

Ethical. Professional.



2007/2008

Annual Report

The Association of Professional Engineers and Geoscientists of British Columbia

Questions and Answers
on Operations

Questions & Answers on APEGBC Operations

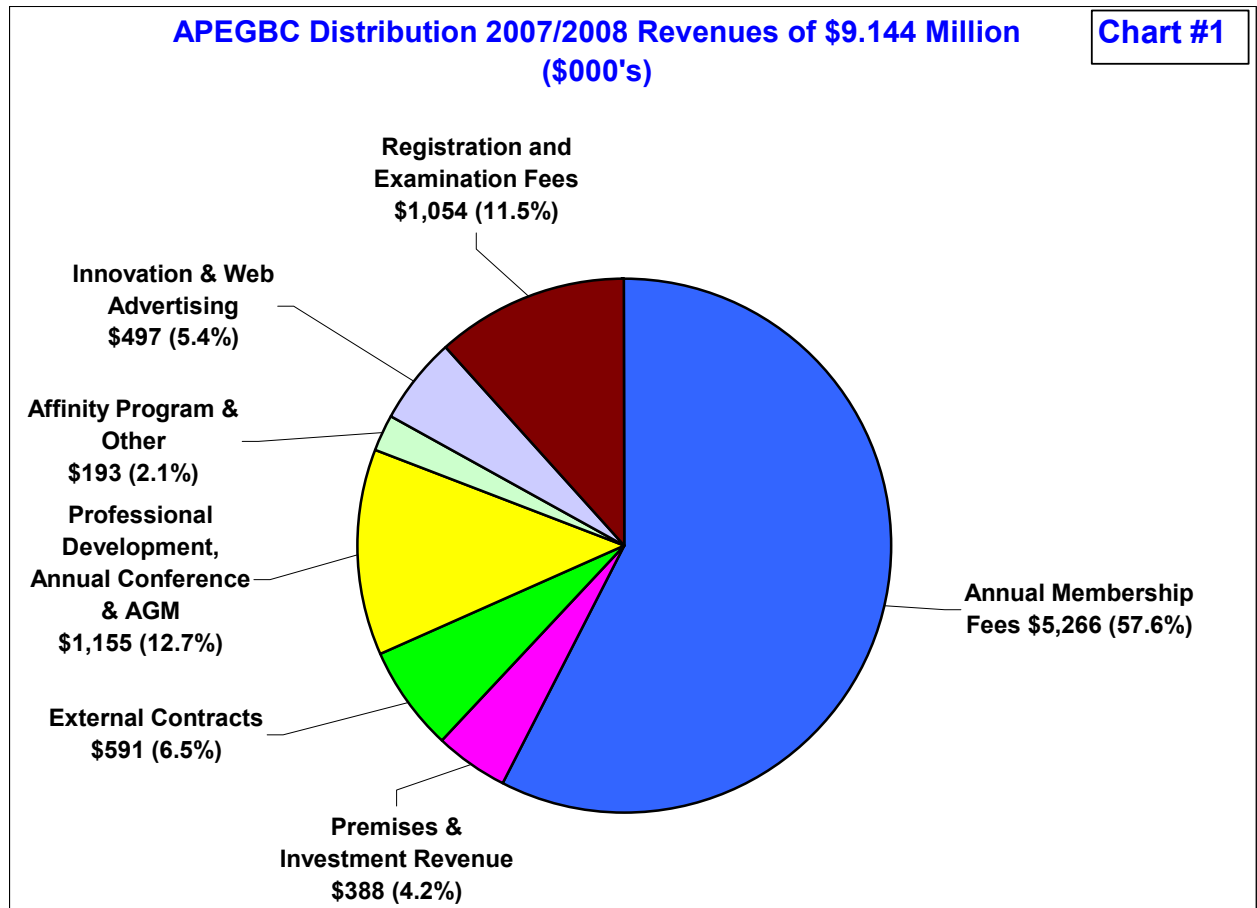
October 2008

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Questions and Answers on APEGBC Operations – October 2008

