

# The Law Society *of British Columbia*



## **2013 Fees and Budgets**

Presentation to:  
Benchers  
July 13, 2012

## 2013 Overview



- The Finance Committee reviewed and considered budgets for General Fund, Special Compensation Fund and the Lawyers Insurance Fund in May 2012 and recommends the overall fee proposal
- Executive Committee reviewed the overall fee proposal at its June meeting
- Overall mandatory fee increase of 1.4%
- Law Society portion of General Fund Fee increased by \$42 (2.8%)
- Finance Committee considered allowing credit card and/or installments for fee payments but does not recommend implementing these options
- Special Compensation Fund assessment reduced from \$1 to \$nil
- Lawyers Insurance Fund assessment remains at \$1,750
- Trust Administration Fee remains at \$10
- CanLII contribution increased from \$34.71 to \$35.37
- CLBC increased by \$5 to \$185
- Federation of Law Societies fees increased by \$5 to \$25
- No change in Lawyers Assistance Program or Advocate fees or Pro Bono percentage



## 2013 Fee Recommendations

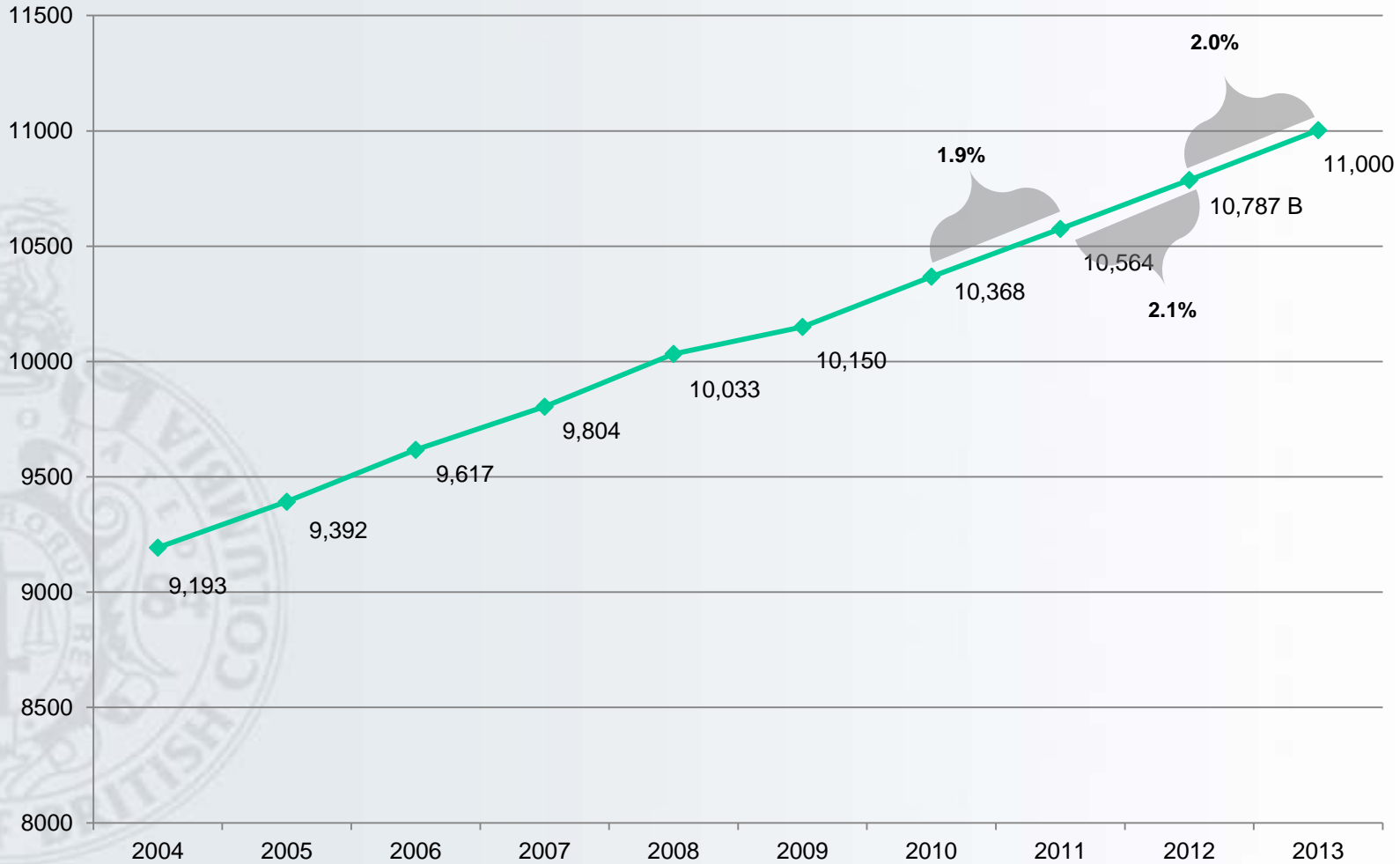
	2013	2012	Difference	%
General Fund Fee - Law Society portion	\$ 1,544.75	\$ 1,503.17	\$ 41.58	2.8%
Federation of Law Societies	\$ 25.00	\$ 20.00	\$ 5.00	25.0%
CanLII	\$ 35.37	\$ 34.71	\$ 0.66	1.9%
Pro Bono Contribution	\$ 15.44	\$ 15.02	\$ 0.42	2.8%
Law Society Fee	\$ 1,620.56	\$ 1,572.90	\$ 47.66	3.0%
CLBC Fee	\$ 185.00	\$ 180.00	\$ 5.00	2.8%
LAP Fee	\$ 60.00	\$ 60.00	\$ -	-
Advocate Subscription	\$ 27.50	\$ 27.50	\$ -	-
Total Practice Fee	\$ 1,893.06	\$ 1,840.40	\$ 52.66	2.9%
Special Fund Assessment	\$ -	\$ 1.00	\$ (1.00)	
Total Practice Fee and Special Fund	\$ 1,893.06	\$ 1,841.40	\$ 51.66	2.8%
Insurance Assessment	\$ 1,750.00	\$ 1,750.00	\$ -	-
Total Mandatory Fee (excluding taxes)	\$ 3,643.06	\$ 3,591.40	\$ 51.66	1.4%

