

## Introduction

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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 2006 Financial Statements

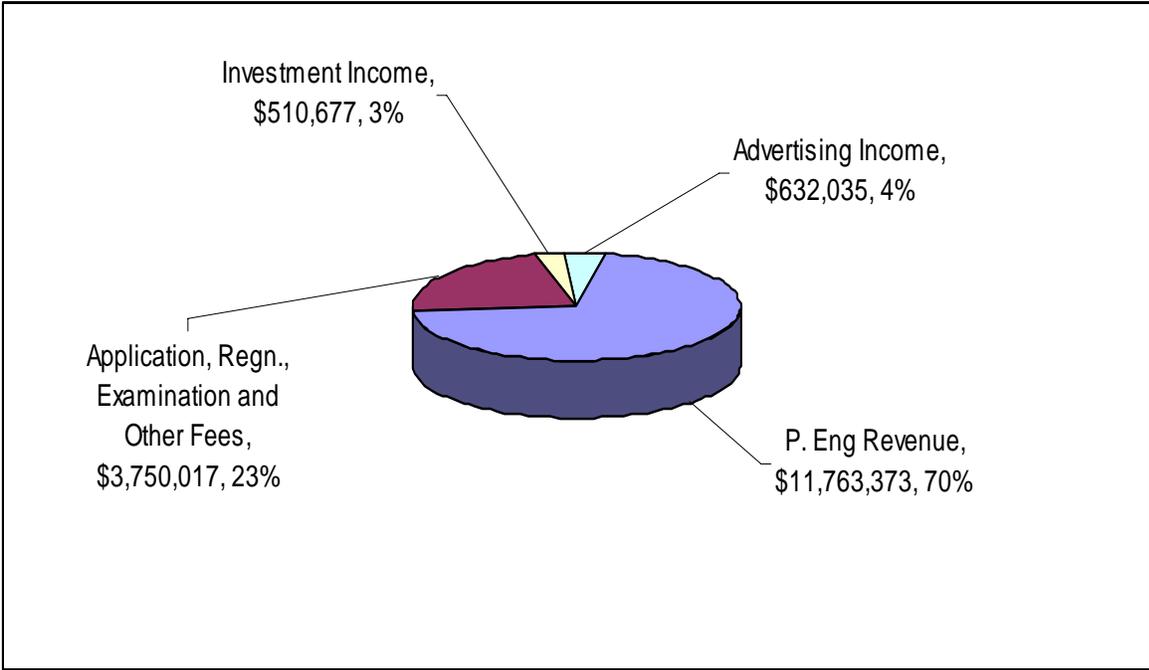
## 1.1 Revenue and Expenditures

### 1.1.1 Revenue increased by 1 per cent in 2006 over the previous year. What accounted for the increase?

The major sources of increased revenue were:

- ◆ an increase in membership fee revenue of \$291,660, due to a net membership increase of 1115 in 2006, an increase of 2.5 per cent over 2005;
- ◆ an increase in revenue from application, registration and exam fees of \$316,944, an increase of 9 per cent over 2005;
- ◆ an increase in *Engineering Dimensions*' advertising revenue of \$157,895, an increase of 33 per cent over last year; and
- ◆ a decrease in revenue of \$102,110 from PEO's investment portfolio, a decrease of 17 per cent from 2005. This was due to the diversification of 12 per cent of the portfolio into equities in April 2006, in accordance with the changes in the investment policy approved by Council. Over the long term, however, the revised investment policy is expected to result in superior returns and these revenues are expected to be recovered in the following years.

**Figure 1. 2006 PEO Revenue Breakdown (\$16.6M)**

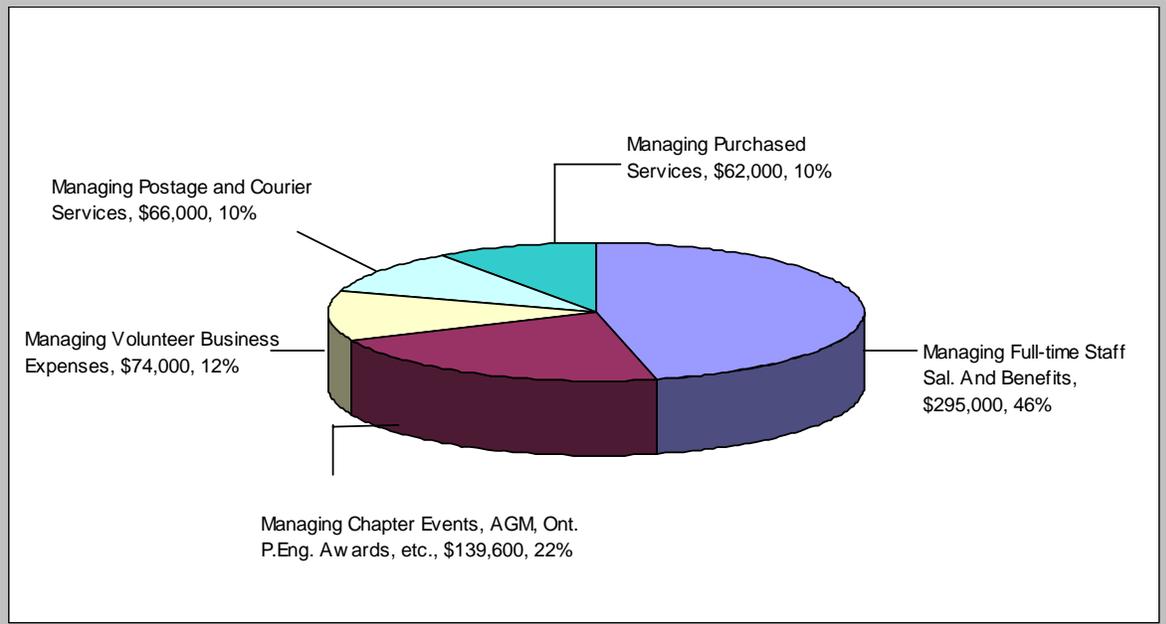


**1.1.2 PEO experienced a surplus of \$827,079 in 2006. What factors contributed to this surplus?**

PEO strengthened its financial position by ending the 2006 fiscal year with another excess of revenue over expenditure, this time of \$827,079. This surplus was the result of a total team effort, as organizational effectiveness was a top priority for Council, the senior management team, and volunteers. PEO achieved the surplus through a combination of cost reduction initiatives, including an efficient management of resources. Key areas of expenditure reductions are as 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 \$8.3 million.

**Figure 2. 2006 PEO Reserve Contribution**



**1.1.3 What areas in PEO’s operation experienced savings as compared to budget? What accounted for the decreased cost as compared to the 2006 budget?**

- ◆ *Full-time staff salaries:* A decrease of \$295,000 (5 per cent) was due mainly to vacant unfilled positions.
- ◆ *Costs for accommodation, mileage, meals and supplies for chapters and for events like the Annual General Meeting (AGM), Order of Honour, Ontario Professional Engineers Awards:* A decrease of \$139,600 (24 per cent) was due mainly to a change in assumptions after the events were budgeted.
- ◆ *Volunteer Business Expenses:* A decrease of \$74,000 (10 per cent) was due mainly to savings by way of reduced expenses for parking, mileage, meals, accommodation and supplies.

- ◆ *Postage and Courier:* A decrease of \$66,000 (12 per cent) was due mainly to savings in postage and mailing achieved by: implementing email invoice and reminder notices sent to licence holders.
- ◆ *Purchased Services:* A decrease of \$62,000 (5 per cent) in purchased services was due to savings achieved by reduced expenses for printing, event meals, and audio visual and staging services for events.

