

A hand is pointing at a glowing yellow lightbulb on a chalkboard. There are two other unlit lightbulbs drawn in white on the board. The background is a dark, textured surface.

# 2024 Business & Financial Plan

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The Real Estate Council of Alberta (RECA) is the industry funded conduct regulator for real estate brokerage, mortgage brokerage, condominium management and property management.



## Message from the Chief Executive Officer

Russ Morrow

The role of the Real Estate Council of Alberta (RECA) is to regulate in the public interest. We do this by providing market conduct regulation and supervision of Alberta's real estate sectors including investigating unlicensed activity.

RECA is committed to fostering confidence in the real estate market, encouraging industry integrity, and supporting a robust market. The work of licensees is a significant contributor to Alberta's economy.

Our priorities remain focused on regulatory effectiveness including modernizing systems and processes. As part of our planning, we have been critically evaluating what RECA does and how we do it. Business planning has considered the economic headwinds consumers are facing along with the operating environment of regulated

entities. RECA recognizes the imperative of consistently delivering on our commitments. We listen and monitor what is happening in the regulated environment to adjust RECA's regulatory responses to meet today's challenges while planning for the future.

The 2024 Business Plan details the work RECA will undertake to further the 2022-2025 Strategic Plan, focused on three primary outcomes:

**Consumer protection** – RECA will continue, along with licensees, to protect Albertans involved in real estate transactions from serious harm including tackling unethical treatment and fraud.

**Industry integrity** – RECA will focus on completing the Rules review. The Industry Council's rule-making authority has the force of law. All licensees are expected to follow the principles of fair treatment of consumers and demonstrate high standards. I appreciate the thoughtful input that industry members have contributed to working with the Rules Review Steering Committee and Industry Councils to update the Rules framework.

**Promoting positive change** – We continue the transformation begun in 2020 with legislative changes. This year RECA will focus on employee engagement, digital service delivery and streamlining operations.

It has never been more important for RECA to have a clear purpose, coherent strategy, and long-term view. Consumer protection is foundational to the work that we do. We remain steadfast in staying true to this purpose.

RECA has a strong foundation thanks to the work and dedication of our Board of Directors and Industry Councils. I want to also recognize RECA's staff for their commitment to serving Albertans and delivering on RECA's mandate every day.





The 2024 Business Plan sets out Management's priorities to pursue strategic goals and annual objectives.

Performance results will be reported in RECA's Annual Report.

This integrated plan was approved by the Board of Directors on July 19, 2023 and forwarded to the Minister pursuant to the *Real Estate Act* s.16 (1.1)

# OUR ROLE

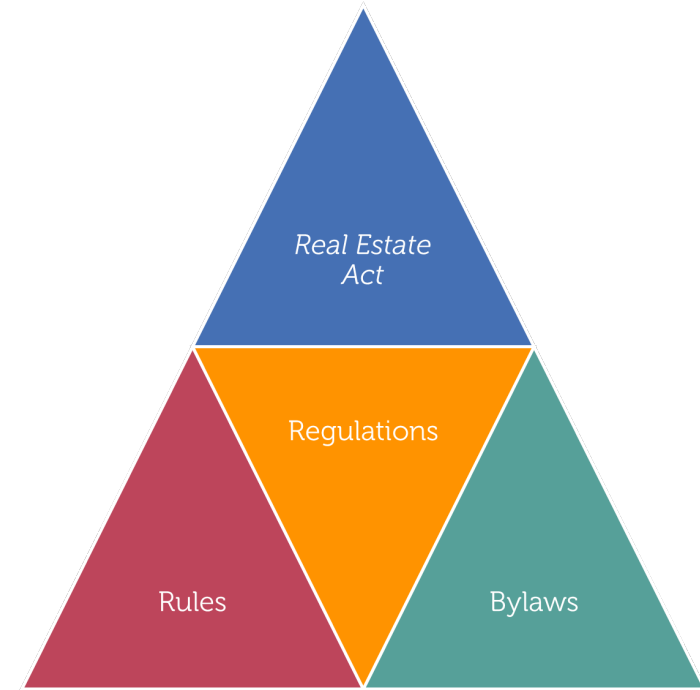
The Real Estate Council of Alberta (RECA) was established in 1996 under the *Real Estate Act*. RECA is a provincial regulatory body with activities primarily funded through licensing fees collected from real estate practitioners.