# 2013 General Fund Overview



- Zero based budgeting process, full management participation
- Deliver core regulatory programs and meet KPMs
- Continued support of Law Society Strategic Plan and Priorities, including \$75,000 Bencher committee contingency budget
- Practicing membership increases by 2% from 2012 projection to 11,000 members
- Operating expense increase consists mainly of market based staff salary adjustments
- Overall net .5 FTE staffing increase due to increase in part-time hours offset by the reduction of one vacant position, no new staff positions
- Provide support for new governance structure
- Implementation of electronic document and records management system
- Assumed six months of external lease revenue for leasable space at 845/835 Cambie
- Balanced budget - maintain current reserve and cash operating levels

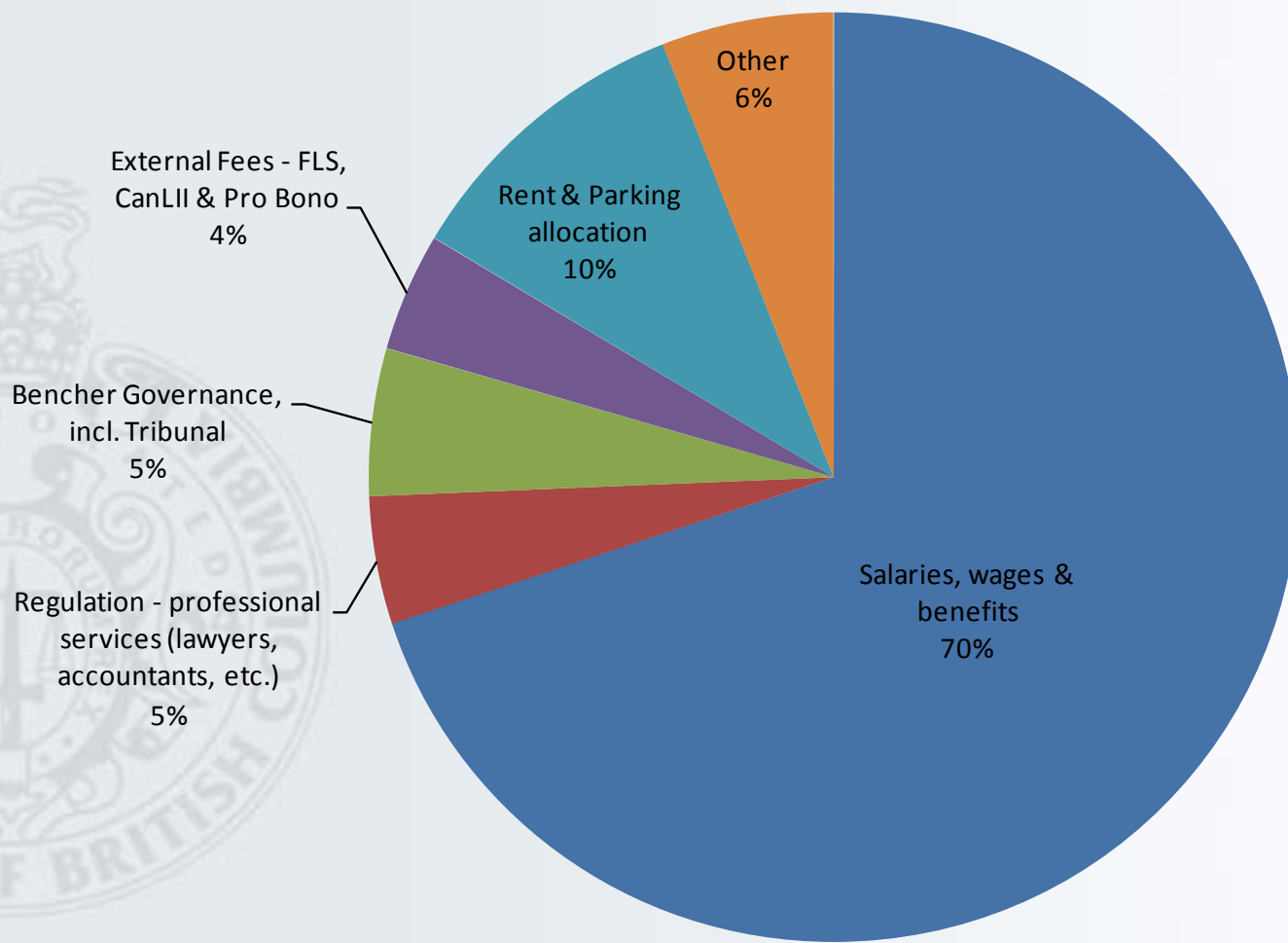
# Practising Membership Projection



*2013 average practising membership projected at 11,000*