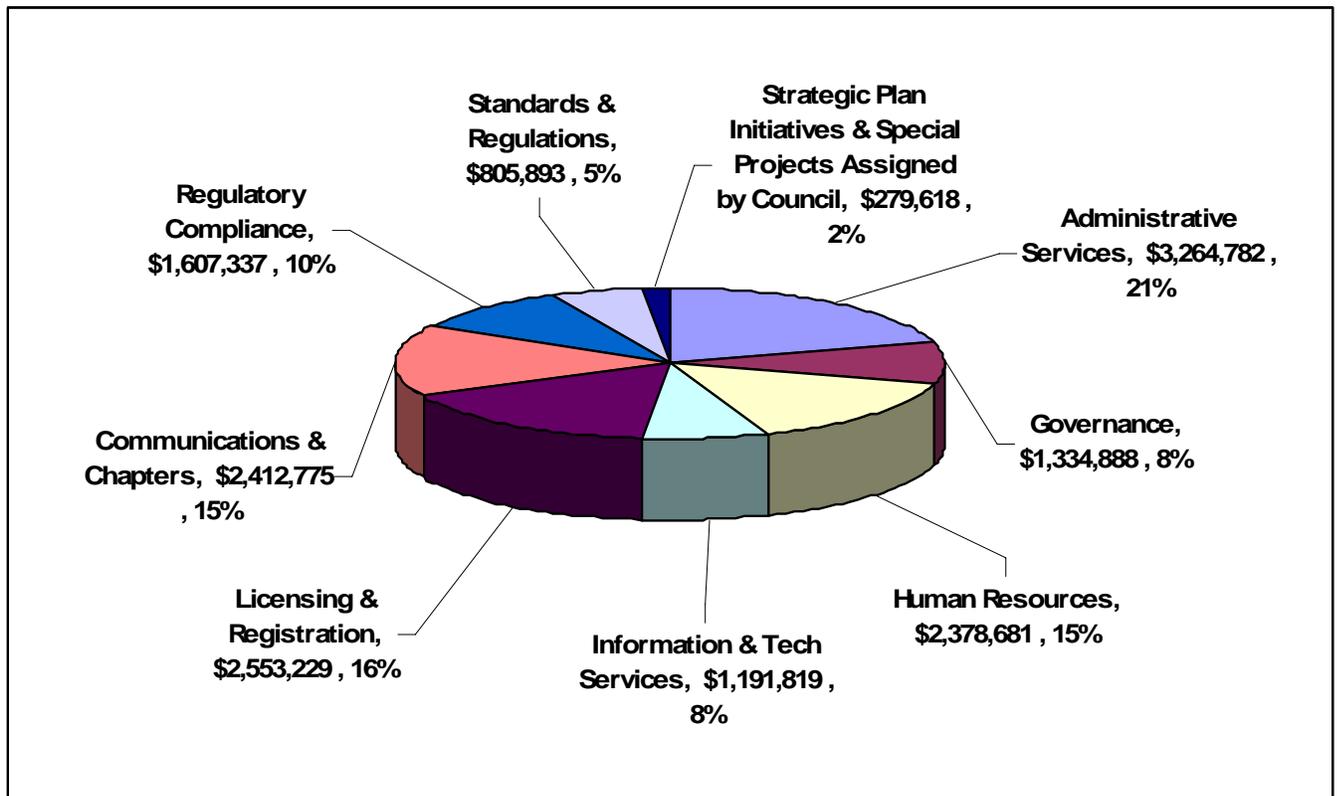
**1.1.4 PEO's total expenditures increased 7.5 per cent and operating fund expenditures increased 7.3 per cent in 2006 over previous years. What main areas in PEO's operations experienced higher costs as compared to actual 2005 expenditures? What accounted for the increased cost?**

- ◆ *Full-time Staff Salaries and Benefits:* An increase of \$367,810 (7 per cent) was due mainly to salaries and a benefits premium increase, as authorized by Council.
- ◆ *Employee Future Benefits:* An increase of \$434,615 (37 per cent) for cost estimates for the pension plans and non-pension benefits, based on actuarial assumptions
- ◆ *Occupancy Costs:* An increase of \$55,000 (4 per cent) was due mainly to an increase in property taxes and costs for off-site storage space.
- ◆ *Consultants:* An increase of \$58,000 (14 per cent) was due mainly to expenses approved by Council for the Energy Power workshop, Key Performance Indicator Design project, the Section F Certificate of Authorization project, and real estate consultant fees.
- ◆ *Legal and Tribunal:* An increase of \$115,600 (15 per cent) was mainly due to legal costs for the *Ontario Building Code* amendment legal challenge and for investigations, prosecutions and disciplinary activities.
- ◆ *Purchased Services:* An increase of \$137,556 (14 per cent) was largely due to higher costs in 2006 for:
  - printing of publications and advertising sales commissions on increased advertising sales;
  - meals and audio visual equipment for various events; and
  - outsourcing services for the counting of election ballots, graphic design and writing.

**1.1.5 What are the 2006 figures for department expenditures?**

The following figure illustrates the 2006 department expenditures.

**Figure 3. Expenditures by Department**



Note: Expenses of Strategic Plan Initiatives and Special Projects assigned by Council do not include the \$124,255 staff salaries and benefit expense of the work performed by full time staff. Such cost was reported under the expenses of various departments.

**1.1.6 I hear that chapter funding was slashed again in 2006. Is this correct? What are the reasons?**

No. Chapter funding was not slashed. In fact, chapter allotments were increased by \$2,985 in 2006 to \$334,296.

**1.1.7 How much did it cost PEO in 2006 to fund its chapters?**

During the year, PEO paid chapter expenses totalling \$435,560 (2005 – \$485,510), including \$334,296 (2005 – \$331,311) in allotments to individual chapters. In addition, PEO also incurred additional costs of \$450,843 (2005 – 443,491) related to chapter operations, including staff salaries and benefits, staff and volunteer business expenses, START II, and support services.

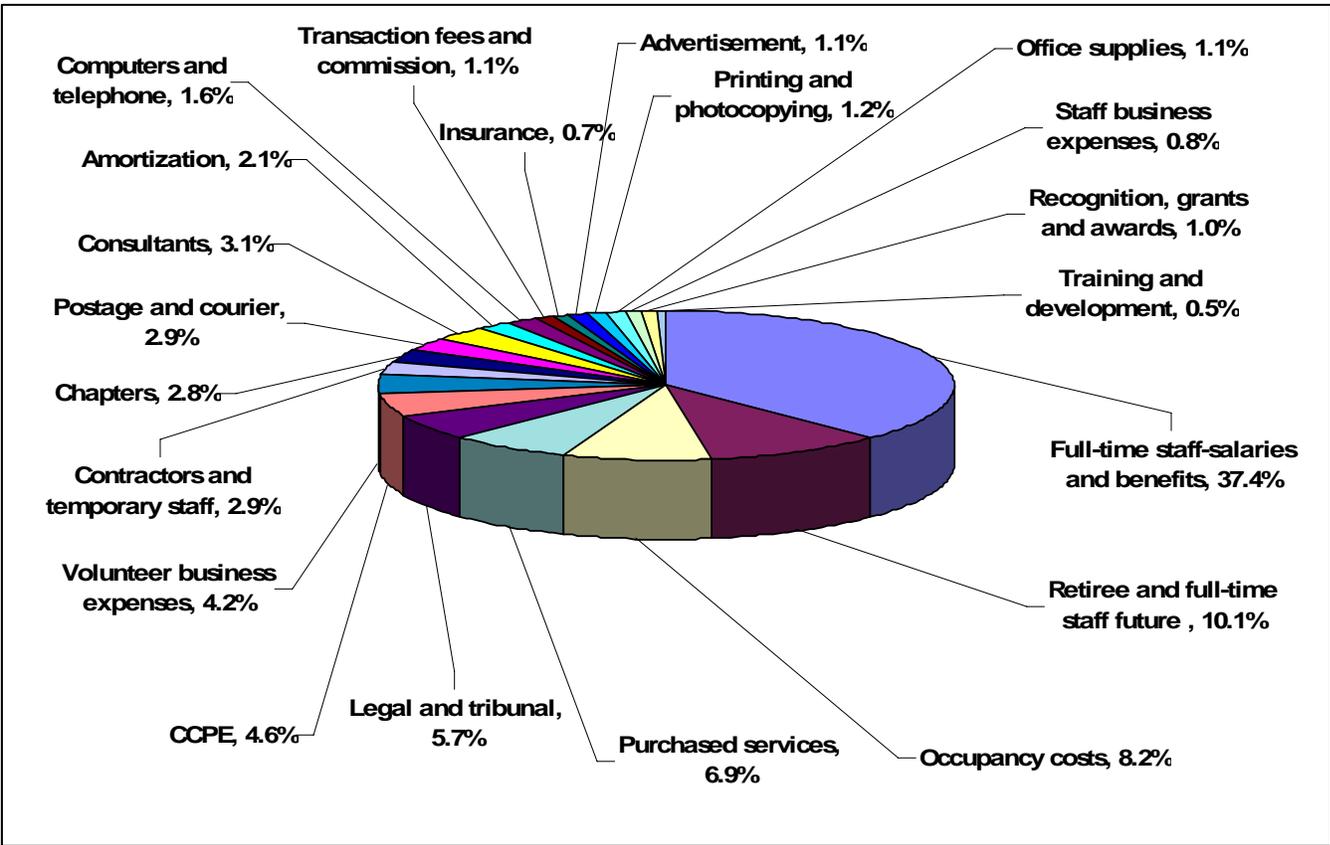
**1.1.8 How does PEO manage its expenditures?**

