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# **Law Society of Alberta**

## **2012 Business Plan and Budget**

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## Introduction

The proposed 2012 Law Society business plan and budget is presented below. The budget was driven by business plans prepared by area leaders and reviewed by the Executive Leadership Team. These business plans take into consideration the strategic planning undertaken by the benchers in June 2011 and the operational strategies of the Law Society.

The Finance and Executive Committees met on August 17<sup>th</sup> and 22<sup>nd</sup> respectively to review and provide feedback to Law Society management on the draft business plan and budget. The Finance Committee met again on August 31<sup>st</sup> to review an updated draft of the business plan and budget.

The proposed 2012 budget reflects no increases in the practice fee or Assurance Fund levy from 2011.

## Business Plan

This business plan is intended to further the benchers' strategic plans and priorities.

The strategic plan has 4 pillars:

1. Model regulator
2. Public confidence
3. Principles of justice
4. Equal access to justice

These four pillars are appropriately supported by a foundation we refer to as Organizational Support. The strategic plan focuses on the future and on the changes needed to position the Law Society as we move into that future. At the same time, we have to continue the core operations of the Law Society. Those operations constitute a significant part of this business plan and budget.

In Jasper the benchers reviewed the changing environment, specifically the influences from:

- national and global mobility;
- the demands of consumers and how that is influencing the provision of legal services;
- the demographics of the profession and how that is influencing the supply of legal services; and
- the impact of information technology and new forms of communications.

From this review, the benchers concluded that the Law Society's priorities for 2012 should be:

**Complaints and Conduct** – continue to deliver the core programs and improve the processes to ensure quality, timeliness, and sustainability in order to best protect the public interest.

**Governance** – complete the work now underway.

**Competence** – clearly articulate the regulator’s role in professional competence throughout our regulatory programs and start the process of building the programs to support that role.

**Access to justice** – clarify the role of the Law Society and pursue activities to achieve that role.

The benchers described the three year desired outcomes as:

- Identify best models for regulation of the legal profession;
- Lawyers, the public, clients and government trust the Law Society;
- The Law Society is professional, efficient, accountable, trustworthy and at the top of its game as a regulator;
- The Law Society is more helpful to its members;
- The public recognizes lawyers as a helping profession; and
- The legal profession is independent and the rule of law is preserved.

## **The business plan**

We have developed a business plan that, in addition to our core work, pursues those priorities while continuing with the other work in the strategic plan, including addressing the three year outcomes. The business plan is built around the structure of the strategic plan.

### **Strategic Goal 1: Model regulator**

- Refine the complaints management model to achieve better risk management and, at the same time, optimize complainant outcomes. Ideas from the Lawyers at Risk work will be incorporated into this plan. The revised model will include achieving complaints goals for throughput, considering whether these are the most effective goals in light of changes to the complaints program, and developing other key measures of effectiveness of the complaints program. We will conduct a special project to reduce the backlog of complaints and will develop a plan for addressing such workload variations in the future.
- Continue to work on achieving the statutory amendments resulting from the work of the Conduct Process Task Force, develop a multi-year implementation plan for changes to the conduct process, and begin work on those changes.
- Continue to implement Trust Safety as a program to manage risk by identifying and dealing with risk as early as possible. This will incorporate a number of the ideas from the Lawyers at Risk work.
- Continue to provide leadership and support to national projects dealing with standards for the operation of law society regulatory programs.
- Monitor best practices for the regulation of the legal profession and provide a report to the benchers as requested.
- Provide more online practice resources to assist lawyers in achieving competence in their practices.

- Prepare a discussion paper for benchers consideration of an insurance model instead of a discretionary model for deciding assurance fund claims.
- Prepare a discussion paper for benchers consideration of an integrated competence strategy, including admissions, reinstatement, continuing professional development, and quality assurance.
- Implement a 3 year business plan for CPD.
- Subject to statutory amendments, implement the Quebec Mobility Agreement.
- Develop evaluative and reporting processes for regulatory programs as part of a multi-year plan.

### **Strategic Goals 2: Public confidence**

- Engage in continuous improvement of regulatory programs.
- Continue to enhance communications programs, including government relations, public relations and lawyer relations programs, as well as measurement of confidence and satisfaction with the work of the profession and the Law Society.

### **Strategic Goal 3: Principles of justice**

- As part of the communications program (see above), communicate the importance of protecting the independence of the courts, the rule of law, and lawyer-client privilege.
- Continue to monitor for threats to the rule of law.

### **Strategic Goal 4: Equal access to justice**

- Articulate the Law Society's role in access to justice, develop a plan to implement that role, and begin implementation. Implementation will address the question of which of the varied existing projects will be continued.
- Assuming that in 2011 the benchers have agreed to a preferred approach to defining the practice of law, continue a liaison program with government as they examine the impact across government departments and agencies.
- Continue to deliver existing programs such as libraries and CanLII as sources of public legal information, lawyer referral, Pro Bono Law Alberta, and Law Day.

### **Foundation to achieve the strategic goals: Organizational support**

- Complete and implement governance policies.
- Continue to develop and deliver online support for benchers activities.
- Continue the multi-year project of implementing online transactions to enable better customer service for lawyers and the public and to improve internal efficiencies.

## **The budget**

The budget pursues these same priorities – both the strategic ones and the statutory ones – within a context in which we recognize our continuing need to balance our obligation to be the steward of the funds raised through taxation and our obligation to protect the public interest.

This year's budget preparation began with each department developing a business plan, which forms the foundation for this budget.

In organizing the business plans we broke down our work into five core areas of the Law Society:

**Membership** – this group deals with all aspects of applications for new membership, Professional Corporations (PCs) and Limited Liability Partnerships (LLPs), and deals with all changes in membership and annual renewals. The Canadian Centre for Professional Legal Education (CPLED) connects to the Law Society in this department.

**Complaints & Conduct Hearings** – in which we review, resolve where possible, and investigate complaints, refer to practice review where appropriate, and prosecute when necessary.

**Public Protection** – includes our trust audit program, our custodianship program and our Assurance Fund program designed to compensate those suffering losses from misappropriated trust funds.

**Professionalism, Competence & Access** – this bundles together all of our programs that support the professional work of lawyers; Continuing Professional Development (CPD), practice advice, pro bono, libraries, equity ombudsperson, and equity programs.

