

The Law Society

of British Columbia



2011 Budgets and Fees

Presentation to:
Benchers
July 9, 2010



2011 Overview

- The Finance Committee reviewed and considered budgets for General Fund, Special Compensation Fund and the Lawyers Insurance Fund at two meetings in May and June
- Executive Committee reviewed the overall fee proposal at its June meeting
- Overall mandatory fee increase of **6.1%**
- Law Society portion of General Fund Fee increased by **\$82**, which mainly relates to resolution to fund Forensic Accounting with the practice fee starting January 2010
- Pro Bono funding and Federation contribution are unchanged from 2010
- CanLII contribution increased from \$30.74 to \$32.25
- CLBC increased from \$166 to \$180
- Special Compensation Fund assessment reduced by \$45 to \$5
- Lawyers Insurance Fund assessment **increases to \$1,750**
- Trust Administration Fee remains at \$10



2011 Fee Recommendations

	2011	2010	Difference	%
General Fund Fee - before Forensic	\$ 1,320.04	\$ 1,320.04		
Forensic Accounting – net change	\$ 79.00	\$ 0.00		
General Fund Fee – Total	\$ 1,399.04	\$ 1,320.04	\$ 79	6.0%
Federation of Law Societies	\$ 20.00	\$ 20.00	\$ -	
CanLII	\$ 32.25	\$ 30.74	\$ 2	
Pro Bono Contribution	\$ 14.35	\$ 13.22	\$ 1	
Law Society Fee	\$ 1,465.64	\$ 1,384.00	\$ 82	5.9%
CLBC Fee	\$ 180.00	\$ 166.00	\$ 14	
LAP Fee	\$ 56.00	\$ 56.00	\$ -	
Advocate Subscription	\$ 27.50	\$ 27.50	\$ -	
Total Practice Fee	\$ 1,729.14	\$ 1,633.50	\$ 96	5.9%
Special Fund Assessment	\$ 5.00	\$ 50.00	\$ (45)	
Total Practice Fee and Special Fund	\$ 1,734.14	\$ 1,683.50	\$ 51	3.0%
Insurance Assessment	\$ 1,750.00	\$ 1,600.00	\$ 150	
Total Mandatory Fee (excluding taxes)	\$ 3,484.14	\$ 3,283.50	\$ 201	6.1%



2011 General Fund Highlights

- Zero based budgeting process, full management participation
- Maintain current reserve and cash operating levels
- Deliver core regulatory programs and meet KPMs
- Continued support of Law Society Strategic Plan and Priorities
- Practising membership increases by 2% from 2010 projection to 10,575 members
- Fund Forensic Accounting costs with general practice fee
- General operating expenses increase of 1% (excluding forensic accounting and internal rent adjustments)
- Market-based salary adjustments consistent with executive limitation requiring market-based salaries
- Staffing increase of 2.26 FTEs, additions to CPD and Bencher support
- Continuation of HR strategic plan of professional and leadership development
- No change in current capital allocation of practice fee required to fund the capital plan
- General Fund reserve \$5.4 million at December 2009, reasonable levels for cash management



Core Process Review

- Recommendations expected towards end of 2010
- Funding assumptions for 2011:
- Capital
 - No additional capital funding incorporated
 - May either reprioritize current capital priorities or require additional capital funding
 - Example: Case Management System estimated between \$250K to \$500K
 - Example: Yearly CMS maintenance fees estimated at \$50K annually
- Operating Expenses
 - No additional/reduction/reallocation in operating expenses incorporated into 2011 budget
 - Any increase in operating expenses for 2011 would be funded through use of reserve/loan
 - Any ongoing costs would be incorporated into 2012 fees
 - Examples: consulting, process design, retraining, personnel, IT resources, software maintenance

