

# **Questions and Answers on PEO Operations**

**As of April 20, 2009  
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**Renaissance Toronto Airport Hotel  
801 Dixon Road, Toronto, Ontario**



**Professional Engineers  
Ontario**

## Introduction

PEO first developed the booklet, *Questions and Answers on PEO Operations* in 2004 to answer PEO members' questions on PEO Operations. Information in this document was provided by PEO staff, with input from Council and the Audit and Finance committees.

Timely and thorough communications is a PEO imperative. To this end, this document will also be published on the PEO website.

At past Annual General Meetings, questions have arisen about PEO expenditures and the Audited Financial Statements. The Audited Financial Statements are a reflection of past expenditure; the Auditors ensure that the statements accurately represent these past expenditures. This document is aimed at answering questions on both past expenditures and PEO's future operations. It is hoped that this document will provide members the necessary information to make informed decisions with respect to PEO's future directions.

If you have further questions, please email [operations@peo.on.ca](mailto:operations@peo.on.ca). Look for periodic updates to *Questions and Answers on PEO Operations* on PEO's website ([www.peo.on.ca](http://www.peo.on.ca)).

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# 1 2008 Financial Statements

## 1.1 Revenue and Expenditures

### 1.1.1 Why is there a change in the format of the financial statements this year?

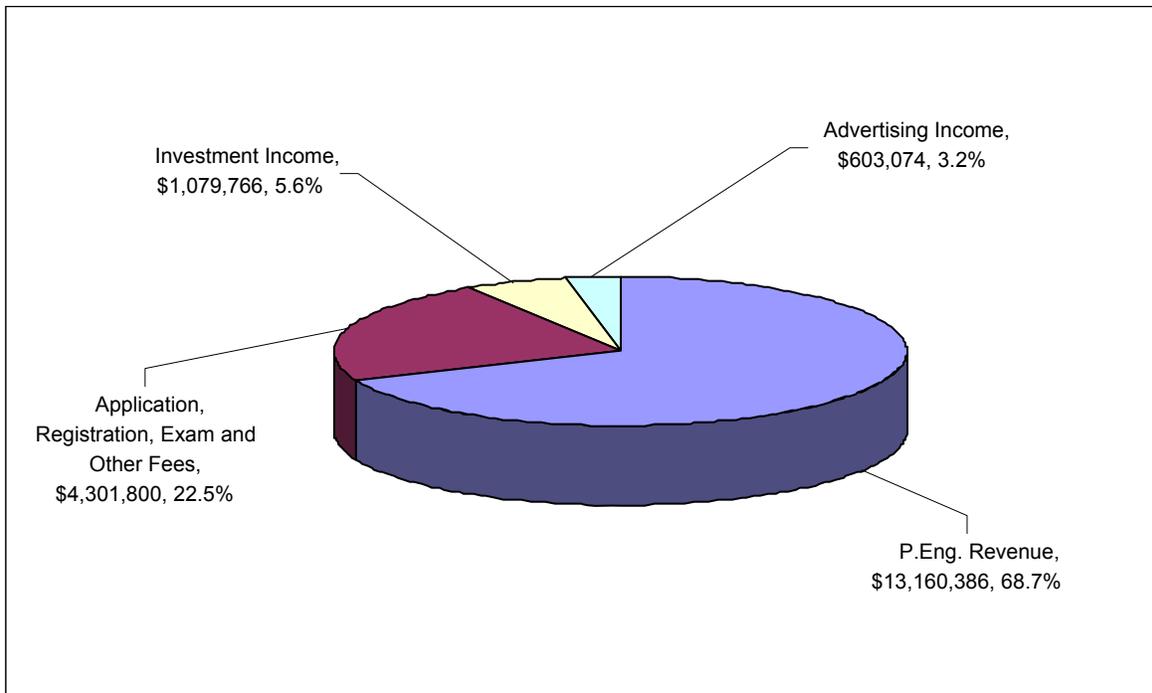
As per Council's directive, a separate reserve was set up to keep track of the monies paid by the membership to enable PEO to acquire a building for its head-office. The financial statements format has been modified to reflect this requirement.

### 1.1.2 Revenue increased by 9.7 per cent in 2008 over the previous year. What accounted for the increase?

The major sources of increased revenue were:

- ◆ an increase in membership fee revenue of \$1,282,662, including the \$20 fee increase for the new building. Excluding the building charge, increased membership fee revenue accounted for an increase of 4.5 per cent of the increased revenue in 2008;
- ◆ an increase in revenue from application, registration and exam fees of \$81,261 or 1.9 per cent; and
- ◆ an increase of \$312,062 or 40.6 per cent in investment income from PEO's investment portfolio.

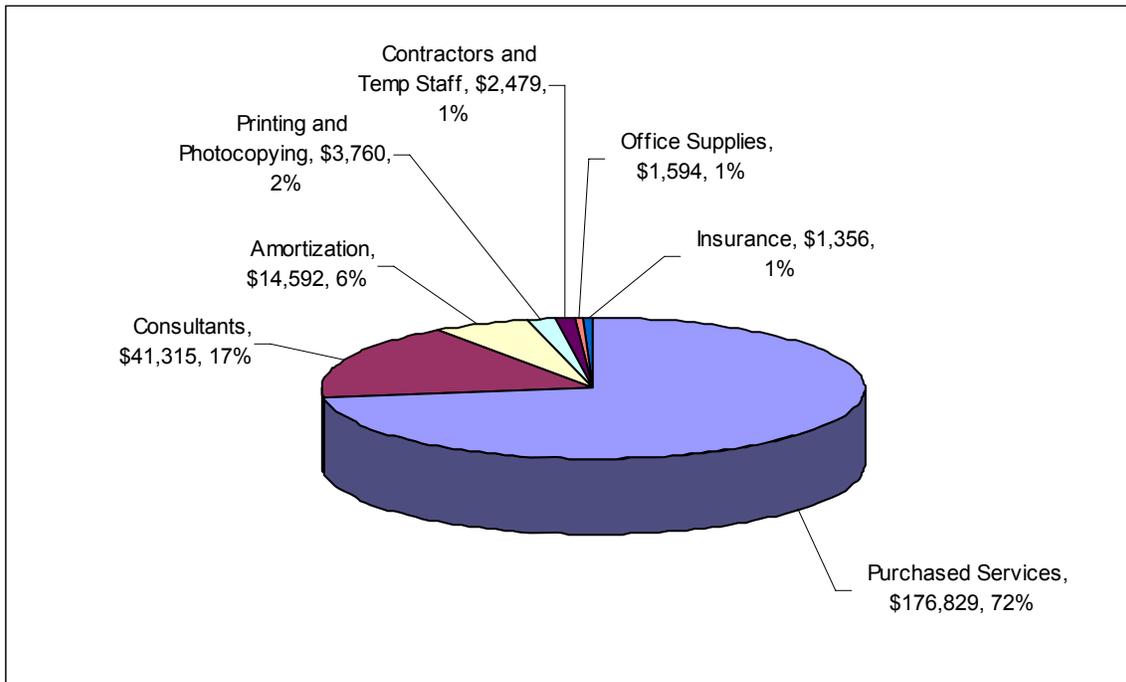
**Figure 1. 2008 PEO Revenue Breakdown (\$17.5M)**



**1.1.3 PEO experienced an increase in revenue over expenditures of \$718,086 in 2008. What factors contributed to the increase?**

The increase in revenue over expenditures was the result of the efforts of the senior management team, staff and volunteers under the direction of Council. PEO achieved the surplus through a combination of cost reduction initiatives and an efficient management of resources. Key areas of expenditure reduction are shown in Figure 2. This positive performance moves PEO toward a stronger financial position with an enhanced balance sheet and an improved operating reserve of \$11.6 million.

**Figure 2. 2008 PEO Reserve Contribution**



**1.1.4 What areas in PEO’s operation experienced savings as compared to the previous year? What accounted for the decreased cost as compared to the previous year?**

- ◆ **Purchased Services.** A decrease of \$176,829 or 14.7 per cent mainly due to:
  - lower scanning costs for records storage, due to completion of the previous year’s project to replace microfilm storage with PDF files; and
  - lower video costs, due to completion of the enforcement video in 2007.
 See question 1.1.6 for a detailed list of 2008 Purchased Services expenses.
- ◆ **Consultants.** A decrease of \$41,315 or 10.3 per cent due to:
  - the engagement of a real estate consultant the previous year.
 See question 1.1.7 for a detailed list of 2008 Consultant expenses.
- ◆ **Amortization.** A decrease of \$14,592 or 4.8 per cent mainly on account of:
  - PEO’s information and technology services equipment reaching full depreciation in 2008.

**1.1.5 PEO's total expenditures increased 6 per cent in 2008 over the previous year. What main areas in PEO's operations experienced higher costs as compared to actual 2007 expenditures? What accounted for the increased cost?**

- ◆ **Full-time Staff Salaries and Benefits.** An increase of \$473,597 or 6.8 per cent was due mainly to:
  - merit and cost of living allowance accounted for over 4 per cent of the increase;
  - an employee on LTD returned to full-time status at the end of 2007, taking full effect in 2008; and
  - the effect of the salaries of two Information and Technology Services employees and one Legal Department employee who were hired and made permanent in 2008.
- ◆ **Legal and Tribunal.** An increase of \$128,295 or 19.4 per cent was mainly due to:
  - higher costs associated with the purchase of a building; and
  - an increase in legal costs for discipline and enforcement prosecutions.See question 1.1.10 for detailed list of 2008 expenses.
- ◆ **Volunteer Business Expenses.** An increase of \$48,295 or 7.2 per cent was mainly due to:
  - more registration fees for attending Annual General Meeting and various other events representing PEO;
  - higher volunteer accommodation expenses for attending the Council workshop;
  - increased accommodation and meal costs for functions like the AGM, awards ceremonies, Chapter Leaders Conference and Regional Congress meetings; and
  - higher mileage for attending ERC interviews.
- ◆ **Computers and Telephone.** An increase of \$320,428 or double was mainly due to:
  - outsourcing of the host computer operations, including both one-time and on-going costs;
  - introduction of a dedicated, high speed LANX connection from PEO to the outsource facility; and
  - acquisition and associated maintenance costs for the software LE-Gateway for the EIT Financial Credit Program.See question 1.6.3 for host computer outsource project activities.

