



Professional Engineers
Ontario

Questions and Answers on PEO Operations
as at April 20, 2010

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Introduction

Professional Engineers Ontario (PEO) developed the booklet, *Questions and Answers on PEO Operations*, to help members and others better understand PEO operations. Information in this document was prepared based on input from PEO staff, Engineers Canada, the Ontario Society of Professional Engineers, PEO Council, and the Audit and Finance committees.

The figures in this document are based on the audited financial statements for 2009. The audited statements show the association's financial position as of December 31, 2009. The audited statements have been reviewed by an independent external auditor. In its audit opinion, the auditor stated the association's financial statements are free of material errors and are in accordance with generally accepted accounting principles.

It is hoped this document provides members the necessary information to make informed decisions on PEO's future directions.

Should you have further questions or feedback, please email operations@peo.on.ca. Look for periodic updates to *Questions and Answers on PEO Operations* on PEO's website (www.peo.on.ca).

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1. 2009 Financial Statements

1.1 Revenue and Expenditures

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

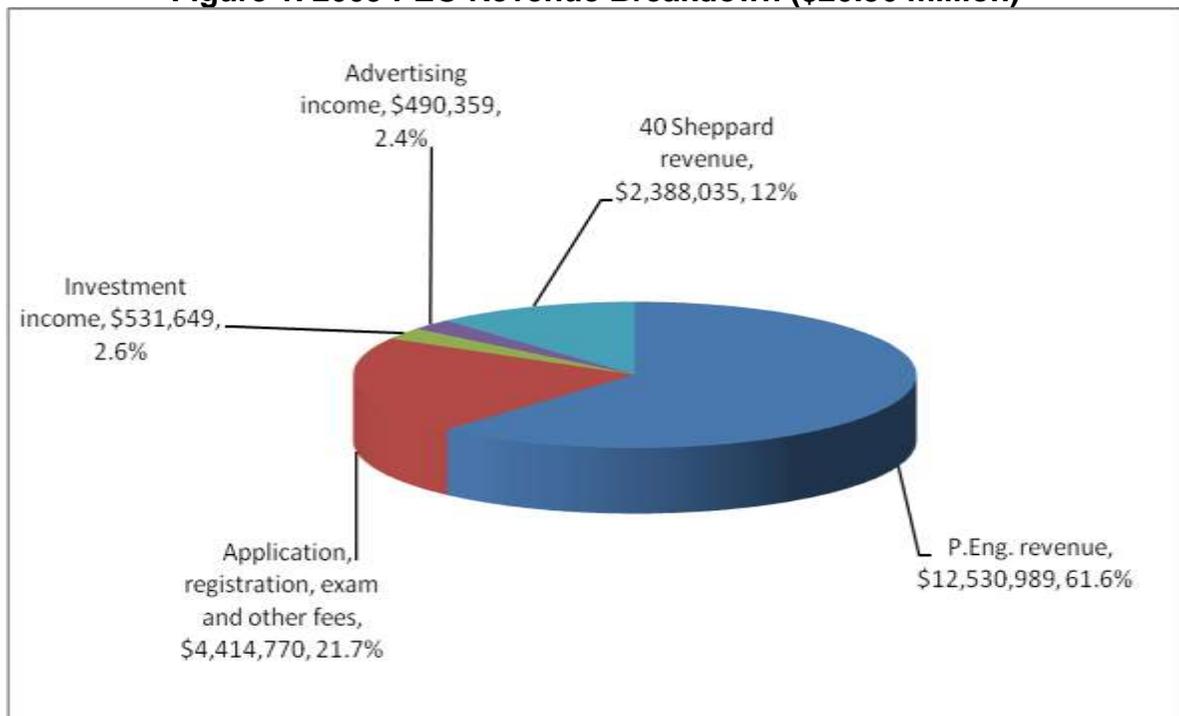
As per Council directive, a separate reserve was set up to keep track of the monies paid by the membership for purchasing and financing PEO's new head-office building. The financial statements presentation has been modified to better reflect this and also to present the financial status of the association in a clearer and more understandable format.

1.1.2 Revenue increased by 10.6 per cent in 2009 over the previous year. What accounted for the increase?

The total revenue in 2009 was \$20.36 million compared to \$18.40 million in 2008. The major sources of increase in revenue were:

- ◆ an increase in membership fee revenue of \$112,000—representing an increase of 0.9 per cent;
- ◆ an increase in revenue from application, registration and exam fees of \$113,000 or 2.6 per cent; and
- ◆ revenue of \$2.39 million from the new building at 40 Sheppard Avenue West. This was offset by a reduction of \$548,000 in investment income and a reduction of \$112,000 in advertising income. The reduction in investment income was due to liquidating approx. \$8 million of the \$20-million portfolio as a down payment for the building. The reduction in advertising income was due to the prevailing adverse economic conditions.

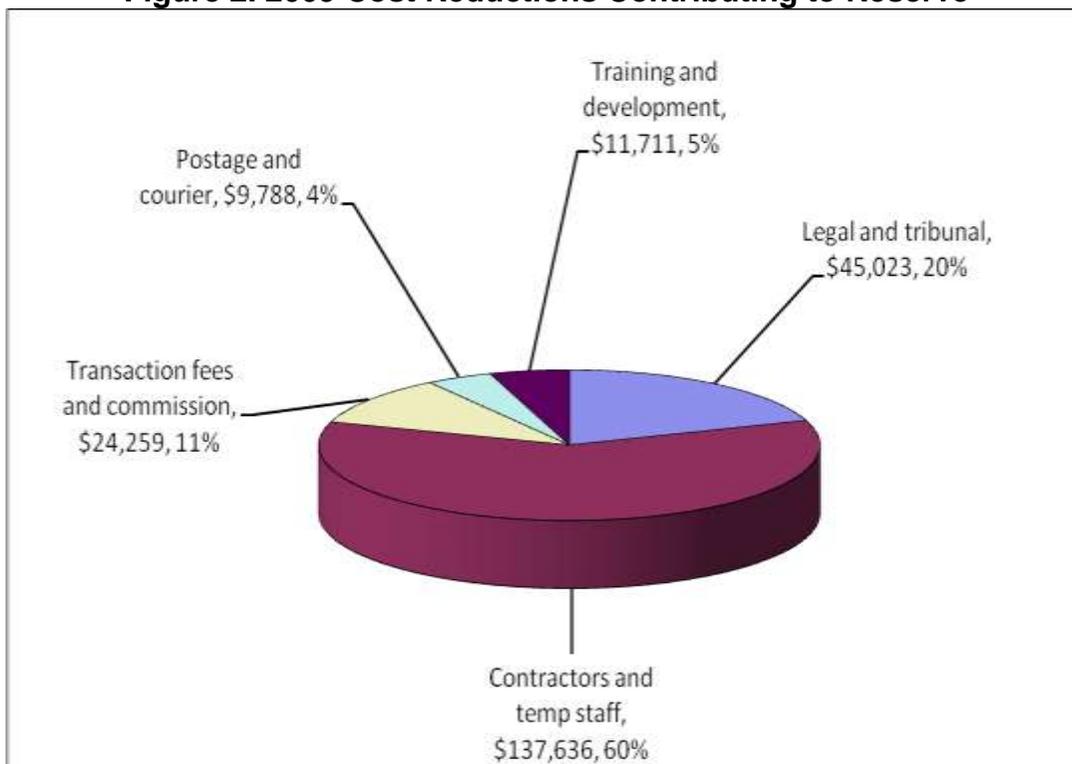
Figure 1. 2009 PEO Revenue Breakdown (\$20.36 million)



1.1.3 In 2009 PEO experienced an increase of \$1.33 million in its reserve balance in comparison to 2008. What factors contributed to the increase?

In 2009, the reserve balance was \$12.90 million compared to \$11.58 million in 2008. The increase in the reserve was largely the result of the team effort of senior management, staff and volunteers under the direction of PEO Council. PEO achieved the surplus through a combination of cost reduction initiatives, gains from PEO investments and the increase in the fair value of the swap agreement that PEO entered into for the financing of its building. Some 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 \$12.90 million.