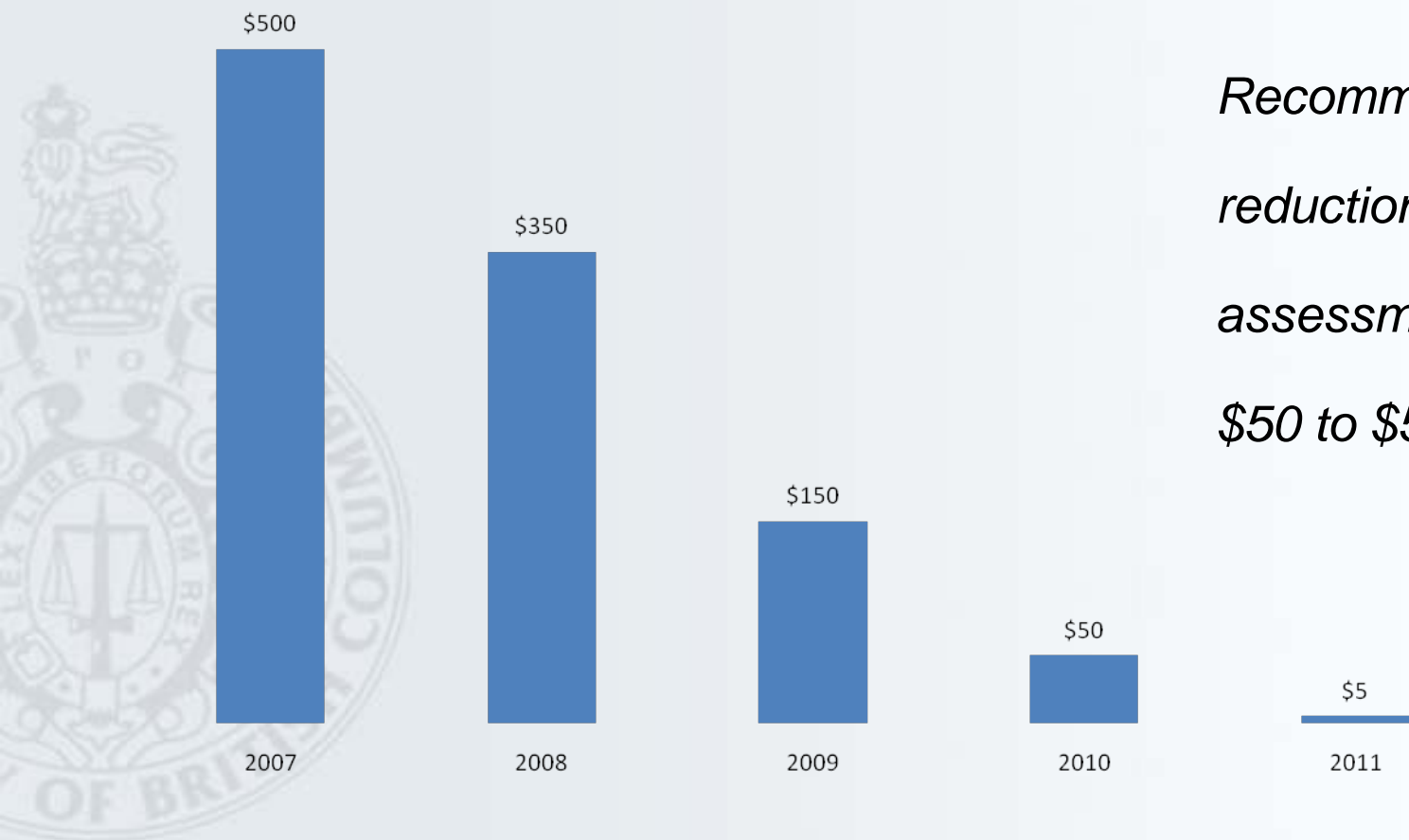


TAF Budget and Projections

	Revenue			Trust		Net Inc (Def)	Cumulative TAF Reserve
	Matters	Rate	Total	Assurance			
				Budget			
2010 Budget	246,750	\$ 10.00	\$ 2,467,500	\$ 2,371,193	\$	96,307	\$ 223,117
2011 Budget	250,000	\$ 10.00	\$ 2,500,000	\$ 2,393,644	\$	106,356	\$ 329,473

- Trust assurance program fully operational and funded by \$10 TAF
- Forensic accounting now funded by General Practice Fee
- TAF revenue currently \$2.5 million, compared to \$3.3 million in 2007
- Accumulated TAF reserve used to fund program in 2008 and 2009
- Assume current TAF transaction levels relatively stable
- No use of reserve expected in 2010 and 2011

