



Minutes

Finance Committee Meeting October 16, 2019

40 Sheppard Avenue West
Suite 101
Toronto, ON M2N 6K9
Tel: 416 224-1100
Fax: 416 224-8168
www.peo.on.ca

Enforcement Hotline:
416 224-9528 Ext. 1444

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 October 16, 2019 commencing at 5:00 p.m.

In attendance:

Chair: No Chair

Vice-Chair: Lorne Cutler, P.Eng., MBA; Lieutenant Governor-in-Council Appointee

Colin Chan, P.Eng.
Randy Walker, P.Eng.
Sandra Ausma, P.Eng., PhD. (via conference)
Linda Drisdelle, P.Eng.
Roberto Martini, P.Eng. CPA, CMA

Staff: Chetan Mehta, MS, MBA, Director, Finance
Peter Cowherd, CPA, CMA, Manager, Financial Services & Procurement
Michelle Wehrle, Director, IT
Jeannette Chau, Manager Student and Government Liaison
Jordan Max, Manager, Policy, Tribunals & Regulatory Affairs
Lucy Capriotti, Administrative Assistant

Guests: None

Regrets: Arjan Arenja, P.Eng., MBA
Johnny Zuccon, P.Eng., CEO/Registrar

1.0 Call to order and welcome

The meeting was called to order at 5:06 p.m. by L. Cutler 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 draft agenda as presented.

MOTION

That the draft agenda be approved as presented.

Moved by R. Martini and seconded by C. Chan.

CARRIED

3.0 Approval of Draft Minutes from August 27, 2019

It was agreed that the draft Minutes of August 27, 2019 as presented be approved.

MOTION

That the draft Minutes of August 27, 2019 as presented be approved.

Moved by R. Walker and seconded by L. Drisdelle.

CARRIED

4.0 Business arising from the Minutes

The committee members unanimously agreed to appoint L. Cutler to the position of Chair and R. Walker to the position of Vice-Chair. A motion was passed to that effect.

MOTION

That L. Cutler be appointed as Chair and R. Walker be appointed as Vice-Chair of the Finance Committee.

Moved by C. Chan and seconded by L. Drisdelle.

CARRIED

5.0 2020 Draft Operating Budget and Capital Budget Approvals

C. Mehta walked the committee members through the key highlights of the 2020 draft operating and capital budgets. For the operating budget, total revenues of \$31.4m (in comparison to the figures presented at the Council meeting in Sept 2019) are lower by

approx. \$400k due to a reduction in Application., Registration, Exams and Other fees. Total expenses of \$28.9m are higher by approx.\$40k largely due to an increase in spend on legal matters, amortization, occupancy costs and consultants. There are no changes to the 2020 Capital Budget of \$841k in comparison to the budget presented at the Sept Council meeting.

The committee members had several questions on the budgets which were answered by C. Mehta and after extensive discussions the committee members unanimously agreed to recommend to Council that both the 2020 operating and capital budgets be approved. A motion was passed to that effect.

MOTION

That the draft 2020 operating and capital budgets be presented to Council for approval.

Moved by R. Walker and seconded by C. Chan.

CARRIED

6.0 2020 Borrowing Resolution Approval

C. Mehta advised the committee members that PEO's Borrowing Resolution with the Bank of Nova Scotia is renewed each year in order to allow PEO to renew its overdraft protection for \$250k along with credit facilities for \$120k for PEO's corporate credit cards that are issued to a few select staff and volunteers for PEO business related travel and purchases. The committee members unanimously agreed to present the Borrowing Resolution to Council for approval.

MOTION

That the Borrowing Resolution as presented be approved and recommended to Council for approval.

Moved by R. Walker and seconded by L. Drisdelle.

CARRIED

7.0 Review of Minimum Cash Balance Requirement Policy

C. Mehta advised the committee members that each year the Minimum Cash Balance Requirement Policy was presented to the FIC members for their feedback and review. He

explained that this policy was to ensure that PEO had adequate cash reserves to sustain operations for about 2 months in case any serious catastrophe was to befall PEO. He said that for the past few years this level had been kept at \$4.5M. R. Martini stated that PEO should not have the reserve fall below \$4.5M at any time and wanted to know what actions would be taken if that were to happen. C. Mehta responded that such a scenario while always possible was highly unlikely as apart from having a fairly robust investment portfolio including cash over \$10, staff closely monitors the reserves and any trend of depletion would be flagged to the FIC and Council well before the reserve fell below \$4.5m.