Figure 2. 2009 Cost Reductions Contributing to Reserve



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

- ◆ **Contractors and temporary staff.** A decrease of \$137,636 or 34.5 per cent mainly was due to:
 - fewer contractors and temporary staff used in 2009 compared to 2008. There were one contractor and one temporary staff in 2009 compared to seven contractors and one temporary staff in 2008.
- ◆ **Legal and tribunal.** A decrease of \$45,023 or 6.5 per cent was due to:
 - lower costs for enforcement prosecution—\$18,734;
 - lower costs for complaints investigation—\$19,193; and
 - lower costs for independent counsel for tribunal operations—\$13,000.
- ◆ **Transaction fees and commission.** A decrease of \$24,259 or 6.3 per cent was due mainly to lower than budgeted sales and agency commission for *Engineering Dimensions* advertising sales.

- ◆ **Training and development.** A decrease of \$11,711 or 19.5 per cent in costs for training and development.
- ◆ **Postage and courier.** A decrease of \$9,788 or 1.8 per cent was largely due to lower postage and courier expenses for various departments, and lower costs for mailing annual general meeting materials, enforcement-related mailings, etc.

1.1.5 PEO's total expenditures increased 19 per cent or by \$3,250,936 in 2009 over the previous year. What accounted for the increased cost?

After setting aside \$2.28 million in expenses (against \$2.38 million in revenues) for the building at 40 Sheppard Avenue West that PEO purchased in 2009, the expenses for PEO operations in 2009 were \$17.9 million compared to \$16.8 million in 2008, representing a 5.7 per cent increase.

The main factors contributing to the increase in costs for PEO operations are:

- ◆ **Full-time staff salaries and benefits and retiree and full-time staff future benefits.** An increase of \$665,597 or 9 per cent was due mainly to:
 - merit and cost of living allowance increases;
 - 92 full-time staff in 2009 compared to 82 full-time staff in 2008; and
 - an increase in retiree and staff future benefits based on market conditions and the assessments received from actuarial experts.
- ◆ **Computers and telephones.** An increase of \$123,479 or 20.98 per cent was mainly due to:
 - higher costs associated with infrastructure at both 25 Sheppard and 40 Sheppard;
 - higher storage and back-up costs for PEO data (generated by an increase in operations);
 - higher Internet usage costs due to the PEO website receiving a larger number of hits.
- ◆ **Volunteer business expenses.** An increase of \$89,011 or 12.4 per cent was mainly due to higher costs for meals, mileage, accommodation, bus/taxi, car rentals, air fare, etc for:
 - attending various committee meetings, such as the Discipline Committee, Complaints Committee, tribunal operations, etc.;
 - Regional Congresses;
 - Regional Councillor meetings;
 - Ontario Professional Engineers Awards gala; and
 - Annual General Meeting and Order of Honour gala.
- ◆ **Purchased services.** An increase of \$54,505 or 5.39 per cent was mainly due to:
 - an increase of \$17,135 in costs for counting the ballots in the Council elections;
 - an increase of \$14,605 in costs related to the printing of Council election materials; and
 - an increase of \$18,185 in costs for a trainer/facilitator for the annual Council workshop.

1.1.6 What are the various items included in purchased services?

The main items under purchased services include expenses for printing *Engineering Dimensions* (\$230,000); expenses associated with Council elections (\$108,000), which include costs for printing, mailing and counting of election ballots; costs for meals at various functions, such as the annual general meeting, Order of Honour ceremony, Ontario Professional Engineers Awards ceremony, Chapter Leaders Conference, Queen's Park reception, etc. (\$103,000); costs for professional practice exam invigilation and marking (\$75,000); costs for technical exam setting (\$53,000); costs for technical exam marking (\$42,000); costs for the Engineer-in-Residence program (\$59,000); freelance administrative services for the chapter regional offices (\$39,000); freelance graphic design services (\$37,000); printing of wallet cards (\$22,000); video production costs for the Ontario Professional

Engineers Awards. Order of Honour ceremony, and the Candidate College (\$22,000); costs for professional engineer seals (\$18,000); etc. In addition, there were other several other expenses (\$20,000 or lower) for such services as surveys, catering, flowers, freelance photography, trainers or facilitators, rental of audio visual equipment and technical services, etc.

1.1.7 What is the breakdown of the costs for consultants?

The costs for consultants in 2009 were \$329,144 (compared to \$327,712 2008). These costs include expenses for a government relations consultant (\$96,000); IT consultants for the implementation of the Certificate of Authorization web portal (\$75,000); expenses for Scotia Cassels–PEO’s portfolio investment manager (\$30,000); expenses for the auditor (\$31,000); expenses for the Fairness Commissioner audit (\$22,000); expenses for various consultants for IT systems operations and maintenance (\$18,000); consultant costs for various human resources-related issues (\$14,000); consultants for developing/maintaining the website for the student membership program (\$10,000).

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

The costs incurred for the Ontario Centre for Engineering and Public Policy in 2009 were \$466,295. This includes expenses for salaries, benefits and miscellaneous expenses for publications, books, printing and travel.

1.1.9 What was the revenue foregone by way of the EIT Financial Credit Program and the increase in the number of EITs?

The revenue foregone by way of the Financial Credit Program was \$226,780 (compared to \$247,020 in 2008). The number of EITs (engineering interns) as of December 31, 2009 was 5704 (compared to 4884 in 2008).

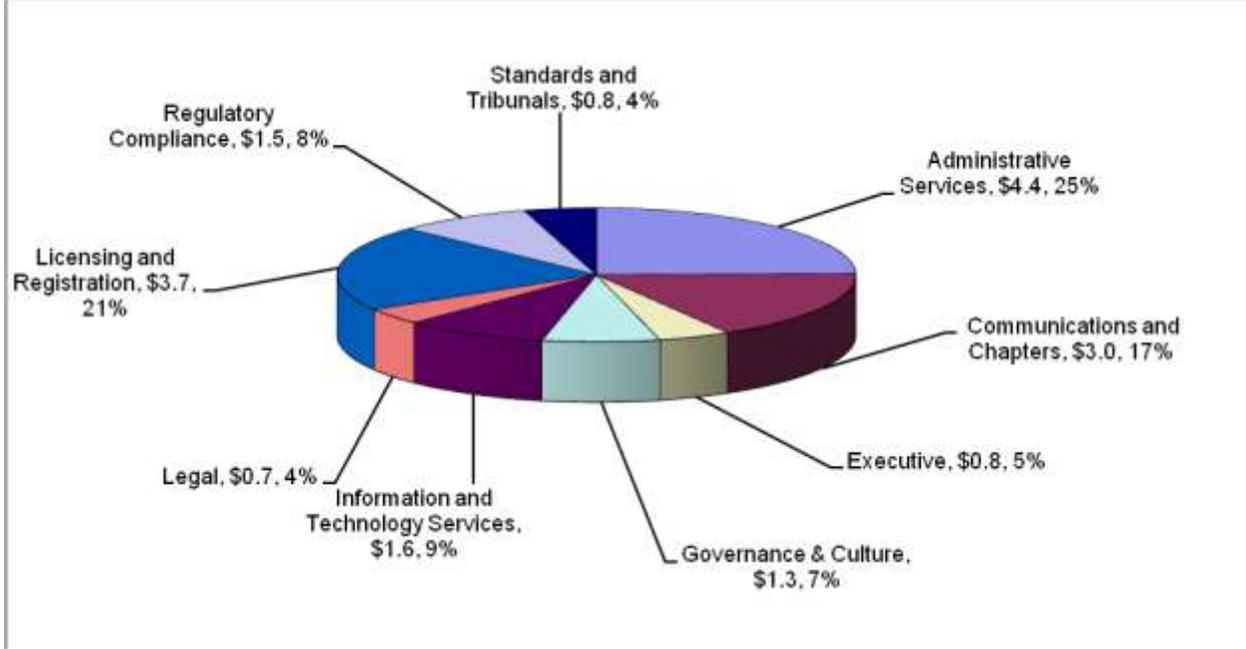
1.1.10 What were the expenses for tribunal operations?

