

## PEO Core Values

• Accountability • Respect • Integrity • Professionalism • Teamwork



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# Questions and Answers on PEO Operations

As of April 21, 2008

Compiled for the 86th Annual General Meeting  
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HILTON WINDSOR HOTEL  
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WINDSOR, ONTARIO



**Professional Engineers  
Ontario**

### 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:

## Introduction

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

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

At past Annual General Meetings, questions have arisen about PEO expenditures and the Audited Financial Statements. The Audited Financial Statements are a reflection of past expenditure; the Auditors ensure 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 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* and the *Registrar's Report* on PEO's website ([www.peo.on.ca](http://www.peo.on.ca)). Click on "Registrar's Corner", then on "PEO Operations", or "Registrar's Reports" and scroll down the list.

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**5.3.3 How is the program structured?**

The program is designed with both short- and long-term goals in mind. To ensure chapter involvement in the short term, Government Liaison Program Subcommittees have been created within each chapter to 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; and
- ◆ 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 initial goal was 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 engage all three main political parties in each of the ridings, as well as municipal and federal politicians.

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

- ◆ provide spokesperson training for GLP members;
- ◆ help facilitate spokesperson activities with MPPs in local chapters, events and meetings;
- ◆ involve chapter representatives in other PEO activities; and
- ◆ provide guidance on the activities/steps that chapters can take to engage politicians.

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

In 2007, we increased the level of communication with the Office of the Attorney General and other key ministers and parliamentary assistants on issues impacting the regulation of professional engineering. We also ramped up communications with our local spokespeople and with the entire membership, engaging them as we have not done for at least a decade.

In April, we hosted our second Engineering for Ontario Day reception for Queen’s Park legislators, which featured provincial ministers, MPPs, PEO spokespeople, and representatives from engineering stakeholder organizations.

Then, we staged our first Engineering and Public Policy conference in conjunction with our Annual General Meeting. The conference brought together theory and practice, academics and politicians, to discuss PEO’s role, as a regulator, in public policy development, how public policy is influenced and implemented, and how engineers can impact its development.

During the lead-up to the 2007 provincial election, we encouraged licence holders to become more politically active. We emailed members to inform them we’d be publishing details of upcoming political events, as provided by the candidates, on the GLP website and to encourage them, as individual engineers, to get involved in the electoral process.

Several chapters arranged meetings with local candidates to learn their party’s views on matters of concern to engineers and the engineering profession, and to introduce the candidates to Professional Engineers Ontario and the local chapter.

engineers. OSPE advocates with governments on their behalf, provides professional development, a career centre exclusively for engineers, and member savings on products and services.

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

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

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

**5.3 Government Communications 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 protect and serve the public interest.
- ◆ The self-regulating engineering profession has been successfully protecting the public for more than 85 years.
- ◆ PEO has unique knowledge and expertise and it is in the best interest of government to consult with it before considering any new policy directions that may have the potential to impact 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 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.

**1 2007 Financial Statements**

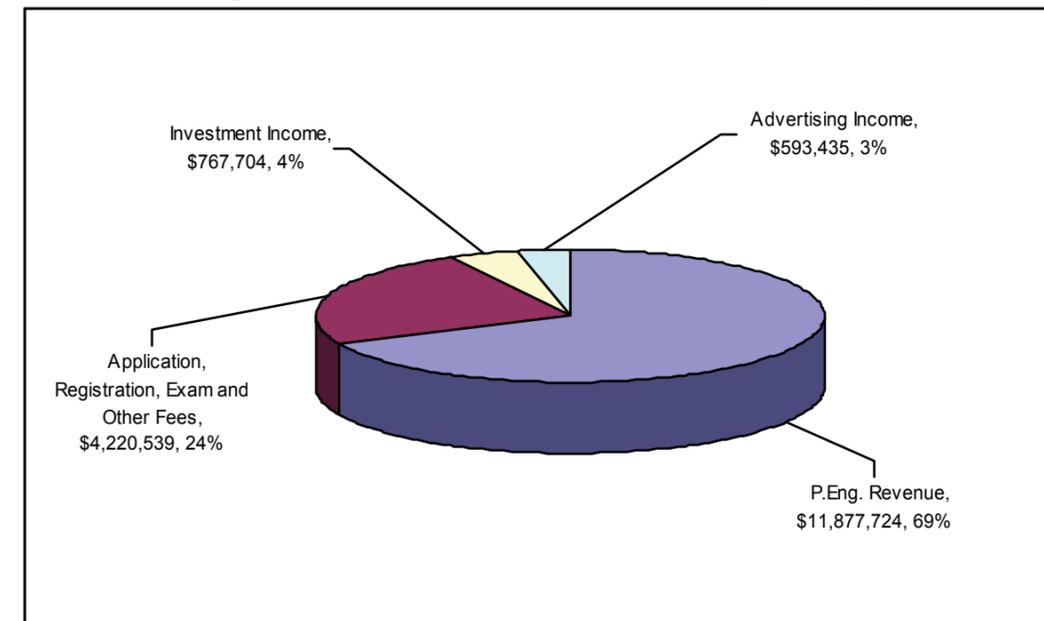
**1.1 Revenue and Expenditures**

**1.1.1 Revenue increased by 4.8 per cent in 2007 over the previous year. What accounted for the increase?**

The major sources of increased revenue were:

- ◆ an increase in membership fee revenue of \$114,351 or 1 per cent, due to a membership increase of 2660 in 2007;
- ◆ an increase in revenue from application, registration and exam fees of \$470,522 or 12.5 per cent; and
- ◆ an increase of \$257,027 or 50.3 per cent in investment income from PEO’s investment portfolio.