## RECA's mandate is to:

- protect consumers
- protect against, investigate, detect, and suppress fraud as it relates to the business of licensees
- set and enforce standards of conduct for licensees and the business of licensees to promote the integrity of, and confidence in, the industry
- provide, or support the provision of, services that promote regulatory compliance by licensees

Although structured as a corporation, the Real Estate Council of Alberta (RECA) is a regulatory body. Unlike a business corporation, RECA does not have shareholders to whom the Board of Directors reports. Instead, RECA is accountable to the Minister of Service Alberta and Red Tape Reduction.

RECA is entrusted with the administration of the *Real Estate Act* (the Act). Under the Act, RECA is required to annually provide a multi-year business and financial plan to the Minister.



RECA has experienced a persistent increase in complaint volumes along with an increase in the complexity of our core regulatory work.

RECA's enabling legislation is the *Real Estate Act*. RECA posts this information for transparency and convenience on the RECA website at: <https://www.reca.ca/about-reca/legislation-standards/>.

Governing documents are available at: <https://www.reca.ca/about-reca/legislation-standards/>.

# ORGANIZATION

RECA places a strong emphasis on good corporate governance. Industry and public members govern RECA through the:

## BOARD OF DIRECTORS

AND

## INDUSTRY COUNCILS

### Industry Councils represent:

- commercial real estate agents and brokers and commercial property managers including rural/agri-business
- mortgage brokers
- residential property managers including condominium management
- residential real estate brokers

Two committees support the Board of Directors. The Finance and Audit Committee assists the Board in fulfilling its oversight responsibilities relating to budget planning, annual audit, financial reporting, corporate controls, and risk management. The Governance and HR Committee assists the Board relating to the effectiveness of corporate governance, Board development, and governance performance evaluations including the annual evaluations of the CEO and Registrar.

RECA's Chief Executive Officer is hired by and reports to the Board. The CEO provides information, advice, and support to enable sound governance decision-making.

The CEO is also responsible for day-to-day operations and ensures, in cooperation with the Board, that the *Real Estate Act* is effectively administered.

The Registrar is appointed by and is accountable to the Board. The Registrar reports to the CEO and is responsible for licensing, addressing complaints about licensee conduct, investigation, and enforcement of standards of practice in accordance with the *Real Estate Act* and Rules.



Detailed information about the Board is available at <https://www.reca.ca/about-reca/our-team/board-of-directors-industry-councils/board-of-directors/>

Detailed information about each of the Industry Councils is available at <https://www.reca.ca/about-reca/our-team/board-of-directors-industry-councils/>



# LEADERSHIP

## GOVERNANCE

### Board of Directors

Elan MacDonald, ICD.D.(Chair)  
Paul Bojakli  
Jai Parihar, MBA, CFA, ICD.D.  
Gregory Walter, LLB

Bill Briggs  
Carrie Plett  
Laura Sharen

## INDUSTRY COUNCILS

### Residential Property Manager

Don Newell (Chair)      Don Brown  
Keith McMullen      Carrie Plett  
Cyril Pratt

### Commercial Real Estate & Property Manager

Terry Engen (Chair)      Brittane Laverdure  
Cheri Long      Laura Sharen  
Ben Van Dyk

### Mortgage Broker

Clarence Lee (Chair)      Gord Appel  
Paul Bojakli      Nkem Onyegbula  
Guy Ouellette

### Residential Real Estate Broker

Sano Stante (Chair)      Bill Briggs  
Brad Hamdon      Brad Kopp  
Erika Ringseis



## MANAGEMENT

RECA's regulatory operational leadership is led by a four-member executive team.

### Chief Executive Officer

Russ Morrow

### Chief Operating Officer

Janice Harrington

### Registrar

Warren Martinson

### General Counsel

Stacy Paquin

# OUR MISSION



Serving the public interest by ensuring high standards of RECA's licensees' competence and conduct while supporting an informed real estate market.





# STRATEGIC PLAN

Year 1  
2022-2023

Year 2  
2023-2024

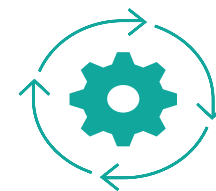
Year 3  
2024-2025



REGULATORY EXCELLENCE



TRUST & CONFIDENCE



ORGANIZATIONAL RESILIENCE

The RECA 2022-25 Strategic Plan is available online at:  
<https://www.reca.ca/wp-content/uploads/2022/11/2022-2025-Strategic-Plan.pdf>

# OUTLOOK

RECA operates in a dynamic environment. Industry visibility is vital to RECA's regulatory work. RECA's visibility is maintained by continuing a strong social media presence, launching public awareness campaigns, and engaging in outreach initiatives to reach both licensees and consumers.