**1.1.6 What are the items included in purchased services?**

The main items under purchased services include expenses for mail preparation for Council elections (\$65k); counting of ballots for Council elections (\$28k); event meals for the Annual General Meeting, award ceremonies, Chapter Leaders Conference, Government Liaison Program, etc. (over \$62k); freelance graphic design (\$30k); freelance administrative services (\$16k); scanning services to convert PEO paper records into pdf format (\$41k); services of the Impact Group to administer the Engineer-in-Residence Program (\$56k); services for technical exam setting (\$150k); services for technical exam invigilation (\$25k); printing of *Engineering Dimensions* (\$225k); printing costs of drawings and other material related to Discipline hearings (\$35k); video production costs (\$27k), etc. In addition, there were several other expenses (\$25k or lower) for such services as catering, flowers, freelance photography at PEO events. P.Eng. seals, a licensure uptake study, and the rental of audio visual equipment.

**1.1.7 What is the breakdown of the costs for consultants?**

The costs for consultants in 2008 were \$360,321 (\$401,636 in 2007). These costs include expenses for IT consultants for the implementation of the Certificate of Authorization web portal (\$89k) and for upgrades and maintenance of IT equipment and the web portal (\$16k); costs for the host outsourcing assessment project (\$39k); expenses for the auditors (\$26.6k); expenses for

Scotia Cassels, PEO’s portfolio investment manager (\$42k); expenses for the consultant for the Government Liaison Program (\$99k); service fees for various consultants (\$33k) for environmental, building condition assessment and appraisal consultants for PEO’s building search.

**1.1.8 What are the costs for the Ontario Centre for Engineering and Public Policy?**

The costs for the Ontario Centre for Engineering and Public Policy, which started in the last quarter of 2008, are \$41,513. This includes expenses for salaries, benefits and such miscellaneous expenses as publications, books, printing and travel.

**1.1.9 What was the revenue foregone by way of the Engineer-in-Training Financial Credit Program and the increase in the number of EITs?**

The revenue foregone by way of the Financial Credit Program was \$331,790 (vs \$219,718 in 2007). The number of engineers-in-training as of December 31, 2008 was 4884 (vs 4049 in 2007).

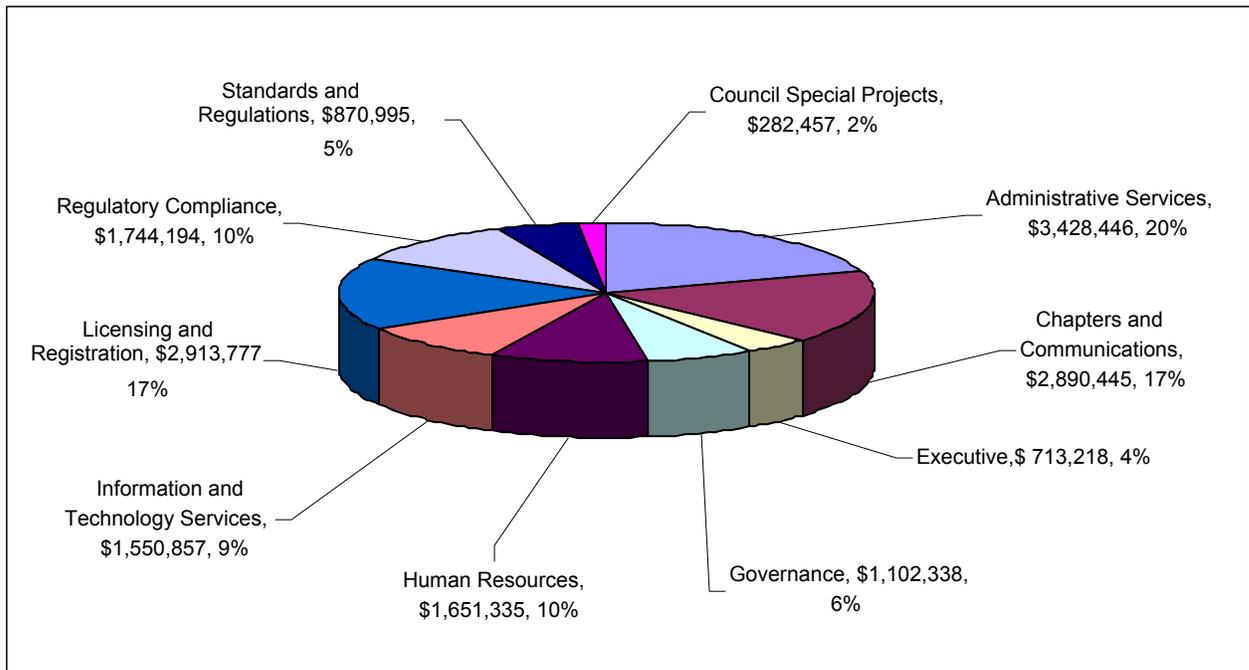
**1.1.10 What were the expenses for Tribunal operations?**

The expenses for Tribunal operations, which include fees for legal counsel, court reporters, etc. were \$163,642, compared to \$250,950 in 2007.

**1.1.11 What are the 2008 figures for department expenditures?**

The following figure illustrates the 2008 department expenditures.

**Figure 3. Expenditures by Department**



Note: Expenses for Special Projects assigned by Council do not include \$48,103 for staff salaries for the work performed by full time staff on these projects. These costs are reported under the expenses of various departments.

**1.1.12 I hear that chapter funding was slashed again in 2008. Is this correct? What are the reasons?**

No. Chapter funding was not slashed. In fact, chapter allotments were increased by \$49,888 in 2008 to \$407,498.

**1.1.13 How much did it cost PEO in 2008 to fund its chapters?**

During the year, PEO paid chapter expenses totaling \$491,081 (2007-\$509,558), including: \$407,498 (2007-\$357,610) in allotments to individual chapters. The difference, \$83,583, consists of travel and accommodation expenses, the Chapter Certificate program and the cost of certificates. In addition, PEO also incurred additional costs of \$417,033 (2007-\$456,693) related to chapter operations, including staff salaries and benefits, and staff and volunteer business expenses.

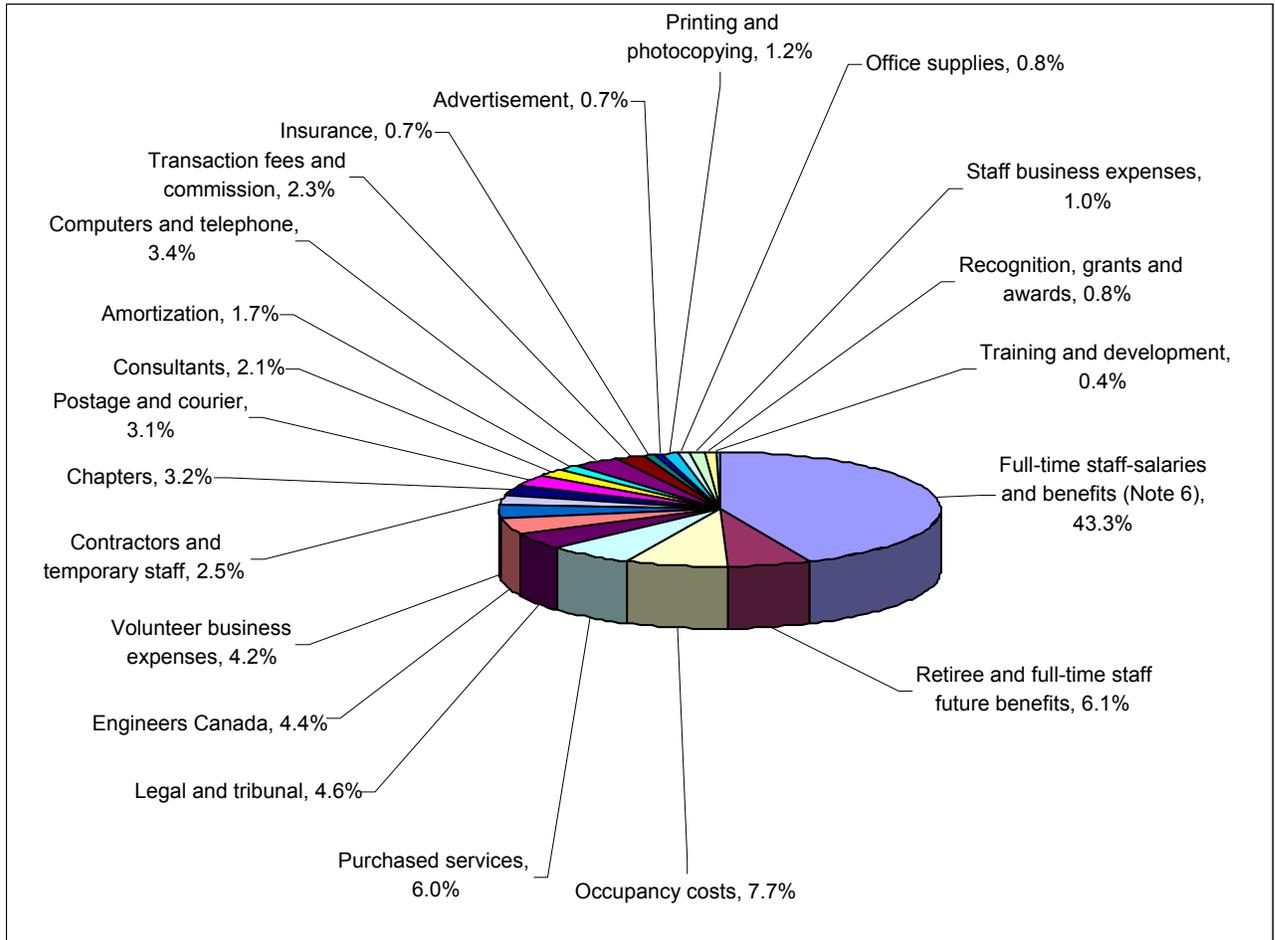
**1.1.14 How does PEO manage its expenditures?**

Please see the answer to question 1.3.2.