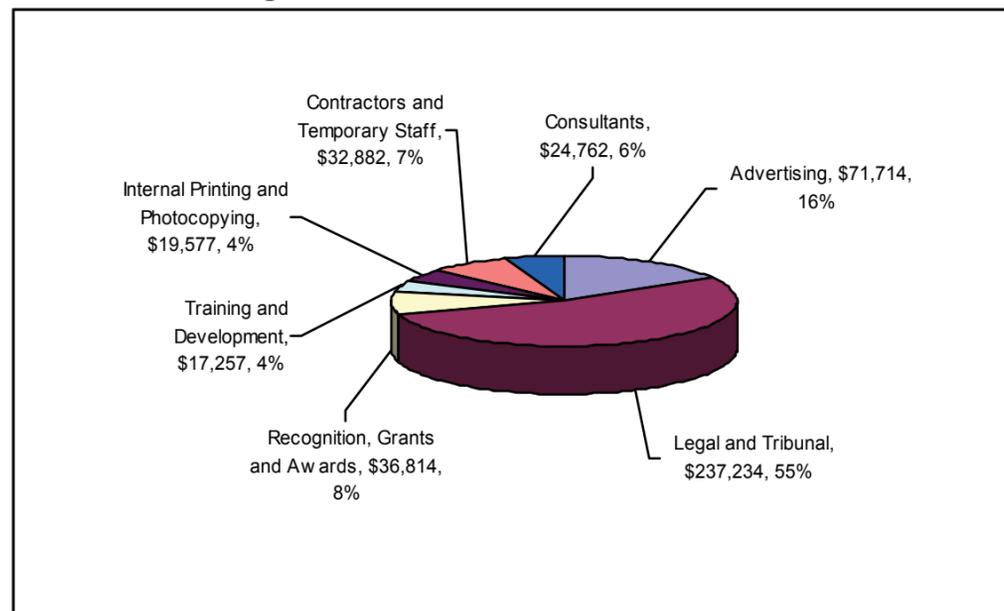
**Figure 1. 2007 PEO Revenue Breakdown (\$17.5M)**



**1.1.2 PEO experienced an increase in revenue over expenditures of \$1,278,942 in 2007. What factors contributed to the increase?**

The increase in revenue over expenditures was the result of a total team effort of the senior management team, staff and volunteers under the direction of Council. PEO achieved the surplus through a combination of cost reduction initiatives and an efficient management of resources. Key areas of expenditure reduction are shown in Figure 2. This positive performance moves PEO toward a stronger financial position with an enhanced balance sheet and an improved operating reserve of \$9.9 million.

**Figure 2. 2007 PEO Reserve Contribution**



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

- ◆ **Legal and Tribunal.** A decrease of \$237,234 or 26.3 per cent, mainly due to:
  - lower costs for complaint investigations for regulatory compliance;
  - lower enforcement costs for regulatory compliance; and
  - no legal fees incurred for the *Ontario Building Code Act* (OBCA) legal challenge that was settled in PEO's favour.
- ◆ **Advertising.** A decrease of \$71,714 or 39.7 per cent due to:
  - fewer ads for real estate in newspapers like the *Globe and Mail*, *Daily Commercial News*, etc.;
  - fewer ads for the OBCA legal challenge, which was eventually resolved in PEO's favour; and
  - no ads placed for staff recruitment.
- ◆ **Recognition, Grants and Awards.** A decrease of \$36,814 or 10 per cent, mainly on account of:
  - no staff service awards were given in 2007; and
  - no student membership participation awards.
- ◆ **Contractors and Temp Staff.** A reduction of \$32,882 or 7 per cent, mainly on account of:
  - fewer contractors and temps were hired in such departments as Administrative Services, Information and Technology Services and Human Resources; and
  - fewer contractors and temps were hired for Council special projects.
- ◆ **Consultants.** A reduction of \$24,762 or 6 per cent, mainly on account of:
  - fewer IT consultants hired for web server maintenance, database server maintenance, etc.;
  - lower fees for consultants/experts for complaint investigations; and
  - lower fees for consultants/experts for the Alternative Dispute Resolution process.

**5.2 Ontario Society of Professional Engineers**

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

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

For example, both organizations have been helping EITs to become licensed in Ontario through promotional and educational programs; participating together at accredited schools of engineering in Ontario to promote licensure and to let students know what each organization does; creating programs that will help internationally trained 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 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?**

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

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

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

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

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

As noted above in 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 protect and serve the public interest. PEO is there for the public.

The Ontario Society of Professional Engineers is a voluntary professional association that's there for the engineer. OSPE represents the voice of Ontario's professional engineers, and is dedicated to advancing the professional and economic interests of the province's 70,000 professional

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

- ◆ Engineers Canada raises the profile of professional engineering through various activities, such as participating in National Engineering Week, activities of the Canadian Federation of Engineering Students and the printing of a national insert. In February 2008, the Board of Directors approved a special project to raise the profile at a cost of \$888,000. This initiative will be a long-term, collaborative approach to raise Canadians' awareness of the profession. In February 2008, the Board approved a five-year media campaign with an additional cost of about \$1 million per year to raise the profile of engineers. In addition to bringing a new approach to promoting the profession, the campaign is a collaborative effort between the national organization and the constituent members and will be complementary to the communications initiatives currently in place.