## 2013 Operating Expenses – composition by type





# 2013 Capital Expenditures

- 2013 capital expenditures part of the 10 year capital plan
- \$176 capital allocation is included in the Practice Fee  
(includes 845 Cambie building loan repayment)
- No change required

Operations

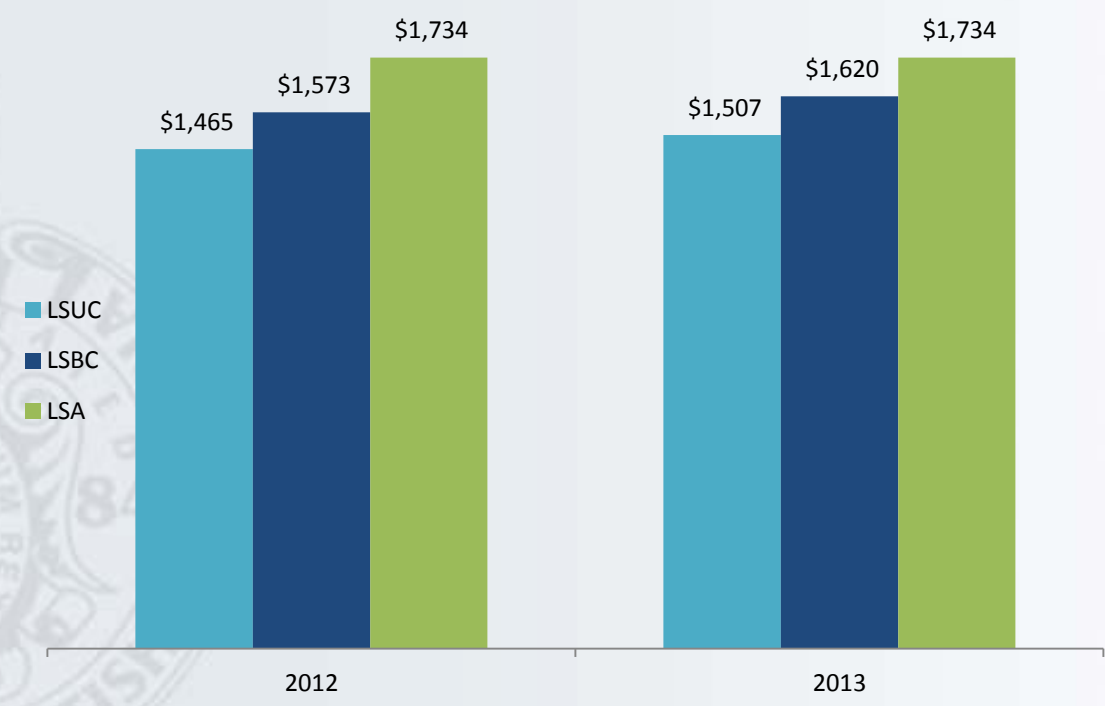
Computer hardware, software and phone replacement	\$186,000
Equipment, furniture and fixtures replacement	\$120,000
Workspace Improvements – third floor	\$605,000
Workspace Improvements – other	\$145,000

845 Cambie St.

Building maintenance – terraces, lighting and parking garage upgrades	<u>\$704,000</u>
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<b>Total</b>	<b><u>\$1,760,000</u></b>
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## Key Practice Fee Comparisons



- 2013 LSBC practice fee compared to 2012 LSUC and LSA practice fees, adjusted by 2% for comparison
- 2012 LSUC practice fee adjusted by \$2.75 million to reflect contribution to operating costs from reserve (\$76 per member)