**1.1.15 How is my annual PEO licence fee spent? Can you give me a breakdown of PEO's expenditures?**

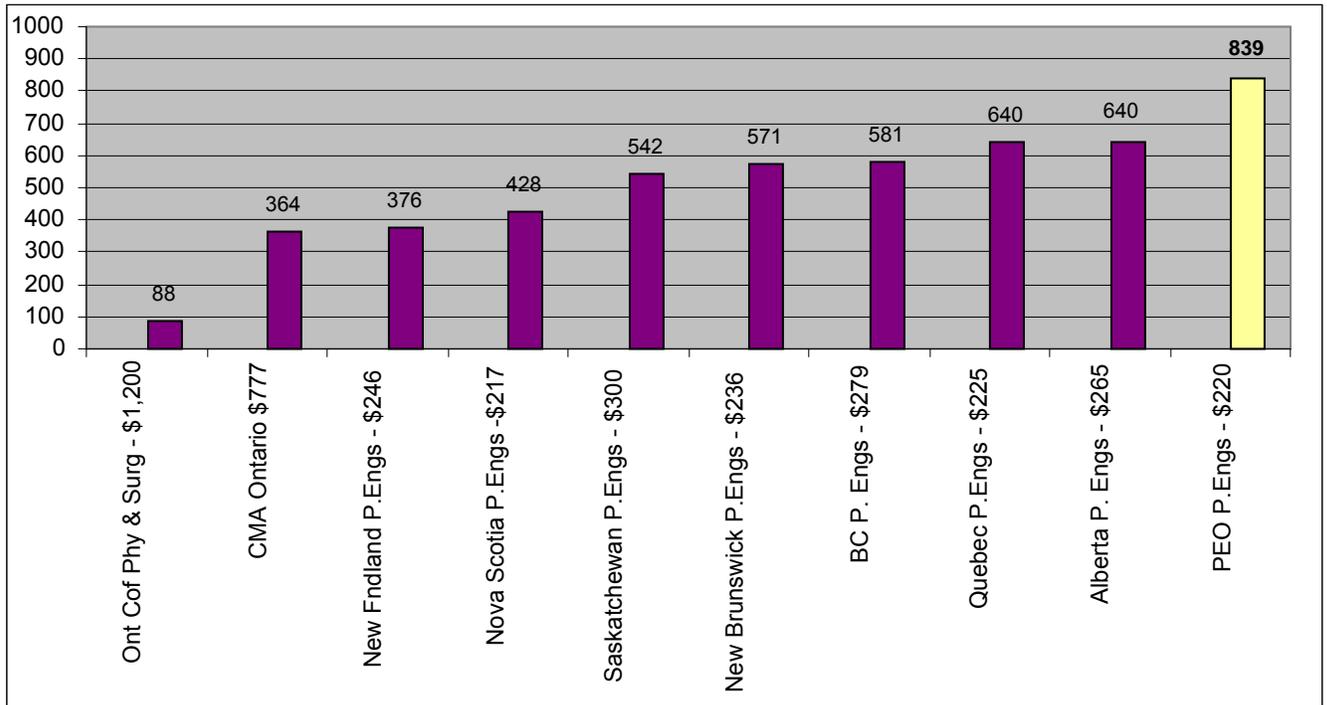
The annual licence fee is only one component, or 68.7 per cent, of PEO's total revenue. The breakdown of PEO's revenues was illustrated in Figure 1. In addition to annual fees, PEO also receives revenues from application, registration, examination and other fees of 22.5 per cent. Advertising and investment income were 3.2 per cent of revenue in 2008. Figure 4 illustrates the areas in which the annual licence fee is spent.

**Figure 4. 2008 PEO Expenditure Breakdown (\$17.15M)**



Web research was conducted to benchmark staffing of other self-regulatory organizations, including other engineering associations in Canada. The key performance indicator or metric, “members per staff” used to measure organizational efficiency is defined as the average number of licence holders per staff member. The higher the value of this metric generally, the greater the organizational efficiency. The effect of volunteers is not considered in this metric as volunteers are not compensated for their services.

**Figure 4a. Members per staff**



As can be seen from Figure 4a, PEO has approx 839 members per staff and this places it among the top of the benchmarked associations. This suggests that PEO's current staffing levels are competitive.

## **1.2 Operating Reserve**

The current operating reserve policy was developed in 2004 to facilitate PEO's long range financial plan. It was approved by Council at its January 2005 meeting and a set of operating reserve targets are annually updated and approved by Council. PEO's operating reserve of \$11.6 million, as of December 31, 2008, exceeds the 2008 upper limit operating reserve requirement set by Council of \$3.180 million.

### **1.2.1 What is the purpose of having an operating reserve?**

An operating reserve balance in a non-profit organization is similar in nature to retained earnings or owners' equity in business enterprises, in that it comprises cumulative operating revenues in excess of operating expenditures.

Like business enterprises, non-profit organizations must maintain a balance between revenue and expenditures to survive. The operating reserve provides the necessary funding capacity to deal with such uncertainties as a decrease in revenue and increased costs. For PEO, the operating reserve enables PEO to:

- ◆ survive operating shortfalls caused by economic turbulence or inappropriate financial decisions;
- ◆ enhance PEO's financial flexibility and planning to implement new initiatives, replace outdated assets and/or programs, or satisfy members' needs by expanding certain activities;

- ◆ provide favourable financing for PEO's growth and expansion of its regulatory and regulatory support activities;
- ◆ fulfill contractual agreements; and
- ◆ fulfill legal requirements.

### **1.2.2 Why does PEO need an operating reserve policy?**

PEO needs an operating reserve policy to provide an effective planning and control mechanism as an integral part of its business planning and budgeting process. PEO requires financial flexibility to better plan, control and manage the allocation of its financial resources.

To reflect changing needs of PEO's regulatory activities, the operating reserve requirements are updated annually by Council. This is done to ensure financial flexibility to help implement new initiatives, replace outdated assets and/or programs, or satisfy members' needs by expanding certain activities to ensure that all programs that help PEO discharge its regulatory mandate are adequately funded.

### **1.2.3 How does PEO's operating reserve policy meet its short- and long-term objectives?**

The operating reserve consists of two funds: a fund for potential long-term contingencies (internally restricted fund) and a fund for Council directed initiatives (Council directed fund). The internally restricted fund consists of the funds set aside to enable PEO to deal with uncertainties, future liabilities and contractual obligations if PEO were to wind-up its operations. The Council directed fund is for specific Council approved projects and initiatives from which funds may be expended at the discretion of Council.

The operating reserve enables PEO to:

- ◆ survive operating shortfalls caused by economic turbulence or inappropriate financial decisions;
- ◆ enhance PEO's financial flexibility and planning to implement new initiatives, replace outdated assets and/or programs, or satisfy members' needs by expanding certain activities;
- ◆ provide favourable financing for PEO's growth and expansion of its regulatory and regulatory support activities;
- ◆ fulfill contractual agreements; and
- ◆ fulfill legal requirements.

The policy is reviewed and approved by Council annually as an integral part of the business planning and budgeting process.

The components of the operating reserve and the required amounts are reviewed and analyzed annually to reflect new circumstances and PEO's future needs.

### **1.2.4 Does PEO review its operating reserve policy on an ongoing basis?**

Monitoring of the level of the operating reserve is ongoing, with the result reported to Council by the Finance Committee at the start of the annual business planning and budgeting cycle or more often if necessary. Financial statements ending December of each year are also issued.

The operating reserve policy requires an ongoing dynamic assessment of both the internally restricted funds and membership fee stabilization funds components of the operating reserve, and

the amounts to reflect new circumstances and future needs. A timetable of operating reserve build-up is developed if the required reserve level is not met.

**1.2.5 What Council projects and amounts were included in the Discretionary Reserve spending?**

\$252,967 was charged to the Discretionary Reserve in 2008. Project spending includes \$132,065 for the Building Development Committee (See question 6.1.13 for details), \$41,513 for the Ontario Centre for Engineering and Public Policy (See question 1.1.8 for details), \$13,174 for Council Policy Projects (Licensure Uptake and Continued Competency Assurance), and \$4,520 for a Study on PEO Governance (legal expenses).

**1.2.6 What is the amount collected as of December 2008 in the building reserve?**

As of December for fiscal year 2008, \$741,845 had been collected.

**1.3 Internal Controls**

An internal control system is a set of internal accounting control procedures and policies that provide reasonable assurances PEO can achieve its objectives. The system helps PEO make maximum use of its financial resources and assures PEO operating expenditures are controlled completely, reliably, and relevantly.

The ultimate responsibility for internal control rests with Council and management in their role of planning, controlling, and decision making. The Audit Committee is responsible for overseeing management's efforts to create a strong control environment. The Audit Committee periodically asks the auditors to conduct a more detailed review or cycle audit to ensure appropriate controls are in place.

**1.3.1 What is PEO's internal control system?**

PEO has established an internal control system for its expenditures and purchase of goods and services on a value basis, to strengthen Council and members' confidence that PEO's financial resources are being used effectively and according to sound and consistent procedures.

PEO's internal control system comprises:

1. Banking Policy;
2. Expenditure Approval Authority Policy;
3. Extraordinary Expenditures Policy;
4. Expense Report Policy;
5. Procurement Policy;
6. Investment Policy; and
7. Operating Reserve Policy.

The policies establish authorities, responsibilities and accountabilities as the key components of PEO's internal control mechanism for entering into contracts and for spending money, according to the approved budget and in compliance with the *Professional Engineers Act*, Regulation 941/90, By-Law No. 1, and other policies and procedures. For more information, visit PEO's website at [www.peo.on.ca/registrar/operations.htm](http://www.peo.on.ca/registrar/operations.htm).

**1.3.2 How does PEO manage its expenditure?**

It is PEO policy that all the expenditures must be within the Council-approved budget. Any proposed expenditure related to an approved activity must be related to an appropriate line item in the approved budget before the expense can be incurred.

PEO management ensure planned departmental expenditures are from an appropriate budgeted line item and do not exceed the approved budget before a purchase order to release funds can be issued or money spent. PEO management regularly review their department budgets to ensure the expenses are charged accurately against the appropriate general ledger accounts.

Invoices and transactions for payment of all department or committee budgeted expenses incurred in the conduct of the affairs of the association are reviewed for accuracy and appropriateness by committee staff advisors or management staff of the related department and signed by the appropriate authorities before a payment is made.

PEO accounts payable staff review all expenditures before making payments. The CEO/registrar and the treasurer authorize the payments from the bank. The President may also review the cheque register from time to time to monitor expenditures. Payments for unapproved expenses are not authorized.

Each department head receives monthly a budget comparative report that details variances, for internal control and cost analysis. As well, the Finance Committee reviews variances once every three months and seeks explanations on significant variances. Council is provided the financial statements quarterly.