The expenses for operating PEO’s tribunals, which included fees for legal counsel, court reporters etc., was \$190,315 compared to \$163,642 in 2008.

1.1.11 What are the 2009 figures for department expenditures?

Figure 3 illustrates the 2009 department expenditures.

Figure 3. Expenditures by Department (in \$M)



1.1.12 I hear that chapter funding was slashed in 2009. Is this correct? What are the reasons?

No, this is not correct. Chapter funding was not slashed. In fact, chapter allotments were increased in 2009 to \$416,009 (compared to \$407,498 in 2008).

1.1.13 How much did it cost PEO in 2009 to fund its chapters?

During the year, PEO paid chapter expenses totaling \$539,497 (compared to \$540,450 in 2008), including \$416,009 in allotments (compared to \$407,498 in 2008) and other disbursements to individual chapters. In addition, the association incurred additional costs of \$442,247 (compared to \$367,664 in 2008) related to chapter operations, including staff salaries and benefits and various other support activities.

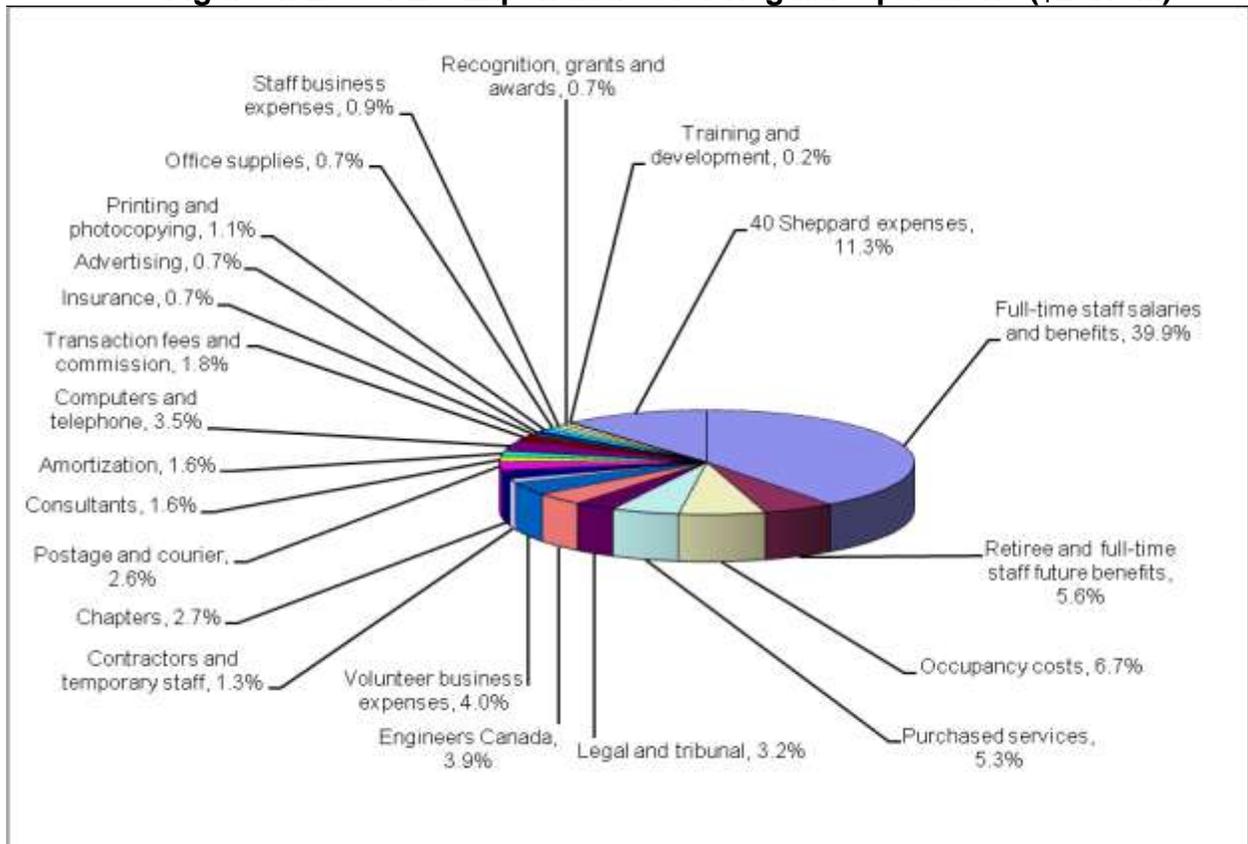
1.1.14 How does PEO manage its expenditures?

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 61.6 per cent, of PEO's total revenue. The breakdown of PEO's revenues is illustrated in Figure 1. In addition to annual fees, PEO also receives revenues from application, registration, examination and other fees, which constitute 21.7 per cent of total revenue. Advertising and investment income were 2.4 per cent and 2.6 per cent, respectively, of total revenue in 2009. Revenue from the building was 11.7 per cent of the total 2009 revenue. Figure 4 illustrates the areas in which the annual licence fee is spent.

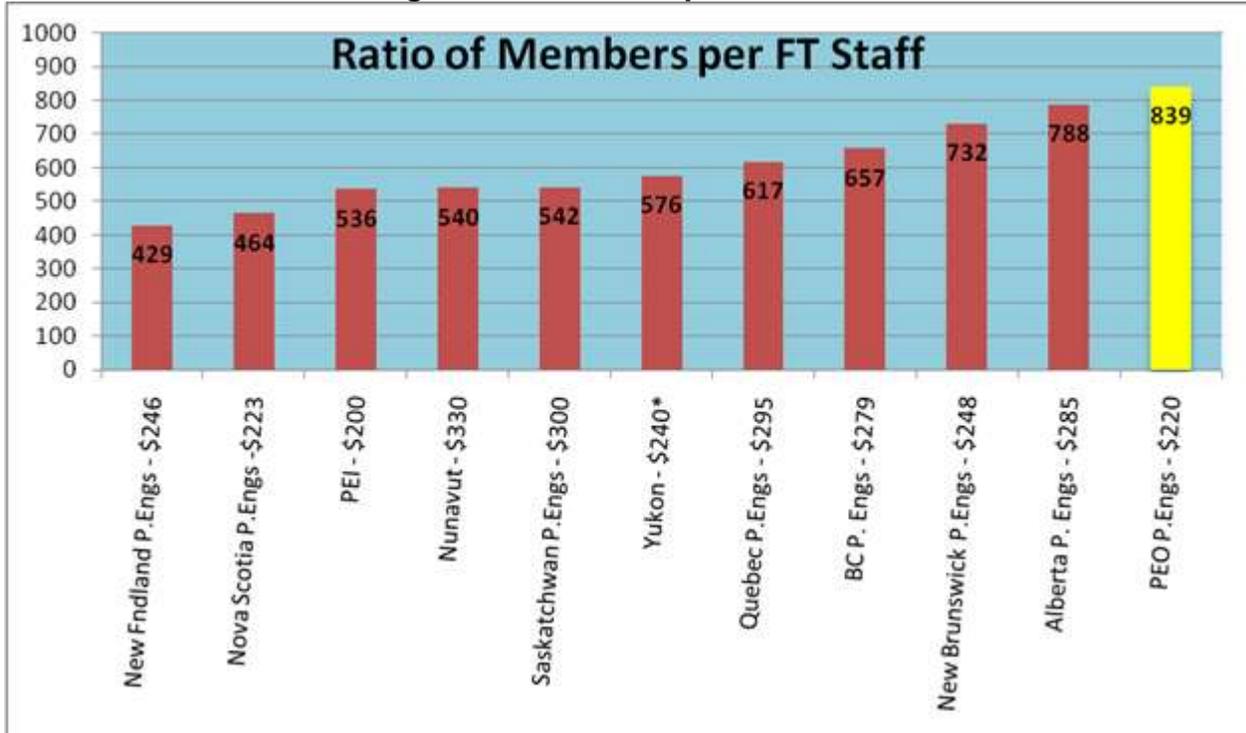
Figure 4. 2009 PEO Expenditures for Regular Operations (\$20.15M)



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. A higher value of this metric generally indicates greater organizational efficiency. The effect of volunteers is not considered in this metric, as volunteers are not compensated for their services.