Please see answer to Question 1.3.2.

**1.1.9 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 (70 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 (22.5 per cent). Advertising and investment income were 6.9 per cent of revenue in 2006. Figure 4 illustrates an approximation of the areas in which the annual licence fee is spent.

**Figure 4. 2006 PEO Expenditure Breakdown (\$15.8M)**



## **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 \$8.3 million as of December 31, 2006, exceeds the 2006 upper limit operating reserve requirement set by Council of \$5.56 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.

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

PEO needs an operating reserve policy that provides 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.

Council reviewed and revised its operating reserve policy to enhance its financial flexibility and planning in implementing new initiatives, replacing outdated assets and/or programs, or satisfying members' needs by expanding certain activities. The previous policy was based on a minimum of 50 per cent and a maximum of 100 per cent of operating expenditure and did not offer any planning framework. These set targets were arbitrary percentages of an operating budget, as they did not express any meaningful co-relationship among revenue received, operating expenditure, operating reserve, capital assets, and Council's strategic intent.

Since PEO's past policy did not clearly determine what would constitute real funding needs for unexpected events, the operating reserve could in fact have been set either too high or too low.

Under the old policy, if the reserve level were set too high, PEO might have been unable to undertake some programs, in an effort to keep costs down, with the potential that it might inadequately achieve its objectives.

If the reserve level were set too low, PEO might have been short of funds to deal with unanticipated situations and might have been unable to respond to possible future growth and increased costs. In either case, the past policy did not effectively satisfy the intended purposes of an operating reserve.

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

The operating reserve policy has two major components as shown in Table 1.

<b>Table 1. Operating reserve elements</b>
<p><b><u>Internally restricted funds for specific long-term purposes</u></b></p> <ol style="list-style-type: none"> <li>1. Wind-up costs</li> <li>2. Funding to carry out mandates in the event of catastrophe</li> <li>3. Invested in fixed assets (net book value on balance sheet)</li> </ol>
<p><b><u>Membership fee stabilization funds appropriated at the discretion of Council</u></b></p> <ol style="list-style-type: none"> <li>1. Future capital asset purchases</li> <li>2. Funding for strategic initiatives</li> <li>3. Legal reserve for Act/Regulation/By-law changes</li> <li>4. Council contingency funding and changes/additions of programs</li> <li>5. Carry-over projects</li> <li>6. Other funds as planned and specified by Council</li> </ol>

- ◆ *Internally restricted funds for specific long-term purposes.* Used to deal with future uncertainties and to manage long-term liabilities
- ◆ *Membership fee stabilization funds appropriated at the discretion of Council.* Used to serve as a planning mechanism beyond normal business planning to meet short-term needs and equalize the levels for revenue and expenditure. These funds are intended to:
  - increase PEO’s financial capacity and flexibility and support Council’s direction for carrying out PEO’s mandate in a longer term;
  - establish proper financial planning for the future so that fee increases are evened out over a number of years; and
  - make the annual fee structure reasonable and acceptable.

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

Council’s operating reserve policy states that the level of the reserve shall be monitored on an ongoing basis and formally reported to Council by Finance Committee at least at the time of the business planning and budgeting cycle, and that financial statements ending December of each year are issued.

The 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.

**1.3 Internal Control**

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; and
7. Operating Reserve Policy.

The policies help PEO establish authorities, responsibilities and accountabilities as the key components of its 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\\_home.htm](http://www.peo.on.ca/registrar/operations_home.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 a budget comparative report monthly, which 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 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 answer to question 1.1.6.

**1.4 Human Resource Management and Salaries and Benefits**

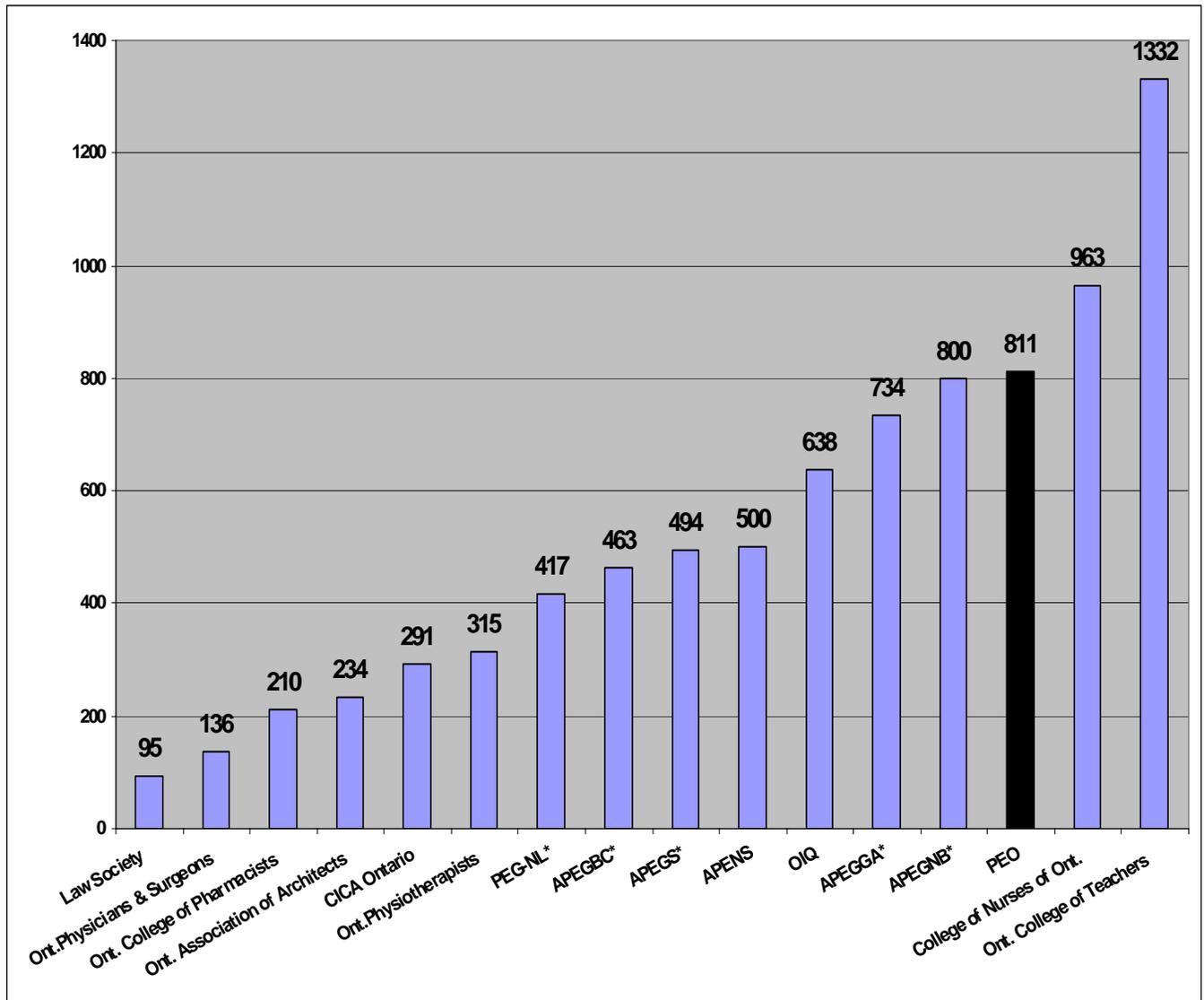
**1.4.1 How does PEO strive to achieve efficiency and effectiveness through human resource management?**