PEO's procurement processes and systems use quality-based selection criteria to acquire goods and services that add value to PEO and to ensure procurement is driven by the approved budget. As part of PEO's internal control system, a protocol was established to enhance reporting to Council regarding financial impact on operating reserve through a Treasurer's Budget Changes/Additions Log.

**1.3.3 What has PEO done to establish checks and balances to control expenditure?**

Please see answers to questions 1.3.1 and 1.3.2.

**1.3.4 Does PEO generate and publish financial management reports related to its department operations?**

Financial management reports are issued quarterly to the Finance and Audit committees and Council. Complementary to PEO's financial statements, a summary of management financial reports related to PEO's annual department activities is included in this document. See answer to question 1.1.6.

## 1.4 Human Resource Management and Salaries and Benefits

### 1.4.1 How does PEO strive to achieve efficiency and effectiveness through human resource management?

PEO employs staff and a large contingent of volunteers to conduct its daily regulatory functions, as mandated under the *Professional Engineers Act*, effectively and efficiently. PEO also uses temporary staff, contractors, and consultants in addition to full-time staff and volunteers.

PEO's staffing includes regular full-time staff, contractors and temporary staff, which are defined as follows:

- ◆ **Regular full time staff** are employees who work a normal work week for PEO.
- ◆ **Contractors** are employed by PEO for a set period. Normally, contractors are part of PEO payroll and will work a normal work week.
- ◆ **Temporary staff** are hired for short-term assignments to replace absent staff (for example, disability, maternity leave, backlog, and special projects). Normally, temporary staff are employed by a third party (agency) for the time they are with PEO and will work a normal work week.
- ◆ **Consultants** are hired for a specific project and will bill PEO for services rendered.

### 1.4.2 I hear that more than 100 people work at PEO. Is this correct?

Table 1 shows both actual and budgeted staffing levels, including temporary and contract positions. As of December 31, 2008, the actual staffing level was 84 regular full-time staff, which is less than the approved budgeted compliment of 85 for 2008.

**Table 1. Actual and Budgeted Staffing Levels**

Year	Approved regular full-time staff (number in approved budget)	Actual full-time staff (excludes contract and temporary)	Actual staff salaries and benefits	Actual staff (including contract and temporary)
2000	78	69	\$4,137,995	74
2001	79	67	\$4,487,394	76
2002	78	68	\$4,762,355	78
2003	82	70	\$5,405,148	82
2004	78	74	\$5,386,207	87
2005	78	73	\$5,556,091	86
2006	79	73	\$5,923,900	84
2007	83	79	\$6,956,481	90
2008	85	84	\$7,430,078	93
2009	91			

Note: 2009 approved staff levels include the transition of two contractors to full-time status in Licensing and Registration, one additional administrative support staff and two full-time investigators in Regulatory Compliance (transitioning of one contractor assignment to full-time), and one additional position in the Standards and Tribunal department for a paralegal clerk for Tribunal Operations.

Note: Figures for salaries and benefits do not include the cost for employee future benefits.

### 1.4.3 I understand PEO uses temporary staff, contractors, and consultants in addition to full-time staff. Why?

Like other businesses, PEO uses temporary staff, contractors, and consultants in addition to full-time staff and volunteers to conduct its daily regulatory functions, as mandated under the *Professional Engineers Act*, efficiently and effectively. PEO uses such resources as legal and management consultants because of the need to use their expertise to support both regulatory and support activities. It is usually more economical to outsource such services rather than hire staff on a regular full-time basis.

The use of contractors and temporary staff are for short-term assignments and to replace absent staff (for example, disability, maternity leave, backlog, and special project). This strategy offers organizational flexibility, assists PEO in meeting its staffing needs, and avoids unnecessary, longer-term staffing costs.

In 2008, PEO used:

- ◆ **contract staff** primarily in the Information and Technology Services, Administrative Services, and Licensing and Registration departments. Licensing and Registration contractors were hired to handle the backlog and increase the number of Experience Requirements Committee interviews. One multi-year contract position in Licensing and Registration was replaced in early-2008 by a regular full-time admissions representative. Administrative Services contractors were hired to undertake the regular duties of full-time staff on sick leave and maternity leave in 2008. These were the key drivers for the cost of contract staff in 2008.
- ◆ **temporary staff** in Licensing and Registration and Administrative Services to cover increased workload due to additional applications and staff on sick leave and maternity leave, in Communications and Chapters to cover a short-term and long-term disability, and in Legal Services to cover work volume associated with establishing a new department.
- ◆ **consultants** were used for the following projects:
  - to provide pension management data and reports related to employee future benefits;
  - to manage PEO's pension fund;
  - to manage PEO's investment portfolio; and
  - to facilitate PEO's search for a new office building.

## 1.5 Employee Future Benefits

Commencing in 2000, the Canadian Generally Accepted Accounting Principles of recording and reporting Employee Future Benefits changed. Under the new rules, an annual expense is recorded; however, the expense is no longer the cash expense of the future benefits. Rather, it is an amount calculated actuarially that represents the cost of a future benefit earned through service in the current period.

PEO staff prepared a booklet called *Employee Future Benefits Background* in November 2004, which is published and available at [www.peo.on.ca/registrar/operations.htm](http://www.peo.on.ca/registrar/operations.htm). An information session on this subject was organized on November 19, 2004, prior to the Council meeting, for the members of Council, and the Pension, Audit, and Finance committees to:

- ◆ ensure members of the committees and Council understood the pension and employee future benefits provided by PEO and how they must be accounted for;
- ◆ ensure members of the committees and Council understood the options for budgeting and administering employee future benefits; and

- ◆ provide a framework and scope for further consideration by committees or a task force of potential future changes to pension and/or employee future benefit plans.

### 1.5.1 What are employee future benefits?

Employee future benefits are defined in Paragraph 3461.005 of the *Canadian Institute of Chartered Accountants Handbook* as benefits earned by active employees that are expected to be provided to them when they are no longer providing active service, pursuant to the terms of an entity's undertaking to provide such benefits.

### 1.5.2 What are the components that make up employee future benefits?

PEO's employee benefits are shown in Table 2.

**Table 2. PEO Employee Benefits**

Employee Future Benefits Components	Offered Benefits
Pension and other retirement benefits (retiree future benefits)	Benefits to employees and their beneficiaries after retirement include: <ul style="list-style-type: none"> <li>• Pension income</li> <li>• Health care and dental care benefits</li> </ul>
Post-employment benefits (while actively employed)	Benefits to the employees include: <ul style="list-style-type: none"> <li>• Short-term disability income benefits</li> </ul>
Compensated absences (while actively employed)	<ul style="list-style-type: none"> <li>• Sick days</li> <li>• Vacation</li> </ul>
Termination benefits	<ul style="list-style-type: none"> <li>• Severance package</li> </ul>

### 1.5.3 Why does PEO have to comply with the accounting rules for calculating benefits cost?

If PEO does not follow the *Canadian Institute of Chartered Accountants Handbook* with respect to employee future benefits, its annual financial statements would not be prepared in accordance with Generally Accepted Accounting Principles. This would force the auditor to provide a reservation in its audit opinion.

## 1.6 Process Improvement and Cost Savings

The *Treasurer's Report*, which outlines by department all of the expenditures, savings and process improvements and other information on PEO's financial position is available at: [www.peo.on.ca/registrar/operations.htm](http://www.peo.on.ca/registrar/operations.htm).

### 1.6.1 What has PEO done to improve its business processes and achieve cost savings in its operation?

Council and management at PEO are aware of the importance of ongoing process improvement. Not only has PEO committed itself to develop and implement a zero-deficit budget for its operation, but it increased its operating reserve by \$1,670,400.

PEO is committed to ongoing cost efficiency through the use of systems to understand, track, and manage the costs of its activities and processes.

As published in past *Treasurer's Reports and Financial Statement Analysis*, over the past three years, PEO's volunteer leadership and management team have together initiated important measures to control costs and ensure maximum value received for monies spent.

Some of the new measures are:

- ◆ improvements in the additional payment methods introduced in early 2007 that enable members to make payments via telephone, personal computer and automated teller machine (ATM). In addition to annual licence fee payments, members can now also pay fees for the Ontario Society of Professional Engineers and make donations to such registered charities as the Ontario Professional Engineers Foundation for Education. It is expected that many now using online credit card payment for their licence renewals will switch to one of the alternative payment methods, which will also appeal to those who have not yet paid their fees online, significantly reducing the printing and mailing costs associated with invoicing;
- ◆ implementation of an automated electronic fund transfer (EFT) solution for quick, secure and timely payment to volunteers and vendors, to reduce costs associated with printing and mailing cheques;
- ◆ negotiations with a third party for online credit card payment, which would help PEO lower its service charges and achieve additional cost savings, by reducing the cost for the online credit card payment process; and
- ◆ conference call technology for committee meetings whenever feasible to reduce volunteer business costs.

**1.6.2 Are we going to continue seeing process improvements and, more specifically, cost savings from PEO in the future?**

As outlined in the answer to question 1.6.1, PEO has implemented several automation initiatives to reduce costs. PEO is committed to ongoing improvement by identifying and implementing cost-effective means of operation.

**1.6.3 What is the status of the project to outsource PEO's host computer operations?**

This past summer, PEO's Information & Technology Services group completed a two-year initiative to outsource PEO's host computer operations to MicroAge, with PEO's servers located at a Fusepoint data centre located in Mississauga. This represents the culmination of work begun in the summer of 2006 when an RFP process was launched to solicit bids for this service.

The outsourcing project focused on the set-up and migration of all PEO production servers to a new facility comprising 12 servers in the data centre's managed services facility. The cut-over took place on schedule over a weekend in late June. Subsequently, PEO has also relocated the servers used for development and testing into the co-location facility at the data centre. Virtualization technology was introduced to reduce the number of physical servers. PEO's office is linked to the data centre by a high speed LANX service.

PEO management deliberately excluded from outsourcing any processes requiring PEO-specific knowledge, such as strategic IT planning, business needs analysis and applications development/maintenance.

The project was both a major challenge for and accomplishment by the Information & Technology Services team. The project is viewed as a significant success, although there have been a number of stabilization issues, most notably with Outlook. PEO now benefits from operations based in a “World Class Facility” data centre with 24 hour a day, seven days a week technical monitoring and support, coupled with access by PEO’s application development team to a broad range of top-level technical skills.