1. WHAT ARE THE ASSOCIATION'S SOURCES OF FUNDING?



2. QUESTIONS ABOUT 2007/2008 REVENUES

(Please refer to the Statement of Revenue and Expenses on page 34 in the 2007/2008 *Annual Report* and the Financial Overview on page 29 for additional information)

For 2007/2008, total revenues increased by \$1,223K or 15.4% to \$9.144 million from the 2006/2007 total of \$7.921 million. Membership, registration, and examination fees accounted for \$829K of the increase, which was due primarily to rate increases, higher application volumes, and membership growth. In addition, Professional Development revenues increased by \$179K and Innovation magazine and other advertising increased by \$77K.

2.1 What is the annual net percentage growth in the membership and how much additional revenue does this generate?

For 2007/2008, Annual Membership Fee revenue increased by \$621K (from \$4.616 million to \$5.236 million) primarily due to the fee bylaw increase and net growth of approximately 4%. Membership fees are the primary source of monies collected, amounting to 57.6% of the Association's revenues.

2.2 How much does APEGBC earn from affinity programs?

Affinity revenue of \$134K was derived primarily from long-term contracts with three insurance providers for 2007/2008.

2.3 What are Grant and Project Administration Revenue? Does APEGBC lose money on these activities?

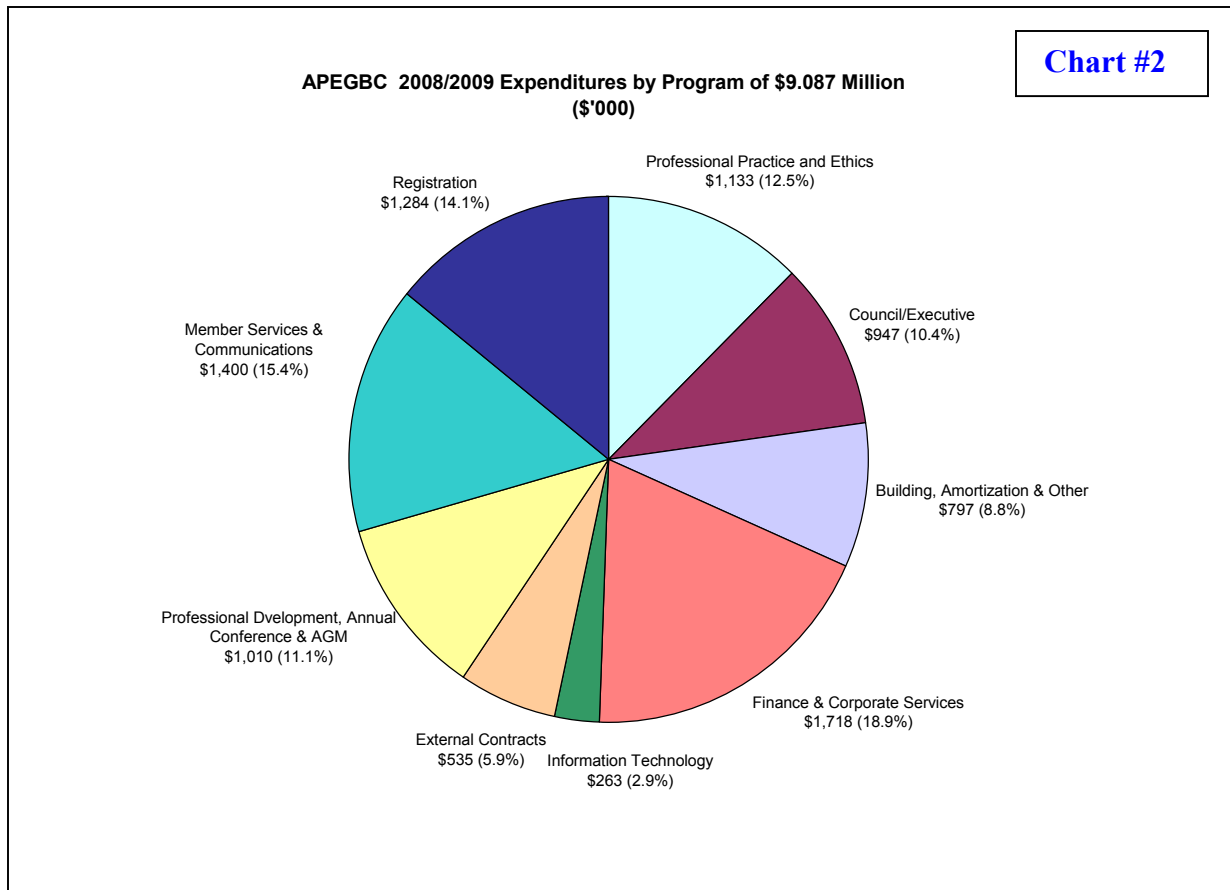
In the past few years, APEGBC has participated in projects funded by the provincial and federal governments and in strategic alignment with our mandate. For 2007/2008, these projects include the Seismic Risk Assessment. Total revenues for 2007/2008 were \$591K compared to \$533K for 2006/2007. In general, revenues more than offset direct program costs, including staff salaries and allocated overhead.