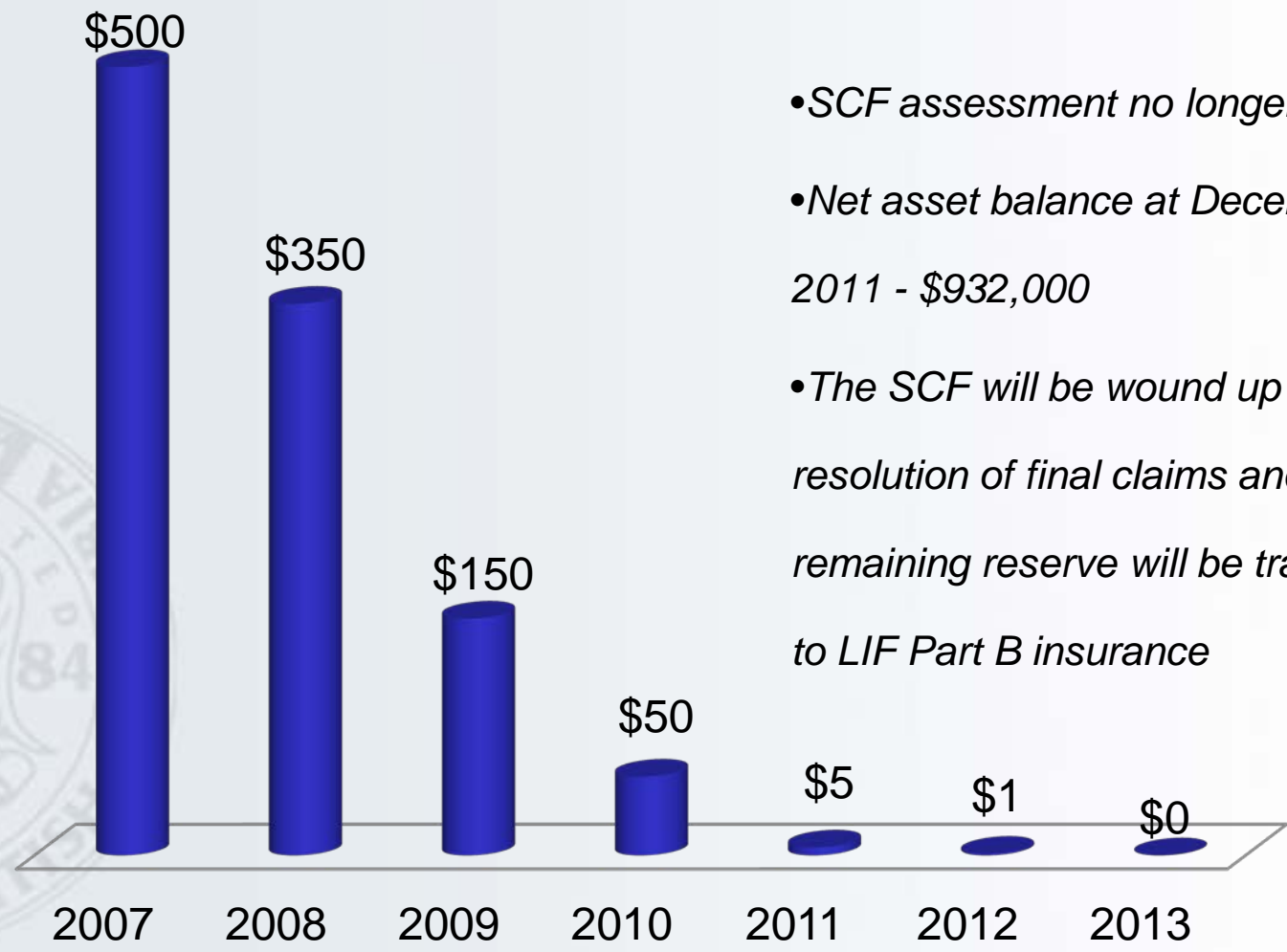


# TAF Budget and Projections

	Revenue			Total Expense	Net Inc (Def)	Cumulative TAF Reserve
	Matters	Rate	Total			
<b>2011 Actual</b>	231,557	\$ 10.00	\$ 2,315,568	\$ 2,298,416	\$ 17,152	\$ 238,835
<b>2012 Forecast</b>	240,000	\$ 10.00	\$ 2,400,000	\$ 2,400,000	\$ -	\$ 238,835
<b>2013 Budget</b>	240,000	\$ 10.00	\$ 2,400,000	\$ 2,388,684	\$ 11,316	\$ 250,151

- Trust assurance program funded by \$10 TAF
- TAF revenue currently \$2.3 million
- Assume TAF transaction levels relatively stable
- Reduction of one vacant staff position in 2013
- TAF reserve at minimal levels but no use of TAF reserve expected in 2012 or 2013

# 2013 SCF Assessment



- *SCF assessment no longer required*
- *Net asset balance at December 2011 - \$932,000*
- *The SCF will be wound up on resolution of final claims and any remaining reserve will be transferred to LIF Part B insurance*