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

Figure 4a. Members per staff



Note: Yukon P.Engs has no full-time staff but two half-time staff. These have been considered as one full-time staff.

1.2 Operating Reserve

The current operating reserve policy was developed in 2004 to ensure that the association's operations are managed conservatively and that PEO always has an adequate buffer at hand for unexpected contingencies. The operating reserve targets are annually updated and approved by Council on recommendations from the Finance Committee. PEO's operating reserve at the end of 2009 stood at \$12.9 million. This amount substantially exceeds the 2010 operating reserve requirement of \$2.2 million set by Council.

1.2.1 What is the purpose of having an operating reserve?

An operating reserve balance in a non-profit organization is similar 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 ensure adequate funds remain for day-to-day operations.

An 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 it 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 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 for its business planning and budgeting process. To reflect the changing needs of PEO's regulatory activities, operating reserve requirements are updated on annual basis by Council. This is done to ensure financial flexibility to help in implementing new initiatives, replacing outdated assets and/or programs, or satisfying 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?

PEO's operating reserve comprises two components—the general operations reserve and the Council special projects reserve. The general operations reserve comprises funds for capital expenditures, potential contingencies, liabilities and contractual obligations for the year. The Council special projects reserve 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 reserve policy is reviewed and approved by Council on an annual basis and as an integral part of the business planning and budgeting process. In addition, components of the operating reserve and the required amounts are reviewed and analyzed on an annual basis to reflect new circumstances and are intended to provide the necessary funding capacity and flexibility for PEO to maintain a balance between its revenue and expenditure, and to manage its financial needs.

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

The operating reserve is monitored on an ongoing basis and is formally reported to Council by the Finance Committee at least once every year. The policy requires an ongoing dynamic assessment of the components of the operating reserve, and its constituent amounts to reflect new circumstances and future needs. A timetable of operating reserve build-up has to be developed if the required reserve level falls short for any reason. To date, this has never been necessary due to the conservative management of PEO funds, which has resulted in the reserve level being well over the required minimum level.

1.2.5 What Council projects and amounts were included in the discretionary reserve spending?

In 2009, \$804,418 was spent from the Council discretionary reserve (compared to \$252,967 in 2008). This amount includes \$466,295 for the Ontario Centre for Engineering and Public Policy; \$143,290 on the sponsorship for the engineering summit; \$72,550 for the building development committee; \$19,294 on Council policy projects; and the rest on the Emerging Discipline Task Force and Sterling Award. Included in the above total is \$79,302 in salary and benefit costs, reflecting the cost of the amount of staff time spent on these various Council projects.

1.2.6 What was the amount collected in 2009 for the building reserve?

An amount of \$1,240,370 was collected in 2009 for the building reserve (compared with \$745,845) in 2008.

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 its 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;
7. Operating Reserve Policy, etc.

The policies help PEO establish appropriate authority, responsibilities and accountabilities as the key components of its internal control mechanism for entering into contracts and for spending money in accordance with the approved budget and with the *Professional Engineers Act*, Regulation 941/90, By-Law No.1 and other policies and procedures.

1.3.2 How does PEO manage its expenditure?

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

PEO management ensures 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 reviews 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 Finance 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 a budget comparative report monthly, detailing 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 the procurement results in the best value for PEO.

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 to the Finance and Audit committees and Council quarterly. 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 the answer to Question 1.1.11.

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:

- ◆ **Regular full time staff** are employees who work a normal work week of 37.5 hours for PEO.
- ◆ **Contractors** are employed by PEO for a set period. Normally, contractors are part of the 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 is employed by a third party (agency) for the period of time they are with PEO and will work a normal work week.
- ◆ **Consultants** are hired for a specific project and will invoice 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, 2009, the actual staffing level was 92 regular full-time staff, 1 contract, and 1 temp for a total of 94 staff in 2009. The figures approved in the 2009 budget were: 91 FT staff, 3 contractors and 1 temp.

Table 1. Actual and Budgeted Staffing Levels

Year	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	92	\$8,034,947	94

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

Like other businesses, PEO utilizes 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 the services required 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 projects). This strategy offers organizational flexibility, assists PEO to meet its staffing needs, and avoids unnecessary, longer-term staffing costs.

In 2009, PEO used:

- ◆ one contract staff in the Licensing and Registration are to handle the backlog and increase the number of Experience Requirements Committee interviews;
- ◆ one temporary staff in the Licensing and Registration and Administrative Services areas to cover increased workload due to additional applications;
- ◆ consultants 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 the Human Resources and Compensation Committee activities, including administering an employee opinion survey.

1.5 Employee Future Benefits

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"> • Pension income • Health care and dental care benefits
Post-employment benefits (while actively employed)	Benefits to the employees include: <ul style="list-style-type: none"> • Short-term disability income benefits
Compensated absences (while actively employed)	<ul style="list-style-type: none"> • Sick days • Vacation
Termination benefits	<ul style="list-style-type: none"> • Severance package

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, the annual financial statements of the organization would not be prepared in accordance with generally accepted accounting principles. This would force the auditor to provide a reservation in the audit opinion.

1.6 Process Improvement and Cost Savings

The Treasurer's Report outlining department-wise expenditures, savings, process improvements and other information on PEO's financial position may be found on the PEO website at www.peo.on.ca.

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

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

PEO is committed to ongoing cost efficiency by implementing systems to better 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 adopted are:

- ◆ improvements in the additional payment methods, introduced in early 2007, whereby members can 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 and that the alternative methods will 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, thereby reducing 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, thereby reducing the cost for the online credit card payment process;
- ◆ conference call technology for committee meetings whenever feasible to reduce volunteer business costs. In addition, PEO is also working towards building a state-of-the art IT infrastructure that will enable staff and volunteers to work together using teleconferencing and video conferencing facilities, resulting in additional savings over time.

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

As outlined in answer to question 1.6.1, PEO has implemented several automation initiatives to reduce costs. PEO is committed to ongoing improvement by reviewing business processes to identify and implement cost-effective means of operation.