2.4 How much does Continuing Professional Development revenue contribute to revenues and the bottom line?

Continuing Professional Development (CPD) revenue has increased every year since the inception of the program. For 2007/2008 CPD revenue increased by 24.1% or \$180K to \$923K. CPD revenue now accounts for 10.0% (2006/2007 = 9.4%) of total revenues, which is the second largest revenue component for the Association. The professional development program is financially structured to recover all direct costs including salaries and benefits.

3. HOW MUCH DOES EACH OF THE PROGRAM AREAS COST?

Chart #2 below shows total expenditures of \$9.087 million, by program, for 2007/2008.



4. QUESTIONS ABOUT 2007/2008 EXPENDITURES

Total expenditures for 2007/2008 of \$9.087 million are \$1.223 million or 15.4% higher than 2006/2007 expenditures of \$7.921 million.

4.1 What is included in “Contract and Consulting Services”?

For 2007/2008, contract and consulting services of \$1.636 million increased by \$498K or 43.8% from 2006/2007 primarily due to computer systems, external grant contracts, Communications and Member Services, Government Relations, Professional Practice, Practice Reviews, Professional Renewal, and Professional Development. Table 1 details this change.

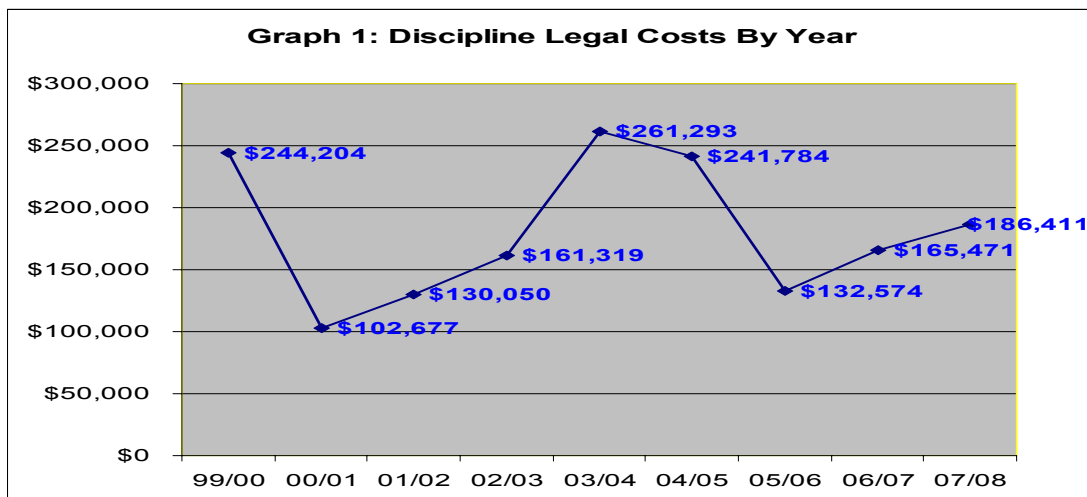
| Table 1: 2007/08 vs. 2006/07 Contract & Consulting Services Changes | | | |
|--|---|---|---------------------|
| | Explanation of Change: | 2007/08:2006/07 Change (In \$'000) | % Change |
| Computer Systems | Primarily due to IT Transformation Project of \$93K (\$100K budgeted) for pre "development" costs that cannot be capitalized and Engineers Canada national database projects of \$22K. | 136 | 124.8% |
| External Grant Contracts | Increase due to new Ministry of Education Seismic contract | 99 | 23.2% |
| Communication & Member Services | Due to booking tier 1 key note speakers for AGM, higher video production costs due to higher number of award winners, workshop for branch members, career awareness video, and crisis management consulting | 66 | 45.8% |
| Government Relations | Government Relations consultant for the year | 50 | 217.4% |
| Professional Practice | Development and drafting of guidelines and generating grant revenue | 42 | 1400.0% |
| Practice Reviews | More practice reviews and work completed compared to prior year | 34 | 27.9% |
| Professional Renewal | Implementation of Professional Renewal Task Force | 29 | 0% |
| Professional Development | Planned professional development program growth | 27 | 18.4% |
| Other | Increase primarily due to compilation of Registration policy database | 15 | 115.8% |
| | Total Change | 498 | 43.8% |