The organization 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 Canadian Engineers' Awards to honour Canada's outstanding engineers, engineering teams, engineering students and engineering achievements.

Engineers Canada 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.

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 member services, at a cost of \$ 527,000 for 2007. These activities create about 40 per cent of Engineers Canada revenue; the remaining revenue coming from government and NGO funding, as well as revenues from the 12 provincial/territorial associations/ordre (less than 25 per cent as indicated above).

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

- ◆ Engineers Canada 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 \$670,000.

- ◆ **Internal Printing and Photocopying.** A decrease of \$19,577 or 8.9 per cent, mainly due to:
  - lower printing and photocopying costs; and
  - renegotiation of a contract on mailroom equipment.
- ◆ **Training and Development.** A decrease of \$17,257 or 22.6 per cent, because there were no staff training programs or workshops held in 2007.

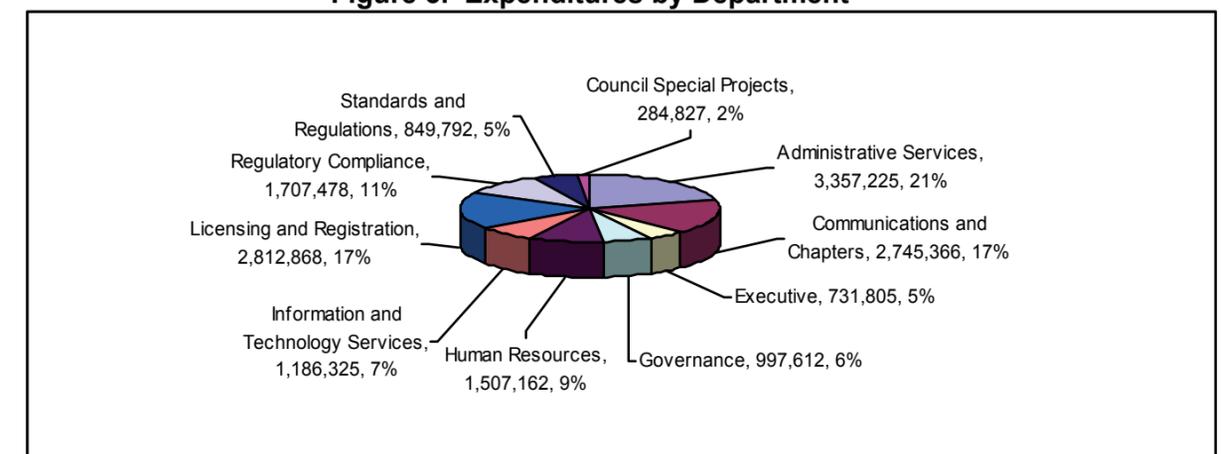
**1.1.4 PEO's total expenditures increased 2.2 per cent in 2007 over the pervious year. What main areas in PEO's operations experienced higher costs as compared to actual 2006 expenditures? What accounted for the increased cost?**

- ◆ **Full-time Staff Salaries and Benefits.** An increase of \$435,842 or 6.7 per cent, mainly due to:
  - an approximately 4.5 per cent merit-based increase;
  - an employee on LTD returned to full-time status in 2007; and
  - the effect of the salaries of six employees who were hired and made permanent in the middle of 2006 taking full effect in 2007.
- ◆ **Purchased Services.** An increase of \$214,244 or 21.8 per cent, mainly due to:
  - costs associated with producing *Licence Please!*, an enforcement outreach presentation;
  - an increase in meal expenses for the Order of Honour gala and other special events due to increased participation rates and higher meal costs; and
  - costs for a project undertaken in 2007 to convert microfiche of membership records into scanned documents.
- ◆ **Chapters.** An increase of \$73,998 or 17 per cent, mainly due to:
  - higher accommodation and meal costs for chapter representatives attending such functions as the Annual General Meeting, Awards ceremonies, Chapter Leaders' Conference and Regional Congress meetings; and
  - increased allotments and expenditures by chapters for approved business plans, educational projects and special projects.

**1.1.5 What are the 2007 figures for department expenditures?**

Figure 3 illustrates 2007 department expenditures.

**Figure 3. Expenditures by Department**



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

**1.1.6 I hear that chapter funding was slashed again in 2007. Is this correct? What are the reasons?**

No. Chapter funding was not slashed. In fact, chapter allotments were increased by \$23,313 in 2007 to \$357,610.

**1.1.7 How much did it cost PEO in 2007 to fund its chapters?**

During the year, PEO paid chapter expenses totaling \$509,558 (2006 - \$435,560), including \$357,610 (2006 - \$334,296) in allotments to individual chapters. In addition, PEO also incurred additional costs of \$456,693 (2006 - \$450,843) related to chapter operations, including staff salaries and benefits, staff and volunteer business expenses, etc.