Decrease 2011 SCF Assessment



*Recommend \$45
reduction of SCF
assessment from
\$50 to \$5* for 2011*

* Nominal fee and reserve required by the current Legal Profession Act



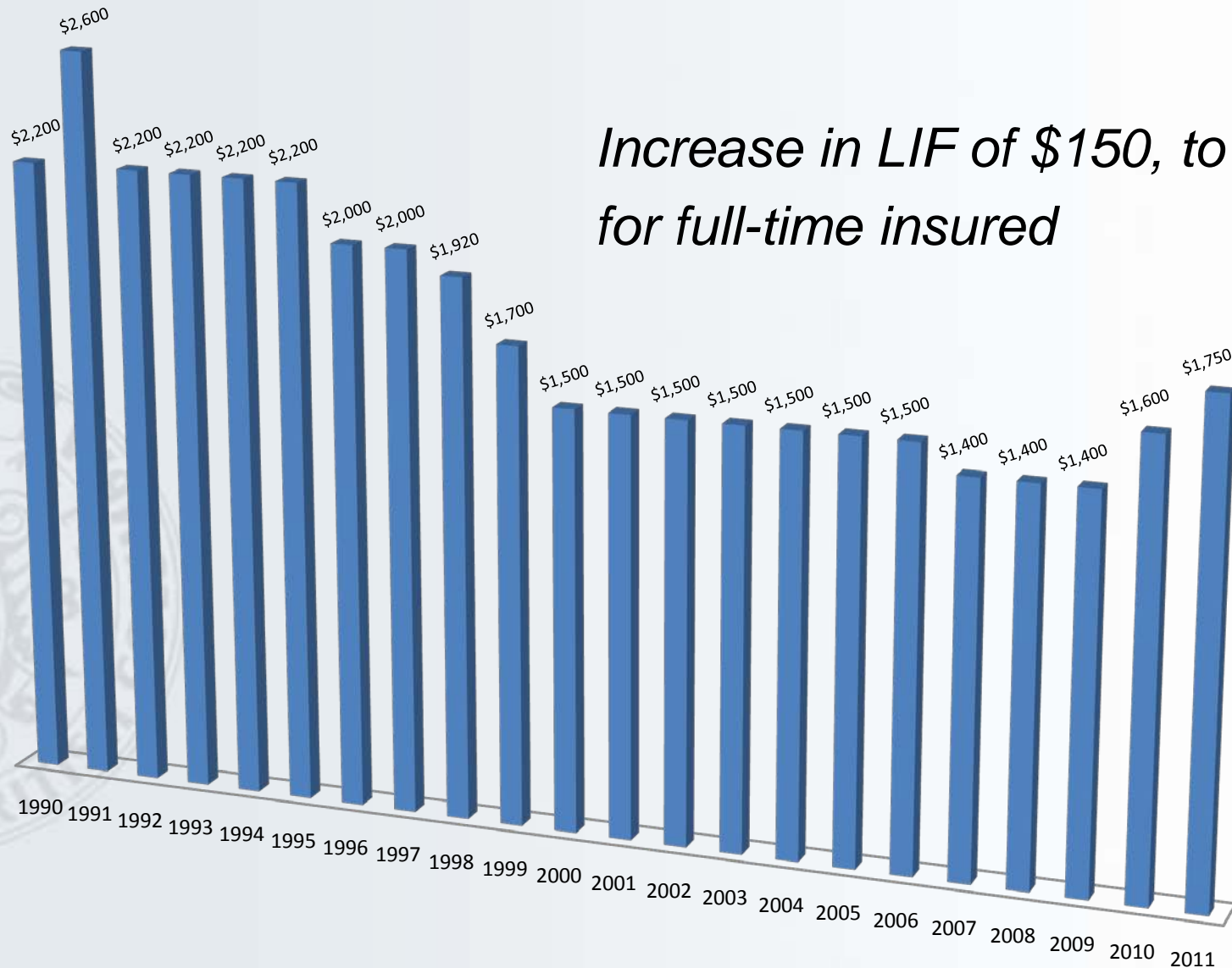
2011 LIF Assumptions

- Impact of recession on claims activity in 2010 is consistent with 2009 and increased from 2008 by 13%
- During 2009, long term investment portfolio partially recovered from 2008 market downturn
- New operating expenses include market-based salary adjustments, one staff, additional extra-contractual insurance coverage, third party claims audit
- LIF reserve at December 31, 2009, \$42.8 million
- **Recommend LIF assessment increase \$150, to \$1,750**