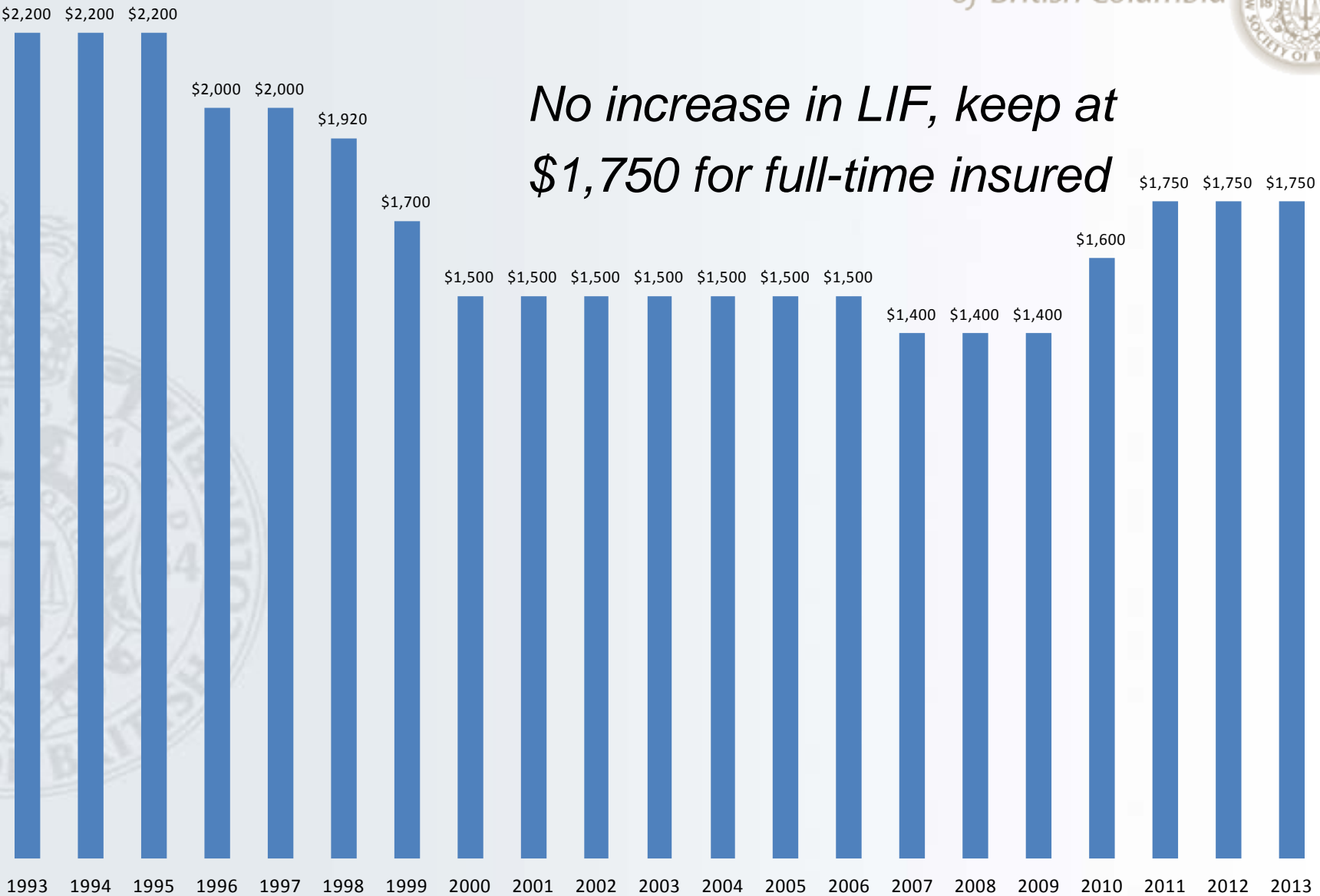
## 2013 LIF Assumptions

- Claims frequency in 2011 increased from 2008 by 17%. Frequency for 2012 is trending at pre-recession levels
- Annual payments increased from \$11 m (10 year average) to \$14.7 m in 2011 and are expected to remain in that range for 2012
- New *Limitation Act* expected to give rise to additional exposures for the fund
- Operating expenses include increased provision for “stop-loss” coverage
- At 1.3%, 2011 investment returns were lower than projected. Assume 4% return for 2013
- LIF reserve at December 31, 2011 is \$44.3 m, including internally restricted reserve of \$17.5 m for Part B
- Recommend no increase to insurance fee - remain at \$1,750



# 2013 LIF assessment

*No increase in LIF, keep at \$1,750 for full-time insured*





# RESOLUTIONS



# General Fund

Be it resolved that, commencing January 1, 2013, the practice fee be set at \$1,893.06, pursuant to section 23(1)(a) of the Legal Profession Act, consisting of the following amounts:

General Fund	\$1,544.75
Federation of Law Societies contribution	25.00
CanLII contribution	35.37
Pro Bono contribution	15.44
CLBC	185.00
LAP	60.00
Advocate	<u>27.50</u>
Practice Fee	\$1,893.06

# Lawyers Insurance Fund

Be it resolved that:

- the insurance fee for 2013 pursuant to section 30(3) of the Legal Profession Act be fixed at \$1,750;
- the part-time insurance fee for 2013 pursuant to Rule 3-22(1) be fixed at \$875; and
- the insurance surcharge for 2013 pursuant to Rule 3-26(2) be fixed at \$1,000.

