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*the* PUBLIC  
INTEREST

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**Law Society of Alberta**

**2010 Business Plan and Budget**

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## 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

## Introduction

The 2010 Law Society of Alberta (LSA) business plan and budget is presented below. The budget was driven by business plans prepared by area leaders and reviewed by the Management Committee. Summary budgets for each fund precede a synthesis of these business plans in the 2010 Business Plan section.

This 2010 business plan and budget is presented to the Benchers for approval on the recommendation of the Finance Committee. The Finance Committee met on August 19, 2009 and September 3, 2009 to review and provide feedback to LSA management about the 2010 business plan and budget. The 2010 budget reflects a practice fee increase of \$205 to \$1,475 and a decrease in the Assurance Fund levy of \$95 to \$570. With the previously approved ALIA levy of \$2,600, the overall increase in total fees from 2009 to 2010 is \$910 (Appendix 1).

## Budget Structure

The budget of The Law Society of Alberta includes three funds:

- the **General Fund**, which covers the general operating costs of the regulatory function and other work of the LSA;
- 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 interest from which funds scholarships.

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

- **Budget 2010**, which means the fiscal year beginning November 1, 2009 and ending October 31, 2010;
- **Budget 2009**, which means the fiscal year beginning November 1, 2008 and ending October 31, 2009; and
- **Forecast 2009** which is our forecast of the actual revenue and actual spending for the fiscal year beginning November 1, 2008 and ending October 31, 2009.

## Budget Assumptions

This budget is built on the following assumptions:

- Excluding staff additions and merit increases, we have assumed a 2% increase in wage costs. This increase is designed to keep our compensation levels on pace with labour market trends in Alberta. While the average wage increases in Alberta were 5.4% and 5.8% over the past 12 and 18 month period respectively, there has been a considerable decline in wage rate growth in the first four months of 2009. Given current economic conditions, we expect this decline in market wages to continue into 2010.
- General inflationary increases in other costs were based on changes in the Consumer Price Index (CPI) as reported by Statistics Canada. The monthly average for Alberta is 2.2% and 1.5% for the past 18 and 12 months respectively. We have used a 2% inflation factor in the 2010 budget to reflect generally higher costs in Calgary relative to the overall Alberta marketplace.
- Membership growth at 2.0% from 2009 to 2010. Over the past number of years, membership growth has been about 2.6% on average (Appendices 4 and 5). However, growth has slowed in 2008 and 2009. Consequently, we have assumed a more conservative growth rate of 2% for the purposes of this budget.
- This budget includes an increase of \$205 in the General Fund practice fee (to \$1,475 from \$1,270 in 2009) and a decrease of \$95 in the Assurance Fund levy (to \$570 from \$665 in 2009). Refer to Appendix 6 for detailed fee information.
- 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 recent historical experience (Appendix 3). Actual claims experience may differ significantly from the budget amount.
- This budget does not include a provision for potential office premises cost increases that may arise during the planning period. While the LSA is actively exploring new or expanded lease space in both Edmonton and Calgary, it is very difficult to determine the timing and additional cost associated with any potential changes to our leased premises configurations. Our future space requirements are largely dependant upon the recommendations of the Safety of Trust Implementation Task Force. At the time of development of this budget, the task force's work was still in progress. The cost of additional space required as a result of these recommendations could be offset by additional revenue generated through a fee related to the operation of lawyer trust accounts.
- Ex-gratia payments have not been included in this budget as these amounts are very difficult to predict and can vary significantly from year to year.

## 2010 Business Plan

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 LSA:

**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 LSA in this department.

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

**Public Protection** – includes our professional liability program through the Alberta Lawyers Insurance Association (ALIA), and our Assurance Fund program to compensate those suffering losses of trust funds through lawyer theft.

**Professionalism & Competence** – 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 work: Corporate Services (Information Technology, Accounting, Communications, Privacy and Records, and Office Services), Human Resources and Counsel.

### Alignment with Strategic Plan

In our strategic planning the benchers made it clear we must do a first class job of our 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.

When we completed our staff consultation about strategic initiatives, they added, from their perspective, three issues:

- Customer service
- Being knowledgeable about the Law Society
- Respectful communications

These are also incorporated into the plan.