2011 LIF assessment

*Increase in LIF of \$150, to \$1,750
for full-time insured*





RESOLUTIONS



Be it resolved that:

The Benchers recommend to the members at the 2010 Annual General Meeting a practice fee of **\$1,729.14** commencing January 1, 2011, consisting of the following amounts:

General Fund	\$1,399.04
Federation of Law Societies	20.00
CanLII	32.25
Pro Bono Contribution	14.35
CLBC	180.00
LAP	56.00
Advocate	<u>27.50</u>
Practice Fee	\$1,729.14



Be it resolved that:

- the insurance fee for 2011 pursuant to section 30(3) of the Legal Profession Act be fixed at **\$1,750**;
- the part-time insurance fee for 2011 pursuant to Rule 3-22(2) be fixed at **\$875**; and
- the insurance surcharge for 2011 pursuant to Rule 3-26(2) be fixed at \$1,000.



Be it resolved that the Special Compensation Fund Assessment for 2011 be set at \$5.00.



The Law Society

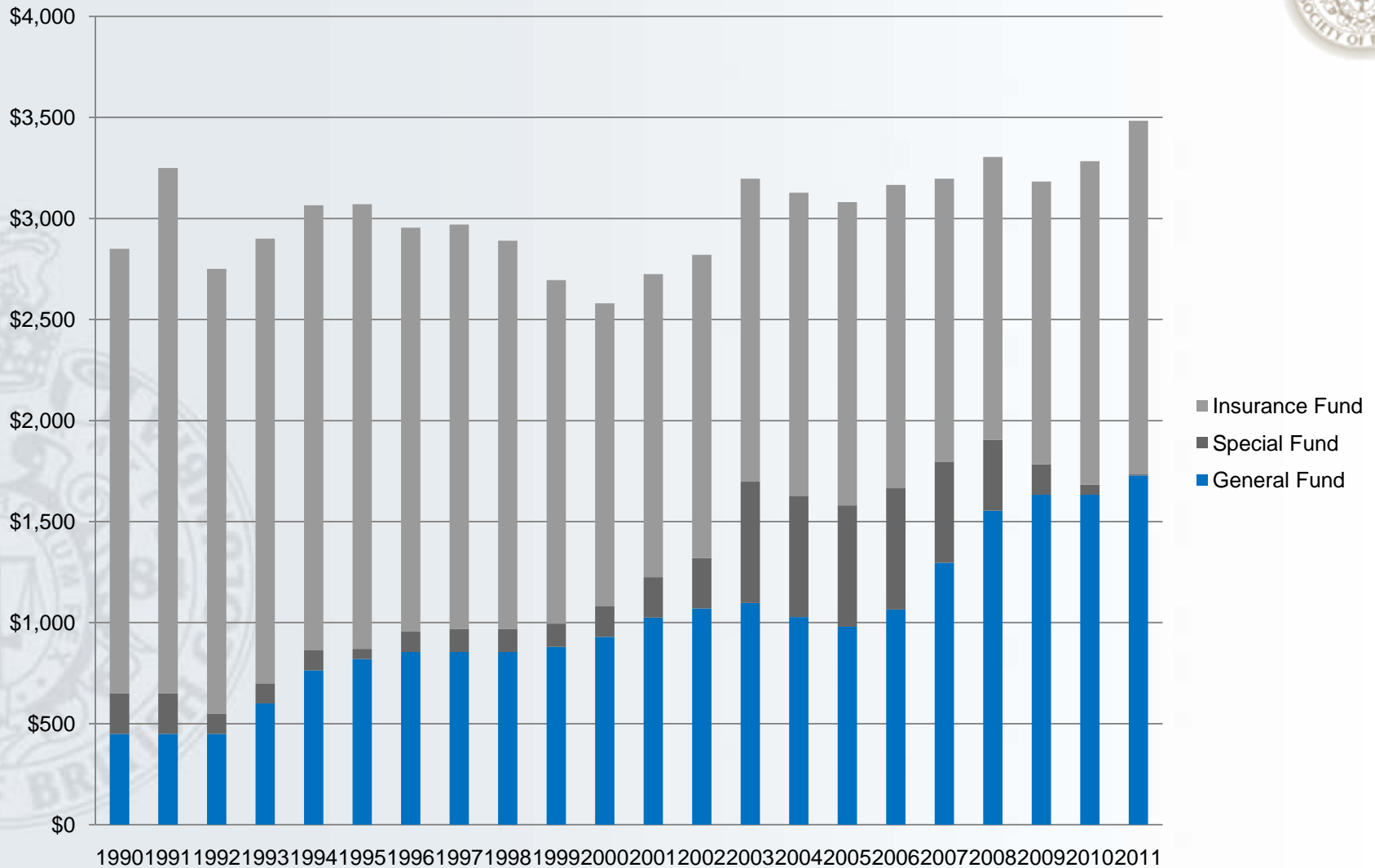
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APPENDICES