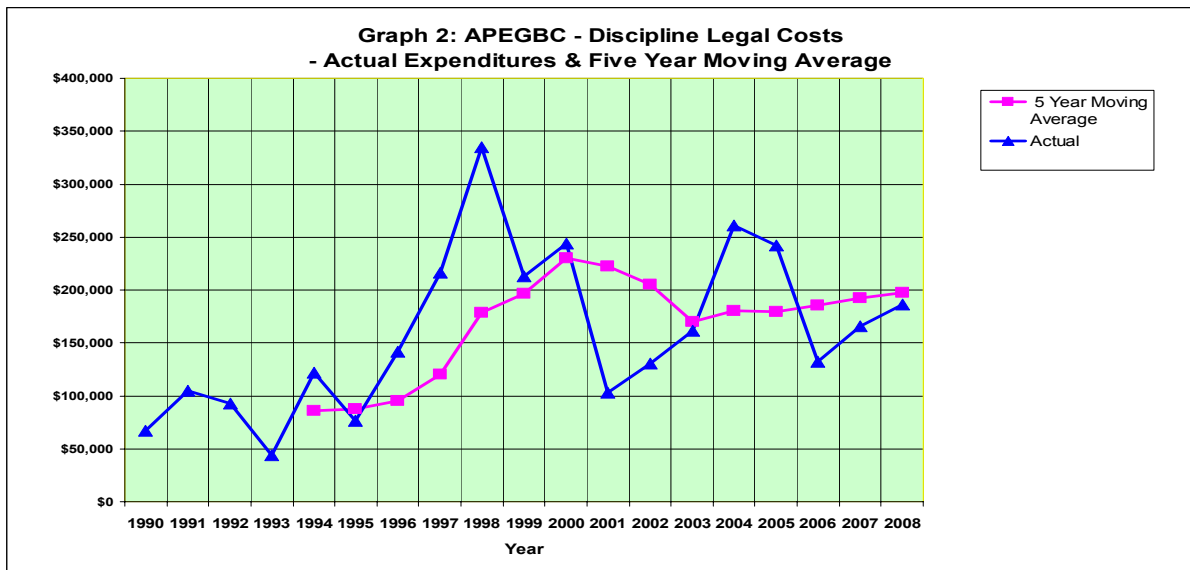
4.2 How much is spent on legal fees each year and what is the Association doing to control these costs?