# The Law Society

*of British Columbia*



## APPENDICES



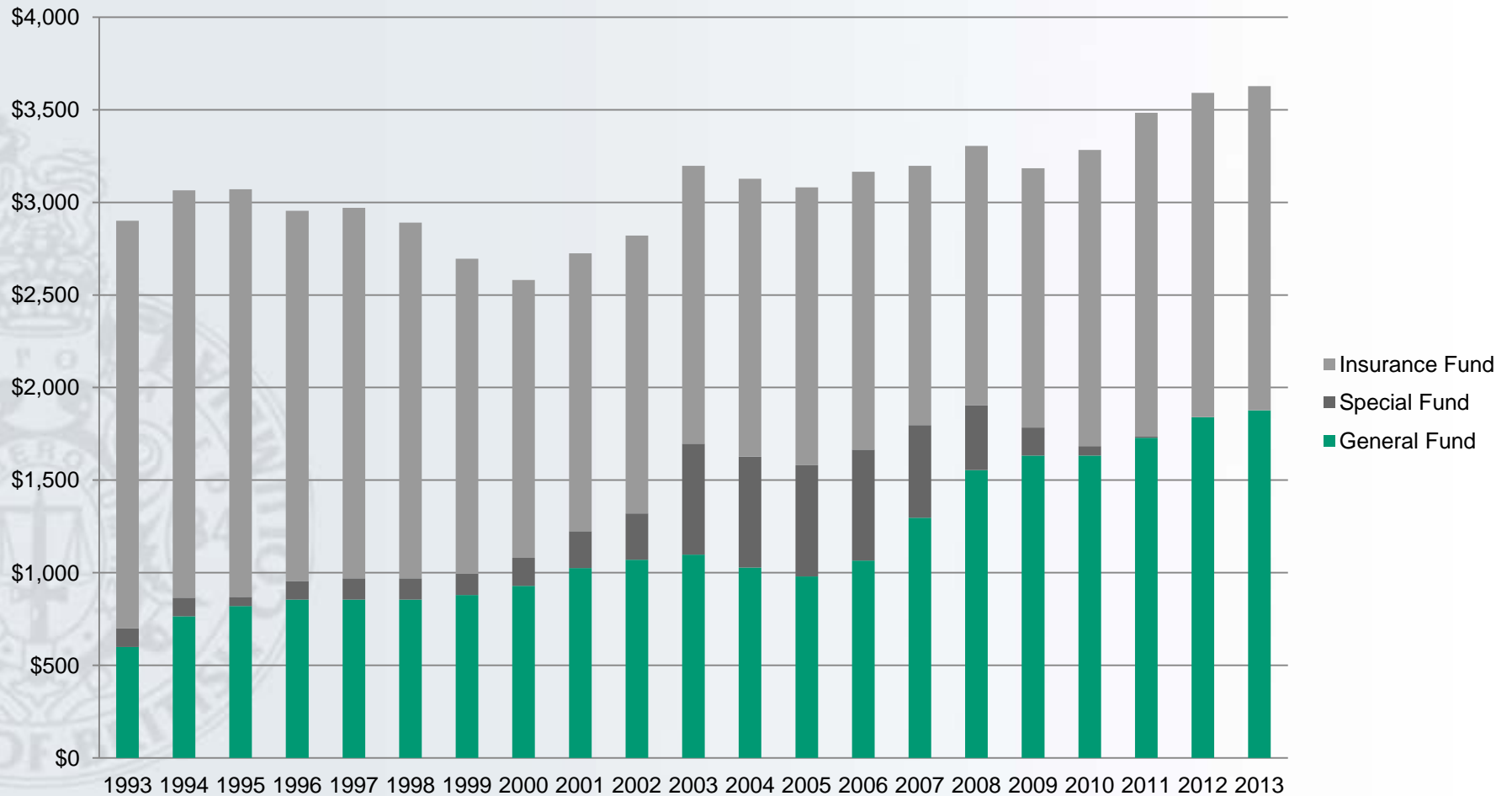
# Mandatory Fee Comparison (Full Time Practising Insured Lawyer)

- 2013 LSBC practice fee compared to 2012 LSUC and LSA practice fees, adjusted by 2% for comparison
- 2012 LSUC practice fee adjusted by \$2.75 million to reflect contribution to operating costs from reserve (\$76 per member)