## Summary General Fund Budget

The Law Society of Alberta  
General Fund Budget  
For the Year Ending October 31, 2010

	<u>2009 Budget</u>	<u>2009 Forecast*</u>	<u>2010 Budget</u>	<u>Variance 2009 Forecast vs 2009 Budget</u>	<u>Variance 2010 Budget vs 2009 Budget</u>
<b>Revenue:</b>					
Fees	\$ 11,798,361	\$ 11,753,658	\$ 13,755,562	\$ (44,703)	\$ 1,957,201
Inter-fund management fees	2,744,100	2,744,100	3,063,696	-	319,596
Investment income	190,000	50,000	13,000	(140,000)	(177,000)
Other revenue	84,000	94,500	96,000	10,500	12,000
	<u>14,816,461</u>	<u>14,642,258</u>	<u>16,928,258</u>	<u>(174,203)</u>	<u>2,111,797</u>
<b>Expenses:</b>					
Membership	1,076,275	993,832	1,121,962	(82,443)	45,687
Complaints and conduct hearings	3,131,086	3,327,217	3,328,747	196,131	197,661
Professionalism and competence	2,239,620	2,243,218	2,416,674	3,598	177,054
Governance	1,437,646	1,762,242	2,213,148	324,596	775,502
Organizational support	7,497,186	7,395,140	7,790,895	(102,046)	293,709
	<u>15,381,813</u>	<u>15,721,649</u>	<u>16,871,426</u>	<u>339,836</u>	<u>1,489,613</u>
<b>Net income (loss) before other items</b>	<b>(565,352)</b>	<b>(1,079,391)</b>	<b>56,832</b>	<b>(514,039)</b>	<b>622,184</b>
<b>Other items:</b>					
Ex-gratia payments	-	925,000	-	925,000	-
Safety of trust property	20,000	-	-	(20,000)	(20,000)
	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
<b>Net income (loss)</b>	<b>\$ (585,352)</b>	<b>\$ (2,004,391)</b>	<b>\$ 56,832</b>	<b>\$ (1,419,039)</b>	<b>\$ 642,184</b>

*\*Actual results for November 1, 2009 to June 30, 2009 plus estimated results for July 1, 2009 to October 31, 2009*

## Summary Assurance Fund Budget

The Law Society of Alberta  
Assurance Fund Budget  
For the Year Ending October 31, 2010

	<b>2009 Budget</b>	<b>2009 Forecast*</b>	<b>2010 Budget</b>	<b>Variance 2009 Forecast vs. 2009 Budget</b>	<b>Variance 2010 Budget vs. 2009 Budget</b>
<b>Revenue:</b>					
Fees	\$ 5,512,850	\$ 5,500,000	\$ 4,793,700	\$ (12,850)	\$ (719,150)
Investment income	375,000	475,000	497,000	100,000	122,000
	<u>5,887,850</u>	<u>5,975,000</u>	<u>5,290,700</u>	<u>87,150</u>	<u>(597,150)</u>
<b>Expenses:</b>					
Administration	2,059,800	2,055,785	2,219,904	(4,015)	160,104
Trust audit and custodianships costs	2,138,057	2,263,666	2,838,152	125,609	700,095
Provision for claims and costs	500,000	250,000	250,000	(250,000)	(250,000)
	<u>4,697,857</u>	<u>4,569,451</u>	<u>5,308,056</u>	<u>(128,406)</u>	<u>610,199</u>
<b>Net income (loss) before other items</b>	1,189,993	1,405,549	(17,356)	215,556	(1,207,349)
<b>Other items:</b>					
Unrealized gain (loss) on market value of investments	-	500,000	-	500,000	-
<b>Net income (loss)</b>	<u>\$ 1,189,993</u>	<u>\$ 1,905,549</u>	<u>\$ (17,356)</u>	<u>\$ 715,556</u>	<u>\$ (1,207,349)</u>

\*Actual results for November 1, 2008 to June 30, 2009 plus estimated results for July 1, 2009 to October 31, 2009



## Summary Viscount Bennett Fund Budget

The Law Society of Alberta  
 Viscount Bennett Fund Budget  
 For the Year Ending October 31, 2010

	<u>2009 Budget</u>	<u>2009 Forecast*</u>	<u>2010 Budget</u>	<u>Variance 2009 Forecast vs. 2009 Budget</u>	<u>Variance 2010 Budget vs. 2009 Budget</u>
<b>Revenue:</b>					
Investment income	\$ 45,900	\$ 56,100	\$ 46,400	\$ 10,200	\$ 500
<b>Expenses:</b>					
Administration	3,720	3,720	3,720	-	-
Scholarships	40,000	40,000	40,000	-	-
	43,720	43,720	43,720	-	-
<b>Net income (loss) before other items</b>	2,180	12,380	2,680	10,200	500
<b>Other items:</b>					
Unrealized gain (loss) on market value of investments	-	37,000	-	37,000	-
<b>Net income (loss)</b>	\$ 2,180	\$ 49,380	\$ 2,680	\$ 47,200	\$ 500