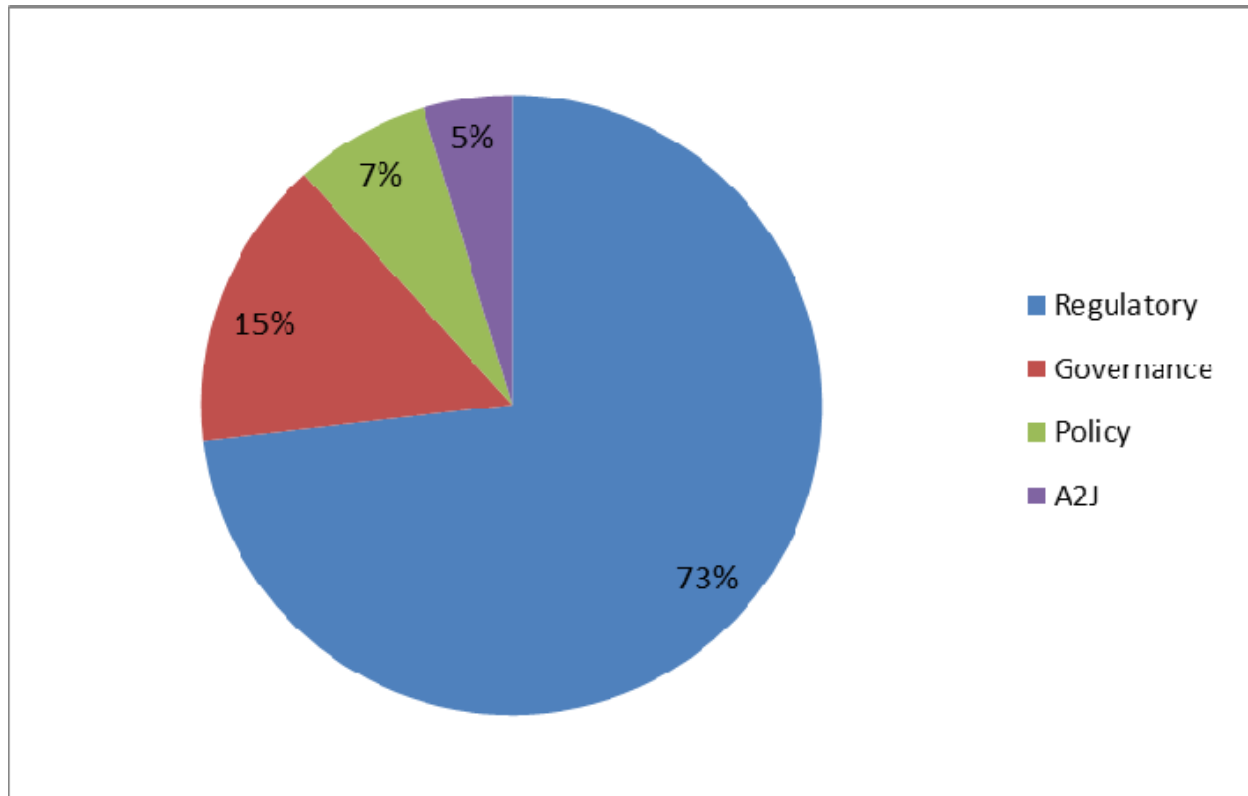
**Governance** – the governance of the organization including the development of policy for consideration by the benchers.

To these we add:

**Organizational Support** – the supports necessary to carry out all of our regulatory work; Corporate Services (consisting of Information Technology, Business Enablement Services, Accounting, Communications, Records and Information Management Services and Office Services), Counsel and Human Resources.

## Budget resource allocation

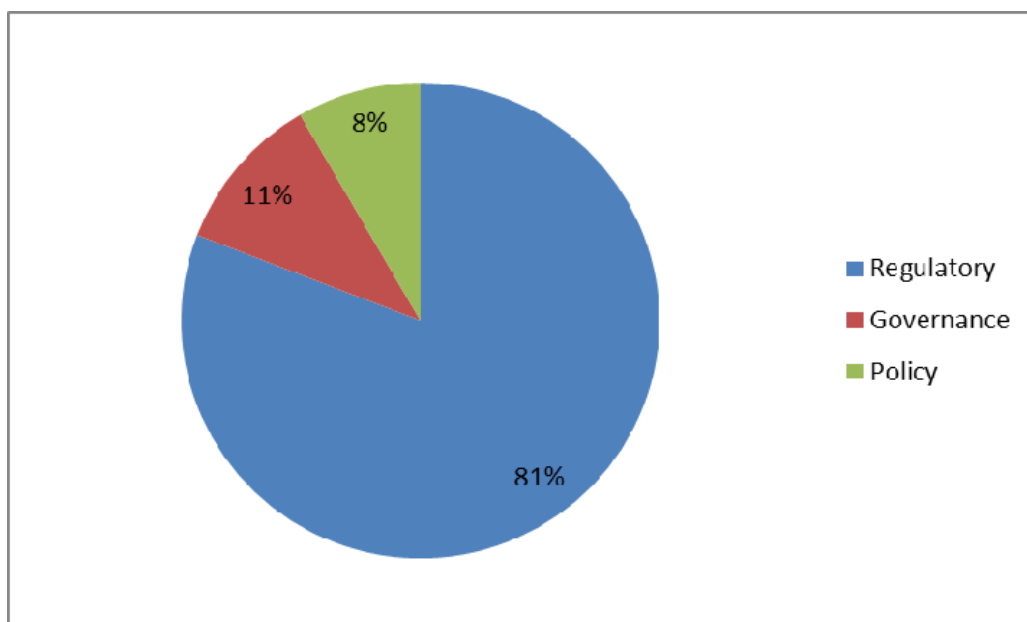
While we organize our work in the above areas, the following chart provides an illustration as to where our budget resources are focused relative to our ongoing activities around regulation, governance, access to justice (A2J) and policy. In this analysis, organizational support costs are allocated to each of these activity areas based on relative cost.



Of our policy work, we estimate that about 2/3<sup>rd</sup> of that work relates to regulatory issues and the remaining 1/3<sup>rd</sup> is dedicated to the access to justice initiative and governance.

## Staff resource allocation

The 2012 budget provides for 115 full time equivalent (FTE) staff (relative to 114 in 2011)<sup>1</sup>. Staff costs represent about 60% of the total budget. The following chart depicts how staff resources are deployed relative to regulation, governance and policy. Again, organizational staff resources (34 FTEs) are allocated to each of the activity areas based on relative FTEs.



Again, we estimate that about 2/3<sup>rd</sup> of our policy work relates to regulatory issues and the remaining 1/3<sup>rd</sup> is dedicated to the access to justice initiative and governance.

## Core area plans

In our strategic planning the benchers made it clear we must do a first class job of our core regulatory work. That encompasses credentials and education, complaints and hearings processes, and ensuring that lawyers are professionally competent. We also include the operation of the Assurance Fund in this work. The business plan that follows includes work in all of these areas and reflects the following operational goals:

- Be highly trusted;
- Be recognized for excellence in management and leadership in service;
- Manage risk and stand up for the public interest and the principles of justice; and
- Be a leader organization of choice for staff and volunteers.

The following analysis describes the core activities of our five business units, area goals, significant initiatives planned in each area, and a discussion of the corresponding budget implications for 2012.

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<sup>1</sup> During 2011, the Law Society moved from a staff to an outsourced support model for its IT area. This resulted in a decrease in 3 FTEs from the 2011 to 2012 budget. Budget reductions in staff costs have been offset by an increase in contract costs.



## ***Membership***

### **Core activities:**

This group is responsible for the administration of numerous types of applications which include students-at-law, enrolment and reinstatement of members, the transfer of inter-jurisdictional members, Professional Corporations and Limited Liability Partnerships. The department also manages inquiries regarding membership status and address changes, insurance changes, and membership renewals. The bar admission program (CPLED) connects to the Law Society in this department.

On an annual basis, this group of 9 employees processes renewals for approximately 8,500 active, 2,000 inactive and 5,800 insured lawyers. Over 300 applications for students-at-law are handled by this group. In addition, the Membership Services area processes annual renewals for about 2,300 Professional Corporations and 170 Limited Liability Partnerships.

