



QUESTIONS AND ANSWERS ON OPERATIONS

YEAR IN
REVIEW

2005-2006

The Association of Professional Engineers and Geoscientists of British Columbia

Questions & Answers on APEGBC Operations

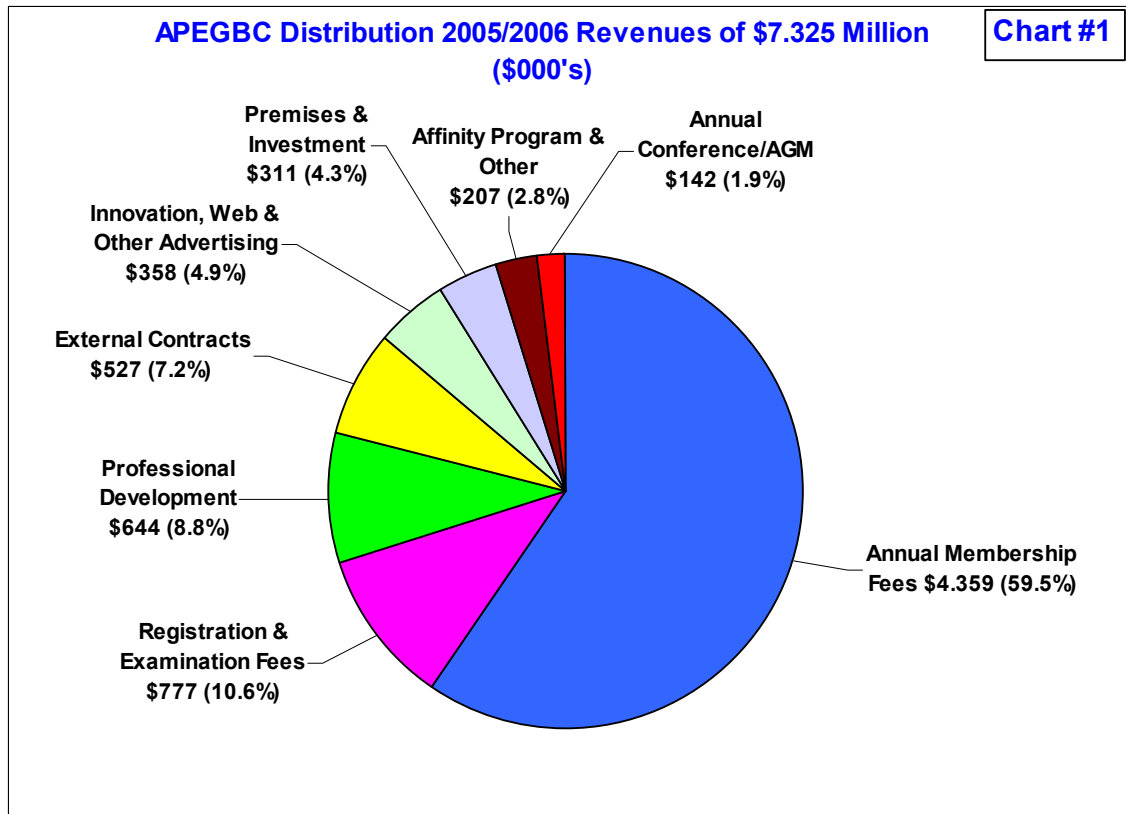
October 2006

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Questions and Answers on APEGBC Operations – October 2006

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



2. QUESTIONS ABOUT 2005/2006 REVENUES

(Please refer to the Statement of Revenue and Expenditures on page 11 in the 2005/2006 Year in Review)

For 2005/2006, total revenues increased by \$927,052 or 14.5% to \$7.325 million from the 2004/2005 total of \$6.398 million. Membership, registration, and examination fees accounted for \$493,849 of the increase, which was due primarily to significantly higher application volumes and membership growth. In addition, Professional Development revenues increased by \$216,719, and Grant and Project Administration revenue from government funded external contracts increased by \$116,590.