8.0 Review of Q3 Financial Statements

P. Cowherd discussed the Q3 Financial Statements in detail and answered the questions the committee members had.

9.0 Other Business

- Chapter Bank Account Centralization

C. Mehta hand out the confidential report by the HST consultant to the committee members and stated this report would also be shared with the AUC at its meeting the next day (on Oct 17th, 2019) for suggestions and direction. For the benefit of the new committee members, C. Mehta provided a bit of a background and pointed out the PEO's auditor in its 2018 at the request of the AUC had audited a 10 out of the 36 Chapters on a random basis and had recommended that PEO seek an external opinion on the HST implication of the revenue collection activities at each of the Chapters. A motion was passed by the prior AUC that we get this review done. Subsequently, staff reached out to the Chapters office for information on the activities conducted by the Chapters. A list of these activities was compiled (page 3 of handout) and sent to the HST consultant for their opinion.

The HST consultant's professional opinion was that barring a few exceptions, most of Chapter activities had HST implications. In light of this opinion from the HST expert, C. Mehta stated that PEO is at risk and needs to modify its current processes at the Chapters to ensure compliance. He said that there are a few options that could be considered for making the necessary process changes and these included one option where each of the thirty-six Chapters retains its independent bank accounts with one financial institution and where the head-office has visibility into each Chapter's bank account. Another option was

to centralize all Chapters operations through the head-office and the Chapters cease to have independent bank accounts. C. Mehta walked the committee members through the pros and cons for each of these options and advised them that he would be presenting these to the Audit committee at the upcoming meeting the next day (i.e. Oct 17, 2019) for its thoughts and inputs.

After this, C. Mehta left the meeting at approximately 7 pm due to prior commitment.

- Legislation Committee – Fees

J. Max provided the committee with a chart showing our current posted fees that we collect for a variety of purposes, mostly regulatory. The Legislation committee ensures these fees are in the by-law. Last year there was work being done on the fee increase and it was discovered there were several fees that are being charged but were not listed anywhere in the by-law and prior to that were not in the Regulation either. There are two fees that they came across and wanted to bring to the FIC to get their feedback to bring back to Council in November.

There are two fees that were discussed:

- 1) Fee remission policy which was put in place by Council in 2009 – members license holders who are retired, ill health or family leave, unemployed can apply for a fee remission while they are declaring that they are unable to work. The annual fee will be reduced by 75 percent. Once back to work they will be charged accordingly. In 2009 Council decided to apply the same approach to Engineers in Training. This was not anchored in the Regulation. When looking at drafting the by-law changes, our lawyer said we need to have authority for this in our Regulation if we are going to charge this properly. We would have to have conditions that we apply that the Registrar would be able to manage to have certainty on those things. Thirty-seven EITs (out of almost 15,000 EITs, or 0.2%) currently request and receive fee remission, compared to 17% of Licence and Limited Licence holders. The Fee Remission Policy reduces the EIT member's annual fee from \$90 plus HST to \$25 plus HST (rates as of May 1, 2019). The potential annual lost revenue is \$5,000, however some EITs may drop out of the program, which could affect their involvement in Chapters.

- 2) Fee we charge when a non-CEAB applicant is assigned technical exams to meet academic qualifications but who requests and is pre-approved for taking a university course (at their own expense) instead of writing one or more of PEO's exams. The PEO fee for the course taken in lieu of the first technical exam is \$500 and the Legislation Committee feels this fee is unnecessary and possibly unfair. There have been only 5 requests for this fee in the past 3 years. The lost revenue is negligible.

A recommendation was made to eliminate the fee remission for EIT's, and the fee for the course in lieu of the first technical exam. Council will make the final decision. Vote was unanimous.

10.0 Date of Next Meeting

It was agreed that the next meeting date would be December 10, 2019 and a calendar invite would be sent out.

11.0 Adjournment

The meeting adjourned at 7:55 p.m.



LIST OF ACTION ITEMS and status as of October 16, 2019

S. No	Action items identified during FIC on June 5, 2018	Responsible Staff	Status update
1	Centralization of Chapters bank accounts project	C. Mehta	Work-in-progress. An RFP was issued to six banks out of which two have sent in proposals. A decision on the next steps is to be taken shortly.
2	Seek feed back from auditor on the FIC ToR and Workplan	C. Mehta	Update from auditor is awaited.
3	Send out tenancy map to committee members with update on list of building renters who fell through	C. Mehta	
4	5-year chart to be provided to committee members	M. Wehrle	