Total legal expenditures for 2007/2008 of \$342K increased by \$89K or 35.4% from the 2006/2007. Table 2 explains the change between the two fiscal years.

| Table 2: 2007/08 vs. 2006/07 Legal Changes | | | |
|---|--|-------------------------------------|-----------------|
| | Explanation of Change: | 2008:2007 Change (In \$'000) | % Change |
| Discipline | Two large disciplinary cases with longer hearings | 21 | 12.7% |
| Finance & Corporate Services | To review IT Transformation software purchase and implementation contracts, employment matters, and organization restructuring | 19 | 118.8% |
| Professional Practice | Reviewing cases, drafting opinion letter, Act & Bylaws, and reviewing of legal research memorandums | 13 | 650.0% |
| Investigation | Increase in investigation activity in 2007/08. | 9 | 112.5% |
| Enforcement | Increase in enforcement activity in 2007/08 | 9 | 0% |
| Registration | Registration Bylaw changes. | 5 | 20.8% |
| Council & Executive | Legal costs incurred around licensing and official trademarks for the professions. | 4 | 23.7% |
| Other | Various other programs requiring external legal advice | 9 | 42.9% |
| | Total Change | 89 | 35.4% |

Of the total legal expenditures of \$342K, \$186K is a result of Disciplinary activities. Although the Disciplinary legal expenditures have been slowly increasing over the last few years as per Graph 1, it is slightly below the five-year moving average per Graph 2.





The Association's disciplinary legal costs vary due to factors largely beyond its control. A small increase (or decrease) in the number of cases that go to hearing will have a significant impact on the legal costs. Longer hearings and/or complicated cases resulting in the need for more independent legal advice for panels will further increase the legal costs.

In 2007/08, there were 2 large disciplinary cases. One case started in 2006/07 and ended in 2007/08 and the second case started in 2007/08 and is ongoing. These two cases have significantly contributed to the increase in the disciplinary legal costs.

The Professional Practice & Ethics Department accounts for approximately 90% of the annual legal budget for the following areas, the majority of which are mandated by the *Engineers and Geoscientists Act*:

- a) Investigating complaints against members
- b) Disciplinary inquiries
- c) Enforcement against unlicensed practice and use of restricted title
- d) Practice Review program
- e) Setting practice standards and developing practice guidelines
- f) Providing advice to members and the public on practice and ethical issues
- g) Liaising with all levels of government on practice and ethical issues

The discipline process requires outside legal assistance for the prosecution of cases, the cost of which averages approximately \$200K per year. Budgeting for the annual legal cost is always difficult, as a small change in the anticipated number of disciplinary inquiries, and/or the length of inquiries, has a significant effect on our legal costs. In addition to using in-house counsel for general legal advice, the Association reviews its investigation and discipline processes on an ongoing basis, for among other things, cost efficiencies.

4.3 Why have there been significant increases from the prior year for expenses such as Meetings & Special Events and Printing/Publication?

Meetings and special events costs are primarily driven by changes in activity levels such as CPD program growth and government and public relations activities. Printing, publication, and distributions costs have increased due to the special Registration Act and Bylaw amendment mail out in 2007/08, postage increases for membership growth, and higher printing and copy charges as a result of increased registration volume and CPD growth.

5. WHAT ACTIVITIES ARE MANDATED BY THE *ENGINEERS AND GEOSCIENTISTS ACT AND BYLAWS*?

The following activities are mandated by the *Act and Bylaws*:

- a) Registration and licensing, including examinations and issuance of certificates and seals
- b) Enforcement against non-members
- c) Investigation of complaints and discipline of members
- d) Council elections
- e) Annual General Meeting
- f) Setting and collection of fees
- g) Preparation of financial statements for audit and delivery of audited financial statements to the members
- h) Practice Reviews

6. DOES THE ASSOCIATION OWN OR RENT FACILITIES?

The Association has owned the land and building at the Burnaby location since the mid-1990s after temporarily renting facilities in Burnaby for a few years in the early 1990s. The purchase and equity in the current property was made possible by the capital appreciation from properties held in Vancouver in past decades prior to the move to Burnaby.