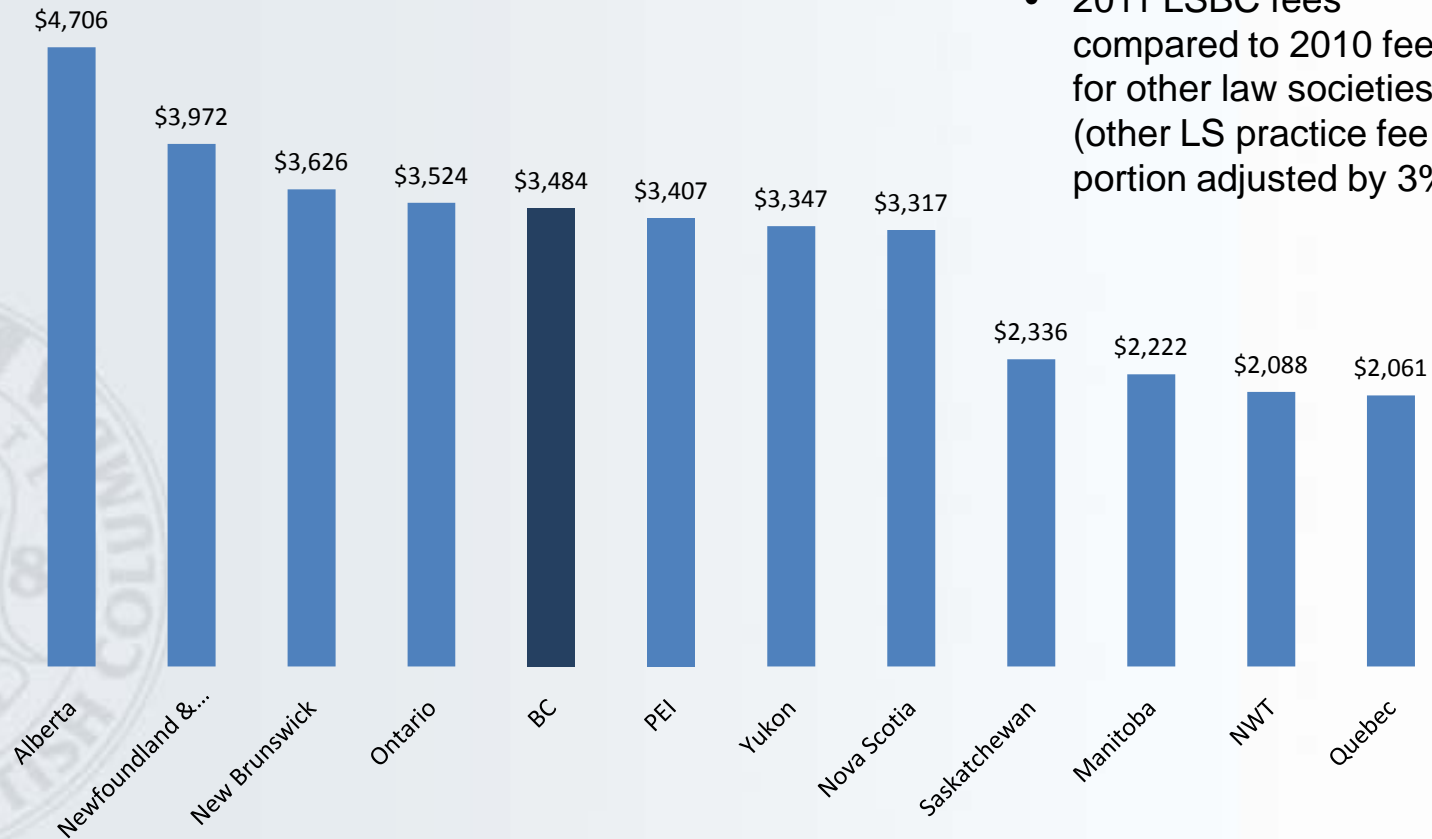


Total Fee Comparison Year Over Year





Compulsory Fee Comparison (Full Time Practising Insured Lawyer)



- 2011 LSBC fees compared to 2010 fees for other law societies, (other LS practice fee portion adjusted by 3%)

THE LAW SOCIETY OF BRITISH COLUMBIA
DRAFT OPERATING BUDGET (excluding capital/depreciation)
For the Year ended December 31, 2011
GENERAL FUND SUMMARY

The Law Society
of British Columbia



	2011 Budget	2010 Budget	2011/2010 Budget Variance	%	2011 Budget FTEs	2010 Budget FTEs	FTE Change
GENERAL FUND REVENUES							
Membership fees	14,085,938	12,876,325					
PLTC and enrolment fees	962,500	937,500					
Electronic filing revenue	596,100	507,100					
Interest income	375,000	379,000					
Other revenue	1,116,351	1,107,893					
TOTAL GENERAL FUND REVENUES	17,135,889	15,807,818	1,328,071	8.4%			
GENERAL FUND EXPENSES							
Benchers Governance	1,554,866	1,448,556			0.15	0.15	-
Communications and Information Services	1,885,982	1,807,063			18.85	17.85	1.00
Corporate Services	2,832,157	2,661,611			21.50	21.50	-
Education and Practice	3,266,832	3,132,436			32.16	30.90	1.26
Policy and Legal Services	1,665,115	1,600,064			12.10	11.10	1.00
Regulation (1)	6,892,502	7,005,136			53.90	54.90	(1.00)
TOTAL GENERAL FUND EXPENSES	18,097,454	17,654,866	442,588	2.5%	138.66	136.40	2.26
GENERAL FUND NET CONTRIBUTION	(961,565)	(1,847,048)	885,483		138.66	136.40	2.26
Net Building (845 Cambie) Income (2)	961,565	604,721	356,844		3.00	3.00	-
GENERAL FUND NET CONTRIBUTION (Inc Bldg)	-	(1,242,327)	1,242,327		141.66	139.40	2.26