## 2 PEO Business Planning Process

### 2.1 PEO Business Planning

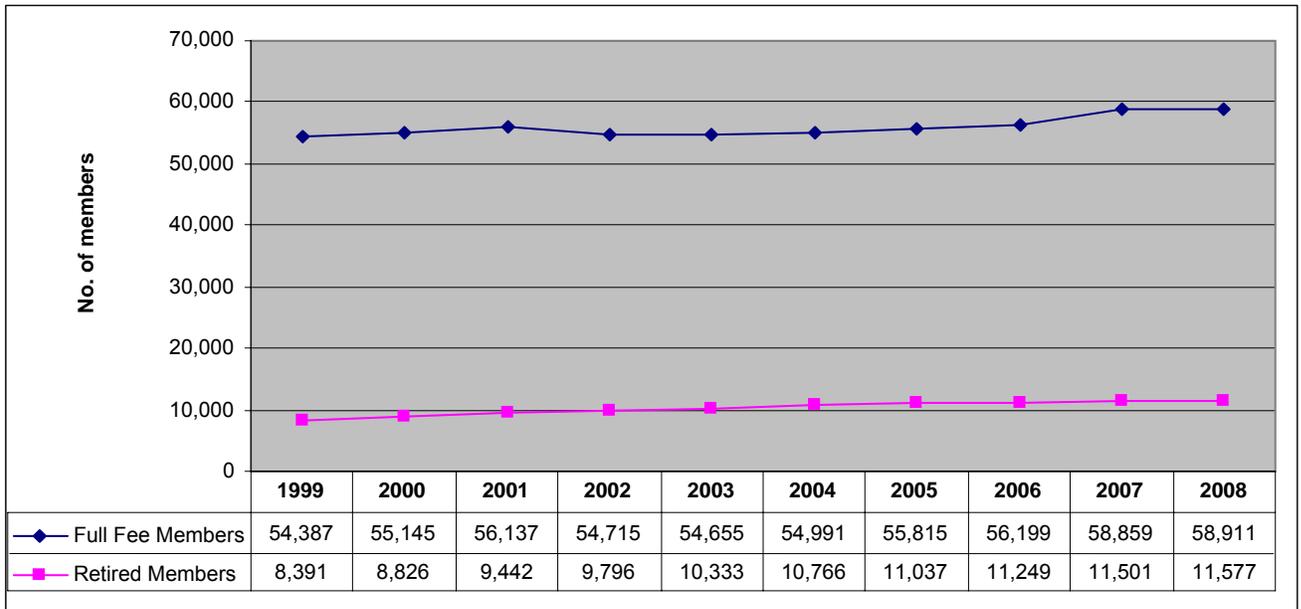
#### 2.1.1 What is PEO’s financial state, based on the 2008 financial statements?

PEO again strengthened its financial position by ending 2008 with an excess of revenue over expenditure of \$1,997,028. This positive performance moves PEO toward a solid financial position with an enhanced balance sheet and an improved operating reserve of \$11.6 million.

#### 2.1.2 Can you provide historical information about membership growth over the last 10 years?

The total membership grew by an average of 1.5 per cent annually over the last 10 years, as shown in Figure 5. The membership growth rate is highly influenced by such factors as economic trends, unemployment, an aging population, number of retirees, immigration, and PEO processes for issuing licences (for example, improved the Experience Requirements Committee interview process). Initiatives like the Engineering Intern Training Financial Credit Program introduced in 2007 are likely to increase membership growth in the years ahead.

**Figure 5. Historical Data of P.Eng. Full Fee Members vs. Retired Members**

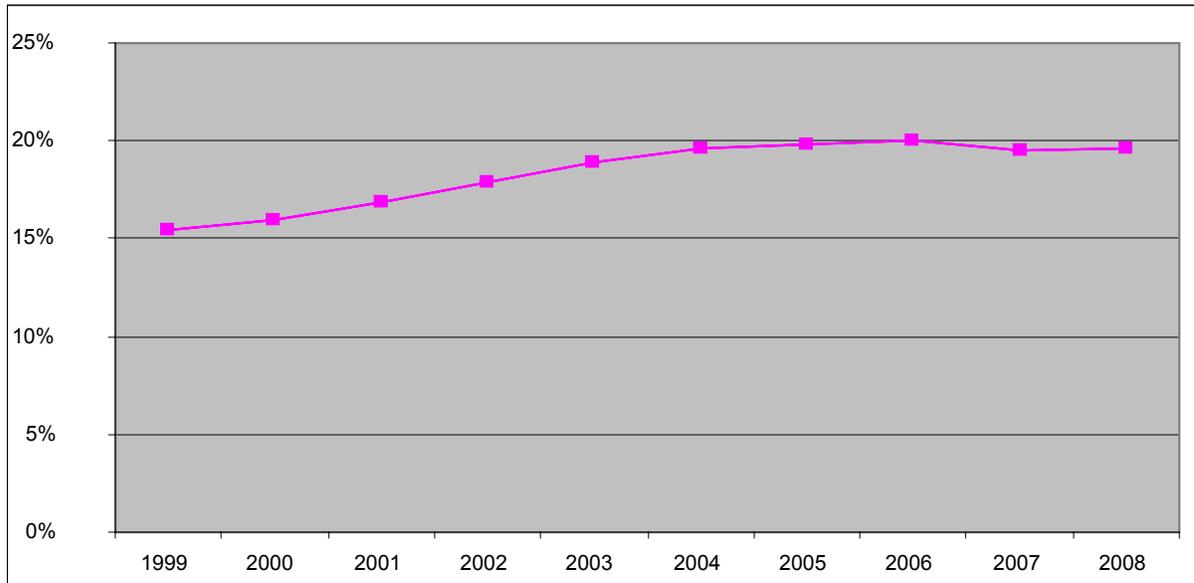


The number of retirees is expected to continue to increase over the next five years at a relatively constant rate of 4-5 per cent, as compared to the 1-1.5 per cent growth of full fee members. There is still a net increase in the number of retirees, despite those whose membership ended for various reasons.

As shown in Figure 6, the number of retirees increased at a higher rate from 1998 to 2004 and except for a marginal drop in 2007 has been relatively stable since 2004. In fact, the net effect is an

increase in the ratio of retirees over full fee members from 15 per cent in 1998 to approximately 19.6 per cent in 2008. It is expected this ratio will increase to an estimated 20-21 per cent in 2009. In other words, each full fee member in 2008 had to absorb 19.6 per cent of the membership fee of a retiree, as compared to a mere 15 per cent in 1998, to maintain PEO's revenue requirements, assuming that full-member fees had remained the same over the period.

**Figure 6. Ratio of Retirees to Full Membership Holders**



### **2.1.3 What is PEO doing to increase membership?**

PEO is not mandated under the *Professional Engineers Act*, R.S.O. 1990 to increase its membership, but rather to regulate the practice of professional engineering and to govern its members and various licence holders.

However, to ensure that application cost is not a barrier to licensure, PEO recently implemented an Engineering Intern Training Financial Credit Program (FCP), effective May 1, 2007. This program enables qualified applicants to apply for their P.Eng. licence at no cost and will cover their first year of membership in the Engineering Intern Training program.

In 2008, PEO received the highest number of P.Eng. applications since 1998, when the experience requirement for licensure was increased from three years to four years.

For the second consecutive year, PEO received more applications from graduates of programs accredited by the Canadian Engineering Accreditation Board (CEAB) than from graduates of other programs, reversing a previous trend in which most applications came from those educated outside Canada.

Much of the upsurge in applications from CEAB graduates is due to the introduction of the FCP.

It is also expected that such initiatives as PEO promoting the relevance of the profession to engineering graduates, raising awareness among employers of the added value licensed engineers

provide, and increasing the public's confidence in the licence will be incentives for engineering graduates to join PEO and to maintain their licences.

These initiatives are intended to serve as building blocks to:

- ◆ attract/engage unlicensed engineers;
- ◆ retain licensed engineers who no longer practise engineering; and
- ◆ increase licence uptake by graduates of Canadian Engineering Accreditation Board-accredited engineering programs.

#### **2.1.4 What are the financial benefits of PEO owning its office facilities?**

As a non-profit organization, PEO might potentially be eligible to pay only 20 per cent of the normal property tax charged to a commercial building owner. PEO has hired a law firm to explore how it can achieve these savings. The current leased occupancy of 30,585 sq. ft. at 25 Sheppard Avenue West expires in December 2009. PEO's annual gross rent is approximately \$1.3 million for fiscal year 2008 and projected to be approximately \$1,450,000 in 2009.

PEO's cumulative gross rental expense was over \$15 million from 1994 to 2008. The present office space is insufficient to meet the current and forecasted office space needs and any renovation will not be cost effective. Requirements for meeting space are acute, with particular pressure from the current demand for Experience Requirements Committee interviews of internationally trained applicants and the increased number of meetings by both staff and volunteers. It is predicted that PEO will have limited options for expansion space at the existing location beyond 2009.

PEO's annual cost for parking is over \$54,000 for the current guaranteed building parking spaces (30). Parking in the building and vicinity remains a challenge for staff, volunteers, and visitors, costing \$18 to \$20 a day.

### 3 Fees

#### 3.1.2 How much are the other engineering associations charging their members for the annual licence fee?

Web research was conducted to compare how the annual licence fees are charged in various provinces. As Table 3 illustrates, PEO has one of the lowest rates for annual licence fees among Canadian professional engineering associations. Due to the advantages of economy of scale, P.Engs in Ontario are paying less compared to their peers in other provinces.