PEO employs staff and a larger 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.

Web research was conducted to benchmark staffing of other self-regulatory organizations, including other engineering associations in Canada. The key performance indicator, "members per staff" is defined as the average number of licence holders per staff member and represents a measure for organizational efficiency. The higher the "members per staff", the greater the organization efficiency. The effect of volunteers is not considered while calculating this measure.

As Figure 5 illustrates, there is one PEO staff member for every 811 professional engineers. The ratio of P.Engs to staff at PEO is high among benchmarked associations. This observation is consistent with PEO striving to operate efficiently and effectively.

**Figure 5. Members per Staff**



In Figure 5, 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 of time. 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 period of 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 2 shows both actual and budgeted staffing levels, including temporary and contract positions. As of December 31, 2006, the actual staffing level was 74 regular full-time staff, which is less than the approved budgeted headcount of 79 for 2006.

**Table 2. Actual and Budgeted Staffing Levels**

Year	Approved Regular Full-time Staff (number in approved budget)	Actual Average Full-time Staff (excludes contract and temporary)	Actual Staff Salaries and Benefits	Actual Average 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 (As of Dec. 31, 2006)	\$5,923,900	85

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

**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 much 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 project). This resourcing strategy offers organizational flexibility, assists PEO to meet its staffing needs, and avoids unnecessary, longer-term staffing costs. In 2006, PEO used:

- ◆ **contract staff** primarily in the Information and Technology Services, Administrative Services, and Licensing and Registration departments. The projects handled by IT contract staff continue to enhance and support PEO's websites (main PEO website, chapter sites and services, and student membership site), and internal support for software and report writing. Licensing and Registration contractors were hired to handle the backlog and increase the number of Experience Requirements Committee interviews. Administrative Services contractors were hired to undertake the regular duties of full-time staff who were on sick leave and maternity leave in 2006. These were the key drivers for the cost of contract staff in 2006. It is worth noting that contract expense in 2006 was reduced by 8.3 per cent from 2005;

- ◆ **temporary staff** in Licensing and Registration and Administrative Services to cover increased workload due to additional applications, in Communications and Chapters to cover disability, and in Governance and Regulatory Compliance to cover short-term disability;
- ◆ **consultants** were used for the following projects:
  - to conduct a survey at the request of the Equity and Diversity Committee,
  - to provide pension management data related to employee future benefits,
  - to assist in the government communications program,
  - to help PEO with the Building Code legal challenge and other projects,
  - to management PEO's pension fund and investment portfolio,
  - to facilitate PEO's search for a new office building, and
  - to conduct research for PEO's strategic plan projects.

## **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](http://www.peo.on.ca). 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 with the following objectives:

- ◆ to ensure that members of the committees and Council understood the pension and employee future benefits provided by PEO and how they must be accounted for;
- ◆ to ensure that members of the committees and Council understood the options for budgeting and administering employee future benefits; and
- ◆ to 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 3.

**Table 3. PEO Employee Benefits**

<b>Employee Future Benefits Components</b>	<b>Offered Benefits</b>
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, 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 their audit opinion.

**1.5.4 Why have the expenses for employee future benefits increased dramatically in the last few years? What factors contributed to the increase?**

PEO is not the only business that has been experiencing a high cost for employee future benefits. "A majority of Canadian Chief Financial Officers (CFOs) believe a pension crisis exists, but do not see it as permanent," according to a 2004 survey released by The Conference Board of Canada and Watson Wyatt, which polled 68 chief financial officers of Canadian organizations, representing six public-sector pension plans and 62 private-sector plans, totaling over 20 per cent of private-sector pension assets in Canada. These companies have pension assets ranging from \$2 million to \$43 billion.

Many factors explain the increase in benefit expenses. An important factor is the decrease in the discount rate used to calculate both the liabilities (causing actuarial losses) and the current service cost (causing an increase in that component of the expenses).

**1.5.5 Why did expenses for retiree and employee future benefits increase in 2006?**

In 2005, there were changes made in actuarial assumptions approved by Council to more accurately represent historic staffing trends at PEO. As a result of this one-time change, the actuarial calculated amount in 2005 was significantly adjusted downward. In 2006, the expense was calculated by actuaries based on the new assumptions. It confirms the trend of increases PEO has experienced for the last few years, except 2005.

## **1.6 Process Improvement and Cost Savings**

In 2003, Council carried a motion that “an ongoing process improvement savings program within the approved annual budget be established by the CEO/Registrar and tied into pay for performance”. The Treasurer’s Report has been published and posted at [http://www.peo.on.ca/registrar/operations\\_home.htm](http://www.peo.on.ca/registrar/operations_home.htm) to provide details on PEO’s financial position.

### **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 \$827,000**.

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 a number of important measures to control costs and ensure maximum value received for monies spent. Some of the new measures adopted are:

- ◆ improvement in the additional payment methods introduced in early 2006 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;
- ◆ 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;
- ◆ an automated invoice reading system on a pilot basis in the P.Eng licence renewal process, which will obviate the need for manual data entry into PEO’s accounting records, thereby speeding up invoice processing efficiencies by more than 40 per cent.

### **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 embarked on a set of automation initiatives and is taking initiatives to reduce costs, like other responsible corporations. PEO continues in its commitment to ongoing improvement by reviewing business processes and identifying and implementing cost-effective means of operation.