2. PEO Business Planning Process

2.1 PEO Business Planning

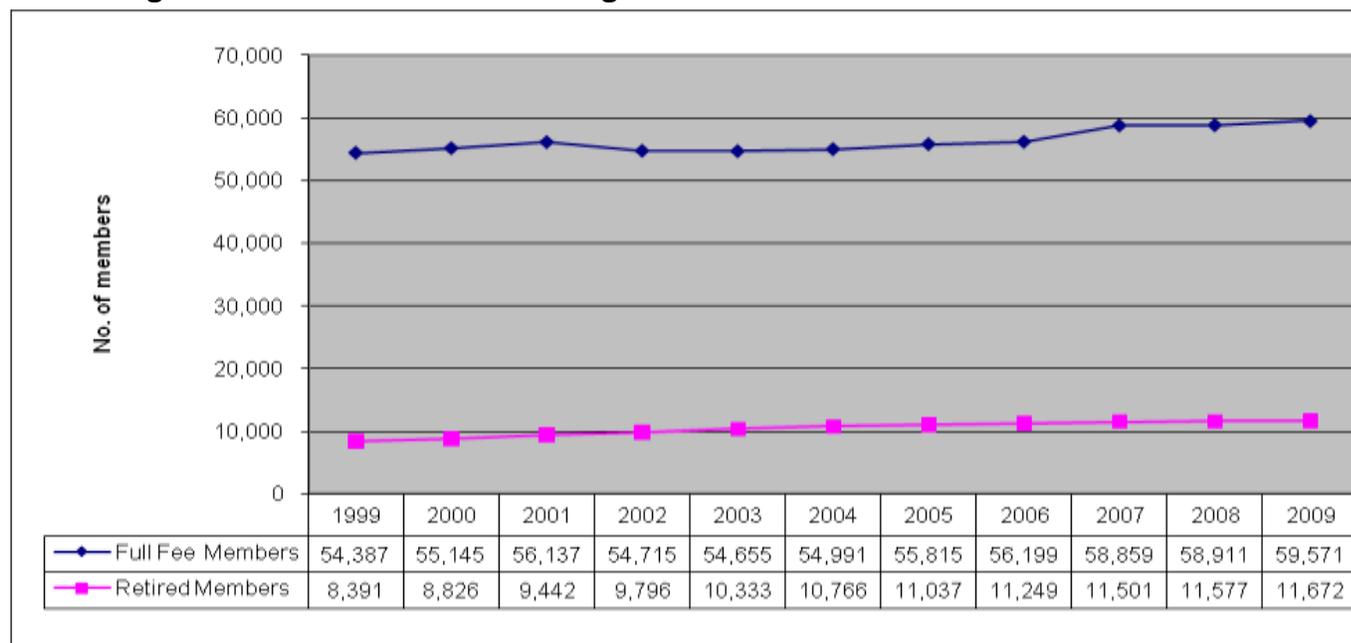
2.1.1 What is PEO’s financial state, based on the 2009 audited financial statements?

PEO’s reserve at the ending of 2009 was \$12.9 million (compared to \$11.6 million in 2008), representing an increase of \$1.3 million or 11.5 per cent.

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

The total membership has grown 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 (e.g. improved Experience Requirements Committee interview process). Initiatives like the EIT Financial Credit Program, introduced in 2007, are likely to increase membership growth in the years ahead.

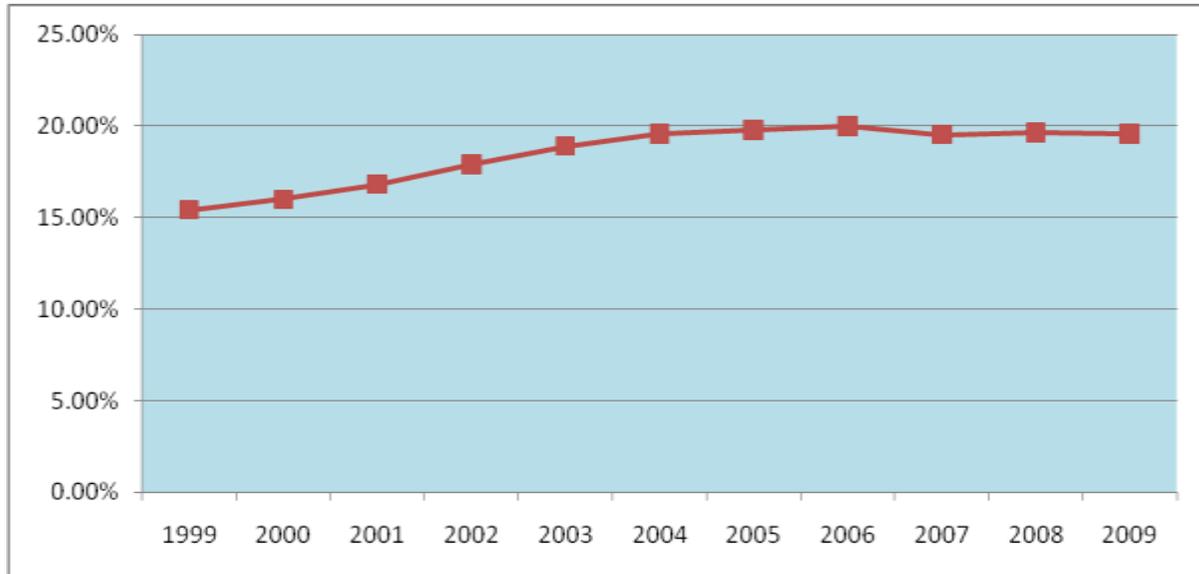
Figure 5. Historical Data of P.Eng. Full Fee Members vs. Retired Members



The number of retirees is expected to continue to increase over the next five years at a relatively constant rate of 0.8 to 1 per cent. The growth of regular members is expected to be in the range of 1 to 1.3 per cent. As shown in Figure 6, the number of retirees increased at a higher rate from 1998 to 2004 and, after a slight drop in 2007, has been relatively stable since. The net effect is an increase in the ratio of full fee members to retirees from 15 per cent in 1998 to approximately 19.6 per cent in 2009. In other words, in 2009, each full fee member had to absorb 19.6 per cent of the membership

fee of a retiree, as compared to 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* to increase its membership, but rather to regulate the practice of professional engineering and to govern its members and various licence holders.

However, as per Council direction, PEO implemented an EIT Financial Credit Program 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.

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.

Such initiatives are intended to serve as building blocks to:

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

3 Fees

3.1.1 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 Dec. 31, 2009

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	24,168	\$279.00
Association of Professional Engineers, Geologists and Geophysicists of Alberta	56,768	\$285.00
Association of Professional Engineers and Geoscientists of New Brunswick	5,123	\$248.00
Association of Professional Engineers and Geoscientists of Newfoundland and Labrador	3,001	\$246.00
Association of Professional Engineers, Geologists and Geoscientists of Nunavut and the Northwest Territories	1,620	\$330.00
Association of Professional Engineers of Nova Scotia	4,644	\$223
Ordre des Ingénieurs du Québec	58,613	\$295.00
Professional Engineers Ontario	72,347	\$220.00
Association of Professional Engineers of Prince Edward Island	536	\$200.00
Association of Professional Engineers of Yukon	576	\$240.00

**Data are based on web research and from information provided by the associations. Some associations did not respond (shown in bold font). For these associations, membership and fee information was obtained from their respective websites.*

4. PEO Envisioned Future and Strategic Intent

4.1.1 Where can I get more information on PEO's envisioned future and strategic intents?

Additional information may be obtained by contacting the Policy Unit of PEO at:
Policy Unit, Governance Department, Professional Engineers Ontario, 101-40 Sheppard Avenue West, Toronto, ON M2N 6K9.
Email: consultations@peo.on.ca

At the 2009 Council Workshop, Council developed a draft envisioned future and strategic intents. The envisioned future is the vivid description of the “desired” PEO in 25 years and the strategic intents are the strategic principles to progress towards the envisioned future. At the September 2009 Council meeting, Council approved the following envisioned future and strategic intents. The Strategic intents will be addressed by Council at its 2010 Council Workshop.

- ◆ **Big audacious goal.** Be the global leader in professional self regulation that responsibly improves the quality of life for all.

- ◆ **Vivid descriptions.**
 - P.Engs will achieve a position as the highest publicly trusted profession, and will be sought after worldwide for their valued expertise.
 - Licence holders will be regarded as exemplary practitioners from the perspective of integrity, competence, ingenuity and cost effectiveness.
 - Licence holders will be the best educated individuals so that they can be accountable for protecting the public interest by preventing failure and accidents in all fields of engineering practice.
 - PEO will be the world leader in engineering regulation and development. We will be the model for self-regulation, and will be the leader in global standards development. Governments worldwide will view PEO as leaders in the development of public policy.
 - PEO will promote and implement inclusiveness and diversity that drives innovation. The profession will reflect the diversity of society.
 - Licence holders will be proud to belong to PEO and to be a P.Eng.
 - Students will be excited to become a P.Eng. and consider engineering a rewarding career.
 - Engineers-in-training will increase uptake for engineering graduates to register as engineering interns.
 - Governments will have total confidence and trust in the ability of PEO to administer the Act.
 - The public will be more aware of the relevance of an engineering licence.