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

The number of members, including student members, saw a net increase this year of approximately 5% (around 2.7% for full registrants and 14.7% for EIT/GITs), or approximately double that of recent years. Correlated with this growth is an increase in Annual Membership Fee revenue for 2005/2006 of \$322,765 (from \$4.036 million to \$4.359 million). Membership fees are the primary source of monies collected, amounting to 59.5% of the Association's revenues.

2.2 Why have Registration and Examination Revenues increased significantly from 2004/2005?

Registration and Examination Revenues have increased by \$171,084 or 28.2% from 2004/2005 to \$776,822. Registration fees (application, certification, and other ancillary fees) have increased by \$141,027 or 38.2%, and Professional and Academic Examination Fees by \$30,057 or 12.7%, due to significantly higher application volumes and membership growth as a result of a strong economy. The increase is also due to higher Designated Structural Engineer Application and Examination revenues of \$9,120 and \$21,442 respectively. Note however that these volume related increases are largely offset by higher costs for examinations, invigilation, and other costs.

2.3 How much does APEGBC earn from affinity programs?

Affinity revenue of \$165,197 was derived primarily from long-term contracts with three insurance providers for 2005/2006, and represents a 2.0% increase from the 2004/2005 total of \$161,940. Certain other revenue line items, including part of the Annual Conference/AGM Sponsorship revenues and *Innovation* magazine advertising revenues, are generated from affinity program activities.

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

In the past few years, APEGBC has participated in strategic projects funded by the provincial and federal governments. For 2005/2006, these projects include the Seismic Risk Assessment, Slope Hazard Assessment, and the Licensed Environmental Professional project. Total revenues for 2005/2006 were \$526,965, or an increase of \$116,590 or 28.4% over 2004/2005. In general, revenues more than offset direct program costs, including staff salaries and allocated overhead.

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

Continuing Professional Development (CPD) revenue has increased in each of the past six years since the inception of the program. For 2005/2006, CPD revenue increased by 50.7% or \$216,719 to \$643,889. CPD revenue accounts for 8.8% (2004/2005 = 6.7%) of total revenues, which is the third largest revenue component for the Association. The professional development program is financially structured to recover all direct costs including salaries. For 2005/2006, the CPD program contributed over \$50,000 towards the recovery of overhead costs.

3. HOW MUCH DOES EACH OF THE PROGRAM AREAS COST TO OPERATE AND HOW DOES APEGBC SPEND MY MEMBERSHIP FEE?

Chart #2 below shows total expenditures of \$6.602 million, by program, for 2005/2006.