## Economy

The Alberta government predicts hope is on the horizon and that the province will weather the anticipated global economic recession buoyed by record oil production. Alberta's favorable economic conditions have helped to attract significant migration to the province. Canada's GDP growth is expected to be weak in the short-term with muted growth over the next 5 years. There is optimism that Alberta will continue to make up the ground lost during the COVID pandemic and realize higher economic growth than the rest of Canada this coming year.

Geopolitical strife, the lingering impacts of the pandemic, and sticky inflation are predicted to continue to weigh on the Canadian economy. Inflation is expected to gradually trend downwards. The slowing economy could dampen consumer confidence. Economic impacts often disproportionately impact vulnerable Albertans.

## Housing affordability

Albertans continue to perceive real estate as a solid long-term investment. National labor and supply shortages amplify housing affordability issues. The Canadian residential real estate market is expected to adjust after 2022 volatility. Experts anticipate a return to more balance after a prolonged period of market exuberance.



Alberta is unlikely to experience the residential price swings seen in other provincial markets. Deal velocity may be muted due to the lack of residential supply in all of Canada. Inflation continues to eat away at consumer's purchasing power. Analysts predict Canada's housing price correction will continue in 2023 although they do not agree on the depth of the peak and trough.

## Technology

Consumer's growing dependence on digital connectivity raises the potential for digital disruption and cyber risks for real estate transactions. It is important to raise cybersecurity and fraud awareness for market participants. It is equally imperative to strengthen RECA's operational cybersecurity. It is unclear whether consumer's increased use of digital technology will augment or replace traditional relationships with licensees.

RECA will continue to invest in technology, infrastructure, and cybersecurity to support RECA's digital transformation. This transformation will improve access to RECA services while ensuring the protection of third-party personal data.

# CONSUMER PROTECTION

This year RECA will focus on two priorities for our consumer-facing work:

- delivering consumer information in a digital age
- empowering Alberta's real estate consumers to protect themselves with particular emphasis on vulnerable Albertans





# INDUSTRY INTEGRITY

There are four ways that RECA influences industry integrity. RECA safeguards the public interest against fraud and manipulative conduct by:

## 1. Enforcing the Rules

RECA requires a licensee to conduct real estate business in Alberta. Additionally, RECA establishes qualifying and continuing education requirements.

## 2. Investigating complaints

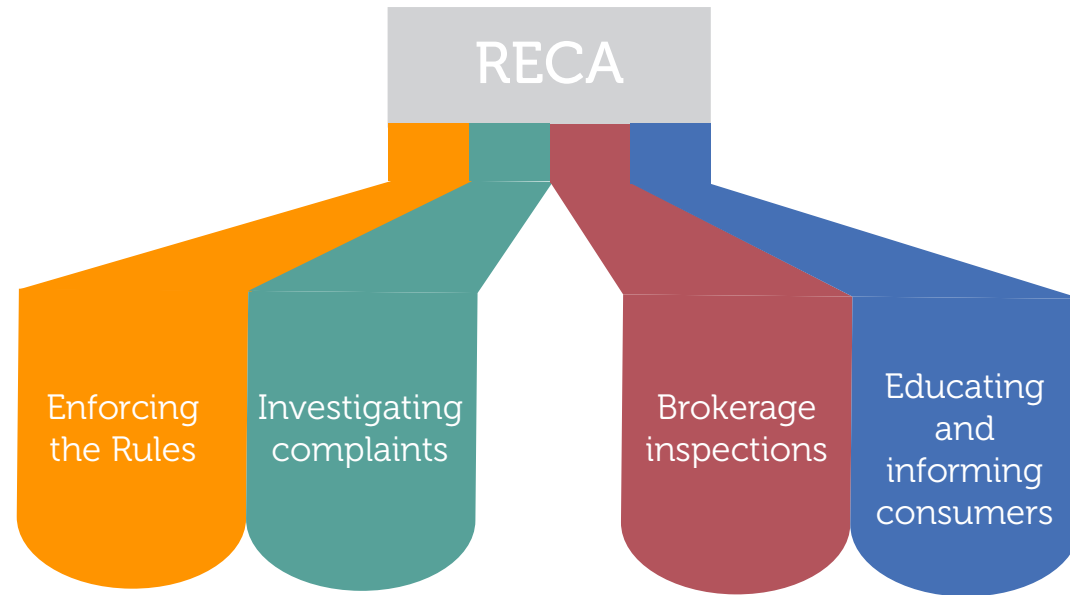
RECA takes swift action to investigate when there is potential that a licensee is breaking the Rules. The enforcement program is essential to maintaining public confidence and upholding RECA's authority. When misconduct is identified those who break the Rules are disciplined.