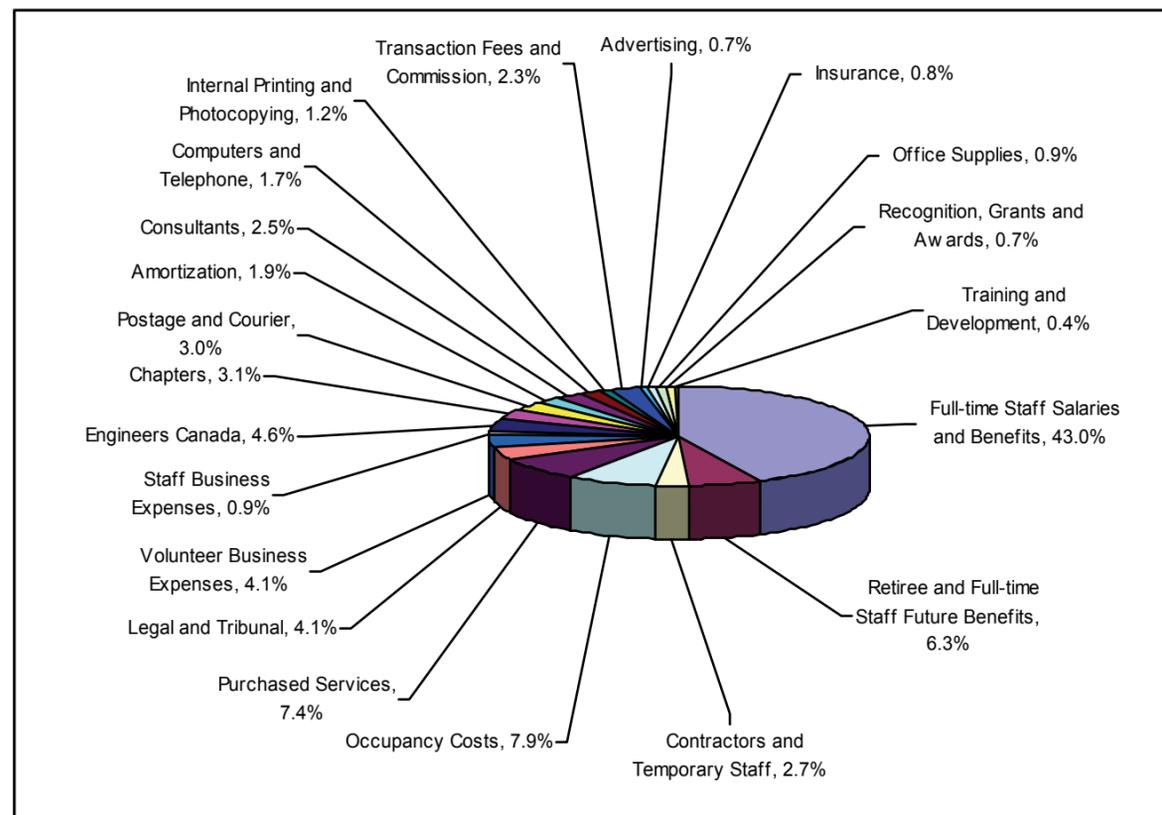
**1.1.8 How does PEO manage its expenditures?**

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 or 68 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 totaling 24.2 per cent of total revenue. Advertising and investment income were 7.8 per cent of revenue in 2007. Figure 4 illustrates the areas in which the annual licence fee is spent.

**Figure 4. 2007 PEO Expenditure Breakdown (\$16.18M)**



- ◆ 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.

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.

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

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

- ◆ Engineers Canada 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.

In 2007, Engineers Canada created the Aboriginal Outreach Task Force to address one aspect of Engineers Canada's strategic goal for diversity. Activities include commitments to fund the Aboriginal Camp offered through the University of Manitoba's Engineering Access Program. As well, they are sponsoring the May 2009 DreamCatching conference presented by the Mount Pleasant Educational Services. Task force representatives participate in the Alliance of Sector Councils' Working Group on Aboriginal Engagement, as well as other relevant Aboriginal meetings and conferences. Continued efforts are invested to identify opportunities for collaboration and external funding sources for a larger Aboriginal outreach project.

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

Engineers Canada is a participant in the Women in Engineering Advisory Group. In 2007, an Engineers Canada representative participated in the World Federation of Engineering Organizations' International Colloquium on Empowering Women in Engineering and Technology, as well as the development of the mandate and terms of reference for the Federation's standing committee on women in engineering. Nationally, it is sponsored the May 2008 Canadian Coalition of Women in Engineering, Science, Trades, and Technology conference in Guelph, Ontario.

- ◆ Engineers Canada's 2007 operational expenses totaled just over \$8 million. Just over 25 per cent of the cost of these programs was borne by the 12 provincial/territorial associations/orders.

The assessment is based on the formula shown in Table 6.

**Table 6. Engineers Canada Assessment Formula**

Constituent Members	2003	2004	2005*	2007-2008
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, the 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 2009 Engineers Canada budget.