- ◆ **PEO strategic intents.**
 - Self-regulation—public trust. PEO will increase the confidence of the public, governments, and members in the value of self-regulation and licences to practise engineering by actively enforcing the provisions of the Act.
 - PEO's global influence. PEO will achieve effective participation with colleagues in the regulatory community abroad with the intent of improving PEO's international profile.
 - Diversity/inclusion—a profession that reflects society. PEO will continue to impose licensing requirements for the practice of engineering to protect the public interest and safety on the basis that all applicants, regardless of age, sex or ethnic background, who meet these requirements, will be able to obtain a licence in timely manner. PEO will strive to expand its

“acceptable alternatives” to recognize the skills and knowledge of applicants toward achieving the licensing requirements.

- Education/professional development/competence. Professional development is an essential function of licensure, and PEO will continue to integrate professional development with the licence.
- Highest standards of practice. PEO will develop appropriate practice standards to prevent failure and accidents in all fields of engineering practice.
- Ethics and professional responsibility. PEO will increase practising engineers'/public awareness that PEO members uphold professional responsibility and ethics to the highest standards.

5. External Relations

5.1 Engineers Canada

5.1.1 The fee PEO pays to belong to Engineers Canada seems to increase every year. Will this fee increase again in 2010?

The rate for the assessment for all constituent associations is \$10.21/member and engineering intern, and remains unchanged in 2010 from 2009, 2008, 2007, 2006 and 2005.

This fee structure continues into 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

Constituent associations	2003	2004	2005	2006-2010
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

5.1.2 What does Engineers Canada do for Professional Engineers Ontario?

Professional Engineers Ontario is one of the 12 constituent associations of Engineers Canada. It has three representatives on the 18-member board of Engineers Canada: Chris Roney, 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 in the sections below.

Engineers Canada conducted business activities in 2009 in direct support of the constituent associations' regulatory activities (admissions, practice, discipline and enforcement) and helping constituent associations ensure that all people practising engineering are licensed, at a cost of \$6.34 million that is just under 80 percent of its budget.

Engineers Canada's 2009 operational expenses totaled just over \$8.64 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 these 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*.

Launched in January 2003, **From Consideration to Integration** was a three-phase project designed to facilitate, through the development of new processes and/or improving current processes, the timely licensure and employment of international engineering graduates without compromising public safety or lowering professional standards. As the ongoing activities associated with foreign credential recognition have become core business for the constituent associations and Engineers Canada, the From Consideration to Integration Task Force was stood down with thanks in May 2009. Work on foreign credential recognition continues, however, through the implementation of the From Consideration to Integration recommendations. In close consultation with the constituent associations, it 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 associations, 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 associations 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 associations to enforce the provisions of the engineering act in their jurisdiction, and protect the Canadian public through the regulation of engineering practice.

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**. The Women in Engineering Task Force held a workshop in Toronto on September 10, 2009, resulting in mutually agreed-upon initiatives for further advancement of the recommendations, including raising the profile and improving the image of the profession, demonstrating the value of diversity in engineering education and in the workplace and helping prepare engineers for a diverse workforce.

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.

The organization currently 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 projects.

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 45 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.

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Finally, Engineers Canada has spearheaded many collaborative projects that have been of mutual benefit to its constituent associations, 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?

Although we have different mandates, PEO and OSPE have been working together for the past several years. For example, both organizations have been helping engineering interns 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 international engineering graduates 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 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 has volunteers who 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 OSPE and its membership. Volunteering for the network allows members to become directly involved in OSPE's advocacy work and helps strengthen the voice of 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.

OSPE's mandate is to advocate on behalf of engineers and engineering, and to be the voice of Ontario's engineers. It is within this mandate that it communicates with government. Often, PEO and OSPE messages to government will be complementary, but not necessarily.

5.2.3 What's the difference between PEO and OSPE?

As noted in the answer to 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 engineers, and is dedicated to advancing the

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professional and economic interests of the province's 73,000 professional engineers. OSPE advocates with governments and the regulator (PEO) on their behalf; provides professional development and a

career centre exclusively for engineers; and member savings on products and services. OSPE is there for its members and non-member engineers alike.

5.2.4 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; symposia and conferences; and the Political Action Network—a very successful 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. As well, OSPE Board executive and senior staff meet regularly with government officials to discuss matters of importance to engineers and the profession.

OSPE's mandate also includes advocating with PEO, the regulatory body for the province, to ensure our distinct responsibilities do not overlap: PEO protects the public, while OSPE is there for Ontario's engineers.

5.2.5 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 international engineering graduates, ensuring 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. Ultimately, 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 over 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, we are falling short in our 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 our professional interests, we see our Government Liaison Program (GLP) opening doors so we are, increasingly, being invited to the decision-making tables. We believe professional engineers have much to contribute to the development of policy and the setting of priorities for all levels of government.

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

5.3.3 How is the program structured?

To ensure chapter involvement in the program, each chapter has a Government Liaison Program (GLP) Subcommittee to oversee the program at the grassroots level.

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 of the 103 provincial ridings, as well as for the federal and municipal levels. Liaison with federal politicians is coordinated with Engineers Canada's Bridging Government and Engineers program.

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;
- ◆ provide guidance on the activities/steps that chapters can take to engage politicians.

In 2009, Council approved in principle a standing committee to coordinate GLP efforts and develop and execute new strategic initiatives for the program. To date, the GLP has resulted in active subcommittees in most PEO chapters, a program reference manual, campaign and candidate college workshops, and the annual Engineers for Ontario Day reception for MPs and MPPs at Queen's Park. However, Council believes chapter GLP subcommittees may be able to work even more effectively with common goals and consistent activities overseen by a dedicated central committee. Council directed the CEO/Registrar to report in early 2010 on the ways and means of establishing a standing committee.

5.3.4 What did the program do during the past year?

In 2009, PEO held its fourth annual **Queen's Park MPP reception**, where 30 MPPs and four cabinet ministers mingled with PEO members, chapter leaders, senior staff and representatives of allied engineering organizations to celebrate the engineering profession.

Speaking at the reception, Willowdale MPP David Zimmer, LLB, parliamentary assistant to the attorney general, congratulated PEO for its efforts to become a more active voice in Ontario politics. Conservative MPP Lisa MacLeod (Nepean-Carleton) brought greetings from new party leader Tim Hudak, praising engineers for their contributions to Ontario trade and commerce and paying tribute to PEO's Ottawa Chapter for its extensive government liaison outreach. New Democrat MPP Paul Miller (Hamilton East-Stoney Creek) called professional engineers "crucial partners in the everyday life of Ontario," and said PEO's plan to elect 11 engineers to the Ontario legislature by 2011 is a welcome opportunity to bring new perspectives and skill sets to provincial politics.

The first two recipients of a new **GLP Chapter Award** were also announced at the reception. Robert Bressan, P.Eng., of the Algoma Chapter, accepted the award in recognition of the chapter's April 2009 submission to a parliamentary committee on the *Green Energy Act*. Cam Leong, P.Eng., of York Chapter, accepted the award for its work with Oak Ridges-Markham MPP Helena Jaczek, MD, who had asked chapter engineers to examine electricity distribution needs in northern York Region.

PEO took an important step towards its goal of having 11 engineers in the 2011 legislature by co-hosting its first **Candidate College** with Engineers Canada on October 14.

Seven speakers joined 140 participants to explore how engineers can take their expertise, experiences and leadership skills and turn them into a life in public office.

The workshop featured presentations from: Norm Sterling, P.Eng., MPP Carleton-Mississippi Mills; Martha Hall Findlay, MP Willowdale; David Zimmer; Christine Elliott, MPP Whitby-Oshawa; Peter Tabuns, MPP Toronto-Danforth; Jack Heath, Markham deputy mayor and former president, Ontario Liberal Party; and Tim Reid, former Scarborough East MPP and former president of the Canadian Chamber of Commerce. The topics they covered included how to: win a nomination, build your profile, raise money, build an election team, run a campaign and mobilize support. They each also led a breakout session. An edited video version of the workshop is available in the news section of PEO's GLP website, www.glp.peo.on.ca.

