement changes to Experience Requirements Committee interview processes.



Regulatory Compliance: L. Latham indicated that they expect an increase of \$37k or 10% over 2017 budget mostly due to the current level of files requiring prosecutorial viability and expert opinions. She also indicated that due the nature of their operations, it was difficult to predict expenses accurately.

Tribunals: J. Zuccon walked the committee through the program expenses for his department. The Tribunals department has a budget increase largely due to costs for web hosting services for the PEAK Ethics module, costs for a consultant and video production for the PEAK program. There was also a nominal amount for travel costs in case staff was required to undertake travel on PEAK related business. The rest of the expenses are based on the actual spend. He clarified that predicting costs for some items such as tribunals and other related fees was difficult due to the unpredictability of the length of hearings.

M. Chan suggested that budget figures should be rounded off to the nearest hundred dollars.

W. Turnbull requested that he would like to see a comparison made to 2017 forecast instead of the 2017 budget.

C. Mehta clarified that the reason the 2017 budget was used as the base as this was a Council approved number and the 2017 forecast was likely to be revised but he was happy to make the suggested changes and that he would include an additional column to show the 2018 budget versus the 2017 forecast with updated variance explanations and have it sent to the FIC within the next couple of days.

ACTION ITEM: C. Mehta to send revised budget package to FIC within the next week.

After this presentation by staff, the committee members agreed to pass the following two motions.

MOTION

That the 2018 Draft Operating Budget be forwarded to Council for receipt and information purposes.



Moved by W. Turnbull and seconded by N. Takessian

CARRIED

MOTION

That the 2018 Draft Capital Budget be forwarded to Council for receipt and information purposes.

Moved by M. Chan and seconded by N. Takessian

CARRIED

6.0 Date of Next Meeting

The next FIC meeting has been scheduled for October 10, 2017 at 4:00 p.m. Confirmation will be sent via email.

7.0 Adjournment

The committee agreed to adjourn the meeting at 6:00 p.m. and a motion was passed to that effect.

MOTION

That the FIC meeting be adjourned.

Moved by M. Chan and seconded by N. Takessian

CARRIED