### **Goals:**

- Serve the public interest by ensuring high standards of competence and good character for all those applicants seeking admission to and practicing law in our jurisdiction.
- Provide a high level of customer service (internal and external customers).
- Provide service to lawyers while facilitating annual regulatory requirements – such as annual renewal of membership, insurance, Professional Corporation and LLP registrations.
- Continue to enhance risk assessment management internally as well as in cooperation with the larger corporate project regarding risk assessment.
- Continue to evolve business practices, policies and documentation to accommodate expectations of our customers and to operate as a model regulator.
- Enhance our corporate departmental image and knowledge about our services to our customers (lawyers, students, etc.). This includes improvements to the website, forms and an increased number of presentations to our customers.
- Enhance our relationship and productivity with the CPLED team in order to provide a more cohesive service to the students-at-law.

### **2012 initiatives:**

- Subject to statutory amendments, implement the Quebec Mobility Agreement.

## ***Complaints and Conduct Hearings***

### **Core activities:**

This core area, consisting of 37 staff, reviews, resolves where possible, and investigates complaints, refers to practice review where appropriate, and prosecutes as necessary. The Complaints team handles about 3,500 contacts annually from the public, financial institutions, government departments, other regulatory bodies and lawyers. The majority of the contacts received are resolved to the satisfaction of the complainant through an informal process. This informal process includes Law Society staff providing information, referral to other agencies, mediation or other alternate resolution services. Typically, 15% (about 500) of these contacts relate to complaints that are serious enough to require formal investigation and review by Law Society staff. Of these serious (or formal) complaints, about 10% (roughly 50) ultimately result in conduct hearings.

### **Goals:**

- Deal with every complaint to ensure it is investigated in an effective and timely manner.
- Deal with matters in practice review when risk appears remediable.
- Prosecute matters in an effective and timely manner.
- Maintain a risk assessment program that supports and furthers the goals and objectives identified in the strategic plan.

### **2012 initiatives:**

- Refine the complaints management model to achieve better risk management and at the same time optimize complainant outcomes. Ideas from the Lawyers at Risk work will be incorporated into this plan. The revised model will include achieving complaints goals for throughput, considering whether these are the most effective goals in light of changes to the complaints program, and developing other key measures of effectiveness of the complaints program. We will conduct a special project to reduce the backlog of complaints and will develop a plan for addressing such workload variations in the future.
- Continue to work on achieving the statutory amendments resulting from the work of the Conduct Process Task Force, develop a multi-year implementation plan for changes to the conduct process, and begin work on those changes.
- Develop evaluative and reporting processes for regulatory programs as part of a multi-year plan.

## ***Public Protection (Trust Safety and the Assurance Fund)***

### **Core business:**

This area operates the trust audit program, our custodianship program and the Assurance (or compensation) Fund established to compensate those who suffer financial loss through lawyer misappropriation of trust funds.

The purpose of the trust audit program is to mitigate the risk of lawyer misappropriation of client trust funds. On an annual basis, the trust audit group conducts approximately 200 examinations of lawyer trust accounts. This group consists of 9 employees plus contract resources and is supported by the investigative team in the Complaints and Conduct Hearings group. Our trust audit program has undergone significant changes in 2011 with the introduction of the new Trust Safety program.

We operate the Assurance Fund (AF) to respond to allegations of lawyer misappropriation of trust funds and to compensate (or protect) members of the public who have been victims of such misappropriation. Assurance Fund claims received from the public are reviewed by our Senior AF Claims Examiner and referred to our trust audit staff to perform a complete review of the trust account of the lawyer concerned. The trust audit process, in cases of misappropriation, can be quite lengthy and intensive as trust records in these circumstances are often falsified or destroyed. The total number of open AF claims is normally under 200. On average, we open about three AF files monthly. Of these claims opened, typically two of the three require a formal investigation, including a related conduct complaint.

The custodianship program is designed to protect members of the public in the event that their lawyer is unable or not allowed to continue the practice of law. In these circumstances, our custodians (lawyers contracted by the Law Society) protect the interests of the client and their trust property until the client is able to arrange appropriate representation. The number of active custodianships is typically around 50. The program is managed by the Deputy Executive Director and supported by two other employees, including a staff lawyer.

### **Goals:**

- Through our new trust audit program, effectively protect the public interest with respect to the safety of trust property.
- Manage every claim to ensure a fair and timely outcome.
- Finance the Assurance Fund in an economically sustainable manner.
- Fairly compensate those who lose money when trust account defalcations occur.
- Identify areas of potential loss and develop programs to assist lawyers to avoid such loss.

### **2012 initiatives:**

- Continue to implement Trust Safety as a program to manage risk by identifying and dealing with risk as early as possible. This will incorporate a number of the ideas from the Lawyers at Risk work.

- Prepare a discussion paper for benchers consideration of an insurance model instead of a discretionary model for deciding assurance fund claims.

## ***Professionalism, Competence and Access***

### **Core activities:**

This group bundles together all of our programs that support the professional work of lawyers including CPD, practice advice, pro bono, libraries, the equity ombudsperson and equity programs.

A key element of the Law Society's support of the professional work lawyers perform is our Practice Advisor program. This program is delivered by 3 staff lawyers who are supported by an administrative assistant. These individuals provide confidential advice to Alberta lawyers with respect to ethical, practice management, and stress-of-practice issues. This group also advises and assists the benchers and Law Society staff on professionalism issues generally and the Code of Professional Conduct in particular. On an annual basis, the Practice Advisors handle in the neighbourhood of 5,000 inquiries from lawyers seeking advice.

As in 2011, this budget provides for a Director (the Practice Advisors currently report directly to the Executive Director) and a dedicated administrative position to manage the CPD program.

### **Goals:**

- Support the professionalism and competence of lawyers through Practice Advisors providing ethics and practice management, the Alberta Law Review, CPD, independence of the legal profession, access to justice, Equity Ombudsperson, Access to Justice Committee, Pro Bono Law Alberta (PBLA), Practice Advisory committees, Alberta Lawyer Assistance Program (Assist), and the Western Conveyancing Protocol.
- Provide legal research resources through libraries and the Canadian Legal Information Institute (CanLII).

### **2012 initiatives:**

- Provide more online practice resources to assist lawyers in achieving competence in their practices.
- Implement a 3 year business plan for CPD.

## **Governance**

### **Core activities:**

The governance of the organization, including the development of policy for consideration by the benchers, is the focus of this core area. This business unit includes the office of the Executive Director (2 employees), the Deputy Executive Director (2 employees) and the Policy and Research department (6 employees).

Ongoing policy work includes:

- Maintenance of the policy development inventory which sets out the bencher priorities on strategic, process, and potential policy projects;
- Maintenance of the administrative policy inventory which sets out administrative policy projects; and
- Monitoring of the local, national, and international regulatory environment to identify potential policy issues, questions, and future policy projects to further the strategic goals of the Law Society.

### **Goals:**

- Sustain effective governance of the Law Society through committees and the benchers.
- Provide training and information to assist the benchers in their work.
- Manage policy issues, and prepare policy matters for bencher discussion.
- Be an active participant in national governance of the profession (primarily through the Federation of Law Societies of Canada).