In a new venture, PEO is combining the activities of its pre-licensing, chapters, communications and governance units to involve engineering students—representing the next generation—into the GLP. The **GLP/Ontario Engineering Student Public Policy Initiative** was launched at the Engineering Student Societies Council of Ontario AGM at Ryerson University. Through the new initiative, engineering students from the universities of Toronto, Guelph, Ontario Institute of Technology and Waterloo, and Ryerson, McMaster, and York universities have attended Ontario Energy Network luncheons as PEO's guests.

Several PEO chapters organized events to highlight the engineering-public policy link. Besides the York and Algoma chapters, which received the inaugural GLP Chapter Awards, **Ottawa Chapter** organized an evening to discuss the *Green Energy and Green Economy Act, 2009* with keynote speaker Phil McNeely, P.Eng., MPP Ottawa-Orleans, parliamentary assistant to the minister of energy and infrastructure, and a panel of experts/advocates on green energy policies and technologies. Then Energy and Infrastructure Minister and Deputy Premier George Smitherman was keynote speaker at a town hall meeting sponsored by the **Brampton and Mississauga chapters** to discuss the *Green*

Energy Act. The October event drew more than 250 attendees, including Charles Sousa, MPP Mississauga South, and Linda Jeffries, MPP Brampton-Springdale.

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

PEO is always 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 or (416) 840-1068.

6. Ontario Centre for Engineering and Public Policy

6.1.1 Can you give me an update on the activities of the Ontario Centre for Engineering and Public Policy?

Since its founding by Professional Engineers Ontario in June 2008, the Ontario Centre for Engineering and Public Policy (OCEPP) has continued to take important strides in fulfilling its mandate and business plan. It has also begun to gain greater awareness among engineers, politicians, policy-makers and other opinion-leaders, as well as help them intersect with one another more frequently.

The centre has two key responsibilities: to encourage the engineering profession to take a greater role in the formation of public policy, and to make legislators more aware of engineering expertise and encourage them to consider that knowledge when drafting and reviewing legislation. Simply put, the centre strives to make engineering the “go-to” profession for decision-makers seeking solutions to such policy problems as waste management, energy security and public health.

Among the centre’s milestones last year were the launch of *The Journal of Policy Engagement*, the annual Public Policy Conference, the quarterly Policy Engagement Series, a website and the Junior Fellowship program. Another high point was the vote by PEO council in September to establish the centre on a continuing basis.

- ◆ ***Journal of Policy Engagement.*** Since its inaugural issue in March 2009, *The Journal of Policy Engagement* has begun to earn a reputation as one of the province’s most scholarly and trusted voices on engineering and policy matters. Published every two months, the journal delves into such weighty topics as a new model for engineering licensing and membership, the societal benefits of having engineers educated in public policy, and the *Green Energy Act*. In addition to its inclusion in *Engineering Dimensions*, the journal is mailed to every MPP, deputy minister and assistant deputy minister in Ontario. Current and past issues are available on the centre’s website (www.ocepp.ca).
- ◆ ***First annual conference sets high benchmark.*** On May 8, 2009 more than 200 engineers, policy-makers, business leaders, politicians and university faculty and students gained fresh perspectives on some of the province’s most urgent concerns. Ontario’s new *Green Energy Act*, the lessons learned from the Walkerton tragedy, beyond the mechanics of climate change, and how engineers can gain better access to the corridors of power were among the topics discussed. The 23 distinguished speakers and panellists included the Hon. John Wilkinson (then Ontario minister of research and innovation), Amit Chakma (then provost of the University of Waterloo), and several university professors. Ninety-five per cent of respondents to the post-conference survey rated the event good or excellent and many conference attendees eagerly proposed topics and speakers for future conferences.
- ◆ ***Quarterly policy series.*** First held in March 2009, the centre’s quarterly Policy Engagement Series has steadily drawn larger audiences representing an impressive list of Ontario legislators, policy-makers, business leaders and university researchers. The presenters in 2009 were University of Toronto Professor Dr. Christopher Kennedy, Waterloo Institute of Sustainable Energy Executive Director Dr. Jatin Nathwani, and AUTO 21 Centres of Excellence Scientific Director and CEO Dr. Peter Frise.

Held at or near Queen's Park to facilitate representation by MPPs and policy-makers, the noontime presentations addressed pressing issues such as how to best allocate infrastructure funding, Ontario's energy future, and the challenges and opportunities facing the province's automotive sector. The presentations consistently received strong satisfaction ratings from attendees, as well as prompted dozens of suggestions for future topics and speakers.

- ◆ **Synergies extend OCEPP reach, message.** In addition to signature events, such as the annual conference and Policy Engagement Series, OCEPP teamed up with a number of external groups and organizations to present workshops and other events. In partnership with Infrastructure Ontario, OCEPP held a highly successful half-day workshop for engineers wanting to know more about alternative financing and procurement projects. The workshop used a case-study approach, based on a major infrastructure project in the GTA.

In all, the centre sponsored or co-sponsored more than a dozen events throughout the province in 2009. Among these cooperative efforts was a breakfast forum to discuss proposed changes to the *Waste Diversion Act*, presented in partnership with the Ontario Society of Professional Engineers, and a full-day workshop on engineering and public policy, in conjunction with PEO's East Toronto chapter and two other groups.

- ◆ **Reaching out to Queen's Park, business and academe.** While OCEPP received a warm welcome from government, universities and many business and association leaders during its initial months, it redoubled efforts in 2009 to build introductory meetings into lasting, effective relationships and to seek out new ones. In particular, OCEPP met with such key individuals such as MPPs, deputy ministers and assistant deputy ministers, Ontario Chamber of Commerce President Len Crispino, Ontario Power Generation President Tom Mitchell, and leaders of the Walter and Duncan Gordon Foundation and the Schad Foundation.

Throughout 2009, OCEPP staff helped spread awareness of itself and its mandate by delivering 31 presentations in 10 communities. Among these events were the University of Western Ontario's Distinguished Lecture Series, the National Engineering Conference on Women and Engineering, and the annual general meeting and conference of Engineers Nova Scotia.

- ◆ **Widening awareness through the web.** On the same day that it held its first annual Public Policy Conference, OCEPP established its online presence through the debut of its website. Presenting a bold and appealing design, the website offers a well-organized and ever-growing array of information and resources, including background on upcoming and past events, publications such as the *Journal of Policy Engagement* and *2009 Annual Report*, and research.

The centre's Facebook page, created in fall 2009, had more than 200 members by year end. Not only does Facebook provide a quick method to promote centre happenings, it allows the centre to communicate its presence to an even wider audience. OCEPP's Facebook page and website are frequently updated with the latest news, events and other information.

- ◆ **Junior fellowship.** Another important first in 2009 was the establishment of a one-year junior fellowship. Since her arrival in August 2009, inaugural junior fellow Jana Levison has been actively engaged in research and reported on groundwater contamination and waste diversion in the *Journal of Policy Engagement*. Levison also contributed to a joint statement prepared with eight other organizations. Submitted to the Ministry of Environment, the statement reviewed the province's *Waste Diversion Act*.

- ◆ **Working toward a sustainable funding model.** From its inception in June 2008, the centre has been keenly aware of the need to create a viable, long-term funding model. At its November 2009 meeting, PEO council struck a task force to review alternative funding options for the centre.

7. PEO's Purchase of 40 Sheppard Avenue West

7.1.1 How much did the building cost?

The purchase price was \$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 did 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 sf. 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 sf 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 sf would meet PEO's medium term needs. PEO will grow into the 50,000 sf 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 lease at 25 Sheppard Avenue West expired December 31, 2009. PEO moved into 40 Sheppard Avenue West on December 18, and was open to the public again on December 21.

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 was 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 accommodations at 25 Sheppard Avenue West?