## 2 PEO Business Planning Process

### 2.1 PEO Business Planning

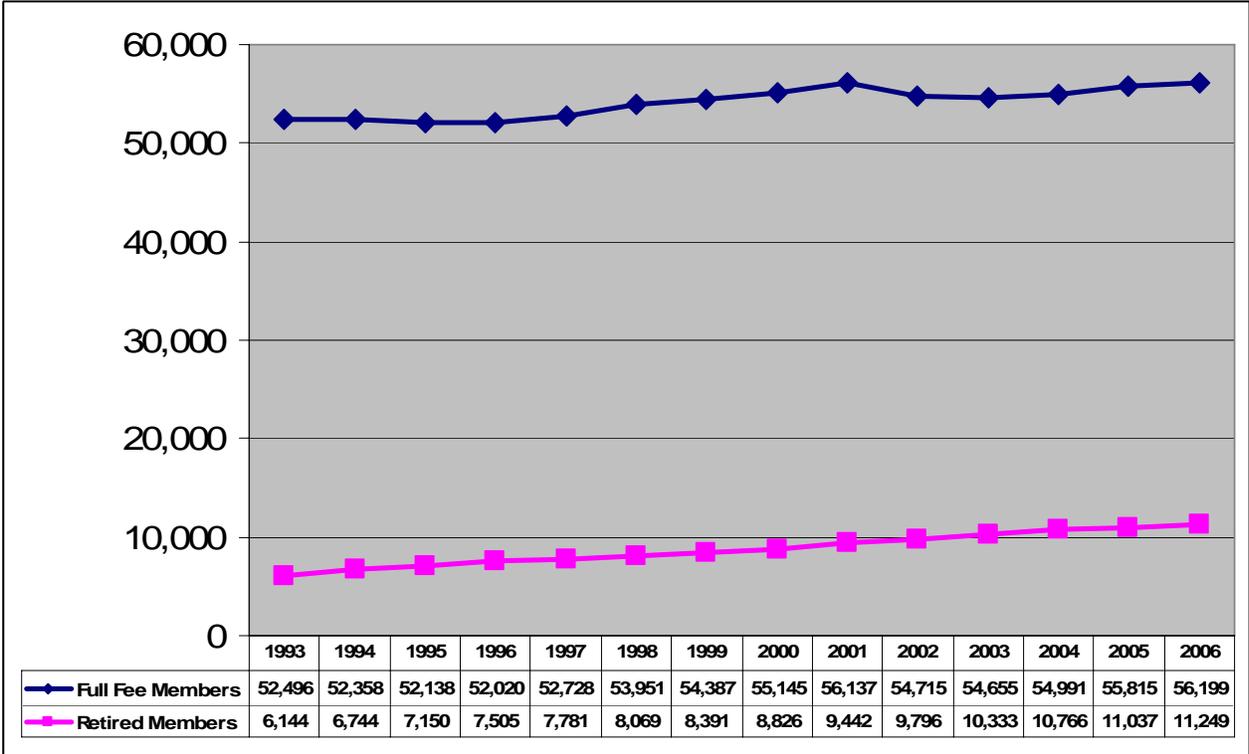
#### 2.1.1 What is PEO’s financial state, based on the 2006 financial statements?

PEO again strengthened its financial position by ending 2006 with an excess of revenue over expenditure of \$827,000. This positive performance, which is mainly attributable to reduced expenditures of 2 per cent, moves PEO toward a solid financial position with an enhanced balance sheet and an improved operating reserve of \$8.3 million.

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

The growth in P.Eng. licences is estimated to be an average 1.5 per cent annually, as shown in Figure 4. However, membership has not been consistently growing for the last 11 years. For example, the number of full fee members for the period of 1993 to 1995 decreased. The membership growth rate is highly influenced by a number of factors, including economic trends, unemployment, an aging population, number of retirees, immigration, and PEO processes for issuing licences (e.g. improved Experience Requirements Committee interview process).

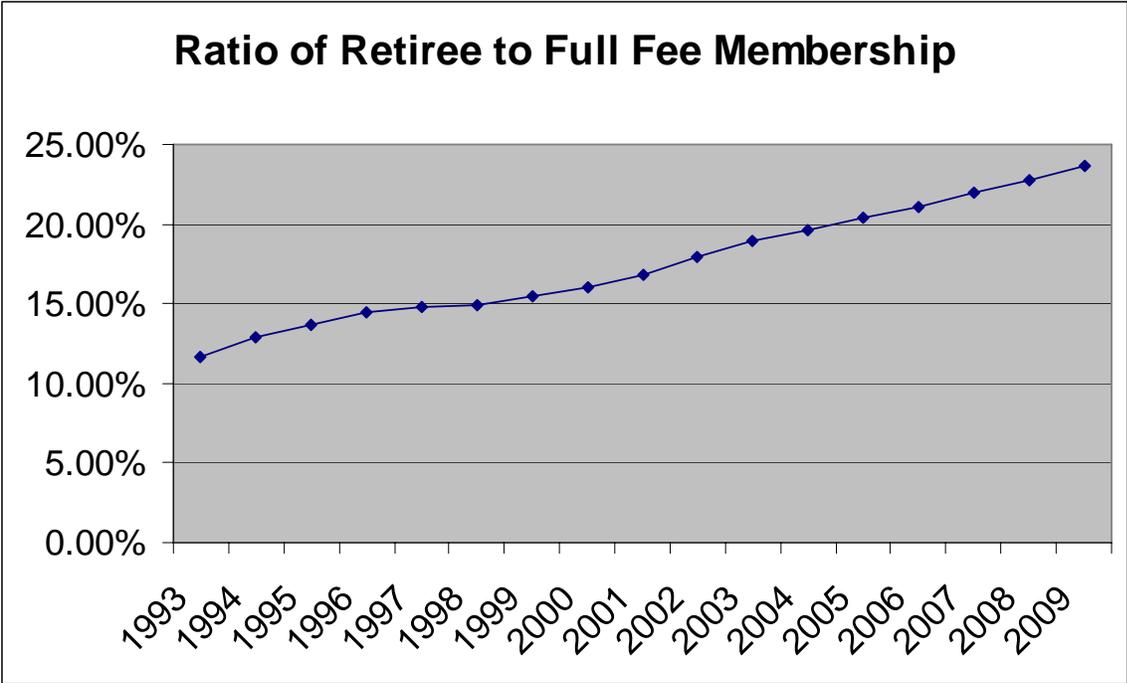
**Figure 6. Historical Data of P.Eng. Full Fee Members vs. Retired Members**



The number of retirees is expected to continue to increase over the next five years at a constant rate of 5.4 per cent, as compared to the 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.

The number of retirees increased at a higher rate from 1998 to 2006, as compared to 1993 to 1998, as shown in Figure 6. In fact, the net effect is an increase in the ratio of retirees over full fee members from 12 per cent in 1993 to approximately 20 per cent in 2006. It is expected this ratio will increase to an estimated 23 per cent in 2009. In other words, for 2006, each full fee member had to absorb 19 per cent of the membership fee of a retiree, as compared to a mere 12 per cent in 1993, to maintain PEO’s revenue requirements, assuming that full-member fees had remained the same over the period.

Figure 7.



**2.1.3 What is PEO doing to increase membership? Would it be possible to reduce annual licence fees, while maintaining a balanced budget, if membership increased?**

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. PEO undertook a survey in early 2007 to gauge the public confidence in the P.Eng. licence and in PEO as a regulator. The result will guide PEO in efforts to enhance the value of the licence and communicate that value.

In addition, Council recently approved an Engineering Intern Training Credit Program that will launch on May 1, 2007. This program will enable 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.

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.

It is 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 an incentive for engineers to join PEO and maintain their licences.

#### **2.1.4 What is PEO doing about having its own building and office facilities?**

Council directed that the Past-president, President, President-elect and CEO/Registrar work as a Building Development Committee to lead the search for suitable facilities. The search is underway.

#### **2.1.5 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 commercial building owner. A law firm is hired by PEO to explore how PEO can achieve the savings.

The current leased occupancy of 30,585 sq. ft. at 25 Sheppard Ave. West expires in December 2009. PEO's annual gross rent is approximately \$1,225,700 for fiscal year 2006 and projected to be approximately \$1,450,000 in 2009.

PEO's cumulative gross rental expense was over \$14 million from 1994 to 2006. 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 \$54,000 for the current guaranteed building parking spaces (30). Parking in the building and vicinity remains a challenge for staff, volunteers, and visitors (\$18/day).