### **2012 initiatives:**

- Monitor best practices for the regulation of the legal profession and provide a report to the benchers as requested.
- Prepare a discussion paper for bencher consideration of an integrated competence strategy including admissions, reinstatement, continuing professional development, and quality assurance.
- Develop evaluative and reporting processes for regulatory programs as part of a multi-year plan.
- Articulate the Law Society's role in access to justice, develop a plan to implement that role, and begin implementation. Implementation will address the question of which of the varied existing projects will be continued.

## ***Organizational Support***

### ***Counsel***

#### **Core activities:**

This department combines an active litigation role with corporate counsel responsibilities. With a team of 9 staff and contract counsel, the Counsel department actively supports the Law Society mission to become a model regulator in protecting the public interest and preserving the fundamental principles of justice. This department monitors challenges and threats to solicitor-client privilege and takes targeted action.

Counsel act as professional advisors in the following areas:

- Work with knowledgeable professionals and paraprofessionals to provide legal and strategic expertise to all Law Society departments, the benchers and committees.
- Provide advice on operational and public policy matters including assisting in the analysis, drafting and implementation of initiatives.

Counsel act as litigators in the following matters:

- Act as counsel on behalf of the Law Society for all types of internal hearings and appeals, including disciplinary hearings.
- Act as counsel on behalf of the Law Society before all levels of court.

#### **Goals:**

- Monitor challenges and threats to solicitor-client privilege and take targeted action.
- Move caseload in accordance with timeliness benchmarks.
- Provide excellent legal advice to clients.
- Identify, analyze and manage risks to the effectiveness and operations of the Law Society.
- Provide excellent counsel support to strategic initiatives requiring counsel input.
- Maintain expertise as a resource on solicitor-client privilege.
- Be recognized as a model counsel department for all law societies.

### ***Corporate Services***

#### **Core activities:**

This group provides accounting, IT, communications, records management, business support and general office services to the Law Society and ALIA staff, benchers and other volunteers. This organizational support group consists of 31 employees. The teams that comprise Corporate Services are:

- The Accounting team handles the financial reporting, budgeting, payroll and cash management of the Law Society and ALIA.
- The IT and Business Enablement Services teams design and maintain the information technology infrastructure required to support the regulatory work of the Law Society. This includes our membership and financial databases, data/video/voice links between

our two offices, our video conferencing facilities, remote access, computer hardware and overall systems security.

- Our Communications group develops communications tools and techniques to inform key external and internal stakeholders. In addition, this group provides strategic communications advice to the benchers and Law Society management.
- Records and Information Management Services securely manages all of the information that is collected and generated by the organization. This includes internally-generated records and records the Law Society collects from lawyers through our regulatory processes.
- The Office Services group manages the physical office locations of our Edmonton and Calgary premises, including our very busy meeting facilities. This team also operates our document production facility that produces information materials, particularly for our regulatory and adjudication activities.

#### **Goals:**

- Provide accounting services to the Law Society, ALIA and affiliated organizations.
- Support the Law Society's record keeping, knowledge management and privacy responsibilities.
- Provide effective support for communications to the public, the profession, stakeholders and staff.
- Provide information technology services to the organization to track relevant information and permit management of key business processes.
- Provide office services support including leased premises management and document production services.

#### **2012 initiatives:**

- Continue to develop and deliver online support for bencher activities.
- Continue the multi-year project of implementing online transactions to enable better customer service for lawyers and the public and to improve internal efficiencies.
- In anticipation of the expiration of our Calgary premises lease at the end of 2014, develop a long term strategy for optimal space location(s) and configuration.

### ***Human Resources***

#### **Core activities:**

This team, consisting of 3 employees, provides advice and guidance in the effective recruitment and retention of employees who ultimately possess the necessary skills, characteristics and qualifications needed to achieve the Law Society's strategic and operational objectives. This team supports the human resource needs of approximately 115 Law Society and 15 ALIA employees.

#### **Goals:**

- Operate a model HR business unit to ensure HR policies and practices are integrated and aligned with our organizational mission, vision, goals, objectives, and strategic initiatives.



- Support all departments in meeting their goals, objectives, and strategic initiatives as they relate to human resource initiatives.
- Provide timely and efficient service to our customers.
- Support our organization in realizing our goal of becoming a model regulator and to be a leader organization of choice for staff by continuing to build and focus on strategic recruiting, hiring, developing, and retaining a competent and dedicated workforce.

# Budget

## ***Budget Structure***

The budget of The Law Society includes three funds:

- The **General Fund**, which covers the general operating costs of the regulatory function and other work of the Law Society;
- The **Assurance Fund**, which covers the costs of compensating clients and others who are the victims of trust defalcations, as well as the cost of our loss prevention audit and custodianship programs; and
- The **Viscount Bennett Fund**, a donated sum, the income from which funds scholarships for law students.

Our fiscal year end is October 31. We refer to:

- **Budget 2012**, which means the fiscal year beginning November 1, 2011 and ending October 31, 2012;
- **Budget 2011**, which means the fiscal year beginning November 1, 2010 and ending October 31, 2011; and
- **Forecast 2011** which is our forecast of the actual revenue and actual spending for the fiscal year beginning November 1, 2010 and ending October 31, 2011.

Summary budgets for the General, Assurance and Viscount Bennett funds are provided below.

The proposed Capital Budget is provided in Appendix 2.

An analysis of General and Assurance Fund target fund balances is outlined in Appendix 1.

The operations of the Alberta Lawyers Insurance Association (ALIA) are not included in this budget. ALIA's budget for the year ending June 30, 2012 was previously approved by the benchers in June 2011.

## ***Budget Assumptions***

This budget is built on the following assumptions:

- This draft budget assumes no increase in the practice fee or Assurance Fund levy from 2011. Please refer to Appendix 3 for an historical comparison of fees and levies and Appendix 8 for a detailed fee schedule.

- Excluding staff additions and merit increases, we have assumed a 3% increase in wage costs. This increase is designed to keep our compensation levels on pace with labour market trends in Alberta. These trends have been determined with reference to average weekly earnings in the Alberta labour market over a two year period as collected by Statistics Canada.
- This budget includes a net increase in our staff of 1 full time equivalent from the 2011 budget. New positions in Trust Safety (2), Policy and Research (1) and Administration (1) have been offset by staff reductions in our IT area<sup>2</sup>.
- Fee revenue is based on an active and inactive membership growth rate of 1.9% and 2.7% respectively from 2011 to 2012 (see Appendices 6 and 7).
- Unrealized gains or losses on changes in the market value of investments related to the Assurance and Viscount Bennett funds have not been budgeted for as these amounts are virtually impossible to predict and are non-cash items by nature.
- The provision for Assurance Fund claims and costs is very difficult to predict. Consequently, the budget for this item is based on recent historical experience (refer to Appendix 5 for an historical analysis of actual claims reserve and provision experience). Actual claims experience may differ significantly from the budget amount.

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<sup>2</sup> During 2011, the Law Society moved from a staff to an outsourced support model for its IT area. This resulted in a decrease in 3 FTEs from the 2011 to 2012 budget. Budget reductions in staff costs have been offset by an increase in contract costs.

