



# QUESTIONS and ANSWERS on OPERATIONS

YEAR IN REVIEW

2004 • 2005

The Association of Professional Engineers and Geoscientists of British Columbia



# Questions & Answers on APEGBC Operations

## October 2005

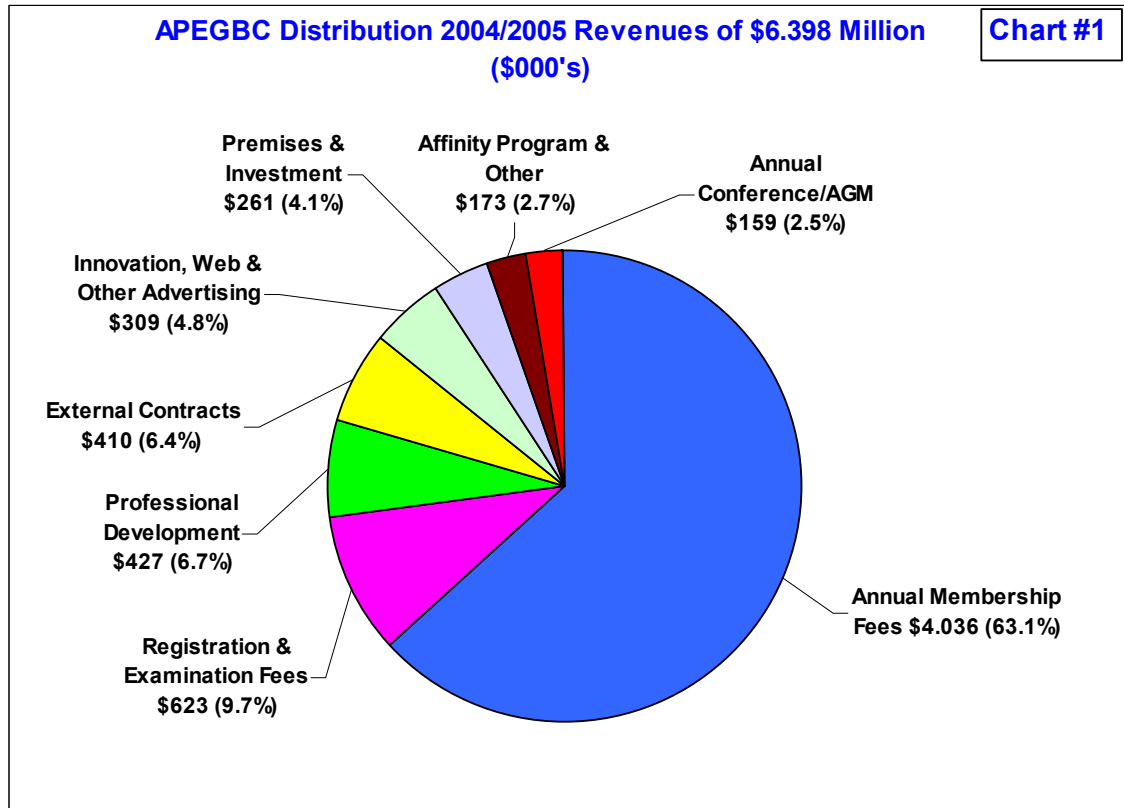
### Table of Contents

1. What are the Association's sources of funding?.....	2
Chart #1 - Distribution of 2004/2005 Revenues.....	2
2. Questions about 2004/2005 Revenues.....	2
2.1 What is the annual percentage growth in the membership and how much additional revenue does this generate? .....	2
2.2 Why have Ancillary Fees and Examination Revenues increased significantly from 2003/2004?.....	3
2.3 How much does APEGBC earn from affinity programs? .....	3
2.4 What are Grant and Project Administration Revenue? Does APEGBC lose money on these activities? .....	3
2.5 How much does Continuing Professional Development revenue contribute to revenues and the bottom line?.....	3
3. How much does each of the program areas cost to operate and how does APEGBC spend my membership fee?.....	4
Chart #2 - 2004/2005 Expenditures by Program.....	4
Chart #3 - \$240 Professional Member Fee by 2004/2005 Program Spending .....	4
4. Questions about 2004/2005 Expenditures .....	5
4.1 Why did annual conference – facilities and meals costs increase from \$88,017 in 2003/2004 to \$129,586 in 2004/2005? .....	5
4.2 What is included in contract and consulting services? .....	5
4.3 Why did <i>Innovation</i> magazine printing costs decrease from \$182,252 in 2003/2004 to \$144,160 in 2004/2005? .....	5
4.4 How much is spent on legal fees each year and what is the Association doing to control these costs? .....	6
4.5 Why did premises and operating costs decrease by \$33,653 to \$201,435 from the prior year? .....	6
5. What activities are mandated by the <i>Engineers and Geoscientists Act and Bylaws</i> ?.....	6
6. Does the Association own or rent facilities? .....	7
7. What does APEGBC get for its \$190,855 in assessment fees paid to CCPE/CCPG?.....	7
8. How many people are employed by the Association? .....	7
9. Does the Association set aside funds for specific purposes? What are the objectives of these funds? .....	8