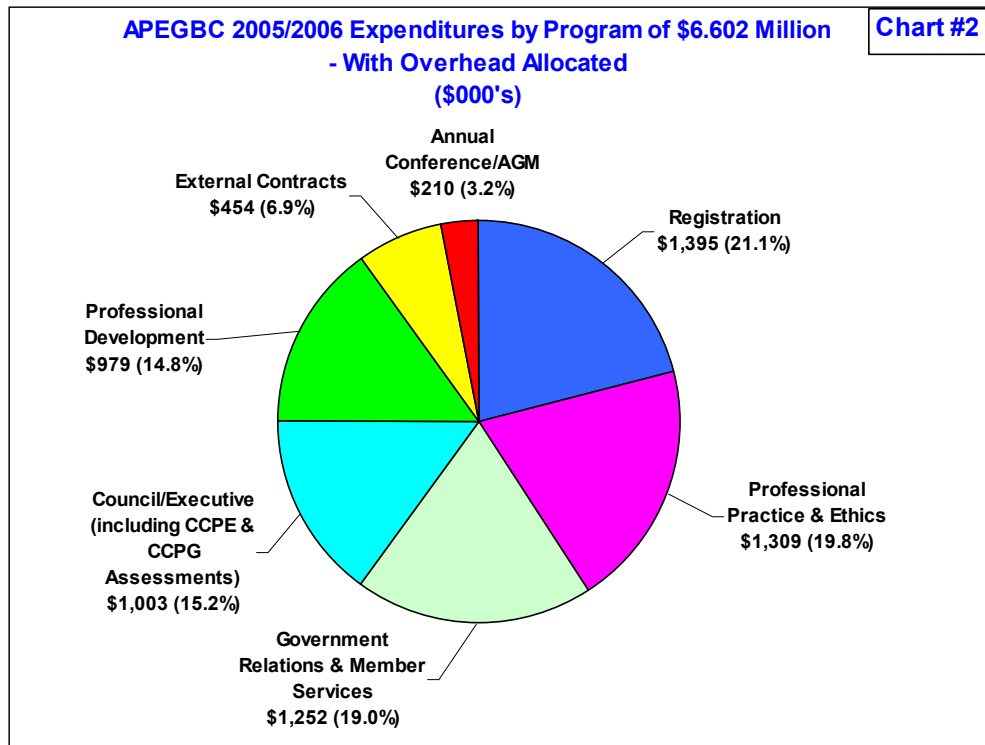
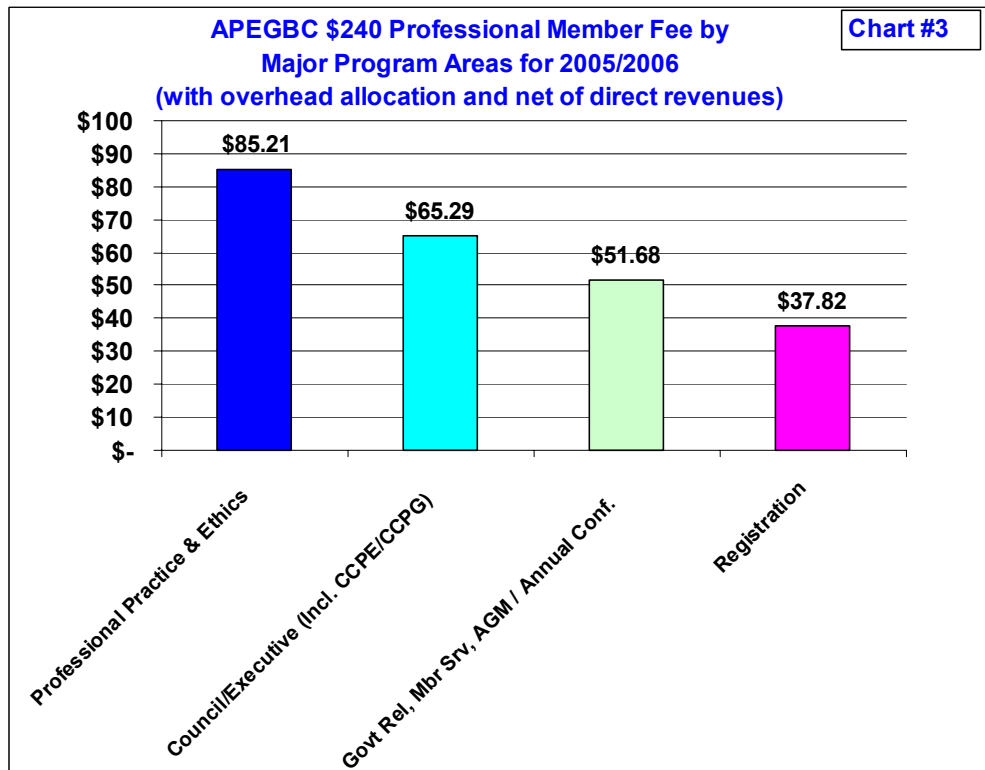


Chart #3 below shows the \$240 annual professional member fee broken down by major programs, but reduced by direct revenues.



4. QUESTIONS ABOUT 2005/2006 EXPENDITURES

(Please refer to the Statement of Revenue and Expenditures on page 11 in the 2005/2006 *Year in Review*)

Total expenditures for 2005/2006 of \$6.602 million are \$286,654 or 4.5% higher than 2004/2005 expenditures of \$6.316 million.

4.1 Why did annual conference facilities and meal costs decrease from 2004/2005?

Annual conference & AGM costs can vary significantly depending on the location, facility, and number of attendees. The decrease in facilities and meal costs from \$129,586 in 2004/2005 to \$86,859 in 2005/2006 was due primarily to the cost of the Richmond location and facility in 2005 compared to the Whistler location and facility in 2004, and lower attendance.

