



Minutes

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Finance Committee May 22, 2013

Finance Committee

Minutes of a meeting of the Finance Committee (FIC) held in the offices of the association, 40 Sheppard Avenue West, North York, Ontario, on May 22, 2013 commencing at 4:00 pm.

In attendance:

Finance Committee Members:

Annette Marie Bergeron, P.Eng., President, (Ex-officio), (via conference)
Denis Dixon, P.Eng.
Dave Adams, P.Eng., (Ex-officio), (via conference)

Robert Willson, P.Eng.,
Jason Green, CMA, MBA, P.Eng.(via conference)
Michael Wesa, P.Eng.(via conference)
Roger Jones, P.Eng.

Staff: Michael Price, MBA, P.Eng., FEC, Acting CEO/Registrar
Maria Cellucci, CA, Controller
Lucy Capriotti, Administrative Assistant

1. Approval of Agenda

MOTION

A motion was made to accept the agenda.

Moved by R. Willson and seconded by R. Jones.

MOTION CARRIED

2. Election of Chair and Vice Chair

D. Dixon moved that R. Willson be appointed Chair of the Finance Committee for the following year. R. Willson accepted the nomination.

R. Willson asked for nominations for Vice Chair. D. Dixon nominated M. Wesa as Vice Chair of the Finance Committee for the next year. M. Wesa accepted the nomination as Vice Chair of the Finance Committee for the next year.

3. Approval of Minutes from April 10, 2013

MOTION

A motion was made to approve the minutes of the April 10, 2013 meeting. Moved by J. Green and seconded by M. Wesa.

MOTION CARRIED

4. Review and Approve Annual Budget Assumptions (2014)

M. Price noted a change in section **A. General Assumptions** under the fourth open bullet: that the project to replace blinds is a two year project, \$100,000 will be spent this year (2013) and another \$100,000 to be spent next year.

M. Price provided a brief update on tenant leases. The latest was that TYCO Integrated Security Canada Inc. is planning on staying at 40 Sheppard Ave. W. beyond January 2014 and may potentially sign a longer term lease (possibly ten years). TYCO would continue occupying all the space they currently have and would possibly take on additional space on the second floor.

B. Revenue Assumptions

M. Cellucci reviewed the membership revenue assumptions. M. Price asked to change the second bullet as it shows EIT credit program and should say Financial Credit Program. M. Price advised that we provide a 75% reduction on total fees for retirees. However Engineers Canada does not provide a similar reduction, which is included in our fees. The result is that this results in more than 75% reduction on the PEO portion in order to cover the entire EC fee. A fairer approach would be to show the two fees separately in our invoices for all members and to reduce only the PEO portion by 75% for retirees. This would increase fees for retirees slightly, but would more fairly meet the reduction requirement.

D. Dixon wants to know if we can identify applicants who had been provided a credit in prior years and are now full time members. M. Price said that IT can run a report providing this information. R. Jones asked if we had any notion of the retention rate. M. Price said the report will show how many applicants got licensed and of those that got licensed how many are still licensed.

M. Price reviewed the salaries assumption. He indicated that staff had not received a salary cpi adjustment since April 2011 so PEO was recommending a total salary increase of 3.4% for 2014. A discussion ensued regarding the breakdown of the prior year increases of 2% yearly. While the salaries increase was pegged at cpi (2%) over the last couple of years, this was a combined cost of living and merit adjustment, which in other words, means there was no real cpi adjustment for staff and while the overall pool for salary adjustments was 2%, the actual increase per staff could be higher or lower, depending on their salary target ratio, rating, etc. This means that some staff could actually experience a real decrease in salary, after considering cpi.

R. Willson discussed Section 5. Chapter Budgets. Last year the West Central Regional Congress Committee was unable to fund chapters to the level they requested by approximately 25 percent. We will be getting feedback at the upcoming Regional Congresses on the subject and we will be asking them to present their six month financials, however the Chapters budget has been held

at \$400,000 for the last two years and a 2 to 3 percent increase may not be sufficient. R. Willson and M. Ng would have better information in the next month once the Chapter 2013/2014 budget requests were received and reviewed. Chapters' bank account balances should also be considered and there is a three year schedule to reduce bank accounts to acceptable levels. Given these factors, R. Willson said that right now it will be very difficult to put any firm Chapter budget changes in these assumptions and that we should be prepared for some flexibility in the area of Chapter budgeting so the assumptions should be re-worded accordingly by M. Cellucci.

The assumption that membership fees remain the same in 2014 was raised. M. Price suggested that a good first step would be for Council to consider moving membership fee changes out of the regulations and into the by-laws which would give PEO a lot more flexibility going forward. That is, Council could make their own fee adjustments, so that if PEO deems that they need a fee adjustment in any given year, Council can make that decision itself without having to seek approval from the Attorney General each time. This was raised a few years ago. This is not changing the fees, but is empowering PEO to change the fees themselves in future, as required.

R. Jones did not think this was a good idea, he wishes to see the fees frozen indefinitely. D. Adams agreed with R. Jones to freeze the fees.

M. Cellucci indicated that the five year projection would be included in the 2014 Budget package at our next FIC meeting in August.

MOTION

A motion was made to go forward with the 2014 budget assumptions for the upcoming Council meeting in June. Moved by R. Jones and seconded by D. Dixon.

MOTION CARRIED

5. **Business Arising from the Minutes**

Action Log item #4 regarding the formation of a pension committee was discussed by M. Cellucci. She spoke to Corporate Services and they said that we had three options:

- 1) Standalone committee (which reports directly into Council and the Terms of Reference can call on specific members from specific committees.
- 2) Joint committee FIC and HRC - we have a joint pension sub-committee of the FIC and the HRC. We would need to draw members from both the FIC and HRC. Both the FIC Chair and HRC Chair would report jointly to Council.
- 3) FIC Sub-committee - you could have a pension sub-committee of the FIC but then the members would have to be drawn from the FIC.

A. Bergeron made a recommendation that for this year we take advantage of the fact that D. Dixon is on both FIC and HRC and make it a sub-committee of Finance.

R. Willson asked the committee which one of these three approaches they preferred.

MOTION

A motion was made that the FIC approves going forward with the third option of the three presented today and would request that staff put a draft terms of reference together for review by the committee in consideration at FIC's next meeting. R. Jones asked to include that there was intent to add resources from HRC or staff as appropriate.

Moved by R. Willson and seconded by D. Dixon.

MOTION CARRIED

6. Financial Statements as of March 31, 2013

M. Cellucci reviewed the Balance Sheet and indicated that PEO is in compliance with the Minimum Cash Balance Requirement Policy this quarter.

PEO is performing very well year-to-date against budget, with an actual surplus of \$591k versus a budgeted deficit of \$115k. Revenues are below budget by \$193k, mostly due to application and examination fees that haven't been received. Expenses are also below budget by \$899k due primarily to timing differences. It is still very early in the year and we expect to be more in line with budget by end of next quarter (June 30).

7. Other Business

No other business was discussed.

8. Date of Next Meeting

The next meeting date was noted tentatively as August 28th or 29th, 2013.

9. Adjournment

Meeting adjourned at 6:05 p.m.