## Questions and Answers on APEGBC Operations – October 2005

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



### 2. QUESTIONS ABOUT 2004/2005 REVENUES

(Please refer to the Statement of Revenue and Expenditures on page 11 in the 2004-2005 *Year in Review*)

For 2004/2005, total revenues increased by \$272,000 or 4.4% to \$6.398 million from the 2003/2004 total of \$6.126 million.

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

The number of members saw a net increase this year of approximately 2% (around 2% for full registrants and 7% for EIT/GITs), which is consistent with the last few years. Correlating with this growth is an increase in Annual Membership Fee revenue for 2004/2005 of \$85,818 (from \$3,950,588 to \$4,036,406), or 2.2%. Membership fees are the primary source of monies collected, amounting to 63% of the Association's revenues.



## **2.2 Why have Ancillary Fees and Examination Revenues increased significantly from 2003/2004?**

Increases in revenues from Application, Registration, and Certification Fees (\$68,649 or 22.8%) and Professional and Academic Examination Fees (\$61,412 or 35.1%) are due in part to a stronger economy and total \$130,061. Also, due to the January 1, 2007, structural engineering qualifications deadline, structural engineering application and examination revenues have increased by \$19,085 and \$35,452 respectively, and comprise 42% of the \$130,061 total increase. However, this increase is largely offset by higher costs for examinations and invigilation, as well as other cost increases due to higher volumes.

## **2.3 How much does APEGBC earn from affinity programs?**

Affinity revenue of \$161,940 was derived directly from long-term contracts with three insurance providers for 2004/2005, and represents a 12.8% increase from the 2003/2004 total of \$143,512. 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 projects funded by the provincial and federal governments that support APEGBC's strategic direction. For 2004/2005, these projects include the Licensed Environmental Professional Project and the Seismic Risk Assessment Project with total revenues of \$410,375. In general, revenues more than offset project costs, including staff salaries and allocated overhead (building, computer systems, administrative support services, amortization, etc.). However, a specific project may not fully recover all administrative overhead costs on a fully allocated basis.

## **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 five years since the inception of the program. For 2004/2005, CPD revenue amounted to \$427,170 or 6.7% of total revenues - the third largest source of funding for the Association. The professional development program is currently budgeted to at least break even each year before the allocation of administrative 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 \$6.316 million, by program, for 2004/2005.