Trust Assurance Program							
Trust Administration Fee Revenue	2,500,000	2,467,500	32,500	1.3%			
Trust Administration Department	2,393,644	2,371,193	22,451	0.9%			
Net Trust Assurance Program	106,356	96,307	10,049		18.10	17.60	0.50
TOTAL NET GENERAL FUND & TAP CONTRIBUTION	106,356	(1,146,020)	1,252,376				

Notes:

- (1) Includes Forensic Accounting which was transferred from TAP after the 2010 budget was set, resulting in a deficit budget.
(2) This line represents the profit of operating the building at 845 Cambie.



2011 Capital Expenditures

- 2011 capital expenditures part of a rolling 10 year capital plan which can be found in the Appendices
- No change in capital contribution from General Fund fee

Computer hardware, software and

phone replacement	\$340,000
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Equipment, furniture and fixtures replacement	\$105,000
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9th Floor:

Workspace Improvements	\$395,000
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Furniture and Fixtures	\$180,000
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Building maintenance

(Fire Alarm/835 Cambie Elevator)	<u>\$500,000</u>
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Total	<u>\$1,520,000</u>
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Operational
Maintenance
and Support

845 Cambie St.



The Law Society of British Columbia - Lawyers Insurance Fund
 Consolidated Statement of Revenue and Expense
 For the Year ended December 31, 2011