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

For 2005/2006, contract and consulting services of \$1,007,888 increased by \$141,889 from 2004/2005 due primarily to CPD program growth of \$67,377, higher Seismic Risk Assessment Project costs of \$32,198, and a new Slope Hazards Assessment external contract of \$47,935 (both one-time External Contracts funded by the provincial or federal governments).

For 2005/2006, 60% of contract and consulting services were related to External Contracts of \$326,956, Professional Development of \$161,454 (seminar instructors), and Practice Reviews of \$122,009 (practice reviewers). With respect to Practice Review, most professions conduct some type of practice audit but engineering/geoscience is somewhat behind the norm, as only BC and Quebec are currently performing practice reviews. In 2005/2006, 135 members had their practice review files adjudicated, which included the completion of a mix of general, technical and follow-up reviews.

The remaining 40% of contract and consulting services costs, or approximately \$397,000, relates to services that have been strategically outsourced to external parties for expertise in the areas of advertising, public relations, advertising commissions (*Innovation* magazine and web advertising sales), *Innovation* magazine/Annual Report design, Annual Conference/Awards/AGM, computer systems/web services, recruitment, general consulting, interviewers for the structural qualifications process, etc.

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

Legal costs for 2005/2006 of \$201,153 decreased by \$176,737 from the prior year as more legal assessment work was done in-house, a reduction in the number of cases compared to 2004/2005, and careful cost management. 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 \$250,000 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.

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 \$2,933,510 with mortgage liabilities of \$405,873 at June 30, 2006. For 2005/2006, the Association collected \$186,184 in rental income from the three ground-floor rental suites, as the Association occupies the second floor of the building. Operating costs and mortgage interest were \$223,821 and \$28,537 respectively for 2005/2006.

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

In 2005/2006, the Association paid assessments of \$191,958 and \$34,162 for membership in CCPE and CCPG, respectively, or a total of \$226,120. 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 fourth 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?

APEGBC employs 35 staff to conduct its mandated regulatory functions, member service programs (including affinity programs), and administrative service functions for approximately 23,600 members, including students. Of the 35 staff, 24 are employed in Regulatory Functions, 5.5 in Member Services, 4.5 in Professional Development, and 1 in External Contracts. At one staff member working to provide regulatory functions for every 983 members (i.e. 23,600 members / 24 staff), this figure compares very favourably to other Canadian self-regulatory organizations given the complexity and scope of APEGBC's operation for a mid-sized organization.

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. Over the past year, APEGBC members and staff:

- a) Evaluated over 1,700 applications for membership and licensing
- b) Processed over 2,000 membership status changes
- c) Acted on 11 cases from the Investigation Committee, with 2 cases proceeding to an inquiry, 2 cases resolved through Letters of Undertaking by the member, and 7 cases resulting in stipulated orders
- d) Opened 32 investigation files and 44 enforcement files
- e) Conducted 135 Practice Reviews, 300 detailed academic assessments, 200 professional interviews, and over 2,000 reviews of experience
- f) Offered 123 professional development seminars throughout the province, 8 webcasts, and 3 CD-Roms

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

Council has established three restricted funds in order to maintain reserves required for specific purposes. These restricted funds work in conjunction with the *Unrestricted Net Assets* fund, with the following balances at June 30, 2006:

- a) *Invested in Property and Equipment* of \$2,726,113 – are funds invested in the building and other capital assets net of outstanding mortgage debt.
- b) *Property and Equipment Replacement* of \$600,000 – are funds available to replace major building systems (mechanical, electrical, and structural) and information systems expenses. This fund was increased by \$300,528 after a recent review of the major building systems and an assessment of information technology upgrading requirements.
- c) *Legal and Insurance Reserve* of \$260,000 – are funds available to absorb two consecutive years of extraordinary legal and/or insurance costs.
- d) *Unrestricted Net Assets* of \$617,316 – are funds that are generally available for program delivery, administrative activities, mortgage repayments, and equipment purchases. This balance represents approximately one month of operating funds, which 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 an *Unrestricted Net Assets* balance equal to at least 3 months of operating expenses or \$1,600,000. However, a minimum target balance of \$800,000 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.

Combined, these four funds represent the net worth of the Association as being \$4,203,429 as at June 30, 2006.