Table 4 illustrates that the costs of various options, e.g. lease and ownership are not expected to exceed the current established occupancy budget. It is not expected that the cost of various options will impose any increase in membership fees (the annual operating costs to be carried by the budget in 2007 is about the same for all options). This is because:

- ◆ PEO benefits from financial investments in the range of 4 per cent to 6 per cent.
- ◆ "Not for Profit" organizations like PEO that have overall return rates less than 6 per cent will enjoy the immediate and long-term financial advantage from ownership.
- ◆ If PEO invested in a typical office building with 70 per cent mortgage financing, its net gross occupancy costs would be lower in every year of its occupancy.
- ◆ The Net Present Value of PEO's projected gross occupancy costs over a 20-year period are estimated at over \$18 million dollars in a lease scenario.
- ◆ The Net Present Value of PEO's projected gross occupancy costs of ownership over a 20-year period are estimated at 13.5 million dollars.
- ◆ The Net Present Value savings to PEO over the 20-year period would amount to over \$4.7 million dollars.

- ◆ When the mortgage is paid off after year 20, PEO’s gross occupancy costs would be reduced in half with annual savings of \$885,355. PEO’s commitment will be only the property taxes and supplemental rent (above and beyond base rent).
- ◆ Investing \$5 million for the down payment will result in an immediate loss of annual investment income of approximately \$225,000. This will eventually be offset with future occupancy cost savings.

**Table 4. Typical Cash Flows of Various Options**

<b>Direct Lease</b>		<b>Year 1</b>	<b>Year 2</b>	<b>Year 5</b>	<b>Year 10</b>	<b>Year 15</b>	<b>Year 20</b>
Annual Gross Occupancy Costs		\$1,631,366	\$1,451,840	\$1,515,854	\$1,631,788	\$1,760,464	\$1,726,980
Annual Gross Occupancy Cost/Square Foot		\$40.78	\$36.30	\$37.90	\$40.79	\$44.01	\$43.17
<b>Ownership 60% Financing</b>							
Annual Gross Occupancy Costs		\$1,549,246	\$1,375,725	\$1,441,583	\$1,566,050	\$1,711,845	\$1,697,664
Annual Gross Occupancy Cost/Square Foot		\$38.73	\$34.39	\$36.04	\$39.15	\$42.80	\$42.44
<b>Ownership 70% Financing</b>							
Annual Gross Occupancy Costs		\$1,599,610	\$1,424,429	\$1,484,844	\$1,598,477	\$1,730,772	\$1,699,768
Annual Gross Occupancy Cost/Square Foot		\$39.99	\$35.61	\$37.12	\$39.96	\$43.27	\$42.49
<b>Net Present Value of Gross Occupancy Costs</b>							
<b>Direct Lease</b>		\$18,286,959					
Ownership 60% Financing		\$17,548,179					
Reversionary value of improvements		(\$3,985,241)					
Ownership model with Residual Value		\$13,562,938					

Residual value considers hypothetical sale of property to provide an indication of the complete value of the investment.

**2.1.6 Does PEO have sufficient funds to consider an ownership option for its office facilities?**

PEO has a total asset of \$19.7 million, as of December 31, 2006. It also has a total liability of \$11.4 million, leading to a total reserve of \$8.3 million (see PEO’s 2006 Financial Statements). From a cash flow perspective, PEO has investments worth \$17 million (includes marketable securities and portfolio investment) that could potentially be converted into cash for the down payment of a building purchase. However, one should not assume that PEO can consume the total \$17 million, since this figure includes two major liability components in its investment portfolio: 1) \$ 7.7 million in fees in advance and deposits and 2) \$2.8 Employee Future Benefits. Therefore, the affordability should be planned based on PEO’s operating reserve of \$8.3 million, less the association’s other long term needs.

Under an ownership option, PEO could finance the purchase of property from its operating reserve ,using a 40 per cent equity and 60 per cent debt financing option. PEO could use up to \$5 million from its reserve for cash investment in a building purchase, which includes a possible upfront investment for renovation, depending on the physical condition of the building.

## 3 Fees

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### 3.1.1 What factors made it necessary to increase the fees in Regulation 941?

PEO is committed to implementing cost efficiency measures. However, ongoing cost savings alone are not adequate to meet increasing costs.

For the most part, the fees in Regulation 941 have not been changed (even to account for inflation) since 1992; however, the cost to process applications and other activities has increased significantly. Using the actual inflation rate for the last 13 years, the accumulated impact of inflation on 1992 miscellaneous fees is approximately 30 per cent.

PEO's study on costs, cost recovery and fees collected identified that various groups of licences and registrations are cross-subsidized by PEO members. PEO members are subsidizing non-members and paying a higher proportion of the operating costs than they did 13 years ago.

As a part of PEO's Five-Year Financial Plan, the Finance Committee recommended to Council that these fees immediately be increased by an average of 30 per cent until such time as Council reviews all costs and policies related to fees.

Increasing the fees in Regulation 941 was expected to generate additional annual revenue of approximately \$600,000 in 2006 and \$1 million in 2007 and beyond. The fees affected by the Regulation amendments on April 10, 2006 are:

- ◆ application fee for professional engineer licence;
- ◆ registration fee for newly approved professional engineer licence;
- ◆ Engineering Intern Training Program annual fee;
- ◆ temporary licence application/reapplication;
- ◆ application for provisional licence registration;
- ◆ Limited licence application;
- ◆ Limited licence registration;
- ◆ Limited licence annual fee;
- ◆ Certificate of Authorization application;
- ◆ Certificate of Authorization annual fee;
- ◆ Certificate of Authorization certificate replacement;
- ◆ technical exams (first exam);
- ◆ technical exams (subsequent);
- ◆ submission of thesis;
- ◆ Professional Practice Exam;
- ◆ application for designation as a Consulting Engineer;
- ◆ Consulting Engineer designation (five-year) fee;
- ◆ Application for redesignation as a Consulting Engineer;
- ◆ Examinations for designation as a Consulting Engineer (if required); and
- ◆ Permission for firms to use "Consulting Engineers".

**Note:** To enable a smooth transition to the new fees, PEO staggered its implementation beginning April 10, 2006.

### 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 5 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 5. Provincial Engineering Associations' Annual Licence Fees**

Association	No. of Members	Annual Renewal Fee (P.Eng.)
Association of Professional Engineers and Geoscientists of Saskatchewan <i>(Professional Member: Annual membership fee \$85; Annual licence fee \$215)</i>	5,170	\$300.00
Association of Professional Engineers and Geoscientists of Manitoba <i>(prorated annual fee for 2006)</i>	4,080	\$258.49
Association of Professional Engineers and Geoscientists of British Columbia	22,000	\$265.00
Association of Professional Engineers, Geologists and Geophysicists of Alberta	44,476	\$250.00
Association of Professional Engineers and Geoscientists of New Brunswick	4,000	\$269.04
Association of Professional Engineers and Geoscientists of Newfoundland and Labrador	2,500	\$250.80
Association of Professional Engineers, Geologists and Geoscientists of Nunavut and the Northwest Territories	Not available	\$220.00
Association of Professional Engineers of Nova Scotia	4,500	\$212.00
Ordre des Ingénieurs du Québec	50,000	\$227.90
<b>Professional Engineers Ontario</b>	69,000	\$200.00
Association of Professional Engineers of Prince Edward Island	236	\$200.00
Association of Professional Engineers of Yukon	220	\$191.50

### **3.1.3 How was the GST change handled?**

Members and applicants were well informed in advance of the GST change, which was effective July 1, and how it would impact the fees charged by PEO. After the government announced the GST change in its budget, PEO formed an internal project team with staff from the Administrative Services, Information Technology and Services, Licensing and Registration and Chapters and Communications departments to implement the change. Based on Canadian Revenue Agency's general transitional rules, an information piece, called *Questions and Answers on the GST Change*, and a new schedule of PEO fees with effective dates was developed and published on PEO's website in May.

In addition, staff reviewed all related internal processes, correspondence and systems to make sure the change was in effect at the right time. Staff in the Financial Services group handled a large number of telephone calls to answer questions about the GST change. The entire transition process was completed successfully.

