



Real
Estate
Council
Alberta

reca.ca

Business and Financial Plan 2021-2022

The Real Estate Council of Alberta (RECA) was established in 1996 under the *Real Estate Act* (Act). On December 1, 2020, the *Real Estate Amendment Act 2020* came into force creating RECA's new governance model and sharpening RECA's focus on licensing and professional regulation.

RECA administers the Act on behalf of the Alberta government to protect members of the public who use the services of a real estate, mortgage, property management, or condominium management licensee. RECA's Board of Directors and four sector Industry Councils work collaboratively to administer the Act and associated regulations.

RECA's Mandate

To protect consumers, to provide services to facilitate the business of licensees, and to protect against, investigate, detect, and suppress fraud as it relates to the business of licensees.

RECA's Mission

RECA creates consumer trust and confidence in the real estate industry by:

- Setting and enforcing standards of conduct and professional development requirements for the industry to protect the consumer
- Providing services that enhance and improve the industry
- Promoting the integrity of the industry
- Protecting against, investigating, detecting and suppressing mortgage fraud as it relates to the industry

RECA's 2021-22 Business and Financial Plan

The 2021-22 Business and Financial plan outlines this year's priorities and RECA's commitment to deliver programs and services efficiently, effectively, and responsively, all while supporting consumers and enhancing the business of licensees.

Each year RECA reports on its progress in an Annual Report. The Annual Report is approved by the Board of Directors and is delivered to the Minister of Service Alberta no later than 120 days after the end of the fiscal year.

During the 2020-2021 fiscal year, RECA underwent significant structural and governance changes. As RECA looks to the future, stakeholders have been invited by the Board of Directors to share their perspectives. In 2022, the Board of Directors expects to gather this input and determine RECA's response to future strategic challenges. A new multi-year strategic plan will define strategic priorities. Thereafter, the business plan will be refreshed.

The Board of Directors looks forward to working with its stakeholders to collectively contribute to a fair and informed marketplace, with a strong focus on professional conduct and compliance.

Stakeholders

Industry Councils

Role

Industry Councils set and enforce standards of conduct for licenses and the business of licensees to protect consumers and promote the integrity of Alberta's real estate sector.

Working together

Industry sector representatives and public appointees provide their expertise to:

- identify emerging issues and responses
- set standards and rules
- determine licensing requirements

Licensees

Role

Licensees are specialized professionals who deliver various service in diverse locations across the province. They inform Albertans of their duties and responsibilities in a real estate transaction.

Working together

Real estate licensees must complete education and licensing requirements and follow established professional standards established by RECA to conduct business within Alberta.

Government

Role

The Minister of Service Alberta is responsible for RECA oversight. The Minister has powers to direct RECA and provides direction, receives reports, and requests information.

Working together

Over the winter of 2019-2020 Service Alberta consulted industry experts and licensees to gather input that formed the Act amendments. Service Alberta continues to support RECA's transition.

Albertans

Role

RECA works on behalf of Albertans.

Working together

RECA regularly publishes information for Albertans to educate and inform them on real estate issues. RECA provides answers to questions, investigates complaints, and administers hearings and appeals.

Trade Associations

Role

Trade associations have a mandate to advocate on behalf of their members' interests.

Working Together

Trade associations work closely with RECA to ensure their member's interests are considered by RECA during its decision-making process.

RECA's Modernized Governance Structure

RECA's new governance structure consists of a Board of Directors and four Industry Councils representing four distinct industry segments.

The Board sets strategic direction and ensures effective operations. The Board is also responsible for appointing the Chief Executive Officer and Registrar.

RECA is focused on earning the trust and confidence of Albertans, government, and licensees.

Board of Directors

Patricia McLeod, QC Board Chair

Appointed by the Minister of Service Alberta

Jai Parihar

Appointed by the Minister of Service Alberta

Vacant

Appointed by the Minister of Service Alberta

Bill Briggs

Appointed by the Residential Real Estate Broker Industry Council

Laura Sharen

Appointed by the Commercial Real Estate Broker and Commercial Property Manager Industry Council

Carrie Plett

Appointed by the Residential Property Manager Industry Council

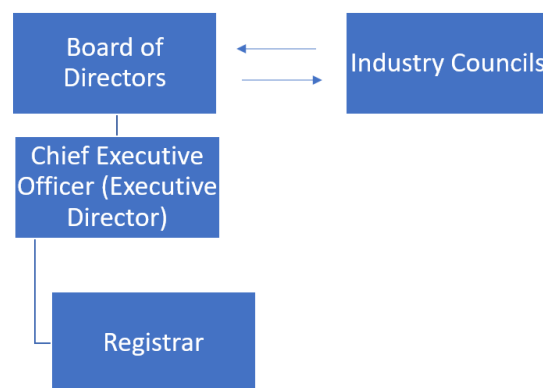
Paul Bojakli

Appointed by the Mortgage Broker Industry Council

Industry Councils

Each Industry Council sets the licensing requirements and standards of practice for their industry sector. The four Industry Councils are:

- Commercial Real Estate Broker & Commercial Property Manager (includes agri-business)
- Residential Property Manager (includes condominium managers)
- Residential Real Estate Broker
- Mortgage Broker



Organizational Structure

RECA is an independent, government-established agency accountable to government. RECA is funded by licence fees.

The CEO provides RECA's day-to-day leadership. The CEO also supports the governance activities of the Board and Industry Councils.

The Registrar is responsible for licensing and the enforcement of standards of practice. The Registrar supports consumer protection by protecting against, investigating, detecting, and suppressing fraud as it relates to the business of licensees.

Self-regulation

Alberta is one of only a few North American jurisdictions with a fully self-regulated real estate industry. Self-regulation is a privilege granted in the public interest and for the public good. RECA is the body through which licensees govern their activities. All licensees elect nominated licensees to their respective Industry Councils, and each Industry Council appoints a licensee member to sit on the Board. The Board and the Industry Councils govern in a manner that respects the privilege of self-regulation. The public interest is the focus of RECA's activities.

Right-touch regulation

To balance the inherent tension between professional and public interests, RECA uses right-touch regulation. A right-touch lens focuses on understanding the problem before working to solve it. RECA's regulatory response is proportionate to the level of risk to Albertans. This balanced approach is aligned with the government focus on red tape reduction. RECA is committed to providing effective regulation in a cost-effective manner, and only where necessary.

External Environment

Alberta's real estate sector is a significant contributor to Alberta's GDP and is expected to fuel continued economic growth over time.

Significant shifts continue in the real estate industry. In 2020-2021, the pandemic accelerated technological change in many Canadian businesses, and the real estate sector was no exception. Emerging business models, evolving societal expectations, changing consumer preferences, and robust competition all influence the sectors RECA regulates. RECA looks forward to working with our stakeholders to facilitate an open, fair, and competitive marketplace.

RECA operations are influenced by a broad spectrum of factors. RECA is committed to working with Service Alberta to implement legislative changes. RECA representatives regularly engage on both the strategic and operational levels with government. To support our efforts, RECA continues to expand online information to assist both consumers and licensees.

More detailed information about RECA can be found at www.reca.ca

2021-22 Business Objectives

The following priorities have been identified for 2021-2022.

Outcomes	Objectives	Initiatives	Success measures <i>Target Date</i>
Modern Regulation	Expand strategic capacity	Multi-year strategic plan	Strategic plan created <i>March 2022</i>
		CEO orientation	CEO onboarding <i>September 2021</i>
		Enterprise Risk Management program	ERM launched <i>Fiscal 2021/2022</i>
Consumer Protection	Regulate condominium management	Condominium licensing	Over 350 condo managers licensed in Alberta <i>December 2021</i>
Education Divestment	Promote licensee professionalism	Competency standards	Standards established for all RECA licensees <i>January 2022</i>
		Education delivery framework	3 rd -party educators deliver pre-licensing courses by December 2022
Strengthen Partnerships	Increase collaboration and information sharing	Strategic planning engagement	All licensees provided with opportunity to participate
		Industry Council broker forums	Broker Forums established <i>October 2021</i>

Financial Plan/Operating Fund

The 2021/22 RECA budget was developed to support RECA's mandate to be an empowered, principles-based regulator. It enables RECA to fulfill its regulatory requirements and address its key priorities.

The schedule below presents RECA's Board-approved Operating Fund budget for October 1, 2021 to September 30, 2022, a comparison to the prior year actual, current year budget and forecast, and plans for the next two fiscal years.