## 3. Inspecting Brokerages

RECA works with real estate brokerages to provide information to them regarding regulatory compliance requirements. RECA provides free advice to brokerages that enquire about getting help to interpret or apply the regulatory standards for their sector. Additionally, RECA provides educative and regulatory inspections of brokerages to confirm brokerages are meeting the professional standards set by the Industry Councils.

## 4. Educating and informing consumers

RECA provides public resources on the RECA website for Albertans to access. RECA also works with our community partners through our outreach programs to educate the public on where they can find information that can help them make wise decisions for their real estate transactions.



This year the four Industry Councils, in collaboration with the Rules Review Steering Committee, will advance the Rules review. The Rules review will examine Rules through the lens of consumer protection to identify issues that can enhance industry integrity.

# 2024 BUSINESS PLAN

RECA’s business plan is updated annually to focus on activities and outcomes for the current fiscal year. The business plan addresses two broad areas: continual improvement and transformative strategic projects.

## Regulatory Excellence

- Finalize amendments to the Rules to update standards
- Prepare for new licensing framework
- Streamline complaints handling to increase educative regulatory responses
- Assess pre-licensing exams for suitability, reliability, and fairness
- Conduct a regulatory review

## Trust & Confidence

- Serve as a resource to government, providing timely and expert information
- Strategic Initiatives:
  - » Consumer Awareness Campaign
  - » Website Redesign
  - » Stakeholder Engagement Plan

## Operational Resilience

- Implement employee engagement action plans
- Launch corporate process improvements
- Implement new accounting system to better manage fiscal resources
- Refine performance indicators to monitor and report on corporate performance
- Create a Digital Strategy

## Measures

Management provides quarterly updates, including performance updates, to both the Finance and Audit Committee and the Board of Directors to ensure accountability. Material changes to business plan initiatives are provided to the Board of Directors for their review and direction. In addition to the measures that RECA publishes publicly every year in the annual report, RECA reports the following to the Board:

## Regulatory Excellence

- » Broker compliance
- » Licensee compliance
- » Licensee perception

## Trust & Confidence

- » Consumer awareness
- » Consumers website views
- » Stakeholder engagement

## Operational Resilience

- » Financial reporting
- » Employee voluntary turnover
- » myRECA uptime

# KEY RISKS



RECA continues to engage with regulated entities to understand their views, challenges, and opportunities. This engagement assists RECA in understanding the risks related to Alberta’s real estate marketplace. RECA will continue to monitor the risks of climate change and natural catastrophe impacts on real property. The marketplace risks pose significant long-term risks to both consumers and regulated entities. RECA will also consider the development of guidance by other regulators to respond and mitigate these risks.

RECA has adopted an Enterprise Risk Management Framework to support RECA’s strategic objectives through integration of risk management into decision-making, strategy, operations, and business processes.

## Key Risks

### Mandate

Risk that RECA’s mandate is not well understood, RECA is perceived to be operating outside of its mandate, or not delivering on mandate.

### Condominium implementation regulation

Risk that RECA is perceived to be ineffective in implementing the regulation of the condominium management sector.

### Financial sustainability

Risk that RECA is not able to adequately sustain operations.

### Public protection

Risk of fraud, money laundering or unethical behavior by industry participants and failure to protect the public.