## **4 PEO's 2005-2009 Strategic Plan**

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PEO developed a three-year strategic plan in June 2001. 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.

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

To save printing costs, the entire Strategic Plan is posted on the PEO website in a PDF format, and can be downloaded from

[http://www.peo.on.ca/registrar/StratPlan/2005/stratplan\\_home.htm](http://www.peo.on.ca/registrar/StratPlan/2005/stratplan_home.htm).

Background documents referred to in Appendix B of the Strategic Plan can be requested by contacting: Policy Unit, Governance Department, Professional Engineers Ontario, 25 Sheppard Avenue, Suite 1000, Toronto, ON M2N 6S9. Email: [consultations@peo.on.ca](mailto:consultations@peo.on.ca)

### **4.1.2 How will initiatives in the strategic plan address concerns and increase the value of the P.Eng. licence?**

The highest priority elements in PEO's strategic plan are designed to enhance, by a variety of means, the effectiveness of the self-regulation of engineering in Ontario, thereby increasing the value of the P.Eng. licence and the respect and influence of the profession.

The highest priority strategic objectives in the plan are:

- ◆ increase the public's (broadly defined to include all stakeholders) confidence in the P.Eng. licence;
- ◆ increase the public's confidence in PEO as a regulator;
- ◆ make the Certificate of Authorization a more effective instrument for regulating the business of providing engineering services;
- ◆ use Council's regulation making powers to develop performance standards;
- ◆ secure the needed financial resources;
- ◆ improve Council's decision-making processes.

The initiatives have been structured in such a way that a group of projects are proposed to achieve a common objective, and then a common strategic goal. The strategic objectives support each other to achieve the same strategic goals. The strategic goals are also all related to each other to fulfill PEO's mission defined by the *Professional Engineers Act*. A Strategic Plan Map has been developed to illustrate the relationship of the project portfolio.

### **4.1.3 How will PEO fund these initiatives? What is the control mechanism to ensure that PEO does not spend more than it can afford in these initiatives?**

Initially, projects aimed at the plan's priority objectives were to be funded over the plan's lifespan from a \$5.4 million "fixed funding envelope". At its September 2006 meeting, Council adopted the following process of selecting and funding strategic and major ongoing improvement projects.

- ◆ A large portion of the Council workshop each spring will be dedicated to a planning session, to review the Strategic Plan, and identify, prioritize, and assign projects to enhance PEO's regulatory effectiveness.
- ◆ A percentage of PEO's annual operating budget will be allocated to carrying out the chosen projects. The percentage might vary from year to year and would be set by Council with other budget assumptions in June. Accordingly, the costs of the projects would also be tracked as part of the annual operating budget. For 2007, an amount of \$623K is set up within the operating budget.
- ◆ Council's approval of projects, with their scopes, detailed plans and funding requirements, would be a part of the annual budgeting process.
- ◆ The new approach will be implemented starting in the 2007 annual operating budgeting cycle.
- ◆ PEO's priorities and improvement projects will be communicated to members on a regular basis.

#### **4.1.4 What is the status of implementation for PEO's Strategic Plan?**

Twelve projects have been assigned a staff project manager, who has a budget and the necessary materials to begin implementing and reporting on their projects' status, assisted by a project team and a steering committee comprising senior staff and members of Council. Although the projects are progressing at varying rates, there has been significant progress since Council green lighted them last spring.

Agenda Management Protocols, Meeting Management Guidelines, Preparation for creation of Performance Standards, and a Review of Recommendations of Consulting Engineers of Ontario for enhancing the Consulting Engineer designation were completed.

Development of a mechanism to measure and benchmark of the Public's Confidence in PEO as a Regulator and the Public's Confidence in the Licence are now summarizing the results of the first round of public surveys.

A project for Members' Voluntary Annual Reporting is in the process of implementing the electronic submission solution.

Design of Key Performance Indicators for PEO is assigned to a volunteer group to review the project team's recommendations and report back to Council.

A project to determine the desired Attributes of an Engineer and ensure their evaluation in the licensing process was closed based on research results.

A project looking at Section F of the Certificate of Authorization Application was combined into a composite project dealing with several aspects of the Certificate of Authorization. The composite project's recommendations have been approved by Council and implementation of the recommended changes is underway.

The other two projects currently envisioned will be submitted to Council's 2007 workshop to further define their scope and their priority in relation to other possible PEO projects.

## **5 External Relations**

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### **5.1 Canadian Council of Professional Engineers (soon to be called Engineers Canada)**

#### **5.1.1 Why is the Canadian Council of Professional Engineers changing its name to Engineers Canada?**

At its Board meeting in February 2007, the Board approved adopting the trade name of Engineers Canada to replace in daily usage the current name of the Canadian Council of Professional Engineers. The organization had become known by its acronym, CCPE, which communicates nothing about it. Internationally, national engineering organizations have adopted Engineers (country) (i.e. Engineers Australia, Engineers Ireland, Engineers New Zealand). The Canadian Council of Professional Engineers will launch its new name at its annual meeting on May 24.

#### **5.1.2 The fee that PEO pays to belong to the Canadian Council of Professional Engineers seems to increase every year. Will this fee increase again in 2007?**

Yes. The rate for the assessment for all constituent members is \$10.21/member and engineering intern and remains unchanged in 2007 from 2006 and 2005. However, PEO's assessment for 2007 was budgeted for \$741,000, due to the increase in our membership. This fee structure continues into the future. In February 2004, the Canadian Council of Professional Engineers board approved deferral of a then-planned increase in assessment until 2008.

#### **5.1.3 What does the Canadian Council of Professional Engineers do for Professional Engineers Ontario?**

Professional Engineers Ontario, as one of the 12 constituent members, has three representatives on the 18-person board of the Canadian Council of Professional Engineers. Professional Engineers Ontario also has representation on the committees that actively participate in all its undertakings, decisions and long range planning for all activities except Member Services. This includes Professional Engineers Ontario's input into all the activities and functions described in the sections below.

The Canadian Council of Professional Engineers conducts business activities in support of the constituent members' regulatory activities (admissions, practice, discipline and enforcement) at a cost of \$1.6 million.

- ◆ The Canadian Council of Professional Engineers 2007 budget totaled \$8 million, less than 35 per cent of the cost of these programs was borne by the 12 provincial/territorial association/ordre. The governance framework and management mechanisms to demonstrate accountability to constituent members cost \$1.05 million. Professional Engineers Ontario's share represented \$566,000 in 2003 and the assessment increased to \$740,000 in 2004. The assessment is based on the formula shown in Table 6.

**Table 6. Engineers Canada Assessment Formula**

<b>Constituent Members</b>	<b>2003</b>	<b>2004</b>	<b>2005*</b>	<b>2006-2007</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

\*In February 2004, Engineers Canada board decided to defer a then-planned increase in 2005 until 2008. Therefore, the rate for 2005 to 2007 is \$10.21 flat. The rate will be reviewed as part of the preparation of the 2008 Canadian Council of Professional Engineers budget.

- Through the Canadian Engineering Accreditation Board, the Canadian Council of Professional Engineers 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, the Canadian Council of Professional Engineers develops national guidelines on the qualifications for registration, standards of practice and ethics expected of professional engineers. It also publishes the *Canadian Council of Professional Engineers Examination Syllabus* and the *Canadian Council of Professional Engineers 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*.

- The Canadian Council of Professional Engineers 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 engineering practice.
- Through the government-funded project, From Consideration to Integration, the Canadian Council of Professional Engineers 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. Further government funding is being sought to implement these project.
- The Canadian Council of Professional Engineers attempts to achieve "engineering without borders" through activities that result in national and international mobility,

while maintaining the high standard of Canadian engineering practice, at a cost of \$315,000.