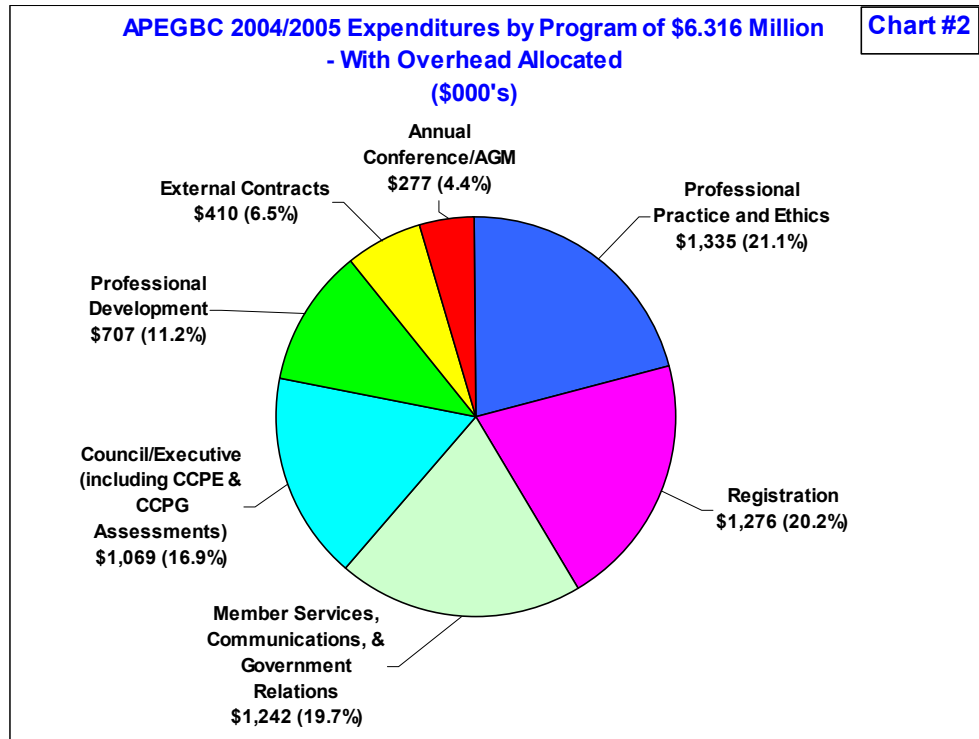
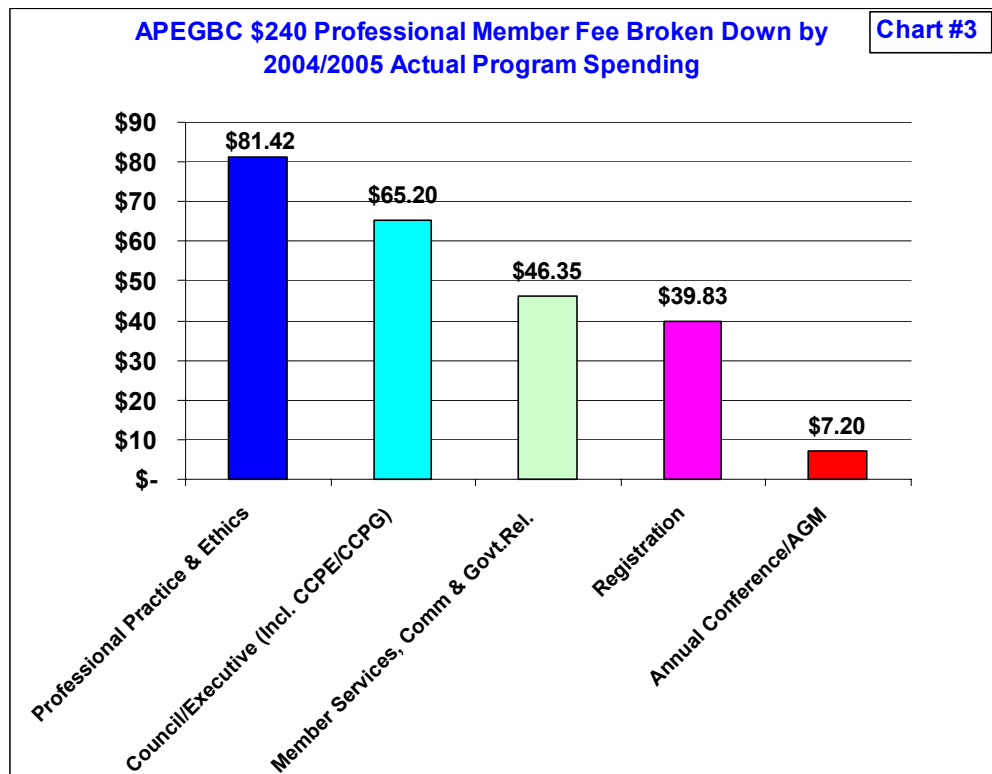


Chart #3 below shows the \$240 professional member fee broken down by major programs, but reduced by direct revenues.





#### **4. QUESTIONS ABOUT 2004/2005 EXPENDITURES**

(Please refer to the Statement of Revenue and Expenditures on page 11 in the 2004-2005 *Year in Review*)

Total expenditures for 2004/2005 of \$6.316 million are \$319,000 or 5.3% higher than 2003/2004 expenditures of \$5.997 million.

##### **4.1 Why did annual conference – facilities and meals costs increase from \$88,017 in 2003/2004 to \$129,586 in 2004/2005?**

Annual conference & AGM costs can vary significantly depending on the location, facility, and number of attendees. The increase in question was due primarily to the Whistler location and facility in 2004, compared to the Penticton location and facility in 2003, and slightly higher attendance. However, this increase is somewhat offset by lower travel costs for the Whistler location.