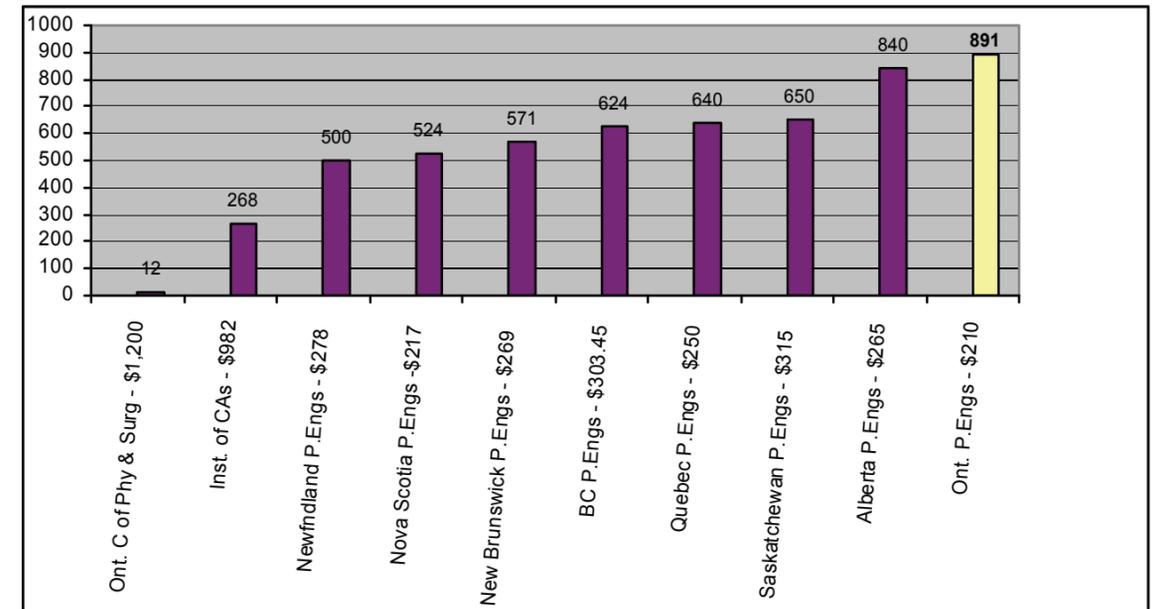
- ◆ Through the Canadian Engineering Accreditation Board, Engineers Canada accredits Canadian undergraduate engineering programs that meet the profession's high education standards. Graduates of those programs are deemed by the profession to have the required academic qualifications to be licensed as professional engineers in Canada.
- ◆ Through the Canadian Engineering Qualifications Board, Engineers Canada develops national guidelines on the qualifications for registration, standards of practice and ethics expected of professional engineers. It also publishes the *Engineers Canada Examination Syllabus* and the *Engineers Canada List of Foreign Engineering Educational Institutions and Professional Qualifications*.

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

- ◆ Engineers Canada maintains official marks on the terms: "engineer, engineering, professional engineer, P.Eng., consulting engineer, ingénieur, ing., ingénieur conseil, génie and ingénierie." This helps its constituent members to enforce the provisions of the Engineering Act in their jurisdiction, and protect the Canadian public through the regulation of engineering practice.
- ◆ From Consideration to Integration is an initiative of Engineers Canada that facilitates the integration of international engineering graduates into the engineering profession and workforce without compromising Canadian engineering standards. In close consultation with the constituent members, it has developed 17 recommendations to improve the integration processes for international graduates. While the recommendations are partially funded by the federal government, Engineers Canada and many of its constituent members are implementing the recommendations at their own costs. Further government funding is being sought to implement these projects.

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 in 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.

**Figure 4a. Members per staff and annual fee (including GST)**



As can be seen from Figure 4a, PEO has approx 891 members per staff and this places it in the top among the benchmarked associations. This suggests that PEO's current staffing levels are competitive.

### 1.2 Operating Reserve

The current operating reserve policy was developed in 2004 to facilitate PEO's long range financial plan. It was approved by Council at its January 2005 meeting and a set of operating reserve targets are annually updated and approved by Council. PEO's operating reserve of \$9.9 million as of December 31, 2007, exceeds the 2007 upper limit operating reserve requirement set by Council of \$4.218 million.

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

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

Like business enterprises, non-profit organizations must maintain a balance between revenue and expenditures to survive. The operating reserve provides the necessary funding capacity to deal with

such uncertainties as a decrease in revenue and increased costs. For PEO, the operating reserve enables PEO:

- ◆ to survive operating shortfalls caused by economic turbulence or inappropriate financial decisions;
- ◆ enhance 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 growth and expansion of its regulatory and regulatory support activities;
- ◆ fulfill contractual agreements; and
- ◆ fulfill legal requirements.

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

PEO needs an operating reserve policy 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.

To reflect changing needs of PEO's regulatory activities, the 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?**

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

**Table 1. Operating reserve elements**

<b>2007 Min. Reserve Components</b>	<b>Internally restricted funds for specific long term purposes (Potential wind-up cost and expenditure)</b>	<b>\$3,000,000</b>
	<b>Membership stabilization funds appropriated at the discretion of Council</b>	
	1. 2007 capital asset purchases	\$480,000
	2. Legal reserve for Act/By-Law changes	\$110,000
	3. Carry-over projects 3.1 Judicial Review of <i>Ontario Building Code Act</i> : \$400,000 3.2 Seamless Transition \$20,000 3.3 LET Project: \$100,000	\$520,000
	<b>Required membership fee stabilization funds</b>	<b>\$1,110,000</b>
<b>Minimum total operating reserve requirement</b>	<b>\$4,110,000</b>	

- ◆ **Internally restricted funds for specific long-term purposes** are generally used for:
  1. wind-up costs;
  2. funding to carry out mandates in the event of catastrophe; and

**5 External Relations**

**5.1 Engineers Canada (formerly Canadian Council of Professional Engineers)**

**5.1.1 When did the Canadian Council of Professional Engineers change its name to Engineers Canada?**

At its Board meeting in February 2007, the Board approved adopting the business name of Engineers Canada to replace in daily usage the legal name of the Canadian Council of Professional Engineers. The organization had become know by its acronym, CCPE, which did not communicate any information about what it did. Similar national engineering organizations in other countries have adopted names like Engineers (country) (i.e. Engineers Australia, Engineers Ireland, Engineers New Zealand, etc.)

Hence, keeping in line with this trend, the Canadian Council of Professional Engineers launched its new name at its annual meeting on May 24, 2007.