## Trends



## Legend

Improving  Stable  Declining 



# FINANCIAL PLAN



Administration developed the 2023/24 budget 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, 2023 to September 30, 2024, 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)	2021/2022 Actual <sup>6</sup>	2022/2023 Budget <sup>6</sup>	2022/2023 Forecast	2023/2024 Budget	2024/2025 Plan <sup>5</sup>	2025-2026 Plan <sup>5</sup>
	\$	\$	\$	\$	\$	\$
<b>Revenue from operations</b>						
Licence registration fees (brokerages/individuals)	\$9,437	\$9,576	\$10,314	\$10,804	\$10,189	\$10,202
Eligibility and other licensing fees	1,042	1,678	2,322	2,687	2,738	2,357
Education / Credentialing revenues	7,018	1,137	1,523	1,453	1,093	1,520
Office building rental revenue	378	410	410	400	400	400
Investment income	220	225	924	1,005	1,010	1,015
Sundry	15	-	-	-	-	-
	<b>\$18,110</b>	<b>\$13,026</b>	<b>\$15,493</b>	<b>\$16,349</b>	<b>\$15,430</b>	<b>\$15,494</b>
<b>Expenses<sup>1</sup></b>						
Salaries and benefits	\$7,888	\$7,025	\$6,956	\$7,483	\$7,769	\$8,003
Administration <sup>2</sup>	1,291	1,628	1,681	1,863	1,830	1,855
Professional services <sup>3</sup>	1,187	1,541	1,631	2,002	1,372	1,297
Amortization of capital assets	1,208	1,139	1,139	1,078	1,112	1,112
Information systems	627	971	1,020	1,027	1,040	1,044
Long-term debt interest	522	507	507	490	472	453
Board and Industry Councils	284	396	413	412	412	412
Education / Credentialing program costs <sup>4</sup>	1,090	394	310	105	105	105
Hearings	358	356	351	365	371	371
	<b>\$14,455</b>	<b>\$13,957</b>	<b>\$14,008</b>	<b>\$14,825</b>	<b>\$14,483</b>	<b>\$14,652</b>
<b>Other items</b>						
Penalties, fines, enforcement recovery	\$246	-	\$61	-	-	-
Assurance Fund administration	37	50	80	160	160	162
	<b>\$283</b>	<b>\$50</b>	<b>\$141</b>	<b>\$160</b>	<b>\$160</b>	<b>\$162</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$3,938</b>	<b>\$(881)</b>	<b>\$1,626</b>	<b>\$1,684</b>	<b>\$1,107</b>	<b>\$1,004</b>

<sup>1</sup> Expenses have been expressed in terms of the main expense categories.

<sup>2</sup> Administration includes expenses related to office building net operating costs, staff training, development, and travel, office supplies, office equipment leases, credit card fees, GST, telephone, and subscriptions & memberships.

<sup>3</sup> Professional services include external legal fees, consulting and other professional fees related to stakeholder engagement, communications, and other activities related to RECA's mandate.

<sup>4</sup> Education and Credentialing program costs includes the amortization of course and examination development costs, as well as third party costs of examination proctoring and review, constructed response grading, and surveys & evaluations.

<sup>5</sup> Plan values for 2024/25 and 2025/26 are expressed without adjustments for inflation.

<sup>6</sup> Comparative actual and budget data has been restated to conform with current practice of including non-recoverable GST in originating expense items.