##### **4.2 What is included in contract and consulting services?**

For 2004/2005, contract and consulting services of \$865,999 increased by \$254,951 from 2003/2004 due primarily to higher Seismic Risk Assessment Project costs (one-time External Contracts), funded by the Ministry of Education in 2004/2005, and the reinstatement of the Practice Review program after a period of abeyance in 2003/2004.

For 2004/2005, 60% of contract and consulting services costs were related to External Contracts of \$307,501, Professional Development of \$94,077 (contract seminar instructors), and Practice Reviews of \$113,851 (Practice Reviewers). External Contracts and Professional Development expenditures are offset by direct program revenue. 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 2004/2005, 171 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 \$351,000, 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 Why did *Innovation* magazine printing costs decrease from \$182,252 in 2003/2004 to \$144,160 in 2004/2005?**

The number of issues of *Innovation* magazine was decreased from 10 per year in 2003/2004 to 7 in 2004/2005 (representing a transition to the planned 6 issues/year) with the introduction of the *Connections* e-newsletter. Despite the reduction in issues, *Innovation* magazine, web, and other advertising revenue for 2004/2005 of \$308,688 actually increased slightly from \$285,178, in 2003/2004, due to a strong upswing in the economic cycle.



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

Legal costs for 2004/2005 of \$377,890 decreased by \$43,052 from the prior year as more work was done in-house on enforcement, and there was a reduction in the number of cases compared to 2003/2004. 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 is currently reviewing its investigation and discipline processes, for among other things, cost efficiencies.

#### **4.5 Why did premises and operating costs decrease by \$33,653 to \$201,435 from the prior year?**

In 2003/2004, the premises and operating costs of \$235,088 were abnormally high due to one-time emergency repairs for an underground compressor system (and the resulting parking lot repairs) and security lighting.

#### **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 \$3,041,938 with mortgage liabilities of \$564,148 at June 30, 2005. The Association collected \$197,308 in rental income from three rental suites for 2004/2005, while operating costs and mortgage interest were \$201,435 and \$47,383 respectively.

## **7. WHAT DOES APEGBC GET FOR ITS \$190,855 IN ASSESSMENT FEES PAID TO CCPE/CCPG?**

In 2004/2005, the Association paid assessments of \$177,669 and \$13,186 for membership in CCPE and CCPG, respectively. 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) 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. APEGBC Past President, Colin Smith P.Eng., is the current President of CCPE.

## **8. HOW MANY PEOPLE ARE EMPLOYED BY THE ASSOCIATION?**

APEGBC employs 34.5 staff to conduct its mandated regulatory functions, member service programs (including affinity programs), and administrative service functions for approximately 17,800 professional members, 200 licensees, 2,200 members in-training, and 2,300 students (or approximately 22,500 in total). Of the 34.5 staff, 23.5 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 in providing regulatory functions for every 957 members (i.e. 22,500 members / 23.5 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 1,400 applications for membership and licensing
- b) Processed over 1,800 membership status changes
- c) Acted on 7 cases from the Investigation Committee, with 2 cases proceeding to an inquiry and five cases resulting in stipulated orders
- d) Opened 89 investigation files and 49 enforcement files
- e) Conducted 171 Practice Reviews, 200 detailed academic assessments, 180 professional interviews, and 1,600 reviews of experience
- f) Facilitated the delivery of 75 professional development seminars offered 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 purposes and balances at June 30, 2005:

- a) *Invested in Capital Assets* of \$2,694,578 – are funds invested in the building and other capital assets net of outstanding mortgage debt.
- b) *Capital Asset Replacement* of \$299,472 – are funds available to replace major capital assets such as building systems.
- c) *Legal and Insurance Reserve* of \$220,000 – are funds available to absorb two consecutive years of extraordinary legal and/or insurance costs. As \$80,000 was drawn from the fund in 2002/2003, a \$40,000 appropriation was made in 2004/2005 from the surplus in order to partially replenish this fund. The target value is \$260,000 based on current legal and insurance requirements.
- d) *Unrestricted Net Assets* of \$266,613 – are funds that are generally available for program delivery, administrative activities, mortgage repayments, and equipment purchases. This balance represents just over two weeks 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 and the building equity.

Combined, these four funds represent the net worth of the Association as being \$3,480,663 as at June 30, 2005.