## General Fund Budget

### The Law Society of Alberta Summary General Fund Budget For the Year Ending October 31<sup>st</sup>

	2011 Approved Budget	2011 Forecast*	2012 Proposed Budget	Variance 2011 Forecast to 2011 Budget	Variance 2012 Budget to 2011 Budget
<b>Revenue</b>					
Fees	\$15,804,000	\$15,929,111	\$16,114,400	\$ 125,111	\$ 310,400
Management fees	3,356,100	3,361,800	3,420,000	5,700	63,900
Investment income	65,000	82,989	115,714	17,989	50,714
Other	124,500	144,500	144,000	20,000	19,500
	<u>19,349,600</u>	<u>19,518,400</u>	<u>19,794,114</u>	<u>168,800</u>	<u>444,514</u>
<b>Expenses</b>					
Membership	1,143,320	1,050,220	1,182,407	(93,100)	39,087
Complaints and conduct hearings	3,746,190	3,442,242	3,690,328	(303,948)	(55,862)
Professionalism, competence, & access	2,865,670	2,725,123	2,982,095	(140,547)	116,425
Governance	2,254,430	2,389,955	2,718,212	135,525	463,782
Organizational support	9,135,875	9,331,458	9,404,289	195,583	268,414
	<u>19,145,485</u>	<u>18,938,998</u>	<u>19,977,331</u>	<u>(206,487)</u>	<u>831,846</u>
<b>Net Income (loss)</b>	<u>\$ 204,115</u>	<u>\$ 579,402</u>	<u>\$ (183,217)</u>	<u>\$ 375,287</u>	<u>\$ (387,332)</u>

\* Actual results for November 1, 2010 to May 31, 2011 plus estimated results for June 1, 2011 to October 31, 2011

## Assurance Fund Budget

### The Law Society of Alberta Summary Assurance Fund Budget For the Year Ending October 31<sup>st</sup>

	2011 Approved Budget	2011 Forecast*	2012 Proposed Budget	Variance 2011 Forecast to 2011 Budget	Variance 2012 Budget to 2011 Budget
<b>Revenue</b>					
Fees	\$ 4,879,200	\$ 4,900,000	\$ 4,970,400	\$ 20,800	\$ 91,200
Investment income	462,000	804,000	480,858	342,000	18,858
	<u>5,341,200</u>	<u>5,704,000</u>	<u>5,451,258</u>	<u>362,800</u>	<u>110,058</u>
<b>Expenses</b>					
Organizational support	56,000	59,000	63,500	3,000	7,500
Administration	2,321,720	2,321,720	2,324,004		2,284
Trust safety and custodianship costs	2,685,375	2,860,000	2,889,991	174,625	204,616
Provision for claims and costs	250,000	1,000,000	1,000,000	750,000	750,000
	<u>5,313,095</u>	<u>6,240,720</u>	<u>6,277,495</u>	<u>927,625</u>	<u>964,400</u>
<b>Net Income (loss)</b>	<u>\$ 28,105</u>	<u>\$ (536,720)</u>	<u>\$ (826,237)</u>	<u>\$ (564,825)</u>	<u>\$ (854,342)</u>

\* Actual results for November 1, 2010 to May 31, 2011 plus estimated results for June 1, 2011 to October 31, 2011

## Viscount Bennett Fund Budget

### The Law Society of Alberta Summary Viscount Bennett Fund Budget For the Year Ending October 31<sup>st</sup>

	2011 Approved Budget	2011 Forecast*	2012 Proposed Budget	Variance 2011 Forecast to 2011 Budget	Variance 2012 Budget to 2011 Budget
<b>Revenue</b>					
Investment income	\$ 45,000	\$ 59,570	\$ 41,144	\$ 14,570	\$ (3,856)
<b>Expenses</b>					
Organizational support	3,600	3,900	3,886	300	286
Scholarships	40,000	40,000	40,000		
	<u>43,600</u>	<u>43,900</u>	<u>43,886</u>	<u>300</u>	<u>286</u>
<b>Net Income (loss)</b>	<u>\$ 1,400</u>	<u>\$ 15,670</u>	<u>\$ (2,742)</u>	<u>\$ 14,270</u>	<u>\$ (4,142)</u>

\* Actual results for November 1, 2010 to May 31, 2011 plus estimated results for June 1, 2011 to October 31, 2011

# Appendix 1 - Target Fund Balances

## General Fund

At the end of any given fiscal period, the balance in the General Fund represents the difference between our assets and liabilities in the fund. This amount is basically the accumulated sum of the fund's earnings in excess of expenses from the inception of the Law Society. Consequently, we often refer to this balance as the "accumulated surplus". By way of example, the balance in the fund at our last fiscal year ended October 31, 2010 is broken down as follows:

<b>Current assets (mostly cash)</b>	<b>\$3,967,000</b>
Capital assets (furniture, computers and leasehold improvements)	\$1,333,000
Current liabilities (mostly trade payables)	(\$639,000)
Long-term liabilities	(\$976,000)
Fund balance (the net of the above amounts)	\$3,685,000

Essentially, the amount in the fund balance is the financial resources available to sustain the operations of the General Fund into the future. This amount will increase (or decrease) based on the net operating results of the General Fund (revenues less expenses).

For planning and budgeting purposes it is important to get a sense of the target fund balance we need to keep in reserve. If the fund (or accumulated surplus) balance gets too low we risk being unable to adequately fund our operations without raising lawyer fees too dramatically or being forced to borrow operating funds from external sources. Alternatively, if the fund balance accumulates to too high a level, we are likely charging lawyers unnecessarily excessive fees and/or we are not spending enough to get all of our regulatory work done.

We need to establish a target fund balance threshold or range in case of unusual circumstances or emergencies. If, for some reason, our sources of cash declined dramatically, how much would we need in our accumulated surplus to keep the organization going until such time that additional cash flow could be secured? Obviously, this is a very hypothetical and subjective exercise. However, the analysis below is an attempt at quantifying a recommended (or target) balance for the General Fund.

The first issue to consider is what circumstances would cause our cash flow to decline to the point that we would need to rely on our accumulated surplus (or fund balance) to adequately fund our operations. While highly unlikely, the following hypothetical situations could occur:

- The Law Society suffers a significant employee theft in excess of our insured amount of \$500K.
- We make a large unbudgeted expenditure without considering the impact on our cash flow.
- The economy crashes, resulting in a severe decline in the collectability of lawyer fees.

- We have an unusually large increase in our budgeted expenditures that require additional cash resources between the end of our fiscal year (October 31) and the beginning of the next fee billing cycle (March 15).

Under one or more of these scenarios, what amount should we have in the accumulated surplus balance to feel comfortable that the Law Society can continue operations until adequate cash flow is generated? In general, we would need financial resources for the following things:

- Operations;
- Significant planned special projects; and
- Contingencies (or unexpected expenditures).

### ***Operations:***

Operating expenses include recurring expenditures like wages, rent, contract services and supplies required for the normal and planned operation of General Fund activities. Our monthly operating cash flow requirements can be estimated by looking at our budgeted operating expenses for the coming year. If we were to run out of operating cash resources, the issue then becomes how long it would take us to get approval to issue a special levy on Alberta lawyers and then collect it. It would be this period of time for which we would need cash to fund our operations. In such an unusual situation, we estimate it would take about one to two months to generate sufficient cash flow from a special assessment. Consequently, we would need about 10% to 15% of our annual operating expenditure budget to see us through.