\* Actual results for November 1, 2008 to June 30, 2009 plus estimated results for July 1, 2009 to October 31, 2009

## Capital Budget

### The Law Society of Alberta Capital Budget For the Year Ending October 31, 2010

	<u>Budget 2010</u>	<u>Forecast 2009</u>	<u>Budget 2009</u>
<b>Furniture and equipment</b>			
Edmonton office	-	\$ 10,000	\$ 10,000
Calgary office	-	75,000	75,000
	-	85,000	85,000
<b>Computer equipment</b>			
Software	150,000	80,000	80,000
Workstations	100,000	137,000	137,000
Network servers	130,000	195,000	195,000
Server virtualization project	-	150,000	150,000
Printers	20,000	20,000	20,000
Telephone system	30,000	-	-
Website and electronic commerce project	250,000	243,000	250,000
Document management project	150,000	-	-
Video conferencing equipment	150,000	-	75,000
	980,000	825,000	907,000
<b>Leasehold improvements</b>			
Edmonton office	-	-	-
Calgary office	-	80,000	80,000
	-	80,000	80,000
<b>Total capital additions</b>	<b>\$ 980,000</b>	<b>\$ 990,000</b>	<b>\$ 1,072,000</b>

## ***Membership***

### **Goals:**

- Serve the public interest by ensuring high standards of competence and good character for all those applicants seeking admission to and practising 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 Corporations, LLP registrations etc.
- 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/documentation to accommodate expectations of our customers and to operate as a model regulator (including projects such as e-commerce).
- Enhance our corporate departmental image and knowledge about our services to our customers (lawyers, students etc). This includes improvements to the website, forms and increased presentations to our customers etc.
- Enhance our relationship and productivity with the CPLED team in order to provide a more cohesive service to the students-at-law.
- Continue to develop and recognize the strengths and skills of staff in order to meet our goals and objectives.
- Encourage staff to continue striving toward their goals pursuant to the Enhanced Performance Management program.

### **2010 Initiatives:**

- The implementation of the aspects identified in the e-commerce project will significantly impact the manner in which the department handles the workload as well as improve efficiencies and turnaround times for our customers. This will impact all transactions, particularly annual practice and insurance renewals in the initial phases of e-commerce implementation. This initiative ties to our operational strategic goal to be recognized for excellence in management and leadership in service.

## ***Complaints and 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.

### **2010 Initiatives:**

- Achieve the performance goals for formal complaints. This initiative relates to our operational strategic goal to be highly trusted by our stakeholders.
- Complete a review of the Integrated Risk Assessment Program (IRAP) to determine the effectiveness of the program and to ensure it is responding to the needs of the LSA in providing timely information in an easily understood reporting format. This initiative is a key element in our ability to effectively manage risk in the public interest.
- Utilize the results from complainant/lawyer satisfaction surveys to enhance service to these stakeholders. This initiative ties to our operational strategic goal to be recognized for excellence in service.

## ***Professionalism and Competence***

### **Goals:**

- Support the professionalism and competence of lawyers through Practice Advisors providing ethics and practice management, the 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).

### **2010 Initiatives:**

- Complete the second annual cycle of the CPD program.
- Commence a full examination of other practitioner support programs.
- Based on the 2009 work of the Access to Justice Committee, develop the LSA's policy position on access to justice priorities.
- The above initiatives relate most directly to our operational strategic goal of being highly trusted as the regulator of the legal profession.

## **Governance**

### **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 FLSC).

### **2010 Initiatives:**

- The Policy and Research department will continue to refine the policy development process.
- Refine the process for Bencher meeting support, including agenda development, material preparation and minute taking.
- Policy and Research department will assume responsibility for the orientation program for Benchers and committee members and develop consistent programs to be implemented throughout the governance year.
- Active support for the national standards initiative of the Canadian law societies.
- Support the Benchers in developing governance policies and procedures, including strategic planning.
- The above initiatives tie most directly to our operational strategic goal to be a leader organization of choice for volunteers (Benchers and committee members).

## **Organizational Support**

### **Goals:**

#### *Counsel Department Goals:*

- Move the hearings caseload in accordance with timeliness benchmarks.
- Provide excellent legal advice to internal clients.
- Identify, analyze and manage risks to the effectiveness and operations of the LSA.
- 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.
- Maintain excellence in retention and hiring of staff.