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 a square foot less than the 25 Sheppard Avenue West location and operating costs are about \$1.50 less. Eventually, PEO will have 50,000 sf for about the same cost as its previous 30,000 sf.

7.1.11 Why buy in 2009?

PEO had a 15-year lease at its 25 Sheppard Avenue West location that expired December 31, 2009. A building purchase is a long-term decision and real estate in good locations traditionally maintains its relative value. The tough economic conditions in 2009 drove down mortgage rates. PEO was able to acquire 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 Can you provide us with an overview of the IT infrastructure in the new building?

PEO used the move to 40 Sheppard as the opportunity to significantly upgrade the information technology infrastructure supporting the business. A one gigabit network was designed and installed using Cisco switches, a fibre optic backbone, and category 6 cabling to the workstations. Security is maintained through a Cisco firewall supplemented by an intrusion detection system. Component redundancy and fail-over were incorporated in all aspects of the design/installation of the multi-floor facility.

PEO also migrated the telephone system to Voice Over Internet Protocol (VOIP) technology. All the existing phone numbers were retained. Voice and data now run over the same network while a virtual LAN ensures suitable Quality of Service for the voice traffic.

In the summer of 2008, PEO outsourced the management and operation of the servers for the production computing environment, as well as the development and testing environment. Data communications to the outsource location is over a 100 megabit fibre optic based service. A wireless communications link is also incorporated with automatic failover to it as the backup connection to the outsource location in the unlikely event that the fibre optic connection becomes unavailable.

Hardware for the few servers remaining at PEO was upgraded and virtual server technology introduced to limit the number of physical devices required. The large computer room at 25 Sheppard that once held 40 servers plus telephone PBX, network switches, and data communications equipment has been replaced at 40 Sheppard by a small computer room, roughly 120 square feet, holding only two servers plus the telephone system and network components.

A secured wireless service is available in all areas occupied by PEO. Staff has the ability to connect wirelessly into the network wherever they happen to be while working at PEO. Visitors are also able to easily connect to the wireless service to gain access to the Internet and for limited printing services.

These wireless services are complemented by an enhanced VPN facility so that staff working remotely (i.e. at home or traveling) have full access to the PEO computing environment.

The technology infrastructure was designed with a view to the future. PEO expects to more fully exploit web and video conferencing technologies in the coming years. As various staff, volunteer and public meeting facilities are introduced, sophisticated A/V services will be incorporated. The infrastructure will support these new collaboration services and associated increase in demands for bandwidth.

7.1.13 Who is PEO's current property manager?

The building at 40 Sheppard is being managed by Colliers International.

7.1.14 What were the revenues/expenses incurred for the new building.

This information is available in the audited 2009 financial statements.

7.1.15 Can you provide us a five-year projected cash-flow for PEO after factoring mortgage payments along with the fact that PEO would eventually occupy 50,000 sq ft in the building?

The five-year cash flow projections for all PEO departments after factoring in expenses for the building are as shown in Table 5. In the first column for the year 2010, the net cash flow to PEO from the building had it been occupied by tenants other than PEO would have been \$390,000.

If PEO were to occupy 40 per cent of the space and after factoring the reduced rent PEO would receive, operating expenses, and the mortgage and principal payments, PEO would have a negative net cash flow of \$681,000. After applying the building reserve monies of \$1.27 million, an amount of \$589,000 of the building reserve is available to fund other tenant improvements in the building. After setting aside \$3.5 million in 2010 for building upgrades and for the payment of a \$1 million vendor take-back mortgage, PEO will be required to draw on its investments for an amount of \$2.9 million. After offsetting these expenses by income from PEO operations of \$345,000 and after factoring Council special project expenditures of \$600,000 and IT capital expenditures for \$165,000, there will a net draw down of marketable securities of \$3.3 million, which will result in PEO being left with a net cash position of \$12.97 million at the end of 2010.

A similar flow of expenses can be seen in the table for the remaining years till 2014. Starting from the year 2013, it is expected PEO will start occupying 50 per cent of the space. This will result in lower building revenue from tenants and higher operating expenses. At the end of 2013, PEO will be left with net securities worth \$10.1 million. For 2014, the net securities position of PEO is expected to be at \$9.17 million.

However, it is important to note that throughout the five years, PEO is left with an adequate cushion of funds each year, which will most likely eliminate the need for any fee increases for PEO to maintain its regular day-to-day operations.

**Table 5. The Association of the Professional Engineers of Ontario
Five-year cash-flow projection
2010 to 20114 for all departments and 40 Sheppard Avenue West**

	2010		2010		2011		2012		2013		2014	
	Pro-Forma											
Average rental rate per square foot 40 Sheppard Ave. W.	16.10		16.10		16.90		17.75		18.20		18.50	
	<u>PEO</u>	<u>Others</u>	<u>PEO</u>	<u>Others</u>	<u>PEO</u>	<u>Others</u>	<u>PEO</u>	<u>Others</u>	<u>PEO</u>	<u>Others</u>	<u>PEO</u>	<u>Others</u>
	0%	100%	40%	60%	40%	60%	40%	60%	50%	50%	50%	50%
Revenue - rent (102,000 sq. ft)	0	1,644,261	-	986,556	-	1,035,578	-	1,087,663	-	929,365	-	944,684
Operating expenses		In&Out	(620,881)		(639,988)		(657,006)		(843,191)		(865,804)	
Base rent revenue collected			986,556		1,035,578		1,087,663		929,365		944,684	
Parking revenue		120,000	120,000		120,000		120,000		120,000		120,000	
Antenna revenue		54,000	54,000		54,000		54,000		54,000		54,000	
Other revenue		12,000	<u>12,000</u>									
Revenue net of operating expenses		1,830,261	551,675		581,590		616,657		272,174		264,880	
Realty tax recovery		-	<u>206,682</u>		<u>212,882</u>		<u>219,269</u>		<u>282,308</u>		<u>290,777</u>	
Cash flow before financing		1,830,261	758,357		794,472		835,926		554,482		555,657	
Less: principal & interest with an accelerated amortization period of 15 years		<u>1,439,270</u>	<u>1,439,270</u>		<u>1,419,496</u>		<u>1,401,806</u>		<u>1,384,168</u>		<u>1,365,380</u>	
Net cash flow		<u>390,991</u>	(680,913)		(625,024)		(565,880)		(829,686)		(809,723)	
Application of building reserve			<u>1,270,000</u>		<u>1,270,000</u>		<u>1,270,000</u>		<u>1,270,000</u>		<u>1,270,000</u>	
Balance of building reserve to be used to fund other capital items (PEO tenant improvements, furniture & equipment)			589,087		644,976		704,120		440,314		460,277	

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Questions and Answers on PEO Operations – April 20, 2010

Building upgrade includes the pay down of the 2nd mortgage in the amount of \$1M)		3,500,000	1,500,000	1,000,000	1,000,000	1,000,000
Drawdown of short term investments		(2,910,913)	(855,024)	(295,880)	(559,686)	(539,723)
Expected cash from PEO operations	1.5%	374,550	380,168	385,871	391,659	397,534
Discretionary expenditures by Council		(600,000)	(600,000)	(600,000)	(600,000)	(600,000)
IT capital expenditures	3.0%	<u>(164,000)</u>	<u>(168,920)</u>	<u>(173,988)</u>	<u>(179,207)</u>	<u>(184,583)</u>
Drawdown of marketable securities		(3,300,363)	(1,243,776)	(683,997)	(947,234)	(926,772)
Marketable securities at beginning of period		<u>16,276,304</u>	<u>12,975,941</u>	<u>11,732,165</u>	<u>11,048,168</u>	<u>10,100,934</u>
Net securities at the end of the period		<u><u>12,975,941</u></u>	<u><u>11,732,165</u></u>	<u><u>11,048,168</u></u>	<u><u>10,100,934</u></u>	<u><u>9,174,161</u></u>

PEO Core Values

Accountability

Respect

Integrity

Professionalism

Teamwork



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