**Table 3. Provincial Engineering Associations' Annual Licence Fees as of December 31, 2008**

Association	No. of members	Annual renewal fee (P.Eng.)
Association of Professional Engineers and Geoscientists of Saskatchewan	6,500	\$300.00
Association of Professional Engineers and Geoscientists of Manitoba	5,180	\$286.00
Association of Professional Engineers and Geoscientists of British Columbia	24,000	\$279.00
Association of Professional Engineers, Geologists and Geophysicists of Alberta	39,017	\$265.00
Association of Professional Engineers and Geoscientists of New Brunswick	4,000	\$236.00
Association of Professional Engineers and Geoscientists of Newfoundland and Labrador	2,256	\$246.00
Association of Professional Engineers, Geologists and Geoscientists of Nunavut and the Northwest Territories	1,178	\$310.00
Association of Professional Engineers of Nova Scotia	3,850	\$216.50
Ordre des Ingénieurs du Québec	55,000	\$225.00
<b>Professional Engineers Ontario</b>	<b>71,575</b>	<b>\$220.00</b>
Association of Professional Engineers of Prince Edward Island	247	\$200.00
Association of Professional Engineers of Yukon	457	\$240.00

## 4 PEO's 2005-2009 Strategic Plan

### 4.1.1 Where can I get a copy of the Strategic Agenda and its background documents?

To save printing costs, the entire Strategic Agenda is posted on the PEO website in a PDF format, and can be downloaded from [www.peo.on.ca/registrar/StratPlan/2005/stratplan\\_home.htm](http://www.peo.on.ca/registrar/StratPlan/2005/stratplan_home.htm).

Background documents on the Strategic Agenda can be requested by contacting:

Policy Unit, Governance Department, Professional Engineers Ontario, 25 Sheppard Avenue West, Suite 1000, Toronto, ON M2N 6S9. Email: [consultations@peo.on.ca](mailto:consultations@peo.on.ca)

### 4.1.2 What is the current status of the 2005-2009 Strategic Plan?

In April 2004, Council approved the initiation of a process to create a plan for the next five years. Council unanimously approved PEO's 2005-2009 Strategic Plan at its meeting on March 4, 2005. Subsequently, in September 2006, Council decided to replace PEO's 2005-2009 Strategic Plan with a strategic agenda developed at its annual Council Workshop. In May 2007, Council held its annual workshop and identified six policy initiatives for the 2007-2008 Council year, drawn from the original list of Strategic Plan projects.

### 4.1.3 What are the six policy initiatives under the strategic agenda and their current status?

1. **Continuing Competency Assurance.** This initiative was to develop a policy white paper that dealt with four main areas: a) providing context to the issue of professional continuing competence assurance and general approaches to continuing competence; b) situating PEO's efforts within a broader framework of available approaches; c) providing snapshots of what other Canadian engineering associations and professions are doing in relation to professional competence programs; and d) providing recommendations on next steps. At its January 2008 meeting, Council received the white paper and directed the CEO/registrar to distribute it to stakeholders for comment and to arrange for a summary of the feedback to be available for review at the May 2008 Council Workshop. The results were presented at the 2008 Council Workshop in May. The initiative is complete. Following Council's direction at the June 2008 Council Meeting, a proposal was prepared for a Professional Development System. At the September 2008 Council meeting, Council reviewed the proposal and referred it to former members of the Professional Development Committee for peer review. The peer review is underway.
2. **Certificate of Authorization Professional Liability Insurance.** The purpose of this policy initiative was to undertake research to determine the extent to which Certificate of Authorization holders use the option to make a compulsory disclosure to each client that they do not carry professional liability insurance and why they choose such an option. At its meeting in December 2007, Council received the policy research paper and decided the percentage of Certificate of Authorization holders using the option should be monitored and the CEO/registrar was directed to report to Council on a regular basis. This initiative is complete subject to ongoing monitoring.

3. **Multi-tiered, Value-added Membership and Licensing Model.** This initiative was to develop a policy paper that identified the policy decisions that Council should consider with respect to the creation of a multi-tiered, value-added membership and licensing model within the present *Professional Engineers Act*. The paper was presented to Council at its February 2008 meeting and Council directed the CEO/registrar to prepare material for Council's consideration to formally recognize each of engineers-in-training, student members, P.Engs covered by the Fee Remission Policy and past presidents as either classes of licence and/or classes of persons. At its March 2008 meeting, Council approved a by-law amendment that would prescribe PEO's Fee Remission Policy in *By-Law No. 1* and directed the CEO/registrar to use PEO's regulation-making process to prescribe a class of P.Eng. licence consistent with the by-law amendment and to prescribe "engineer-in-training" and "engineer student" as classes of persons whose interests are related to those of PEO. Council also passed a motion directing that PEO use its best efforts to revise the *Professional Engineers Act*, when next revised, to provide for a provisional licence and classes of the provisional licence such that the provisional licence would be issued to all those who apply for a licence and have complied with all the requirements except the experience. Classes of this instrument will be created to accommodate the various stages of internship/experiential component of the total experience requirements. By-law amendments regarding fee remission were confirmed by the membership in the 2009 elections. Draft regulations providing for interested classes are before Council for consideration.
4. **Licensure Uptake Study.** The purpose of this policy initiative was to undertake research into the reasons Ontario engineering graduates do not apply for licensure in greater numbers. Surveys were undertaken of applicants and employers and preliminary data was presented to Council at its February 2008 meeting. A further survey of final-year engineering students was conducted and presented to Council at its June 2008 meeting. The project is now complete. At the June 2008 Council meeting, Council approved a recommendation that the research should be repeated. This is in process.
5. **Internship and Engineer-In-Training Program.** Another Council objective for 2007/2008 was the preparation of a white paper on internship and the engineer-in-training program. The white paper was presented to Council in January and consultations were conducted in the spring. The results of the consultation were summarized in a research report and were integral in the development of a new internship program and restructured engineer-in-training program that were presented to and approved by Council in November 2008. An implementation plan and legal analysis was presented at the February 2009 Council meeting.
6. **Enforceable Code of Ethics.** This policy initiative was designed to examine PEO's current Code of Ethics and definition of professional misconduct and to present Council with policy questions for consideration with respect to whether PEO should have an enforceable Code of Ethics and, if so, the preferred regulation changes to accomplish this objective. At its March 2008 meeting, Council approved a policy direction that all elements of a Code of Ethics should be enforceable and that a breach would constitute professional misconduct. Council also directed the CEO/registrar to use PEO's regulation-making process to incorporate the amended definitions of "professional misconduct" and "Code of Ethics". At its February 2009 meeting, Council referred this matter back to various committees for future input.

## 5 External Relations

### 5.1 Engineers Canada

#### 5.1.2 The fee that PEO pays to belong to Engineers Canada seems to increase every year. Will this fee increase again in 2009?

The rate for the assessment for all constituent members is \$10.21/member and engineering intern and remains unchanged in 2009 from 2008, 2007, 2006, and 2005.

This fee structure continues into the future, at least until 2010. In February 2004, Engineers Canada's Board approved a deferral of a then-planned increase in assessment until 2008, at which point Engineers Canada decided to wait for the outcome of the strategic plan in 2010 to establish the adequate level of assessment fee.

**Table 4. Engineers Canada Assessment Formula**

<b>Constituent Members</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006-2009</b>
Full Paying Member	\$8.65	\$11.05	\$13.45	\$10.21
Partial Paying Member (retiree and fee remissions)	\$7.55	\$9.95	\$12.35	\$10.21
Member-in-Training	\$6.70	\$9.10	\$11.55	\$10.21

#### 5.1.3 What does Engineers Canada do for Professional Engineers Ontario?

Professional Engineers Ontario is one of the 12 constituent members of Engineers Canada. It has three representatives on the 18-member Board of Engineers Canada: Robert Goodings, P.Eng., Pat Quinn, P.Eng., and Walter Bilanski, P.Eng.

Professional Engineers Ontario also has representation on the committees that actively participate in all of the organization's undertakings, decisions and long range planning for all activities. This includes Professional Engineers Ontario's input into all the activities and functions described below.

Engineers Canada conducted business activities in 2008 in direct support of the constituent members' regulatory activities (admissions, practice, discipline and enforcement), ensuring that all people practising engineering are licensed, at a cost of \$6.25 million or just under 80 per cent of its budget.

Engineers Canada's 2008 operational expenses totaled just over \$8 million. Just over 28 per cent of the cost of these programs was borne by the 12 provincial/territorial associations/ordre.

Through the **Canadian Engineering Accreditation Board**, Engineers Canada accredits Canadian undergraduate engineering programs that meet the profession's high education standards. Graduates of those programs are deemed by the profession to have the required academic qualifications to be licensed as professional engineers in Canada.

Through the **Canadian Engineering Qualifications Board**, Engineers Canada develops national guidelines on the qualifications for registration, standards of practice and ethics expected of professional engineers. It also publishes the *Engineers Canada Examination Syllabus* and the *Engineers Canada List of Foreign Engineering Educational Institutions and Professional Qualifications*.

The syllabus describes an examination program to assess the academic qualifications of individuals who have not graduated from an accredited Canadian engineering program, an engineering program offered outside Canada but recognized to be equivalent to a Canadian program under a mutual recognition agreement, or a program offered outside Canada that has been evaluated by the Canadian Engineering Accreditation Board and deemed to be "substantially equivalent" to a Canadian program. The academic qualifications requirement to be licensed as a professional engineer in Canada is outlined in the *National Guideline on the Admission to the Practice of Engineering in Canada*.

**From Consideration to Integration** is an initiative of Engineers Canada that facilitates the integration of international engineering graduates into the engineering profession and workforce without compromising Canadian engineering standards. In close consultation with the constituent members, it has developed 17 recommendations to improve the integration processes for international graduates. In particular and with great support from PEO, it has developed the *International Institutions and Degrees Database*, which provides timely information on various degrees and institutions around the world that have been compared to our Canadian standards.

Engineers Canada attempts to achieve "engineering without borders" through activities that result in **national and international mobility**, while maintaining the high standard of Canadian engineering practice. A nationwide database has been created to further enhance the ease of movement of engineers across Canada.

Engineers Canada negotiates international agreements on behalf of its constituent members, primarily at the educational level through the Canadian Engineering Accreditation Board, to facilitate increased international mobility for Canadian engineers. The agreements also make it easier for its constituent members to evaluate the academic qualifications of international engineering graduates applying for engineering licensure in Canada.

The Canadian Engineering Accreditation Board also plays a key role in international activities by assessing the equivalency of the accreditation systems used in other nations relative to the Canadian system, and by monitoring the accreditation systems employed by the engineering bodies that have entered into mutual recognition agreements with Engineers Canada.

Engineers Canada maintains **official marks** on the terms: "engineer, engineering, professional engineer, P.Eng., consulting engineer, ingénieur, ing., ingénieur conseil, génie and ingénierie." This helps its constituent members to enforce the provisions of the Engineering Act in their jurisdiction, and protect the Canadian public through the regulation of the use of engineering titles.

Engineers Canada proactively addresses the challenges of continuing relevance of the engineering profession to maintain a strong profession, today and in the future.

