

COUNCIL APPROVES MAJOR CUTS TO DRAFT 2019 OPERATING BUDGET

By Nicole Axworthy

521ST MEETING, NOVEMBER 16, 2018

At its November 2018 meeting, Council approved the draft 2019 operating budget after incorporating major cost-saving and revenue-generating measures. The draft budget was presented to Council by the Finance Committee with a \$2.5 million deficit before Council discretionary spend items and a deficit of \$5.1 million after Council discretionary expenses. The main reasons for the deficit are:

- There have been no membership fee increases since 2008, and revenues from the growth in the number of licence holders, applications, examinations etc., have not been adequate to keep pace with operating expenditures, which have increased over 17 per cent since 2009 due to inflation;
- The modest increase in membership revenue over the past several years has not kept pace with costs for operations; and
- There has been an increase in the scope and breadth of PEO operations. Several new initiatives have become part of regular operations over the course of the past several years, such as the Practice Evaluation and Knowledge (PEAK) program, which was introduced in 2017 but became part of regular operations in 2018. A higher spend is also expected on initiatives such as the Public Information Campaign and activities related to the 2018–2020 Strategic Plan.

To address the shortfall in 2019, areas for potential cost savings were identified by the Finance Committee. Council spent a significant portion of its November meeting discussing and voting on specific ways to reduce the deficit, resulting in the elimination of several PEO activities entirely, including PEO's annual Queen's Park Day reception, Education Conference, Education Committee meetings, regional viewing meetings for all-candidates webcasts for Council elections and Engineering Innovation Forum event funding. Council also approved eliminating alcohol and reducing the food catering budget by 10 per cent for meetings at PEO headquarters. Council approved suspending the Governance Working Group Phase 1 and Emerging Discipline Task Force for one year and reducing budgets by 10 per cent for major conferences, such as the Annual General Meeting, Chapter Leaders Conference, Volunteer Leaders Conference, Committee Chairs Workshop and PEO Student Conference, and for chapters, northern and western regional offices, several non-statutory and non-board committees and task forces, and programs such as the Student Membership Program, Licensure Assistance Program, National Engineering Month and chapter scholarships. Council also approved implementing a \$10 convenience fee for all credit-card transactions, increasing application, engineering intern and exam fees

by 20 per cent and charging fees for Academic Requirements Committee interviews. The combined actions are expected to reduce the 2019 operating budget deficit to \$860,000, which will be funded by PEO's operating reserve.

At its November meeting, Council approved the 2019 capital budget of \$1.68 million, which comprises information technology, facilities and capital improvements to PEO headquarters. Capital improvements planned for 40 Sheppard West include leasehold improvements, which are renovation incentives provided to potential tenants for signing leases for vacant space on the building's second, fourth and eighth floors; and common area maintenance costs such as security upgrades and replacement of the generator, heat pumps, exterior windows and parking garage grates. Significant IT expenditures include upgrading the Aptify database system. The planned facilities expenditure for 2019 include configuring workstations to accommodate staff seating arrangements, new office furniture and replacing aging audiovisual equipment.

BORROWING RESOLUTION

Council carried a motion to renew PEO's borrowing policy, which includes an operating line of credit and corporate credit cards with Scotiabank, until January 31, 2020. Council approved an operating overdraft for an amount not to exceed \$250,000 and use of corporate credit cards with an aggregate limit not to exceed \$120,000. Council was told PEO has an adequate cash flow to meet its business requirements on a regular basis, and the draft facility is only for contingency purposes. Corporate credit cards provide convenience to senior volunteers and senior staff for PEO business expenditures. The credit card balances are paid off every month.

NON-BUDGETED EXPENDITURES POLICY

Council approved revising PEO's Finance Policy to indicate that "a two-thirds majority vote is required to pass an item that either 1) exceeds \$300,000 beyond the approved capital and operating budget for that fiscal year, or 2) causes an item previously approved outside of the approved capital and operating budget in that fiscal year to exceed \$300,000." Considering that PEO is currently facing an operating budget deficit, this change will ensure more diligence will be placed in obtaining needed feedback from Council members on new projects that require significant expenditures and that have not been incorporated in the annual budget. **e**