#### *Corporate Services Department Goals:*

- Provide accounting services to the LSA, ALIA and affiliated organizations.
- Support the LSA'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, document reproduction services and supplies.

#### *Human Resources Department 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.

#### **2010 Initiatives:**

##### *Counsel Department Initiatives:*

- Complete the transition of caseload reporting and analysis from a manual system to the Legal Suite case management software.
- Introduce new communication strategies to:
  - Encourage consultation with the counsel department for issues requiring legal advice or risk assessment; and
  - Enhance the communication with complainants and witnesses.
- Take a lead role in the preliminary development of an electronic document management program.
- These initiatives are designed to achieve our operational strategic goals to be highly trusted and to manage risk in the public interest.

##### *Corporate Services Initiatives:*

- Commence implementation of the recommendations stemming from the external consultant's review and audit of our communications program.
- Plan, develop and implement communications strategies in support of Benchers-driven initiatives including, but not limited to: Safety of Trust Property, Continuing Professional Development, Alternate Delivery of Legal Services, National Standards, Sole Practitioner Supports, Access to Justice, and the model Code of Conduct.
- Leverage the newly renovated website to fulfill ongoing and upcoming communications strategies and to support e-commerce initiatives.
- Plan and implement e-commerce capability designed to enhance service to lawyers and to improve internal workflow effectiveness and efficiency.
- Address the long-term office space requirements in Edmonton and Calgary.
- Plan and implement the rationalization of the LSA and ALIA business cycles.
- The above initiatives tie most directly to our operational strategic goal to be recognized for excellence in management and leadership in service.

*Human Resource Department Initiatives:*

- Redesign HR roles and responsibilities to align with recommendations from the organizational review being conducted by an external consultant and the implications of this business plan.
- Finalize the development of a formal strategic recruitment program.
- Establish a formal process to support performance improvement.
- Complete a training needs analysis and recommend a training and development framework.
- Investigate best practices for employee recognition to enhance the existing recognition program.
- Create and implement an employee survey feedback methodology to support the mission, vision, and core values of the LSA.
- Provide process improvement and change management support for the HR implications of new information technology.
- The above initiatives relate directly our operational strategic goal to be a leader organization of choice for staff.

***Public Protection (Assurance Fund)*****Goals:**

- Provide mandatory professional liability coverage in a cost effective manner.
- 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.
- Conduct a Rule130 audit of every firm with a trust account, once every seven years.
- Identify areas of potential loss and develop programs to assist lawyers to avoid such loss.

**2010 Initiatives:**

- Initial implementation of the recommendations of the Safety of Trust Implementation Task Force. This initiative relates directly to our operational strategy to manage risk and stand up for the public interest.

## 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 LSA. Consequently, we often refer to this balance as the "accumulated surplus". By way of example, the balance in the fund at October 31, 2008 is broken down as follows:

<b>Current assets (mostly cash)</b>	<b>\$5,254,000</b>
Capital assets (furniture, computers and leasehold improvements)	\$1,641,000
Current liabilities (mostly trade payables)	(\$1,135,000)
Long-term liabilities	(\$ 925,000)
Fund balance (the net of the above amounts)	\$4,835,000

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). Since capital assets typically have limited cash value and we need to keep them around to get our work done anyway, the actual financial resources available at October 31, 2008 were \$3,194,000 (or \$4,835,000 less \$1,641,000). Put another way, the \$3,194,000 is the current liquid assets (cash and assets readily convertible into cash) less all liabilities (or \$5,254,000 less \$1,135,000 less \$925,000).

For planning and budgeting purposes, it's 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 LSA suffers a significant employee theft in excess of our insured amount of \$500K.
- The investment markets suffer a catastrophic loss resulting in a significant decline in the cash flow from and value of our invested resources.
- 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 LSA 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 get a significant portion of that cash flow through the door. It would be this period of time for which we would need to cash flow 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 100<sup>th</sup> Anniversary project is a good example of this type of non-recurring activity/expenditure. Another example would be the amount we might need to spend on the Safety of Trust Property project.

### ***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 LSA 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 – Safety of Trust Property	\$200,000
Contingencies	\$500,000 to \$1,000,000
Target General Fund balance	\$3,900,000 to \$4,900,000

We will need to revisit this target fund balance amount each year as our circumstances change.