# Total Fee Comparison Year Over Year





THE LAW SOCIETY OF BRITISH COLUMBIA  
 OPERATING BUDGET (excluding capital/depreciation)  
 For the Year ended December 31, 2013  
 GENERAL FUND SUMMARY

	2013 Budget	2012 Budget	2011 Actual	2013B vs 2012B Variance	%	2013B vs 2011A Variance	%			
<b>GENERAL FUND REVENUES</b>										
Membership fees	16,311,663	15,513,134	14,097,501							
PLTC and enrolment fees	1,002,250	1,002,250	965,542							
Electronic filing revenue	835,160	750,000	725,546							
Interest income	277,500	345,250	336,127							
Other revenue	1,187,385	1,245,518	1,236,796							
<b>TOTAL GENERAL FUND REVENUES</b>	<b>19,613,958</b>	<b>18,856,152</b>	<b>17,361,513</b>	<b>757,806</b>	<b>4.0%</b>	<b>2,252,445</b>	<b>13.0%</b>			
<b>GENERAL FUND EXPENSES</b>								2013 Budget FTEs	2012 Budget FTEs	FTE Change
Benchers Governance	1,667,105	1,650,077	1,492,647					0.15	0.15	-
Corporate Services	3,098,105	2,941,720	2,919,615					22.90	22.50	0.40
Credentials & Practice	3,547,709	3,508,362	3,246,883					34.17	34.17	-
Executive Services	2,028,864	1,984,589	1,964,312					20.20	19.85	0.35
Policy and Legal Services	2,007,054	1,909,366	1,725,348					12.50	11.90	0.60
Regulation	7,732,746	7,735,471	7,557,311					58.20	57.80	0.40
Depreciation	-	-	-					-	-	-
<b>TOTAL GENERAL FUND EXPENSES</b>	<b>20,081,583</b>	<b>19,729,585</b>	<b>18,906,117</b>	<b>351,998</b>	<b>1.8%</b>	<b>1,175,466</b>	<b>6.2%</b>	<b>148.12</b>	<b>146.37</b>	<b>1.75</b>
<b>GENERAL FUND NET CONTRIBUTION</b>	<b>(467,625)</b>	<b>(873,433)</b>	<b>(1,544,604)</b>	<b>405,808</b>		<b>1,076,979</b>		<b>148.12</b>	<b>146.37</b>	<b>1.75</b>
Net Building (845 Cambie) Income (1)	467,615	839,907	897,489	(372,292)		(429,874)		2.00	2.00	-
<b>GENERAL FUND NET CONTRIBUTION (Inc Bldg)</b>	<b>(9)</b>	<b>(33,526)</b>	<b>(647,115)</b>	<b>33,516</b>		<b>647,106</b>		<b>150.12</b>	<b>148.37</b>	<b>1.75</b>
<b>Trust Assurance Program</b>										
Trust Administration Fee Revenue	2,400,000	2,500,000	2,315,568	(100,000)	-4.0%	84,432	3.6%			
Trust Administration Department	2,388,684	2,498,551	2,298,416	(109,867)	-4.4%	90,268	3.9%			
<b>Net Trust Assurance Program</b>	<b>11,316</b>	<b>1,449</b>	<b>17,152</b>	<b>9,867</b>		<b>(5,836)</b>		<b>16.60</b>	<b>17.60</b>	<b>(1.00)</b>
<b>TOTAL NET GENERAL FUND &amp; TAP CONTRIBUTION</b>	<b>11,307</b>	<b>(32,076)</b>	<b>(629,963)</b>	<b>43,383</b>		<b>641,270</b>		<b>166.72</b>	<b>165.97</b>	<b>0.75</b>

## Notes

(1) This line represents the profit of operating the building at 845 Cambie.

LIF FTEs 23.00 23.25 (0.25)  
 TOTAL Law Society FTEs 189.72 189.22 0.50



**The Law Society of British Columbia - Special Compensation Fund**  
**Statement of Revenue and Expense**  
**For the Year ended December 31, 2013**

	<b>2013</b>	<b>2012</b>	<b>2013B vs</b>
	<b>Budget</b>	<b>Budget</b>	<b>2012B</b>
			<b>Variance</b>
<b>Revenue</b>			
Annual assessment	-	10,787	
Recoveries	550,000	-	
	<u>550,000</u>	<u>10,787</u>	539,213
<b>Expense</b>			
Audit	9,000	9,000	
Claim and costs	71,000	538,000	
Counsel and forensic audit fees	40,000	40,000	
Miscellaneous	1,000	1,000	
	<u>121,000</u>	<u>588,000</u>	(467,000)
Net contribution	429,000	(577,213)	1,006,213
Net assets - Beginning of year	<u>354,540</u>	<u>931,753</u>	
Net assets - End of year	<u>783,540</u>	<u>354,540</u>	