Soon afterwards, the Association of Professional Engineers of Nova Scotia adopted the business name Engineers Nova Scotia.

**5.1.2 The fee that PEO pays to belong to Engineers Canada seems to increase every year. Will this fee increase again in 2008?**

The rate for the assessment for all constituent members is \$10.21/member and engineering intern and remains unchanged in 2008 from 2007, 2006, and 2005. However, PEO's assessment for 2007 was budgeted for \$741,000, due to the increase in PEO's membership.

This fee structure continues into the future. In February 2004, the Canadian Council of Professional Engineers (now Engineers Canada) Board approved deferral of a then-planned increase in assessment until 2008.

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

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

Professional Engineers Ontario also has representation on the committees that actively participate in all its 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.

- ◆ Over the past three years, Engineers Canada has spearheaded many collaborative projects that have been of mutual benefit to its constituent members, including PEO. In some cases, they have resulted in cost savings to PEO, in other cases in increased efficiencies and additional services to PEO's own membership. For example for PEO's Directors/Officers and Errors/Omissions Insurance, Commercial Crime Insurance, and Corporate Identity Protection Insurance, the cost savings to PEO have been in the range of \$115,000.
- ◆ Engineers Canada conducted business activities in 2007 in support of the constituent members' regulatory activities (admissions, practice, discipline and enforcement) at a cost of \$1.6 million.

that PEO use its best efforts to revise the *Professional Engineers Act*, when next revised, to provide for a Provisional Licence and classes of the Provisional Licence such that the Provisional Licence would be issued to all those who apply for a licence and have complied with all the requirements except the experience. Classes of this instrument will be created to accommodate the various stages of the total experience requirement.

- ◆ **Licensure Uptake Study.** The purpose of this policy initiative was to undertake research into the reasons for the apparently low percentage of Ontario engineering graduates who become licensed. Surveys were undertaken of licence applicants and employers of engineers and preliminary data was presented to Council at its February 2008 meeting. A further survey of final-year engineering students is being conducted.
- ◆ **Internship and Engineer-in-Training (EIT) Program.** Under this policy initiative, a white paper was commissioned to identify and analyze a range of alternative internship program models for discussion by Council. At its January 2008 meeting, Council received the white paper and directed that a stakeholder consultation on the models presented in the report be initiated and that a report on the results of the consultation, including recommendations, be submitted to Council.
- ◆ **Enforceable Code of Ethics.** This policy initiative was designed to examine PEO's current Code of Ethics and definition of professional misconduct and to present Council with policy questions for its consideration with respect to whether PEO should have an enforceable Code of Ethics and, if so, the preferred Regulation changes to accomplish this objective. At its March 2008 meeting, Council approved a policy direction that all elements of a Code of Ethics should be enforceable and that a breach would constitute professional misconduct. Council also directed the CEO/Registrar to use PEO's regulation-making process to incorporate an amended definition of "professional misconduct" and "Code of Ethics" into the Regulation.

3. invested in fixed assets (net book value on balance sheet).

They are used to deal with future uncertainties and to manage long-term liabilities.

- ◆ **Membership fee stabilization funds appropriated at the discretion of Council** are generally used for:
  1. future capital asset purchases;
  2. funding for strategic initiatives;
  3. legal reserve for Act/Regulation/By-law changes;
  4. Council contingency funding and changes/additions of programs;
  5. carry-over projects; and
  6. other funds as planned and specified by Council.

They are used 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 the 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 twice a year: at the beginning of the business planning and budgeting cycle, and when the financial statements ending December 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 be adjusted 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 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; 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](http://www.peo.on.ca).

### 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.

Committee staff advisors or management staff of the related departments review for accuracy all invoices and transactions for payment of all department or committee budgeted expenses incurred on association business, which are signed by the appropriate authorities before a payment is made.

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

Each department head receives monthly a budget comparative report, 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 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.

## 4 PEO's 2005-2009 Strategic Plan

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

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

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

- ◆ **Continuing Competency Assurance.** This initiative was to develop a policy white paper that dealt with four main areas: a) providing context to the issue of professional continuing competence assurance and general approaches to continuing competence; b) situating PEO's efforts within a broader framework of available approaches; c) providing snapshots of what other Canadian engineering associations and professions are doing in relation to professional competence programs; and d) providing recommendations on next steps. At its January 2008 meeting, Council received the white paper and directed the CEO/Registrar to distribute it to stakeholders for comment and to arrange for a summary of the feedback to be available for review at the May 2008 Council Workshop.
- ◆ **Certificate of Authorization Professional Liability Insurance.** The purpose of this policy initiative was to undertake research to determine the extent to which practitioners use the compulsory disclosure option with respect to professional liability insurance for Certificate of Authorization holders and why they choose such an option. At its meeting in December 2007, Council received the policy research paper and decided the percentage of Certificate of Authorization holders declaring compulsory disclosure should be monitored. The CEO/Registrar was directed to report to Council on a regular basis.
- ◆ **Multi-tiered, Value-added Membership and Licensing Model.** This initiative was to develop a policy proposal paper that identified the policy decisions that Council should consider with respect to creating a multi-tiered, value-added membership and licensing model within the present *Professional Engineers Act*. The paper was presented to Council at its February 2008 meeting and Council directed the CEO/Registrar to prepare material for Council's consideration to formally recognize each of engineers-in-training, student members, P.Engs covered by the Fee Remission Policy and Past Presidents, as either classes of licence and/or classes of persons. At its March 2008 meeting, Council approved a by-law amendment that would prescribe PEO's Fee Remission Policy in By-Law No.1 and directed the CEO/Registrar to use PEO's regulation-making process to prescribe a class of P.Eng. licence consistent with the by-law amendment and to prescribe "engineer-in-training" and "engineering student" as classes of persons whose interests are related to those of PEO. Council also passed a motion directing