### ***Special projects:***

These are non-recurring activities outside the scope of our normal, recurring operations. The 2007 100<sup>th</sup> Anniversary project and our recent work in response to the legal aid issue are good examples of this type of non-recurring activity/expenditure.

### ***Contingencies:***

Contingencies are significant expenditures that we can't plan for and are very difficult to predict both in terms of amount and probability of occurrence. Such contingencies could take the form of a civil matter that creates a large unplanned liability that needs to be settled. Another example would be a complicated and expensive conduct matter that needs to be dealt with during the current budget cycle. There can be situations where Assurance Fund claims need to be settled before the adjudicative process can be applied. Such claims would have to be paid through the General Fund as the Assurance Fund cannot issue settlement payments. It's very difficult to quantify the potential financial impact of such contingencies, but they could likely range between \$500K and \$1 million.



### **Target General Fund Balance**

Based on the above analysis, the Law Society should maintain the General Fund (or the accumulated surplus) in the following range:

<b>The amount invested in capital assets</b>	<b>\$1,700,000</b>
Operating cash flow	\$1,500,000 to \$2,000,000
Special projects	\$200,000
Contingencies	\$500,000 to \$1,000,000
Target General Fund balance	\$3,900,000 to \$4,900,000

As illustrated in Appendix 4, this draft General Fund budget places the anticipated fund balance just above the low end of the range indicated above (\$4,080,672).

### **Assurance Fund**

The Assurance Fund finances a significant portion of our Trust Safety operations, as well as custodianships and the processing and paying of Assurance Fund claims. Trust Safety and custodianships are funded as programs, and are relatively stable.

Claims against the Assurance Fund are funded in a manner that is similar to the funding of an insurance program. We use a consulting actuary to provide advice about how much money to put aside to fund claims, and that advice is incorporated into the budget. The structure of the fund of money to pay claims is this:

First \$1.5 million	LSA
\$1.5 - \$11.5 Million	Bond
More than \$11.5 million	LSA

The bond operates somewhat like insurance. We purchase the bond and then make claims against it if claims are made against the Fund.

As indicated in Appendix 4, the projected Assurance Fund (or contingency reserve) balance is \$5,978,210. This represents the financial resources available in the Assurance Fund for contingencies after taking into account our estimated liability for claims and costs (the net claims reserve).

The risk that we would need to utilize a significant portion of the Assurance Fund contingency reserve relate to the following circumstances:

- There is a catastrophic loss that puts us over the \$10 million insured level covered by our indemnity bond.
- We incur extraordinary investigation costs to deal with trust defalcations.
- There are additional major related claims that come to light after the year in which the initial claim was covered by our indemnity bond. Such subsequent claims may not be covered by our bond.

## Appendix 2 – Capital Budget

**The Law Society of Alberta  
Capital Budget  
For the Year Ending October 31, 2012**

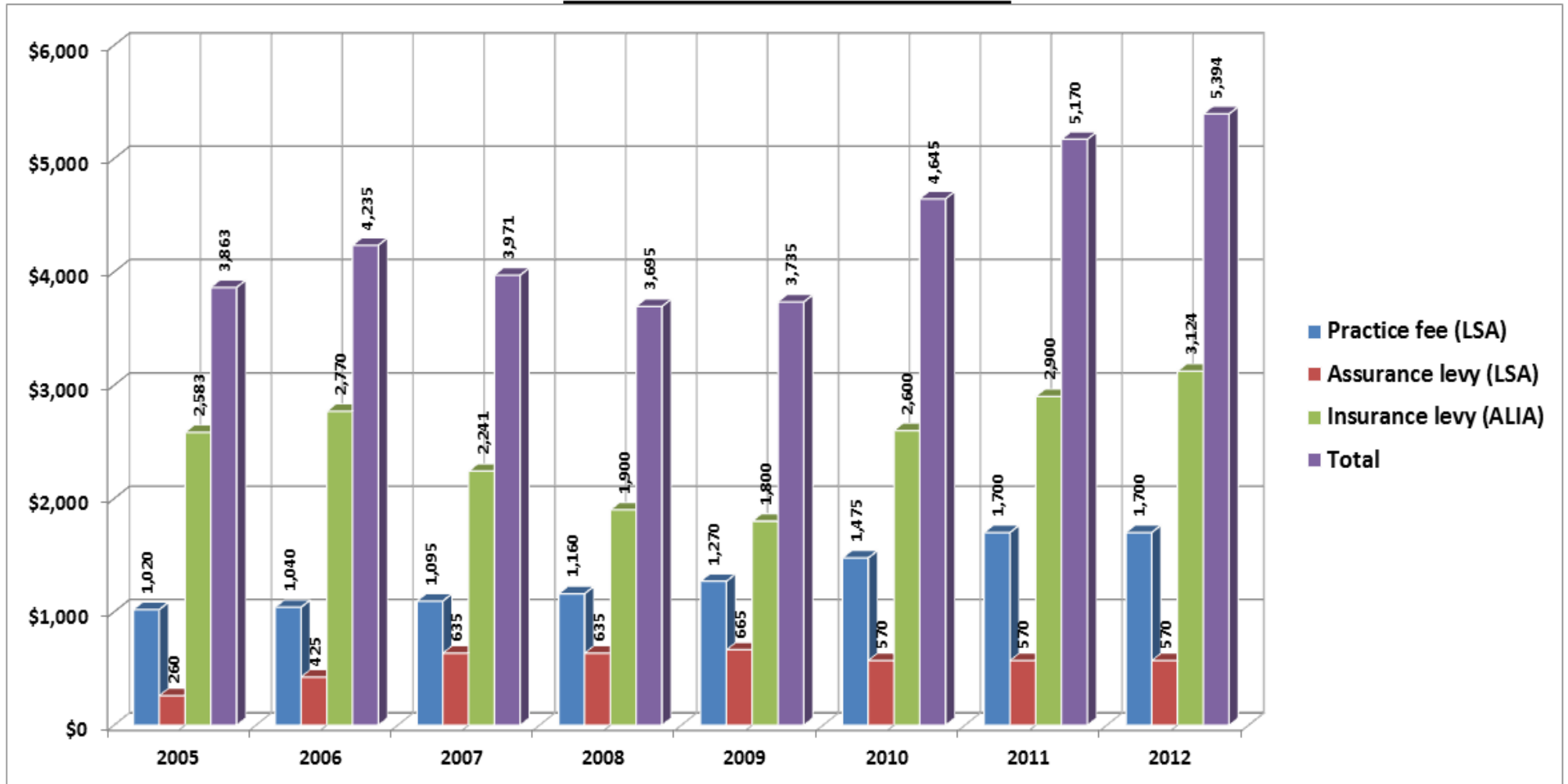
	<b><u>Budget 2012</u></b>	<b><u>Forecast 2011</u></b>	<b><u>Budget 2011</u></b>
<b>Furniture and equipment</b>			
Edmonton office	\$ 44,000	\$ 37,000	\$ 20,000
Calgary office	130,000	14,000	50,000
	<u>174,000</u>	<u>51,000</u>	<u>70,000</u>
<b>Computer equipment</b>			
Software	50,000	129,000	165,000
Computer workstations	10,000	128,000	115,000
Network servers	175,000	58,000	255,000
Printers	-	-	35,000
Telephone system	25,000	-	-
Document management project	-	-	165,000
Video conference equipment	125,000	10,000	150,000
External website enhancements	50,000	-	-
Member database upgrade	80,000	75,000	75,000
	<u>515,000</u>	<u>400,000</u>	<u>960,000</u>
<b>Leasehold improvements</b>			
Edmonton office <sup>1</sup>	-	865,000	560,000
Calgary office <sup>2</sup>	100,000	-	510,000
	<u>100,000</u>	<u>865,000</u>	<u>1,070,000</u>
<b>Total capital additions</b>	<u><u>\$ 789,000</u></u>	<u><u>\$ 1,316,000</u></u>	<u><u>\$ 2,100,000</u></u>

<sup>1</sup> The total capital budget for the design and construction of the new Edmonton office was \$840,000. Part of this budget (\$280,000) was allocated to the previous fiscal period as the work was originally anticipated to begin prior to October 31, 2010. The project actually began in early 2011.