As illustrated in Appendix 2, the proposed General Fund budget places the anticipated fund balance well below the range indicated above. The larger than anticipated deficit in 2009 has brought the fund balance down considerably. The Benchers may need to consider additional practice fee increases over the next few years to build the fund back toward the target amount.

### ***Assurance Fund***

As indicated in Appendix 2 the projected Assurance Fund (or contingency reserve) balance at October 31, 2009 is \$8.8 million. 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 \$11.5 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 1 – Historical Fee Comparison

### COMBINED ANNUAL FEES & LEVIES

Proposed & Historical

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Practice fee (LSA)	1,475	1,270	1,160	1,095	1,040	1,020
Assurance levy (LSA)	<u>570</u>	<u>665</u>	<u>635</u>	<u>635</u>	<u>425</u>	<u>260</u>
Total LSA	<u>2,045</u>	<u>1,935</u>	<u>1,795</u>	<u>1,730</u>	<u>1,465</u>	<u>1,280</u>
Insurance levy (ALIA)	<u>2,600</u>	<u>1,800</u>	<u>1,900</u>	<u>2,241</u>	<u>2,770</u>	<u>2,583</u>
	<u>\$ 4,645</u>	<u>\$ 3,735</u>	<u>\$ 3,695</u>	<u>\$ 3,971</u>	<u>\$ 4,235</u>	<u>\$ 3,863</u>
Annual Increase (Decrease)	\$ 910	\$ 40	\$ (276)	\$ (264)	\$ 372	

## Appendix 2 – 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, 2008 (Audited F/S)</b>	\$ 4,835,243	\$ 6,890,427	\$ 1,106,120	\$ 12,831,790
2009 excess (deficiency) of revenue over expenses	(2,004,391)	1,905,549	49,380	(49,462)
<b>Balance October 31, 2009 (Forecast)</b>	2,830,852	8,795,976	1,155,500	12,782,328
2010 excess (deficiency) of revenue over expenses	56,832	(17,356)	2,680	42,156
<b>Balance October 31, 2010 (Budget)</b>	\$ 2,887,684	\$ 8,778,620	\$ 1,158,180	\$ 12,824,484

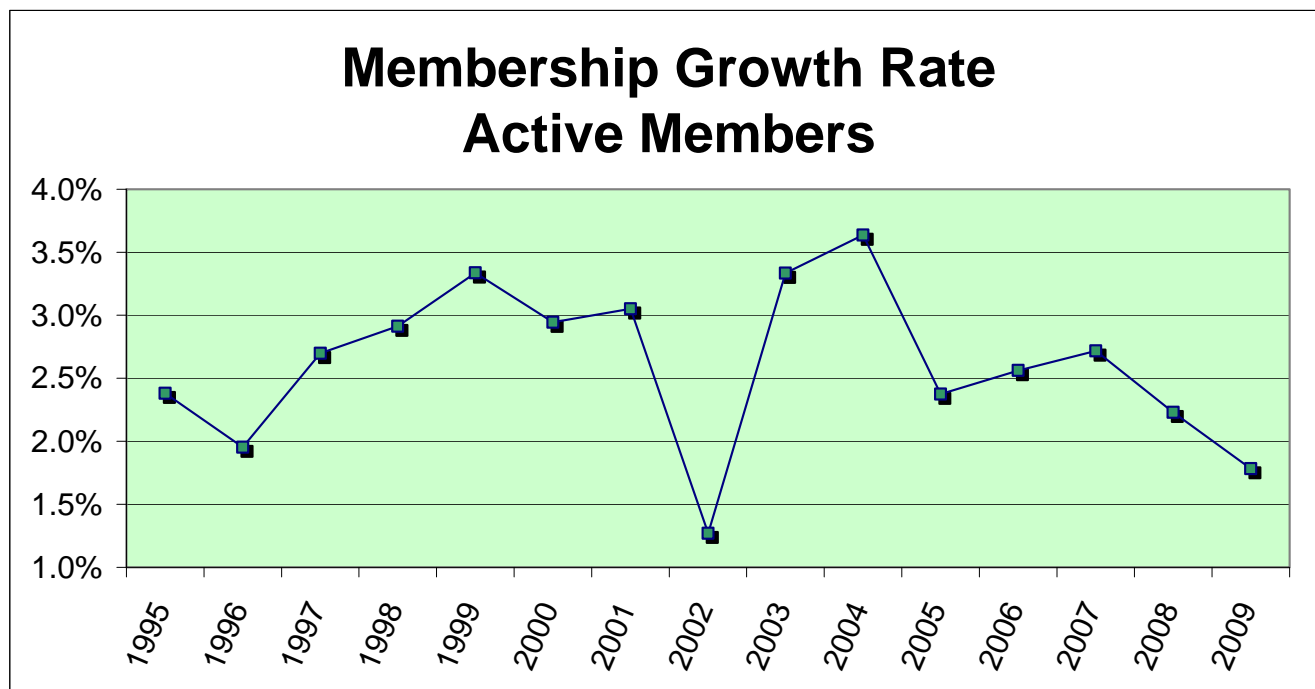
## Appendix 3 – Assurance Fund Reserve Summary