### 3 Fees

#### 3.1 Fee Comparison

##### 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 as of Dec. 31, 2007**

Association	No. of members	Annual renewal fee (P.Eng.)
Association of Professional Engineers and Geoscientists of Saskatchewan	6,500	\$315.00
Association of Professional Engineers and Geoscientists of Manitoba ( <i>prorated annual fee for 2007</i> )	5,180	\$274.00
Association of Professional Engineers and Geoscientists of British Columbia	24,000	\$303.45
Association of Professional Engineers, Geologists and Geophysicists of Alberta	47,000	\$265.00
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	\$278.43
Association of Professional Engineers, Geologists and Geoscientists of Nunavut and the Northwest Territories	1,178	\$325.50
Association of Professional Engineers of Nova Scotia	4,718	\$216.50
Ordre des Ingénieurs du Québec	55,000	\$250.28
<b>Professional Engineers Ontario</b>	<b>70,000</b>	<b>\$210.00*</b>
Association of Professional Engineers of Prince Edward Island	396	\$200.00
Association of Professional Engineers of Yukon	220	\$191.50

\* Effective May 1, 2008, the fee has been increased to \$231 (including GST)

##### 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.

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, 2007, the actual staffing level was 79 regular full-time staff, which is less than the approved budgeted compliment of 83 for 2007.

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

Year	Approved regular full-time staff (number in approved budget)	Actual Full-time staff (excludes contract and temporary)	Actual staff salaries and benefits	Actual staff (including contract and temporary)
2000	78	69	\$4,137,995	74
2001	79	67	\$4,487,394	76
2002	78	68	\$4,762,355	78
2003	82	70	\$5,405,148	82
2004	78	74	\$5,386,207	87
2005	78	73	\$5,556,091	86
2006	79	73	\$5,923,900	84
2007	83	79 (As of Dec. 31, 2007)	\$6,956,481	90
2008	85			

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

#### 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 than to 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: staff on disability or maternity leave, backlog of work or a special project). This strategy offers organizational flexibility, assists PEO to meet its staffing needs, and avoids unnecessary, longer-term staffing costs.

In 2007, PEO used:

- ◆ **contract staff** primarily in the Information and Technology Services (I & TS), Administrative Services, and Licensing and Registration departments. Two multi-year contract positions in the I & TS group were replaced in mid-2007 by the two full-time positions of Web Technical Support (to enhance and support PEO's main website, chapter websites and services, and the student membership website) and Programmer/Analyst (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 2007. These were the key drivers for the cost of contract staff in 2007. It is worth noting that expenses for contractors and temporary staff in 2007 were reduced by 7.1 per cent from 2006;
- ◆ **temporary staff** in Licensing and Registration and Administrative Services to cover increased workload due to additional applications and one staff member on maternity leave, in Communications and Chapters to cover a short-term disability, and in Governance (Legal) to cover the work associated in establishing a new department;
- ◆ **consultants** were used for the following projects:
  - to provide pension management data and reports related to employee future benefits,
  - to manage PEO's pension fund,
  - to manage PEO's investment portfolio, and
  - to facilitate PEO's search for a new office building.

#### 1.5 Employee Future Benefits

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

PEO staff prepared a booklet, called *Employee Future Benefits Background*, in November 2004, which is published and available at [www.peo.on.ca](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;

#### 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 for suitable accommodation 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. PEO has hired a law firm to explore how PEO can achieve these 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 \$1.3 million for fiscal year 2007 and projected to be approximately \$1,450,000 in 2009.

PEO's cumulative gross rental expense was over \$14 million from 1994 to 2007. The present office space is insufficient to meet the current and forecasted office space needs and any renovation will not be cost effective. Requirements for meeting space are acute, with particular pressure from the current demand for Experience Requirements Committee interviews of internationally trained applicants and the increased number of meetings by both staff and volunteers. It is predicted that PEO will have limited options for expansion space at the existing location beyond 2009.

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

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

PEO has total assets of \$22.5 million as of December 31, 2007 and a reserve of \$9.9 million (see PEO's 2007 Financial Statements).

From a cash-flow perspective, PEO has investments worth \$20.4 million (including marketable securities and portfolio investments) that could potentially be converted into cash for the down payment of a building purchase. Moreover, PEO will have approximately \$1.4 million in additional funds resulting from the recently approved fee hike of \$20.

However PEO cannot use all its assets for funding the building as there are two liability components in the balance sheet:

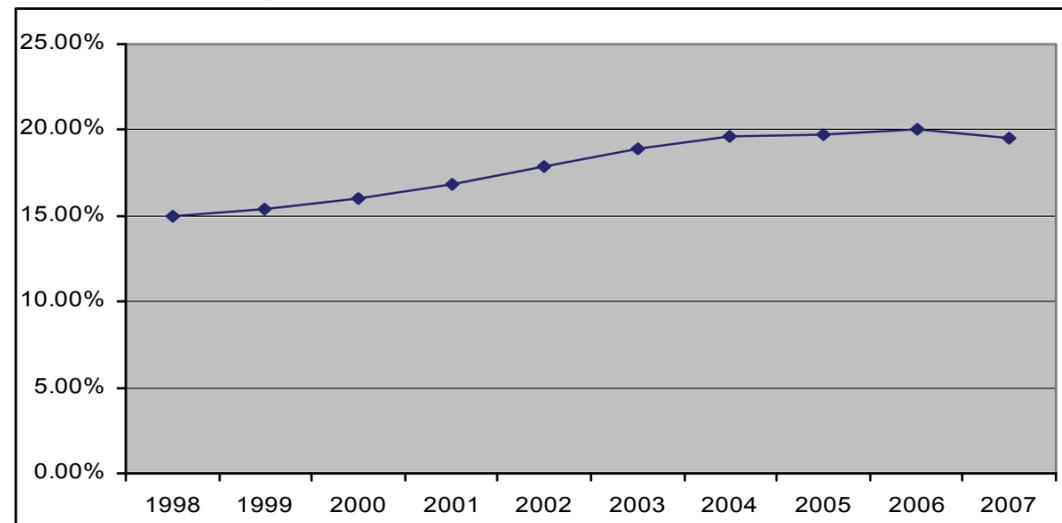
1. \$8.89 million in fees in advance and deposits; and
2. \$3.8 million in Employee Future Benefits.

Therefore, building affordability should be planned based on PEO's operating reserve of \$9.9 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 suitable equity and debt financing option. PEO could use up to \$5 million from its reserve for cash investment in a building purchase, which includes a possible up front investment for renovation, depending on the physical condition of the building.

increase in the ratio of retirees over full fee members from 15 per cent in 1998 to approximately 19.5 per cent in 2007. It is expected this ratio will increase to an estimated 22-23 per cent in 2009. In other words, for 2007, each full fee member had to absorb 19.5 per cent of the membership fee of a retiree, as compared to a mere 15 per cent in 1998, to maintain PEO's revenue requirements, assuming that full-member fees had remained the same over the period.

**Figure 7. 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 recently implemented an Engineering Intern Training 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 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 to maintain their licences.

These 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.

- ◆ 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**

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

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

If PEO does not follow the Canadian Institute of Chartered Accountants Handbook with respect to employee future benefits, 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.

**1.6 Process Improvement and Cost Savings**

The Treasurer's Report, which outlines department-wise all of the expenditures, savings and process improvements and other information on PEO's financial position, has been published on the PEO website at: [www.peo.on.ca](http://www.peo.on.ca).

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

Council and management at PEO are aware of the importance of ongoing process improvement. Not only has PEO committed itself to develop and implement a zero-deficit budget for its operation, but it increased its operating reserve by \$1,278,942 in 2007.

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 analyses, 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:

- ◆ **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;

**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**

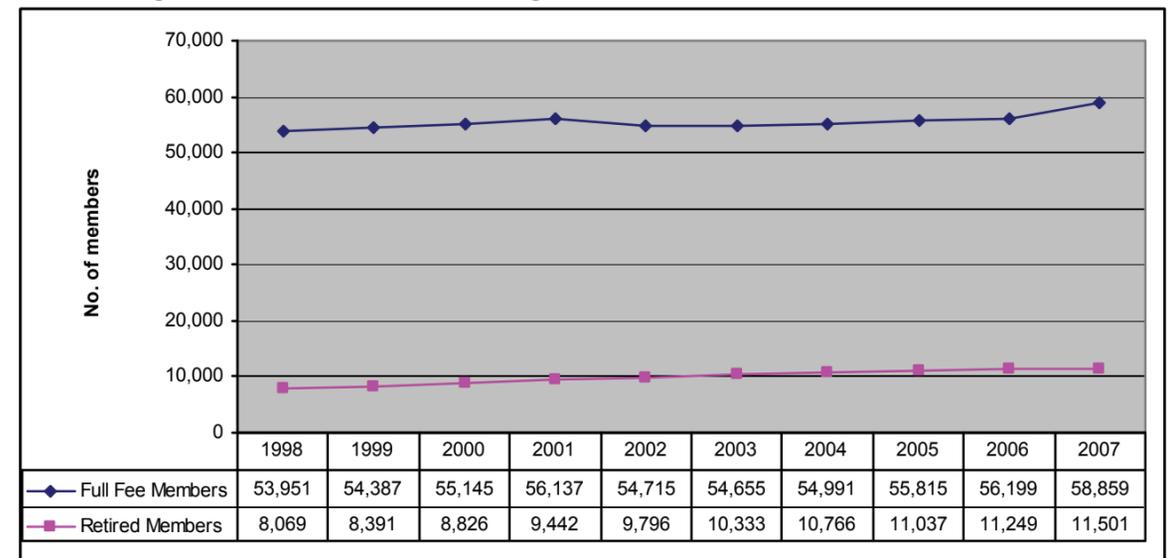
**2.1.1 What is PEO’s financial state, based on the 2007 financial statements?**

PEO again strengthened its financial position by ending 2007 with an excess of revenue over expenditure of \$1,278,942. This positive performance moves PEO toward a solid financial position with an enhanced balance sheet and an improved operating reserve of \$9.9 million.

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

The total membership grew by an average of 1.5 per cent annually over the last 10 years, as shown in Figure 6. 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). Initiatives like the Engineering Intern Training Financial Credit Program (EIT financial credit program) introduced in 2007 are likely to increase membership growth in the years ahead.

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

As shown in Figure 7, the number of retirees increased at a higher rate from 1998 to 2004 and barring a marginal drop in 2007, has been relatively stable since 2004. In fact, the net effect is an