<sup>2</sup> The plan for expanded premises for the Calgary office has been scaled back considerably from the 2011 budget.

## Appendix 3 – Historical Fee Comparison

### COMBINED ANNUAL FEES & LEVIES



## Appendix 4 – Fund Balance Analysis

### Law Society of Alberta Fund Balance Analysis

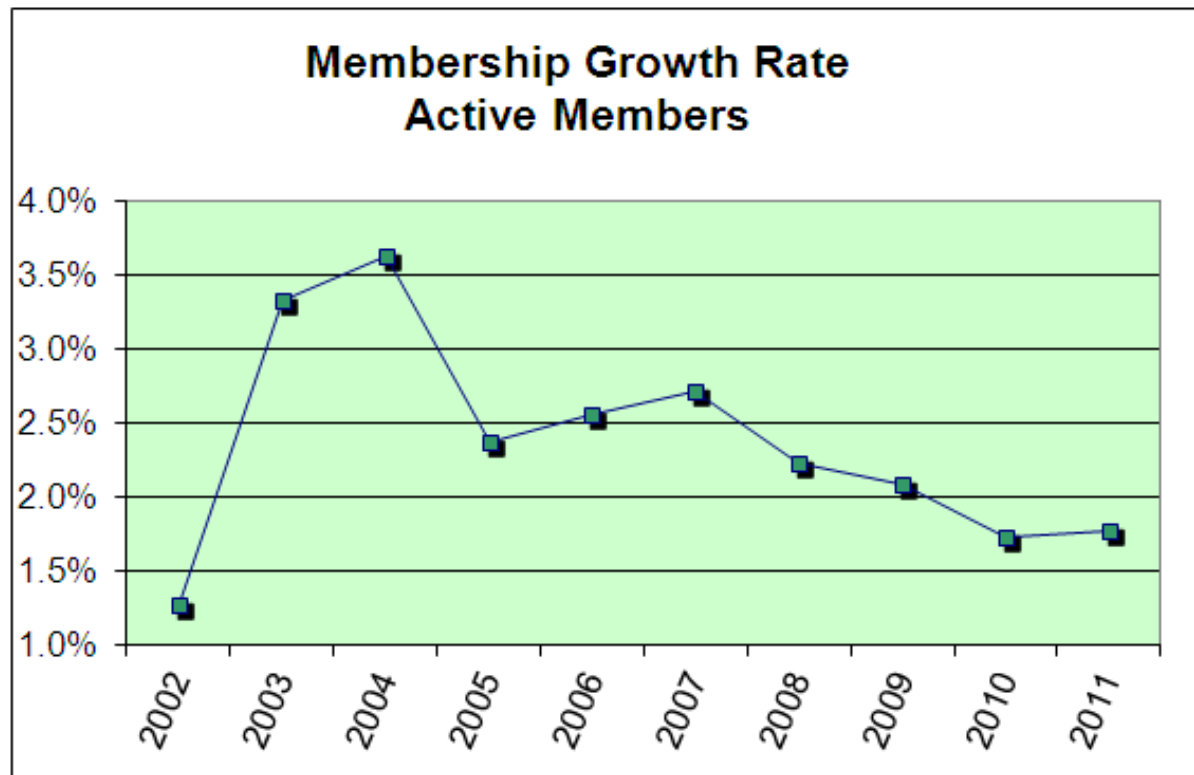
	<b>General</b>	<b>Assurance</b>	<b>Viscount Bennett</b>	<b>Total</b>
	<i>Unrestricted &amp; Invested in Capital</i>	<i>Contingency reserve</i>	<i>Scholarship reserve</i>	
<b>Balance October 31, 2010 (Audited F/S)</b>	\$ 3,684,487	\$ 7,341,167	\$ 1,238,299	\$ 12,263,953
2011 net income (loss)	579,402	(536,720)	15,670	58,352
<b>Balance October 31, 2011 (Forecast)</b>	4,263,889	6,804,447	1,253,969	12,322,305
2012 net income (loss)	(183,217)	(826,237)	(2,742)	(1,012,196)
<b>Balance October 31, 2012 (Budget)</b>	<u>\$ 4,080,672</u>	<u>\$ 5,978,210</u>	<u>\$ 1,251,227</u>	<u>\$ 11,310,109</u>

## Appendix 5 – Assurance Fund Reserve Summary

### The Law Society of Alberta Assurance Fund Reserve Summary October 31<sup>st</sup>

	2010	2009	2008	2007	2006	2005	2004	2003
Net Reserve - Beginning of Year (000's)	\$ 4,185	\$ 2,760	\$ 3,292	\$ 2,975	\$ 3,335	\$ 2,937	\$ 2,216	\$ 683
Less: Claims Paid	(45)	(101)	(321)	(201)	(853)	(1,531)	(48)	-
Add: Current Provision	1,553	1,526	(211)	518	493	1,929	769	1,533
Net Reserve - End of Year	<u>\$ 5,693</u>	<u>\$ 4,185</u>	<u>\$ 2,760</u>	<u>\$ 3,292</u>	<u>\$ 2,975</u>	<u>\$ 3,335</u>	<u>\$ 2,937</u>	<u>\$ 2,216</u>

## Appendix 6 – Active Membership Growth Analysis



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nov	6,929	6,938	7,301	7,535	7,689	7,929	8,112	8,310	8,433	8,605
Dec	6,953	6,975	7,329	7,553	7,710	7,958	8,136	8,329	8,446	8,620
Jan	6,976	7,002	7,347	7,553	7,713	7,962	8,149	8,334	8,456	8,626
Feb	6,991	7,019	7,359	7,564	7,705	7,956	8,152	8,334	8,453	8,625
Mar	7,002	7,039	7,362	7,558	7,703	7,946	8,136	8,304	8,438	8,613
Apr	6,922	7,060	7,257	7,421	7,624	7,828	7,978	8,145	8,304	8,458
May	6,643	7,078	7,268	7,428	7,636	7,840	7,992	8,149	8,309	8,465
Jun	6,664	7,089	7,299	7,438	7,651	7,854	8,006	8,160	8,311	8,471
Jul	6,704	7,117	7,319	7,446	7,669	7,852	8,005	8,162	8,317	
Aug	6,783	7,199	7,370	7,500	7,712	7,882	8,051	8,226	8,379	
Sep	6,843	7,253	7,439	7,593	7,840	7,991	8,188	8,344	8,507	
Oct	6,894	7,279	7,491	7,644	7,893	8,062	8,275	8,414	8,579	
Average	6,859	7,087	7,345	7,519	7,712	7,922	8,098	8,268	8,411	8,560