The Law Society of Alberta  
Assurance Fund Reserve Summary  
October 31

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

## Appendix 4 – Active Membership Growth Analysis

The Law Society of Alberta  
 Membership Growth Rate - Active Members  
 Budget 2010

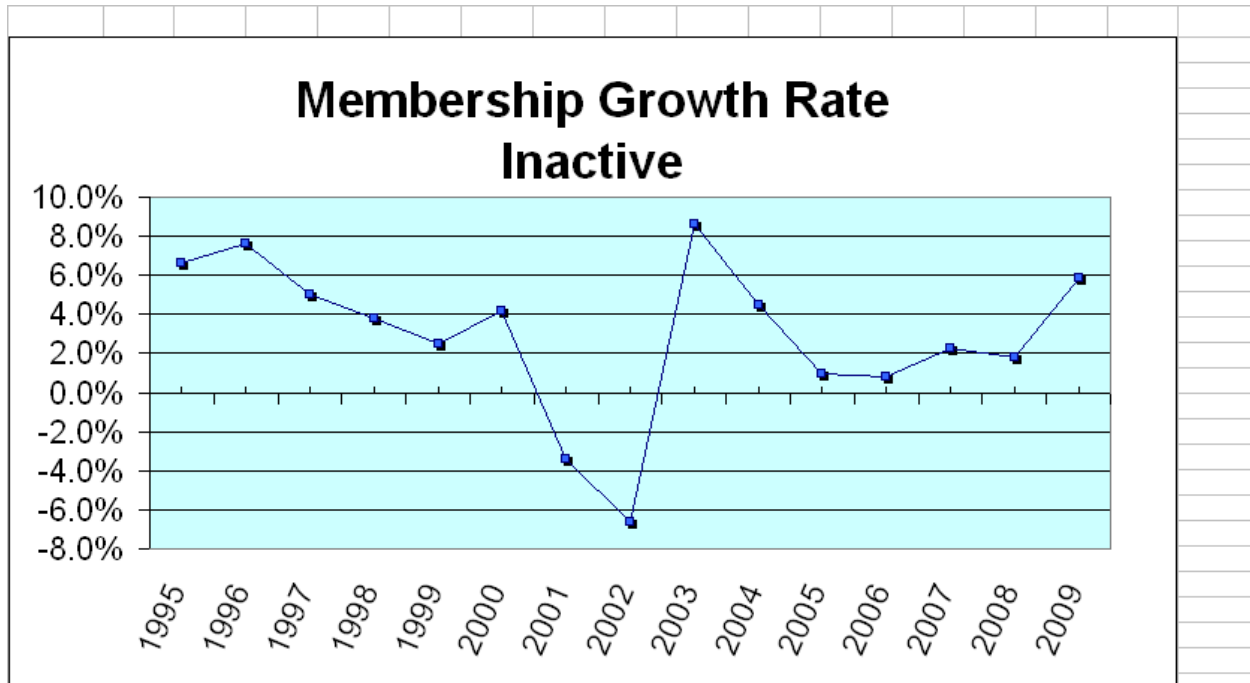


	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Nov	5,554	5,763	5,861	5,980	6,137	6,375	6,548	6,731	6,929	6,938	7,301	7,535	7,689	7,929	8,112	8,309
Dec	5,574	5,765	5,875	5,999	6,162	6,406	6,578	6,770	6,953	6,975	7,329	7,553	7,710	7,958	8,136	8,328
Jan	5,597	5,778	5,880	6,008	6,155	6,408	6,582	6,781	6,976	7,002	7,347	7,553	7,713	7,962	8,149	8,333
Feb	5,603	5,775	5,873	6,027	6,177	6,425	6,594	6,824	6,991	7,019	7,359	7,564	7,705	7,956	8,152	8,333
Mar	5,600	5,779	5,847	6,020	6,165	6,435	6,616	6,834	7,002	7,039	7,362	7,558	7,703	7,946	8,136	8,304
Apr	5,545	5,661	5,773	5,928	6,105	6,336	6,498	6,722	6,922	7,060	7,257	7,421	7,624	7,828	7,978	8,145
May	5,555	5,646	5,774	5,943	6,116	6,298	6,494	6,704	6,643	7,078	7,268	7,428	7,636	7,840	7,992	8,150
Jun	5,568	5,644	5,784	5,959		6,303	6,513	6,723	6,664	7,089	7,299	7,438	7,651	7,854	8,006	8,161
Jul	5,555	5,651	5,780	5,960	6,140	6,292	6,501	6,712	6,704	7,117	7,319	7,446	7,669	7,852	8,006	8,164
Aug	5,628	5,707	5,861	6,018	6,197	6,404	6,604	6,751	6,783	7,199	7,370	7,500	7,712	7,882	8,051	8,199
Sep	5,685	5,804	5,890	6,072	6,266	6,433	6,652	6,846	6,843	7,253	7,439	7,593	7,840	7,991	8,187	
Oct	5,737	5,828	5,947	6,123	6,338	6,494	6,685	6,874	6,894	7,279	7,491	7,644	7,893	8,062	8,274	
Average	5,600	5,733	5,845	6,003	6,178	6,384	6,572	6,773	6,859	7,087	7,345	7,519	7,712	7,922	8,098	8,243

<b>Growth</b>	<b>2.4%</b>	<b>2.0%</b>	<b>2.7%</b>	<b>2.9%</b>	<b>3.3%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>1.3%</b>	<b>3.3%</b>	<b>3.6%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>2.7%</b>	<b>2.2%</b>	<b>1.8%</b>