The current book value of the land and building is \$2.717 million with mortgage liabilities of \$126K at June 30, 2008. For 2007/2008, the Association collected \$196K in rental income from the two ground-floor rental suites, as the Association occupies the second floor of the building. Operating costs and mortgage interest were \$306K and \$10K respectively for 2007/2008.

7. WHAT DOES APEGBC GET FOR THE ASSESSMENT FEES PAID TO CCPE/CCPG?

In 2007/2008, the Association paid assessments of \$208K and \$40K for membership in CCPE and CCPG, respectively, or a total of \$248K. CCPE has other sources of funding in the form of user fees for educational assessments, affinity program agent fees, and government grants for external contracts, such as the *From Consideration to Integration project*, for the improved integration of international engineering graduates into the profession and the workplace.

CCPE and CCPG conduct business activities in support of APEGBC's core regulatory activities in the areas of admissions, practice, discipline, and enforcement. The assessments paid by each provincial and territorial association support the work of CCPE and CCPG Boards and Committees. APEGBC members and professional staff volunteer their time to serve on these national Boards and Committees, along with their colleagues in other provinces, to work towards:

- a) Harmonized requirements and information for internship
- b) Licensure
- c) Discipline and enforcement across the country
- d) Inter-provincial and international agreements to enhance the practice mobility of the members nationally and internationally
- e) Accreditation of Canadian bachelors programs in engineering and geoscience
- f) National awards
- g) Government relations at the federal and provincial level
- h) National databases to provide enhanced sharing of information, improve efficiencies, and to support both strategic and mobility initiatives
- i) Issues of concern to the professions, such as liability insurance, climate change, and the improved integration of internationally trained graduates into the professions

As the third largest province/territory, APEGBC often leads in the development of pilot programs and other initiatives. While this time is volunteered in the name of CCPE and CCPG, these pilot programs and initiatives are developed based on the professions' needs in British Columbia, and have put BC on the map as a leader among the professions in Canada.

8. HOW MANY PEOPLE ARE EMPLOYED BY THE ASSOCIATION?

For 2007/2008, APEGBC employed 38.75 FTE staff to conduct its mandated regulatory functions, member service programs (including affinity programs), and administrative service functions for over 25,000 members, including students. Of the 38.75 staff, 27.75 are employed in Regulatory Functions, 7 in Member Services and 4 in Professional Development.

APEGBC also contracts work to its members who provide professional services in the form of practice reviews, expert witnesses, and job-site interviews. APEGBC's operations are also supported by over 1,000 member volunteers who donate their time and expertise to the self-regulation of engineering and geoscience in BC. In addition to their operational commitments, senior staff also donate over 100 days of their time each year to volunteer activities on behalf of the professions.

9. DOES THE ASSOCIATION SET ASIDE FUNDS FOR SPECIFIC PURPOSES? WHAT ARE THE OBJECTIVES OF THESE FUNDS?

Along with two general funds, Council has established two restricted funds in order to maintain reserves required for specific purposes.

General Funds

a) *Invested in Property and Equipment* of \$3.142 Million – are funds invested in the building and other capital assets net of outstanding mortgage debt.

b) *Operating Fund* of \$346K – are funds that are generally available for program delivery, administrative activities, mortgage repayments, and equipment purchases. This balance is significantly below the 3 to 6 months of operating funds targeted by similar professional associations. For the Association, a financially prudent balance of liquid assets would be a *General Operating Fund* balance equal to at least 3 months of operating expenses. However, a minimum target balance of \$900,000 or 1.5 months could be considered adequate given the Association's ability to access an existing \$500,000 line of credit backed by the building equity.

Restricted Funds

a) *Information Systems Replacement Fund* of \$800K – are funds set aside to replace or upgrade information technology systems to replace legacy member database, financial, and web transactions systems.

b) *Legal and Insurance Fund* of \$260K – are funds available to absorb two consecutive years of extraordinary legal and/or insurance costs.

Combined, these four funds represent the net worth of the Association of \$4.548 million as at June 30, 2008.