The **research activities** of Engineers Canada monitor the pulse of the engineering profession in Canada, from coordinating its ongoing research on the nature of engineering work in Canada, to

undertaking its trends in engineering student enrolment and the number of degrees awarded study and its annual membership surveys.

It coordinates a national survey of the engineering profession, as well as monitoring emerging areas of engineering practice.

Engineers Canada is a participant in the **Women in Engineering Advisory Group**. On November 21 and 22, 2008, Engineers Canada's Women in Engineering Task Force held a presentation and consultation session entitled *Combating the Decline of Women in Engineering* at the 2008 National Conference on Women in Engineering held in London, Ontario.

Engineers Canada produces key research publications, including *Canadian Engineers for Tomorrow—Engineering Enrolment and Degrees Awarded Report* and summary findings from its national surveys of the engineering profession in Canada.

It supports the Canadian Engineering Memorial Foundation, which is dedicated to increasing the participation of women in the engineering profession.

Engineers Canada raises the **profile of professional engineering** through various activities, such as participating in National Engineering Month, activities of the Canadian Federation of Engineering Students and the printing of a national insert. In October 2008, the Board of Directors approved a five-year Engineers Canada Campaign to raise the national profile of the engineering profession. In addition to bringing a new approach to promoting the profession, the campaign is a collaborative effort between the national organization and the constituent members and will be complementary to the communications initiatives currently in place.

The organization produces several annual publications, including the *Accreditation Criteria and Procedures Report*, a national insert, an *Annual Report* and numerous news releases.

It presents the Engineers Canada Awards to honour Canada's outstanding engineers, engineering teams, engineering students and engineering achievements.

Engineers Canada offers a **national scholarship program** to support exceptional engineers undertaking studies at the university level.

Engineers Canada enhances the professional, social and economic welfare of engineers through the provision of high quality **affinity programs**. These activities create about 43 per cent of Engineers Canada's revenue; the remaining revenue coming from government and non-governmental organization funding, as well as revenues from the 12 provincial/territorial associations/ordre.

It sponsors insurance and investment products for Canada's engineers, from home and auto insurance to life insurance to professional liability insurance, as well as special discounts on car rentals.

Engineers Canada works with the federal government on **public policy** where issues pertaining to public health and safety can be directly influenced by the engineering profession.

Finally, Engineers Canada has spearheaded many **collaborative projects** that have been of mutual benefit to its constituent members, including PEO. In most cases, they have resulted in cost

savings to PEO, and in other cases have resulted in increased efficiencies and additional services to PEO's own membership (for example, Directors/Officers and Errors/Omissions Insurance, Commercial Crime Insurance, and Corporate Identity Protection Insurance and Employee Benefits. Cost savings to PEO have been in the range of \$115,000.

## **5.2 Ontario Society of Professional Engineers**

### **5.2.1 How are PEO and the Ontario Society of Professional Engineers (OSPE) working together for the engineering profession?**

PEO and OSPE have been working together for the past several years towards the common goal of promoting the engineering profession, and raising the profile of engineers, to the public, business, and governments.

For example, both organizations have been helping engineers-in-training to become licensed in Ontario through promotional and educational programs, participating together at accredited schools of engineering in Ontario to promote licensure and to let students know what each organization does; creating programs that will help internationally trained engineers become licensed; and working as partners to put together the Ontario Professional Engineers Awards (OPEA) Gala, an annual event celebrating the crème de la crème in engineering.

### **5.2.2 What is the impact of two voices when talking to the governments about engineering issues, one from PEO's Government Liaison Program and the other from the Ontario Society of Professional Engineers' Political Action Network? Would it confuse the politicians when there are two voices on the same engineering issues?**

The Ontario Society of Professional Engineers is seeking volunteers to participate in its Political Action Network initiative. The network engages in government relations activities on a local level, advocating issues of importance to engineers on behalf of the Ontario Society of Professional Engineers and its membership. Volunteering for the network will allow members to become directly involved in the Ontario Society of Professional Engineers' advocacy work and help strengthen the voice of professional engineers in Ontario.

Professional Engineers Ontario's role is to administer the *Professional Engineers Act* by licensing practitioners and setting standards for and regulating engineering practice in Ontario to serve and protect the public interest. One of its objects under the Act is to raise awareness of the role of Professional Engineers Ontario. It is within this mandate and object that PEO communicates with government.

The Ontario Society of Professional Engineers' mandate is to advocate on behalf of engineers and engineering and to be the voice of professional engineers. It is within this mandate that it communicates with government. Often, our messages to government will be complementary, but not necessarily.

Far from confusing government, making a distinction between PEO and the Ontario Society of Professional Engineers often enhances the credibility of PEO's messages as coming from the engineering body authorized by public statute in the public interest.

### **5.2.3 What's the difference between PEO and OSPE?**

As noted in question 5.2.2, Professional Engineers Ontario's role is to administer the *Professional Engineers Act* by licensing practitioners and setting standards for and regulating engineering practice in Ontario to serve and protect the public interest. PEO is there for the public.

The Ontario Society of Professional Engineers is a voluntary professional association that's there for the engineer. OSPE represents the voice of Ontario's professional engineers, and is dedicated to advancing the professional and economic interests of the province's 71,500 professional engineers. OSPE advocates with governments on their behalf, provides professional development, a career centre exclusively for engineers, and member savings on products and services.

### **5.2.4 What is OSPE's Centre of Engineering Excellence?**

The OSPE Centre of Engineering Excellence encompasses OSPE's Public Policy, Government Relations, Ongoing Education and Outreach activities under the highest standards of achievement. OSPE promotes and supports engineering excellence by advocating with governments and employers, promoting the public profile of Ontario's engineers, initiating proactive communications programs and enhancing engineers' economic interests through continuing education, career services and affinity programs.

### **5.2.5 In what ways does the Ontario Society of Professional Engineers advocate for engineers in Ontario?**

OSPE promotes the achievements of engineers and the importance of engineering through its media, public and government relations programs. These programs include editorial supplements and letters to the editor in major newspapers, contributed articles in leading trade magazines, radio and print advertising, symposiums and conferences, and the Political Action Network—a government liaison program that has seen OSPE volunteers meet with hundreds of Ministers and senior representatives from all levels of government over the last few years to discuss issues of importance to Ontarians.

### **5.2.6 What will the future relationship of PEO and the Ontario Society of Professional Engineers include?**

Both organizations are committed to the future of engineering. As both recognize that the key to this future lies with young engineers, they will continue to work together with the accredited engineering schools in Ontario to promote licensure and the benefits of becoming a professional engineer.

This future will also be greatly affected by internationally trained engineers, and ensuring that they become an integral part of the engineering community. Both organizations have developed programs and procedures that will help these individuals with licensure in Ontario.

## **5.3 Government Liaison Program**

### **5.3.1 What is PEO's Government Liaison Program?**

PEO's Government Liaison Program (GLP) was established to ensure that government, PEO members and the public continue to recognize PEO's regulatory mandate, in particular its contributions to maintaining the highest level of professionalism among engineers working in the

public interest. The goal is to have government view PEO as a partner, and understand and support PEO's policy direction.

The main messages of the program are:

- ◆ PEO has a legislative mandate under the *Professional Engineers Act* to regulate the practice of professional engineering to serve and protect the public interest.
- ◆ The self-regulating engineering profession has been successfully protecting the public for more than 85 years.
- ◆ PEO has unique knowledge and expertise and it is in the best interest of government to consult with it before considering any new policy directions that may have the potential to impact the regulation of the practice of professional engineering.

### **5.3.2 Why is it necessary for PEO to become engaged in such a program?**

As a leader in the professional community, whose practitioners make significant contributions to the economy and many aspects of our everyday lives, PEO ought to be an association of greater political influence. By not taking action, it is falling short in its legislated mandate to serve the public interest.

While engineering has historically taken a back seat to medicine and law when it comes to being vocal about its professional interests, PEO sees the Government Liaison Program opening doors so the engineering profession is, increasingly, being invited to the decision-making tables. PEO believes professional engineers have much to contribute to the development of policy and the setting of priorities for all levels of government.

Through the GLP, PEO's dedicated volunteers from across the province are building the necessary relationships in all levels of government to ensure the profession's perspective is heard.

### **5.3.3 How is the program structured?**

The program is designed with both short- and long-term goals in mind. To ensure chapter involvement in the short term, Government Liaison Program subcommittees have been created within each chapter to integrate the program into the chapter.

The subcommittee chairs are volunteer spokespeople for their chapter ridings and responsible for organizing the chapter objectives/activities, which include:

- ◆ inviting MPPs to chapter events;
- ◆ coordinating meetings with local MPPs;
- ◆ participating in MPP events;
- ◆ ensuring members are well informed of engineering and non-engineering matters to thoroughly comprehend issues pertaining to MPPs.

Through the Government Liaison Program subcommittees, the goal is to recruit at least one spokesperson for each politician at the municipal, provincial and, through Engineers Canada's Bridging Engineering and Government program, federal levels.

To help facilitate the Government Liaison Program, PEO has retained the services of Brown & Cohen Communications and Public Affairs to:

- ◆ provide spokesperson training for GLP members;
- ◆ help facilitate spokesperson activities with MPPs in local chapters, events and meetings;

- ◆ involve chapter representatives in other PEO activities; and
- ◆ provide guidance on the activities/steps that chapters can take to engage politicians.

#### **5.3.4 What did the program do during the past year?**

PEO's effort to strengthen relations with provincial legislators in 2008 was highlighted by the third Engineering for Ontario day reception at Queen's Park in September. Over 30 MPPs and cabinet ministers, including Attorney General Chris Bentley and parliamentary assistant MPP David Zimmer, met with PEO members, chapter representatives, staff and others in the Ontario engineering community. David Zimmer, LLB, MPP Willowdale and parliamentary assistant to the attorney general, was re-presented with PEO's President's Award for 2008 in front of his provincial parliament colleagues.

PEO's 36 chapters across the province are the local presence of the Government Liaison Program, through their meetings and events with local politicians to promote the role of the self-regulating profession in serving and protecting the public interest. About 40 government representatives attended PEO chapter events in 2008.