The international activities that its committees, volunteers and staff undertake for Canada's engineering profession are overseen and coordinated by its International Committee. This committee is also responsible for keeping its Board of Directors abreast of new opportunities to maintain or enhance international mobility for Canadian engineers, and for monitoring the use and viability of the existing mutual recognition agreements on the full or partial recognition of engineering qualifications.

The Canadian Council of Professional Engineers 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 the Canadian Council of Professional Engineers.

- ◆ The Canadian Council of Professional Engineers proactively addresses the challenges of continuing relevance of the engineering profession to maintain a strong profession, today and in the future, at a cost of \$56,000 (human resources and overhead costs are included with the costs of conducting the core business activities, identified in the first item above).
  - The research activities of the Canadian Council of Professional Engineers 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.
  - The key research publications produced by the committee include *Canadian Engineers for Tomorrow – Engineering Enrolment and Degrees Awarded Report* and summary findings from its national surveys of the engineering profession in Canada.
- ◆ The Canadian Council of Professional Engineers raises the profile of professional engineering at a cost of \$760,000.
  - It produces several annual publications, including the *Accreditation Criteria and Procedures Report*, a national insert, an *Annual Report* and numerous news releases.
  - It presents the Canadian Engineers' Awards to honour Canada's outstanding engineers, engineering teams, engineering students and engineering achievements.

- The Canadian Council of Professional Engineers offers a National Scholarship Program to support exceptional engineers undertaking studies at the university level.
- It supports the Canadian Engineering Memorial Foundation, which is dedicated to increasing the participation of women in the engineering profession.
- The Canadian Council of Professional Engineers supports the initiatives undertaken by its constituent members during National Engineering Week (NEW). This annual celebration of engineering and the achievements of Canada's professional engineers features myriad events geared primarily toward students. NEW's goal is to promote awareness of the engineering profession and the career opportunities it offers, as well as the contributions of engineering and engineers to public safety, health, quality of life and economic well-being.
- It also supports the activities of the Canadian Federation of Engineering Students (CFES), such as the annual Congress, Canadian Engineering Competition and Presidents' Meeting.
- ◆ The Canadian Council of Professional Engineers enhances the professional, social and economic welfare of engineers through the provision of high quality member services, at a cost of \$270,000 (creates about 60 per cent of its revenue).
  - It sponsors insurance and investment products for Canada's engineers, from RRSPs to professional liability insurance, as well as special discounts on car rentals.
- ◆ The Canadian Council of Professional Engineers influences federal government decision making in the areas of public policy on issues relevant to public welfare and safety as well as the engineering profession, at a cost of \$250,000.

**5.1.4 Considering that (1) PEO's operating capital is tight given the financial commitments in near future, (2) the Canadian Council of Professional Engineers' reserves and operating funds are both more than adequate, and (3) Ontario Society of Professional Engineers is now looking after services and advocacy for Ontario engineers, can we negotiate a substantially lesser increase or revert back to the previous assessment amount until our (Professional Engineers Ontario) financial situation improves?**

No, in 2004 Professional Engineers Ontario worked with the Canadian Council of Professional Engineers to develop a more appropriate method of allocation of costs and achieved an annual cost savings of \$35,000 in the assessment. It is important that all engineers support the national body.

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

### **5.2.1 Does PEO have any financial obligations to the Ontario Society of Professional Engineers?**

At the end of December 31, 2003, Professional Engineers Ontario's annual grant to the Ontario Society of Professional Engineers ended. Therefore, Professional Engineers Ontario does not have any further financial obligations to the Ontario Society of Professional Engineers.

During 2004, PEO worked hard to improve its working relationship with the Ontario Society of Professional Engineers. Senior representatives of both organizations have been meeting regularly as the Joint Relations Committee to discuss and resolve issues of common interest and address concerns.

In its March 2005 meeting, Council approved the following motion:

*“That Council authorize the President and the CEO/Registrar to execute an agreement (agenda Appendix C-427-3(b)(ii)A) between Professional Engineers Ontario, the Ontario Society of Professional Engineers (OSPE) and the Canadian Council of Professional Engineers (CCPE) wherein Professional Engineers Ontario assigns all its rights, titles, and interest in the collection of administrative expenses to OSPE under CCPE's Manulife group insurance policy No. SP-212 and CCPE's Maritime Life group insurance policy No. G-507.”*

The Ontario Society of Professional Engineers assumed the administration of the Canadian Council of Professional Engineers' Affinity programs with Manulife. The annual administrative fee of approximately \$230,000 is transferred to the Ontario Society of Professional Engineers annually.

In its January 2005 meeting, Council approved the following motion:

*“That Professional Engineers Ontario approve the appointment of the Ontario Society of Professional Engineers (OSPE) as Professional Engineers Ontario's agent for advertising in Engineering Dimensions and sponsorships, replacing Dovetail Communications.”*

The Ontario Society of Professional Engineers makes over \$100,000 annually for this service.

**5.2.2 The Ontario Society of Professional Engineers is seeking volunteers to participate in a new Political Action Network initiative. The network will engage 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.**

**What is the impact of two voices when talking to the governments about engineering issues, one from PEO's government communications 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?**

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 in order that the public interest is served and protected. 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 clear distinction between PEO and the Ontario Society of Professional Engineers enhances the credibility of PEO's messages as coming from the engineering body authorized by public statute in the public interest.

### **5.3 Government Communications Program**

#### **5.3.1 Last year, I heard of PEO rolling out a government relations initiative. What is the status of the program now?**

Following a year of planning and piloting, the activities of PEO's Government Liaison Program have now been integrated as an ongoing part of the operations of the association.

Following the successful six-month pilot program in 2005, PEO Council approved the integration of a permanent Government Liaison Program into PEO operations. At its September 2005 meeting, Council passed several motions for the integration of the program, including that the Regional Councillors Committee integrate the role of government spokespeople into chapter operations to enhance local presence. It was deemed the chapter system represents an ideal framework in which to roll out the program locally throughout Ontario.

To that end, the Regional Councillors Committee advised each chapter to form a Government Liaison Program Chapter Subcommittee to oversee the integration of the program into the chapter. The Government Liaison Program Chapter Subcommittee formed by each chapter, in conjunction with the Regional Councillors Committee, will oversee the integration of chapter involvement in the program, manage chapter government liaison activities, and report on its results.

#### **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.

PEO's Government Liaison Program is intended 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 in order that the public interest may be served and protected.
- ◆ The self-regulating engineering profession has been successfully protecting the public for 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.

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

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 oversee the integration of 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 chapter, expanding to one government spokesperson for each of the 103 ridings. Over time, the pool of spokespeople will be expanded to over 300 to engage all three main political parties in each of the ridings.

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;
- ◆ 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?**

In 2006, PEO worked aggressively to bring more visibility to the association and the profession and to achieve the social status benefiting our contributions. The proposal to partner with the government to move forward the debate on energy conservation toward consensus was one such step we took.

To better inform the public of intrusions into PEO's jurisdictions—including the province's exclusion of PEO limited licence holders from the list of qualified persons to conduct environmental site assessments and to certify records of site condition—we launched an aggressive province-wide campaign that made stops in several cities, meeting with local

mayors, MPPs, media outlets and professional engineers. The intent was to publicize PEO's belief that such government decisions do not benefit society in the ways they are being promoted.

Coinciding with the ramp-up of the local outreach activities was a call for P.Engs to also become more politically active, as volunteers for elected officials or as candidates themselves in future elections. To provide interested P.Engs the tools and required knowledge to get more involved in politics, PEO held a first-ever Campaign College event in September. Politicians from all levels of government and representatives from the three main political parties were invited to discuss lessons learned from the campaign trail, the current political environment, opportunities to get more politically active, and ways to run a campaign and mobilize support. A summary DVD of the event was created and distributed to Chapter Chairs at the Chapter Leaders' Conference in November, and is available online.

### **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.

**Notes:**