	2011 Budget	2010 Budget	2011/2010 Budget Variance	%	2011 Budget FTEs	2010 Budget FTEs	FTE Change
Revenue							
Annual assessment	13,292,078	11,698,700					
Investment income	1,000,000	5,107,632					
Other income	35,000	40,000					
	<u>14,327,078</u>	<u>16,846,332</u>	<u>(2,519,254)</u>	-15.0%			
Insurance Expense							
Actuaries, consultants and investment brokers' fees	482,080	570,500					
Allocated office rent	148,102	116,052					
Contribution to program and administration costs of General Fund	1,525,765	1,390,235					
Legal	20,000	20,000					
Office	640,837	469,040					
Premium taxes	12,259	10,063					
Actuarial provision for claim payments	14,314,000	15,182,024					
Provision for ULAE	200,000	200,000					
Salaries, wages and benefits	2,469,634	2,286,574					
	<u>19,812,677</u>	<u>20,244,488</u>	<u>(431,811)</u>	-2.1%			
Loss Prevention Expense							
Contribution to co-sponsored program costs of General Fund	710,840	706,658					
Total Expense	<u>20,523,517</u>	<u>20,951,146</u>	<u>(427,629)</u>	-2.0%			
Net Contribution	<u>(6,196,439)</u>	<u>(4,104,814)</u>	<u>(2,091,625)</u>		<u>22.05</u>	<u>21.25</u>	<u>0.80</u>



The Law Society of British Columbia - Special Compensation Fund
Statement of Revenue and Expense
For the Year ended December 31, 2011

	2011 Budget	2010 Budget	2011/2010 Budget Variance	%
Revenue				
Annual assessment	52,500	515,000		
Recoveries	250,000	-		
	<u>302,500</u>	<u>515,000</u>	(212,500)	-41.3%
Expense				
Audit	9,000	9,000		
Claim and costs	-	634,558		
Counsel and forensic audit fees	70,000	120,000		
Miscellaneous	1,000	2,250		
	<u>80,000</u>	<u>765,808</u>	(685,808)	-89.6%
Net contribution	222,500	(250,808)	473,308	
Net assets - Beginning of year	<u>113,443</u>	<u>364,251</u>		
Net assets - End of year	<u>335,943</u>	<u>113,443</u>		



Capital Costs – 10 year plan

	TOTAL	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
INFORMATION TECHNOLOGY											
Computer Hardware	1,479,520	145,040	182,365	96,040	143,425	162,650	150,000	150,000	150,000	150,000	150,000
Computer Software	1,121,850	183,750	99,000	34,600	184,500	70,000	110,000	110,000	110,000	110,000	110,000
Phone System	379,750	10,500	10,500	-	6,750	2,000	270,000	20,000	20,000	20,000	20,000
OPERATIONS											
Equipment, Furniture & Fixtures	1,672,050	263,100	102,950	145,000	135,000	135,000	205,000	135,000	135,000	208,000	208,000
Subtotal	4,653,170	602,390	394,815	275,640	469,675	369,650	735,000	415,000	415,000	488,000	488,000
845 BUILDING											
Base Building/Tenant Improvements	5,010,180	501,113	465,994	721,969	818,139	512,354	146,806	582,851	260,953	500,000	500,000
Workspace Improvements	4,103,000	415,000	585,000	430,000	343,000	860,000	345,000	225,000	300,000	300,000	300,000
Subtotal	9,113,180	916,113	1,050,994	1,151,969	1,161,139	1,372,354	491,806	807,851	560,953	800,000	800,000
TOTAL CAPITAL PLAN	13,766,350	1,518,503	1,445,809	1,427,609	1,630,814	1,742,004	1,226,806	1,222,851	975,953	1,288,000	1,288,000

\$500,000 building loan repayment	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Capital/Loan Funding Required	2,018,503	1,945,809	1,927,609	2,130,814	2,242,004	1,726,806	1,722,851	1,475,953	1,788,000	1,788,000	
Capital contribution collected from members	1,848,000	1,856,800	1,865,600	1,874,400	1,883,200	1,892,000	1,900,800	1,909,600	1,918,400	1,927,200	
Cumulative loan balance *	(170,503)	(259,512)	(321,521)	(577,935)	(936,740)	(771,546)	(593,597)	(159,950)	(29,550)	109,650	

* Bencher authorized Capital Plan loan of \$1 million if required, cumulative loan balance is within these limits over the 10 year period