	<i>Average Growth Rate over last two years</i>														
														<b>2.0%</b>	8,408

**Projected Membership (Average 2009 x Average Growth Rate) 8,410 members**

## Appendix 5 – Inactive Membership Growth Analysis



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nov	1,002	1,249	1,332	1,429	1,504	1,526	1,592	1,655	1,477	1,482	1,673	1,656	1,698	1,695	1,778	1,778
Dec	998	1,254	1,334	1,430	1,506	1,518	1,580	1,657	1,478	1,492	1,663	1,654	1,695	1,698	1,777	1,783
Jan	988	1,254	1,333	1,432	1,512	1,519	1,581	1,660	1,488	1,499	1,670	1,661	1,699	1,711	1,784	1,795
Feb	993	1,261	1,341	1,424	1,497	1,519	1,584	1,644	1,484	1,505	1,668	1,663	1,712	1,718	1,786	1,809
Mar	1,579	1,251	1,373	1,426	1,507	1,500	1,569	1,644	1,482	1,513	1,680	1,674	1,725	1,744	1,806	1,844
Apr	1,502	1,380	1,450	1,515	1,554	1,594	1,694	1,754	1,564	1,638	1,729	1,762	1,678	1,732	1,723	1,930
May	1,457	1,377	1,433	1,487	1,529	1,593	1,652	1,463	1,412	1,646	1,649	1,665	1,680	1,733	1,731	1,935
Jun	1,220	1,278	1,432	1,484		1,592	1,650	1,458	1,414	1,655	1,639	1,664	1,677	1,738	1,733	1,931
Jul	1,229	1,306	1,433	1,493	1,540	1,602	1,661	1,487	1,433	1,672	1,651	1,686	1,689	1,744	1,749	1,944
Aug	1,209	1,318	1,441	1,498	1,547	1,604	1,659	1,482	1,454	1,679	1,657	1,696	1,699	1,761	1,766	1,941
Sep	1,197	1,327	1,443	1,510	1,542	1,602	1,659	1,486	1,464	1,679	1,661	1,700	1,697	1,767	1,778	
Oct	1,247	1,339	1,438	1,504	1,540	1,596	1,666	1,488	1,475	1,681	1,653	1,702	1,694	1,770	1,778	
Average	1,218	1,300	1,399	1,469	1,525	1,564	1,629	1,573	1,469	1,595	1,666	1,682	1,695	1,734	1,766	1,869
<b>Growth</b>		6.7%	7.6%	5.1%	3.8%	2.5%	4.2%	-3.4%	-6.6%	8.6%	4.5%	1.0%	0.8%	2.3%	1.8%	5.8%
		<b>Average Growth Rate</b>														
		<b>3.0%</b>														
		<b>1,924</b>														
<b>Projected Inactive members (Average 2009 x Average Growth Rate)</b>									<b>1,920 inactive members</b>							