Growth	1.3%	3.3%	3.6%	2.4%	2.6%	2.7%	2.2%	2.1%	1.7%	1.8%
Average Growth Rate over last <u>three</u> years										1.9%

Projected Membership (Average 2011 x Average Growth Rate)	8,720	members
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## Appendix 7 – Inactive Membership Growth Analysis



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nov	1,477	1,482	1,673	1,656	1,698	1,695	1,778	1,778	1,952	1,885
Dec	1,478	1,492	1,663	1,654	1,695	1,698	1,777	1,783	1,950	1,886
Jan	1,488	1,499	1,670	1,661	1,699	1,711	1,784	1,795	1,956	1,894
Feb	1,484	1,505	1,668	1,663	1,712	1,718	1,786	1,809	1,957	1,900
Mar	1,482	1,513	1,680	1,674	1,725	1,744	1,806	1,845	1,970	1,909
Apr	1,564	1,638	1,729	1,762	1,678	1,732	1,723	1,922	1,853	1,926
May	1,412	1,646	1,649	1,665	1,680	1,733	1,731	1,927	1,852	1,928
Jun	1,414	1,655	1,639	1,664	1,677	1,738	1,733	1,923	1,858	1,944
Jul	1,433	1,672	1,651	1,686	1,689	1,744	1,750	1,935	1,873	
Aug	1,454	1,679	1,657	1,696	1,699	1,761	1,766	1,932	1,875	
Sep	1,464	1,679	1,661	1,700	1,697	1,767	1,778	1,944	1,884	
Oct	1,475	1,681	1,653	1,702	1,694	1,770	1,778	1,947	1,881	
Average	1,469	1,595	1,666	1,682	1,695	1,734	1,766	1,878	1,905	1,909

Growth	-6.6%	8.6%	4.5%	1.0%	0.8%	2.3%	1.8%	6.4%	1.4%	0.2%
Average Growth Rate 1994 - 2011										2.7%

Projected Inactive members (Average 2011 x Average Growth Rate)	1,960	members
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## Appendix 8 – Detailed Fee Schedule

The Law Society of Alberta  
Fee Schedule  
November 1, 2010 to October 31, 2012

	Budget 2012	Budget 2011	Budget 2010	Budget 2009
<b>Annual Fees</b>				
Annual fee, active member (effective March 15, 2012)	\$ 1,700	\$ 1,700	\$ 1,475	\$ 1,270
Annual fee, active member practising in Lloydminster, AB and SK (effective March 15, 2012)	\$ 850	\$ 850	\$ 738	\$ 635
Annual fee, active member for pro bono services only (effective March 15, 2012)	\$ 180	\$ 180	\$ 180	\$ 180
Annual fee, inactive (effective March 15, 2012)	\$ 180	\$ 180	\$ 180	\$ 180
Assurance levy (effective March 15, 2012)	\$ 570	\$ 570	\$ 570	\$ 665
<b>Professional Corporation Fees</b>				
Professional Corporation application fee	\$ 370	\$ 360	\$ 360	\$ 350
Professional Corporation annual renewal fee	\$ 190	\$ 185	\$ 180	\$ 180
<b>Limited Liability Partnership Fees</b>				
Limited Liability Partnership (LLP) registration fee (per partner)	\$ 110	\$ 110	\$ 110	\$ 105
Limited Liability Partnership (LLP) renewal fee (per partner)	\$ 50	\$ 50	\$ 50	\$ 50
<b>Student Fees</b>				
Application fee, Student (Section 40)	\$ 160	\$ 160	\$ 160	\$ 160
Admission fee, Student (Section 40)	\$ 400	\$ 390	\$ 390	\$ 380
Filing Assignment of Articles fee	\$ 80	\$ 80	\$ 80	\$ 80
<b>Transfer Fees</b>				
Transfer exam fee	\$ 1,130	\$ 1,110	\$ 1,100	\$ 1,080
Application fee, Out of Province transfer	\$ 200	\$ 200	\$ 200	\$ 200
Enrolment as a member, Out of Province transfer	\$ 1,030	\$ 1,010	\$ 1,000	\$ 980
<b>Reinstatement Fees</b>				
Reinstatement, suspended member	\$ 730	\$ 720	\$ 710	\$ 700
Reinstatement, retired Judge	\$ 540	\$ 530	\$ 520	\$ 510
Reinstatement, inactive member with matters open <sup>1</sup>	\$ 730	\$ 720	\$ 710	\$ 700
Reinstatement, inactive member with no matters open <sup>2</sup> (under 1 year inactive status)	\$ 190	\$ 190	\$ 190	\$ 190
Reinstatement, inactive member with no matters open <sup>3</sup> (under 3 years inactive status)	\$ 330	\$ 330	\$ 330	\$ 320
Reinstatement, inactive member with no matters open <sup>4</sup> (over 3 years inactive status)	\$ 540	\$ 530	\$ 520	\$ 510
Reinstatement, suspended for non-payment of fees - applies to inactive members who are suspended and are reinstating to inactive status within 6 months of suspension	\$ 190	\$ 190	\$ 190	\$ 190
Reinstatement, resigned member	\$ 1,470	\$ 1,450	\$ 1,440	\$ 1,410
Application for reinstatement, disbarred member	\$ 7,320	\$ 7,210	\$ 7,140	\$ 7,000
Reinstatement exam fee	\$ 700	\$ 690	\$ 680	\$ 670
<b>Foreign Legal Consultant Fees</b>				
Foreign Legal Consultants initial permit	\$ 730	\$ 720	\$ 710	\$ 700
Foreign Legal Consultants annual renewal	\$ 140	\$ 140	\$ 140	\$ 140
<b>Document Fees</b>				
Issuing a document	\$ 40	\$ 40	\$ 40	\$ 40
Certificate of Standing	\$ 110	\$ 110	\$ 110	\$ 110
Notarial Certificates (2 free certificates per year)	\$ 20	\$ 20	\$ 20	\$ 20



## Appendix 9 - Table of Abbreviations

<b>ADLS</b>	Alternate Delivery of Legal Services
<b>ALIA</b>	Alberta Lawyers Insurance Association
<b>Assist</b>	Alberta Lawyer Assist Program
<b>CanLII</b>	Canadian Legal Information Institute
<b>CBA</b>	Canadian Bar Association
<b>CLIA</b>	Canadian Lawyers Insurance Association
<b>CPD</b>	Continuing Professional Development
<b>CPI</b>	Consumer Price Index
<b>CPLED</b>	Canadian Centre for Professional Legal Education
<b>FLSC</b>	Federation of Law Societies of Canada
<b>HR</b>	Human Resources
<b>LASA</b>	Legal Archives Society of Alberta
<b>LSA</b>	Law Society of Alberta
<b>LLP</b>	Limited Liability Partnership
<b>PBLA</b>	Pro Bono Law Alberta
<b>PC</b>	Professional Corporation