Statement of Operations - Operating Fund

(\$000)	2019/20 Actual	2020/21 Budget	2020/21 Forecast (at June 2021)	2021/22 Budget	2022/23 Plan ⁴	2023/24 Plan ⁴
Revenue from operations						
Licence fees	\$ 8,375	\$ 7,044	\$ 8,429	\$ 8,890	\$ 8,586	\$ 8,344
Education	4,579	3,758	8,123	4,047	886	718
Office building rental revenue	413	396	396	405	407	407
Investment income	140	28	50	36	50	60
Sundry	-	-	37	-	-	-
	\$ 13,507	\$ 11,226	\$ 17,035	\$ 13,378	\$ 9,929	\$ 9,529
Expenses ¹						
Salaries and benefits	\$ 7,164	\$ 7,431	\$ 7,216	\$ 7,805	\$ 7,590	\$ 7,560
Administration ²	1,839	2,230	2,037	2,223	2,109	2,104
Professional services	512	1,161	1,040	1,324	1,350	1,377
Amortization of capital assets	1,568	1,479	1,479	1,288	1,403	1,403
Education program costs ³	311	691	494	1,193	270	248
Information systems	519	600	523	739	683	680
Board and Industry Councils	200	602	294	443	447	450
Hearings	194	388	170	417	426	434
	\$ 12,307	\$ 14,582	\$ 13,253	\$ 15,432	\$ 14,278	\$ 14,256
Other items						
Penalties, fines, enforcement recovery	\$ 181	\$ 200	\$ 200			
Assurance Fund administration	37			6	8	10
Unrealized gain (loss) on investments	(15)					
Gain (loss) on capital assets	(32)					
	\$ 171	\$ 200	\$ 200	\$ 6	\$ 8	\$ 10
Excess (deficiency) of revenue over expenses	\$ 1,371	\$ (3,156)	\$ 3,982	\$ (2,048)	\$ (4,341)	\$ (4,717)

¹ Expenses have been expressed in terms of the main expense categories.

² Administration includes expenses related to information systems, office building net operating costs, staff training, development, and travel, office supplies, credit card fees, subscriptions & memberships, and long-term debt interest.

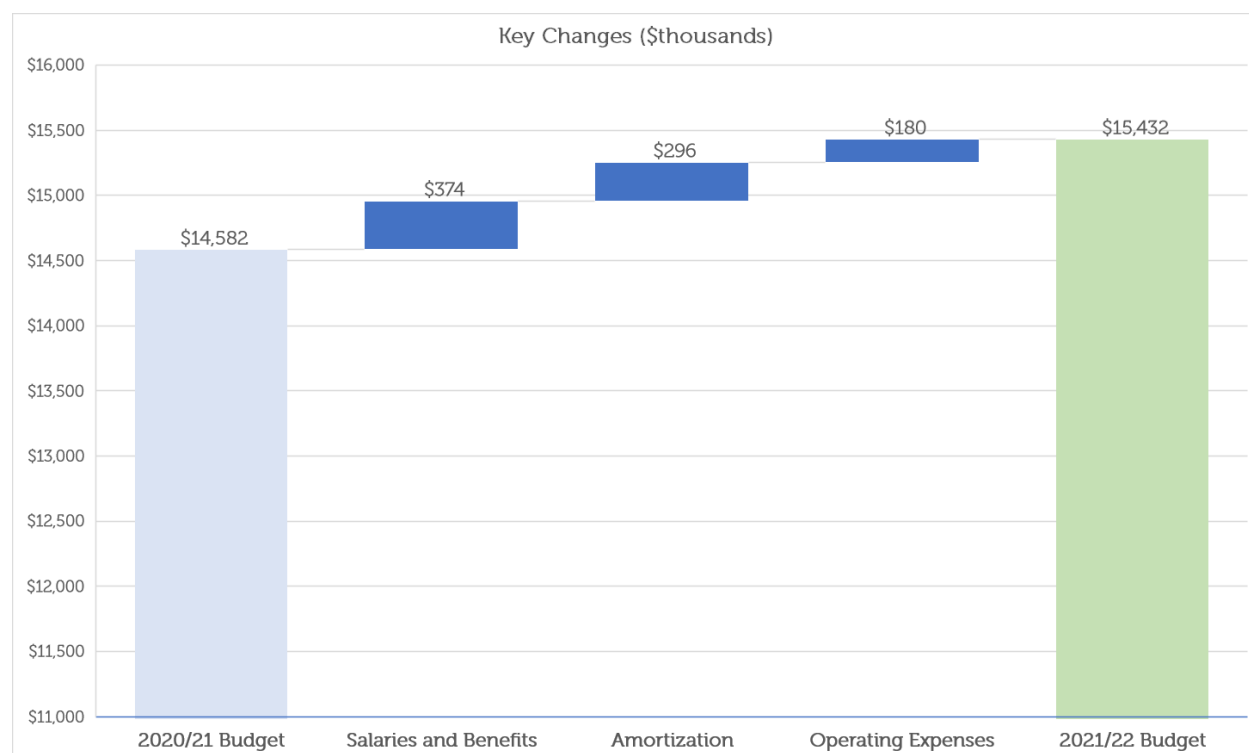
³ Education program costs includes the amortization of course and examination development costs, as well as third party costs of examination proctoring, constructive response grading, and surveys & evaluations.