## Appendix 6 – Detailed Fee Schedule

The Law Society of Alberta  
Fee Schedule  
November 1, 2009 to October 31, 2010

	Budget 2010	Budget 2009	Budget 2008	Budget 2007
<b>Annual Fees</b>				
Annual fee, active member (effective March 15, 2010)	\$ 1,475	\$ 1,270	\$ 1,160	\$ 1,095
Annual fee, active member practising in Lloydminster, AB and SK (effective March 15, 2010)	\$ 738	\$ 635	\$ 580	\$ 548
Annual fee, active member for pro bono services only (effective March 15, 2010)	\$ 180	\$ 180	\$ 170	\$ 160
Annual fee, inactive (effective March 15, 2010)	\$ 180	\$ 180	\$ 170	\$ 160
Assurance levy (effective March 15, 2010)	\$ 570	\$ 665	\$ 635	\$ 635
<b>Professional Corporation Fees</b>				
Professional Corporation application fee	\$ 360	\$ 350	\$ 335	\$ 320
Professional Corporation annual renewal fee	\$ 180	\$ 180	\$ 170	\$ 160
<b>Limited Liability Partnership Fees</b>				
Limited Liability Partnership (LLP) registration fee (per partner)	\$ 110	\$ 105	\$ 100	\$ 95
Limited Liability Partnership (LLP) renewal fee (per partner)	\$ 50	\$ 50	\$ 50	\$ 45
<b>Student Fees</b>				
Application fee, Student (Section 40)	\$ 160	\$ 160	\$ 150	\$ 140
Admission fee, Student (Section 40)	\$ 390	\$ 380	\$ 360	\$ 345
Filing Assignment of Articles fee	\$ 80	\$ 80	\$ 75	\$ 70
Enrolment as a member, Student	\$ 1,230	\$ 1,210	\$ 1,150	\$ 1,095
<b>Transfer Fees</b>				
Transfer exam fee	\$ 1,100	\$ 1,080	\$ 1,025	\$ 975
Application fee, Out of Province transfer	\$ 200	\$ 200	\$ 190	\$ 180
Enrolment as a member, Out of Province transfer	\$ 1,000	\$ 980	\$ 930	\$ 885
<b>Reinstatement Fees</b>				
Reinstatement, suspended member	\$ 710	\$ 700	\$ 670	\$ 640
Reinstatement, retired Judge	\$ 520	\$ 510	\$ 490	\$ 465
Reinstatement, inactive member with matters open <sup>1</sup>	\$ 710	\$ 700	\$ 670	\$ 635
Reinstatement, inactive member with no matters open <sup>2</sup> (under 1 year inactive status)	\$ 190	\$ 190	\$ 185	\$ 175
Reinstatement, inactive member with no matters open <sup>3</sup> (under 3 years inactive status)	\$ 330	\$ 320	\$ 305	\$ 290
Reinstatement, inactive member with no matters open <sup>4</sup> (over 3 years inactive status)	\$ 520	\$ 510	\$ 490	\$ 465
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	\$ 185	\$ 175
Reinstatement, resigned member	\$ 1,440	\$ 1,410	\$ 1,345	\$ 1,280
Application for reinstatement, disbarred member	\$ 7,140	\$ 7,000	\$ 6,670	\$ 6,350
Reinstatement exam fee	\$ 680	\$ 670	\$ 635	\$ 605
<b>Foreign Legal Consultant Fees</b>				
Foreign Legal Consultants initial permit	\$ 710	\$ 700	\$ 670	\$ 640
Foreign Legal Consultants annual renewal	\$ 140	\$ 140	\$ 130	\$ 125
<b>Document Fees</b>				
Issuing a document	\$ 40	\$ 40	\$ 40	\$ 35
Certificate of Standing	\$ 110	\$ 110	\$ 100	\$ 95
Notarial Certificates (2 free certificates per year)	\$ 20	\$ 20	\$ 15	\$ 10

<sup>1</sup>Inactive with any conduct, audit, practice review or insurance matters open at any time from the time they went inactive to the time of their reinstatement application

<sup>2</sup>Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have practised law in Canada within the previous 12 months

<sup>3</sup>Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have not practised law in Canada within the previous 12 months

<sup>4</sup>Inactive with no open conduct, audit, practice review or insurance matters from the time they went inactive to the time or their reinstatement application and have not practised law in Canada for at least 12 of the past 48 months