**The Law Society of British Columbia - Lawyers Insurance Fund**  
**Consolidated Statement of Revenue and Expense**  
**For the Year ended December 31, 2013**

	2013 Budget	2012 Budget	2013/2012 Budget Variance	%	2013 Budget FTEs	2012 Budget FTEs	FTE Change
Revenue							
Annual assessment	13,725,200	13,601,650					
Investment income, 2012 includes FV adjustments	3,506,601	6,207,270					
Other income	50,000	62,000					
	<u>17,281,801</u>	<u>19,870,920</u>	<u>(2,589,119)</u>	-15.0%			
Insurance Expense							
Actuaries, consultants and investment brokers' fees	456,710	421,080					
Allocated office rent	147,395	147,395					
Contribution to program and administration costs of General Fund	1,608,731	1,568,901					
Legal	20,000	20,000					
Office	1,018,383	947,138					
Premium taxes	8,814	12,367					
Actuarial provision for claim payments	12,613,890	14,812,660					
Provision for ULAE	27,000	53,000					
Salaries, wages and benefits	2,797,190	2,755,440					
	<u>18,698,113</u>	<u>20,737,981</u>	<u>(2,039,868)</u>	-10.9%			
Loss Prevention Expense							
Contribution to co-sponsored program costs of General Fund	720,754	701,366					
Total Expense	<u>19,418,867</u>	<u>21,439,347</u>	<u>(2,020,480)</u>	-10.4%			
Net Contribution	<u>(2,137,066)</u>	<u>(1,568,427)</u>	<u>(568,639)</u>		<u>23.00</u>	<u>23.25</u>	<u>(0.25)</u>



# Capital Costs – 10 year plan

	TOTAL	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>INFORMATION TECHNOLOGY</b>											
Computer Hardware	1,817,975	144,040	118,265	136,190	279,940	139,540	200,000	200,000	200,000	200,000	200,000
Computer Software	1,293,975	31,075	147,475	91,475	163,475	110,475	150,000	150,000	150,000	150,000	150,000
System Upgrades	-	-	-	-	-	-	-	-	-	-	-
Phone System	387,000	10,500	10,500	10,500	292,500	10,500	10,500	10,500	10,500	10,500	10,500
Subtotal	3,498,950	185,615	276,240	238,165	735,915	260,515	360,500	360,500	360,500	360,500	360,500
<b>OPERATIONS</b>											
Equipment, Furniture & Fixtures	1,871,400	230,000	135,000	165,400	205,000	135,000	135,000	208,000	208,000	290,000	160,000
Subtotal	5,370,350	415,615	411,240	403,565	940,915	395,515	495,500	568,500	568,500	650,500	520,500
<b>845 BUILDING</b>											
Base Building/Tenant Improvements	5,099,806	704,364	849,158	215,289	206,354	423,784	447,319	573,538	600,000	540,000	540,000
LSBC Workspace Renovations	3,828,000	640,000	343,000	510,000	595,000	225,000	300,000	300,000	300,000	300,000	315,000
Subtotal	8,927,806	1,344,364	1,192,158	725,289	801,354	648,784	747,319	873,538	900,000	840,000	855,000
<b>TOTAL CAPITAL PLAN - 845 Cambie</b>	<b>14,298,156</b>	<b>1,759,979</b>	<b>1,603,398</b>	<b>1,128,854</b>	<b>1,742,269</b>	<b>1,044,299</b>	<b>1,242,819</b>	<b>1,442,038</b>	<b>1,468,500</b>	<b>1,490,500</b>	<b>1,375,500</b>

Number of members (FTEs)	11,000	11,100	11,150	11,200	11,250	11,300	11,350	11,400	11,450	11,500
Capital Fee Portion	176	176	176	176	176	176	176	176	176	176
Cumulative Over/Under funded C/F	(505,701)	(829,680)	(979,477)	(645,931)	(917,000)	(481,298)	(235,318)	(179,756)	(141,856)	(117,156)
Current Year Capital Fee Collection	1,936,000	1,953,600	1,962,400	1,971,200	1,980,000	1,988,800	1,997,600	2,006,400	2,015,200	2,024,000
Total Capital Fee Available	1,430,300	1,123,921	982,923	1,325,269	1,063,000	1,507,502	1,762,282	1,826,644	1,873,344	1,906,844
\$500,000 building loan repayment	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(100,000)
Capital expenditures as above	(1,759,979)	(1,603,398)	(1,128,854)	(1,742,269)	(1,044,299)	(1,242,819)	(1,442,038)	(1,468,500)	(1,490,500)	(1,375,500)
Cumulative Over/(Under) funded *	(829,680)	(979,477)	(645,931)	(917,000)	(481,298)	(235,318)	(179,756)	(141,856)	(117,156)	431,344

\*Capital loan of \$1 million authorized