⁴ Initial projections for 2022/23 and 2023/24 are based on RECA's current licence fee structure and show large deficiencies of revenue over expenses for illustrative purposes. RECA is not proposing to operate with deficiencies of this magnitude. Refer to the 2022/23 Plan comments below for the direction RECA's Board of Directors will take to achieve more balanced budgets going forward.

2021-22 Budget

RECA anticipates licensing numbers to remain strong and to peak in 2021/22. As the post-COVID pandemic era evolves and unfolds, RECA anticipates a softening in the numbers of licensees mainly due to a slow return to other employment opportunities. Similarly, RECA anticipates education enrollments to remain steady until the mandated and planned education divestiture in 2022, at which time RECA will collect no further education revenues.

RECA proposes a \$15.4 million budget for 2021/22 to achieve its mandate and stated priorities. The chart below presents the net increase of budgeted costs compared to the 2020/21 budget.



To deliver on its priorities RECA will invest an additional \$479,000 in human capital resources in 2021/22. This investment will improve RECA's capabilities in achieving its regulatory objectives. Also, temporary administrative resources are required to assist with the introduction of condominium manager licensing and RECA's new governance structure. These investments are partly offset by the planned reduction in the Education Programs core complement to align with the changes to RECA's education mandate in 2021/22. Overall payroll costs will increase by \$374,000.

The \$296,000 increase in amortization includes complete amortization of RECA's investments in licensing course developments to coincide with the end of RECA's licensing education mandate by the end of the 2021/22 fiscal year.

The net increase in other operating expenses of \$180,000 includes increased investments in communication activities to increase consumer and industry awareness, as well as continued investments in the security and effectiveness of RECA's information systems. Offsetting these increases is a rationalization and streamlining of the Board and Industry Councils remuneration model.

2022-2023 Plan

The 2022/23 plan indicates revenues \$3.4 million lower than the 2021/22 Board-approved budget. This decrease reflects the impact of the loss of RECA's licensing education revenue and lower licensing numbers after the anticipated peak in 2021/22.

The operating expense decrease of \$1.2 million is mainly driven by the reduction in education-related costs, including in the staff complement and the amortization of education course developments completing in 2021/22.

While RECA will look for further efficiencies in its operations and can bridge a temporary shortfall by drawing on its operating reserves, this level of deficiency is not sustainable in the longer term. Licence fees have always been RECA's primary source of revenue. As recommended in the KPMG governance report, RECA's Board of Directors will re-evaluate RECA's fee structure to ensure RECA has a stable and predictable licence revenue stream to effectively execute its regulatory mandate. RECA last raised its licence fees nine years ago, in 2012/13, with a reduction the following year. Since then, revenues from RECA's licensing education offerings have grown, and have increasingly subsidized RECA's operations. Now that RECA's educational mandate is being removed, and the associated revenue stream is drastically reduced, RECA's Board of Directors will need to strongly consider a significant increase in licence fees.

2023-2024 Plan

The 2023/24 plan indicates a further anticipated softening of licence fee and education-related revenues of \$400,000, with the number of licensees stabilizing. Post-divestiture education revenues are expected to reach their steady state and will be primarily derived from the provision of examinations to license applicants and the generation of intellectual property licensing revenues from external course providers.

RECA anticipates operating expenses to remain stable with some further reductions in education-related costs partly offset by investments in other areas to support RECA's continued capability to achieve its regulatory mandate.

Capital Investment

The RECA capital program is aligned with its strategy of planning, developing, maintaining, and upgrading its assets to provide the necessary infrastructure to execute RECA's regulatory mandate effectively and efficiently.

	2019/20 Actual	2020/21 Budget	2020/21 Forecast	2021/22 Budget	2022/23 Plan	2023/24 Plan
Technology	436	344	100	1,028	548	216
Building	38	350	-	350	20	20
Education assets	800	476	280	181	120	150
	\$ 1,274	\$ 1,170	\$ 380	\$ 1,559	\$ 688	\$ 386

The 2021/22 budget year includes significant investments in RECA's information technology, with several planned upgrades and replacements to systems and hardware as these reach the end of their useful lives or support periods. Following these investments in 2021/22, RECA anticipates lower technology expenditures in 2022/23 and 2023/24.

Building-related capital investments include mainly the tenant improvement allowances paid when RECA expects to execute leases on its remaining retail space by 2021/22.

Investments in education assets in 2021/22, and subsequent years, consist mainly of the development and enhancement of examination questions.