Several chapters also developed special projects or events to highlight the engineering-public policy link. For example, York Chapter prepared a preliminary discussion paper on proposed solutions to improve the electricity supply to northern York Region and subsequently held a public forum to present and discuss its findings. A committee representing the chapter's volunteer engineers undertook the review following a discussion with Dr. Helena Jaczek, MPP Oak Ridges-Markham, on how the profession might help her with issues at the constituency level. The purpose of the review was to help inform the general public in York Region about the complex issues surrounding this topic.

MPP Frank Klees addressed the need for long-term planning and predictable funding for Ontario's public infrastructure at the York Chapter's inaugural "Breakfast Meeting with your MPP" in June in Newmarket. The chapter's series of breakfast meetings is designed to bring together local elected officials, the public and those in the engineering community to discuss issues of mutual interest. The chapter's second breakfast meeting in November featured Dr. Reza Moridi, MPP Richmond Hill, who discussed Building a Knowledge Based Economy.

Similarly, Etobicoke Chapter hosted a forum to discuss the development of wind power on Crown land and the role of profession engineers in providing non-partisan technical advice to government. The Hon. Donna Cansfield, Ontario Minister of Natural Resources, MPP Etobicoke Centre, presented the evening's keynote address.

PEO senior staff also met with their counterparts in the provincial civil service at PEO's first public service dinner. The event on November 24 was attended by 12 deputy ministers or assistant deputy ministers.

PEO recorded a key victory in its ongoing government liaison when the environment ministry adopted regulation changes to recognize PEO limited licence holders as qualified to file records of site condition (RSCs) for brownfields remediation work.

Ontario Regulation 154/04 was amended April 1, 2008 to add PEO limited licence holders (and professional geoscientist limited members) to the qualified persons (QP) list.

The environment ministry had excluded limited licence holders from the list since the regulation was first put forward in 2004. Not only does the revised regulation recognize the value of the limited licence, it also eliminates from the QP list unlicensed practitioners. After October 31, 2009, only those licensed by PEO or the Association of Professional Geoscientists of Ontario will be considered qualified to conduct or supervise environmental assessments and file RSCs.

**5.3.5 Is it too late for me to get involved in the program?**

PEO is actively recruiting volunteers for the program. If you are interested in joining the growing number of professional engineers involved in the Government Liaison Program, contact your chapter chair or David Smith, Manager, Communications, at [dsmith@peo.on.ca](mailto:dsmith@peo.on.ca) or (416) 840-1068.

## **6 Ontario Centre for Engineering and Public Policy Development**

### **6.1.1 Can you give me an update on the Ontario Centre for Engineering and Public Policy Development?**

#### ***Excerpt from Quarterly Update to Council, January 2009***

I can hardly believe that I started as Executive Director of the Ontario Centre for Engineering and Public Policy less than three months ago. Wherever I have gone, I have been met with universal support for the establishment of the centre and many individuals and organizations have expressed keen interest in exploring collaborations with us. Time and time again, I hear that the creation of an independent body devoted to the study of engineering and public policy was long overdue. Although I will be speaking to Council in February, I am writing now to give you a brief sense of what I have been up to.

My most important tasks have been to establish contact with engineers interested in public policy questions, to take soundings at Queen's Park about directions the centre might take and to consult with other stakeholder groups. I have had dozens of fascinating discussions across the province touching on a gamut of issues important to the engineering profession. Although I already knew what an important resource the profession has to offer, I've been blown away by the talent, knowledge and passion of Ontario's engineers. I have absolutely no trouble demonstrating to opinion leaders and decision makers that engineers need to be taken seriously in public policy discussions and that they are more than willing to exercise their social responsibilities with honour and vigour.

As a result of my broad-based consultations, I am beginning to refine the central "rubrics" that will characterize the centre's activities during its ramp-up phase. I am sure that you will agree that the centre cannot be all things to all people. On the other hand, the centre should not identify its areas of emphasis too narrowly. I have applied four principal criteria to identify policy rubrics: Ontario's engineers must have a significant or fresh contribution to make; Ontario's engineers have not been as prominent in this area of public debate as they could have been; there are willing and available individuals who can make insightful contributions; and there is some alignment with provincial government priorities. On the latter point, the centre will not shy away from trying to raise the profile of particular issues. Rather, we have to recognize that the approach to these questions must be necessarily different. The designation of policy rubrics will, of course, be provisional and dynamic.

My discussions with elected officials and public servants at Queen's Park have been very fruitful. Kim Allen and I have made highly successful presentations to meetings of deputy ministers and assistant deputy ministers, and parliamentary assistants. With Howard Brown's help, I have embarked on a series of meetings with cabinet ministers and senior political staffers.

The missions of the Government Liaison Program and the centre are distinct but complementary. While the GLP is focused on presenting the views of the profession to government and other forms of direct action, the centre is in the business of "starting conversations" between engineers, politicians and public servants. Howard has been extremely helpful to me in opening the doors of influential personalities at Queen's Park so that I can explain the mission and goals of the centre.

Now that my initial consultation phase is coming to a close, I have turned my mind to the first tranche of issues papers to be commissioned by the centre. I have already approached a number of the 2008 Engineering Award winners to contribute papers and at least three of them have agreed to do so. Although I am still working on the details of how to disseminate our results, my short-term priority is to get the centre's website up and operating and to include our issue papers in *Engineering Dimensions*. With luck, you'll be able to see our first significant efforts in the March/April 2009 issue.

I have had tremendous support from many capable individuals at PEO and in the chapters. Over the next couple of months, the centre will be sponsoring a series of presentations on the Engineering and Technology Labour Market Study across the province. As you know, the centre partnered with the York Chapter on a preliminary discussion paper on the electricity supply to northern York region. This paper was an excellent example of a local MPP coming to the chapter to seek expert advice to inform the public discussion of an important public policy issue.

I have made a number of presentations about the centre's plans to such groups as Engineers Canada, the PEO Student Conference, and the Ryerson University Engineering Chairs. I have met individually with several of the deans of engineering and will attend their regular meeting in Guelph in February. In an endeavour to engage engineering students with the centre, I have launched a student essay competition.

Planning for the centre's annual conference will begin in earnest this month. Please mark May 8, 2009 on your calendar (the day before the Annual General Meeting, also at the Renaissance Toronto Airport Hotel and Conference Centre). My hope is that at least two provincial cabinet ministers will speak at the conference and formal invitations will be going out imminently.

I am very much looking forward to engaging in dialogue with you directly next month. In the meantime, please do not hesitate to share your comments and suggestions with me directly.

Please accept my best wishes for a happy and healthy New Year.

*Donald Wallace, Executive Director, [DWallace@peo.on.ca](mailto:DWallace@peo.on.ca), 416-840-1078*

## **7 PEO's Purchase of 40 Sheppard Avenue West**

### **7.1.1 How much did the building cost?**

The purchase price is \$22,575,000.

### **7.1.2 What is the appraised value of the building?**

The appraised value is \$22,300,000. This is based on the rental income the building generates. The land value and replacement cost of the building are considerably higher.

### **7.1.3 Why did PEO pay a premium for the building?**

Council established a tight location criterion to best serve members and applicants; 40 Sheppard Avenue West best matched the established criterion. However, it was not on the market. Typically a premium of 10 per cent is required to acquire a property that is not listed. PEO is only paying about 1 per cent premium.

### **7.1.4 When does PEO take ownership?**

The deal closed on March 11, 2009.

### **7.1.5 How big is the building?**

It is an eight-storey building with a floor plate of about 14,000 square feet. The building has slightly over 100,000 square feet of rentable area.

### **7.1.6 How old is the building?**

The building is 21 years old.

### **7.1.7 How much of the building will PEO use?**

PEO currently uses just over 30,000 square feet at 25 Sheppard Avenue West. But space is at a premium and PEO needs additional space to meet its current needs. Council determined that finding 50,000 square feet would meet PEO's medium term needs. PEO will grow into the 50,000 square feet as it needs it over the next five years. While PEO did not want to become a landlord, the additional space provides opportunity for PEO to grow in the long term without having to move.

### **7.1.8 When will PEO move?**

PEO's current lease expires December 31, 2009. However, 40 Sheppard Avenue West is currently 95 per cent leased. So PEO will have to move in a piecemeal manner. We expect to renovate the vacant space and likely begin moving some activities in September 2009. PEO will work with the tenants to attempt to free up enough space to substantially move the operation by the end of December. However, some activities may have to be done at another location until adequate/suitable space is available. In the worse case scenario, it would take until the first quarter of 2012 to have 50,000 square feet available for PEO's exclusive use.

**7.1.9 How is the \$20/member fee increase going to be used?**

The \$20/member (\$5/retiree) annual fee increase approved by members in February 2008 and effective May 1, 2008 translates into an about \$1.3 million contribution to a building reserve. There is a need to take out a \$14.1 million mortgage to acquire 40 Sheppard Avenue West. PEO was able to negotiate a 10-year, fixed-rate mortgage with an amortization period of 15 years to try to match the members' contributions through the \$20/member fee increase. This mortgage requires an annual payment of \$1,329,000.

**7.1.10 Will the building occupancy cost be more than the current accommodations cost?**

No, under the *Municipal Act*, PEO qualifies for reduced municipal taxes, if it owns a building. Based on the proportion of the building used by PEO, its municipal taxes will be reduced by about \$400,000 annually. In addition, the net rent in the building is \$6 sf less than the current location and operating costs are about \$1.50 less than the current building. PEO will have 50,000 sf for about the same cost as its current 30,000 sf.

**7.1.11 Why buy now?**

PEO had a 15-year lease at its current location that expires December 31, 2009. A building purchase is a long-term decision and real estate in good locations traditionally maintains its relative value. The current tough economic conditions have driven down mortgage rates. PEO will have a 10-year, fixed-term mortgage for less than 5 per cent. In November 2008, the same mortgage was more than 6.5 per cent. This translates to almost \$2 million less in expenses over the 10-year term of the mortgage.

**7.1.12 What are some of the costs that have been incurred as of December 31, 2008 in the purchase of the building?**

The costs incurred thus far are:

Item	As of December 31, 2008	Vendor
Building Condition Assessment	\$16,562	Halsall
Environmental Ph-1 Condition Assessment Report	\$ 3,992	Watters Environmental
Lawyers Fees	\$99,068	Bennet Jones LLP
Building Appraisal	\$ 8,000	Wagner, Kovacs and Andrews
Services for Building Search	\$ 5,000	Colliers International

**Notes:**

## **PEO Core Values**

**\* Accountability \* Respect \* Integrity \* Professionalism \* Teamwork**



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