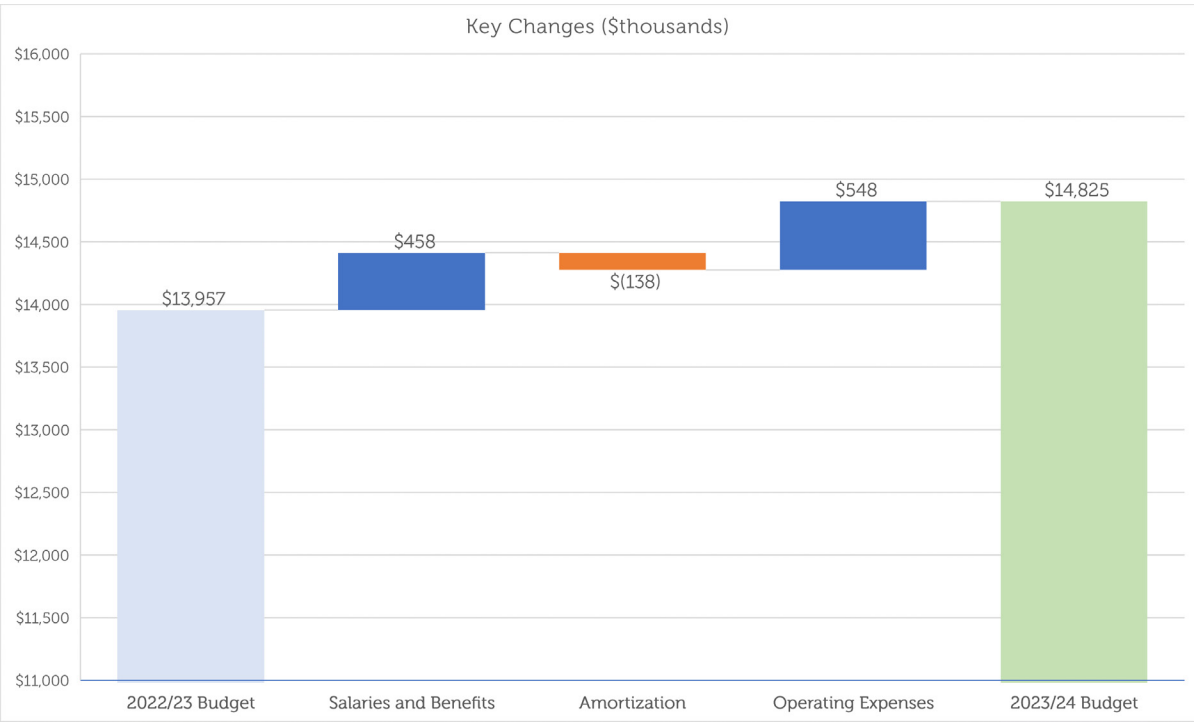
# 2023 - 2024 BUDGET

Over the years, education course enrollments and licensing numbers have been primarily dependent on the housing market and the state of the general employment market. A strong housing market tends to increase interest in the industries RECA regulates, as does a depressed employment market.

Higher lending rates and low supply levels are expected to weigh on listings growth in 2023. Persistent inflation in 2023 has resulted in the Bank of Canada increasing interest rates. These factors will influence the licensee.

RECA does not foresee the past high eligibility and licensing numbers to be sustainable into 2023/24. For this reason, we forecast a slightly higher renewal rate for 2023/24, along with a more conservative estimate of new licences during 2023/24.

To achieve its mandate and stated priorities, RECA has drafted a \$14.8 million operating expense budget for 2023/24, a 5.9% increase of budgeted costs compared to the 2022/23 budget.



Salaries and Benefits will increase by \$458,000 in its human capital resource costs in 2023/24.

The \$138,000 decrease in amortization mainly reflects the complete amortization of RECA’s remaining pre-licensing education course developments by the end of the 2023/24 fiscal year.

The net increase in other operating expenses of \$548,000 includes resuming investments in stakeholder engagement and communication activities to increase consumer and industry awareness, as well as continued investments to modernize and enhance the security and effectiveness of RECA’s information systems.



# 2024-2025 PLAN

The 2024/25 plan forecasts revenues \$615,000 lower than the 2023/24 Board-approved budget. This decrease reflects the impact of the anticipated decline in RECA's licensing revenue from lower licensing numbers and education and credentialing revenues.

The operating expense decrease of \$342,000 is mainly due to lower anticipated spending on professional services.

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.



## 2025-2026 PLAN

The 2025/26 plan anticipates licensing revenues to stabilize in 2025/26. Credentialing revenues will increase, due to higher examination fees, in 2025/26.

RECA anticipates operating expenses to increase 1.15% comparable to the prior year.

# 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.

\$(000)	2021/2022 Actual	2022/2023 Budget	2022/2023 Forecast	2023/2024 Budget	2024/2025 Plan	2025/2026 Plan
	\$	\$	\$	\$	\$	\$
<b>Capital Investments</b>						
Technology	283	635	350	1,120	500	250
Building	302	100	130	-	-	-
Education and Credentialing assets	143	651	120	200	-	-
	<b>\$728</b>	<b>\$1,386</b>	<b>\$600</b>	<b>\$1,320</b>	<b>\$500</b>	<b>\$250</b>

The 2023/24 budget year includes continued 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.

Investments in Credentialing assets in 2023/24 consist mainly of the development, enhancement, and assessment of examination questions and content.



## RECA MANAGEMENT

RUSS MORROW  
Chief Executive Officer

JANICE HARRINGTON  
Chief Operating Officer

WARREN MARTINSON  
Registrar

STACY PAQUIN  
General Counsel & Corporate Secretary

## CONTACT RECA

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