

Real Estate Council of British Columbia

2021/22 Service Plan

April 2021



For more information on the Real Estate Council of British Columbia contact:

Suite 900, 750 West Pender Street
Vancouver, BC
V6C 2T8

604-683-9664
Toll-free: 1-877-683-9664
info@recbc.ca

Or visit our website at
www.recbc.ca

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Council Chair's Accountability Statement



The 2021/22 Real Estate Council of British Columbia (RECBC) Service Plan was prepared under the Council's direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Council is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Council is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of February 16, 2021 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, RECBC's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of RECBC's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in cursive script that reads "Elain Duvall".

Elain Duvall
Council Chair

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Strategic Direction and Alignment with Government Priorities

In 2021/22, British Columbians continue to face significant challenges as a result of the global COVID-19 pandemic. Recovering from the pandemic will require focused direction, strong alignment and ongoing engagement between public sector organizations and the Government of British Columbia. The government has identified five foundational principles that will inform each Crown agency's policies and programs and contribute to COVID recovery: putting people first, lasting and meaningful reconciliation, equity and anti-racism, a better future through fighting climate change and meeting our greenhouse gas commitments, and a strong, sustainable economy that works for everyone.

The Real Estate Council of British Columbia (RECBC) is a regulatory agency established by the provincial government in 1958. Our mandate is to protect the public interest by enforcing the licensing and licensee conduct requirements of the *Real Estate Services Act*. RECBC is responsible for licensing individuals and brokerages engaged in real estate sales, rental and strata property management. RECBC enforces entry qualifications and continuing education requirements, investigates complaints against real estate professionals and imposes disciplinary sanctions under the Act. RECBC does not receive taxpayer funding: our operations are funded through licensing assessment fees.

RECBC protects the public interest by promoting and enforcing professional standards to raise the competency and conduct of real estate professionals in British Columbia. In collaboration with the Office of the Superintendent of Real Estate (OSRE), RECBC works to achieve the shared goal of a fair, transparent and consistent regulatory system for real estate services in British Columbia.

The following plan outlines our strategies, performance measures, and targets, aligned with the objectives in the Minister of Finance's [Letter of Direction](#), to fulfill our mission on behalf of B.C. consumers and achieve our vision: *Public trust in ethical and competent real estate professionals*.

In November 2019, the Ministry of Finance announced its intention to create a single regulator for the financial services sector, including real estate, by amalgamating RECBC and OSRE within the BC Financial Services Authority (BCFSA). This amalgamation will require legislative change and it is anticipated to be fully implemented in 2021. We are committed to continuing to work with the Ministry of Finance, OSRE and BCFSA to transition to a single regulator. The goals, strategies, performance measures and targets contained in this service plan will guide our work until the amalgamation is effective.

RECBC supports Government's commitment to lasting and meaningful reconciliation with Indigenous Peoples. We are taking steps to implement the *Declaration on the Rights of Indigenous Peoples Act* and the Calls to Action of the Truth and Reconciliation Commission within the context of our work to protect the public interest through the regulation of real estate professionals. We also work to ensure that RECBC's operations align with Government's climate plan to move towards a low-carbon economy, and we apply the GBA+ lens to promote equity in our operations and programs.

This service plan identifies three key goals that reflect successfully delivering on our vision and mission: fostering a culture of service excellence; providing consumers and real estate professionals with the information to participate effectively in real estate transactions; and ensuring public confidence in real estate regulation. As we prepare for the transition to a single regulator, we will continue to make the investments necessary to increase our efficiency and improve our services to real estate consumers and real estate professionals.

We will work to deliver on these goals by effectively and efficiently identifying and mitigating risks to real estate consumers; raising awareness among members of the public about real estate issues; and increasing professionalism in the real estate industry. By achieving these goals, we will help ensure that B.C. consumers can participate with confidence in real estate transactions, knowing they are working with competent and ethical real estate professionals.

Operating Environment

The Ministry of Finance is working to establish a single regulator for the financial services sector, including real estate, by amalgamating RECBC and OSRE within BCFSA. We are committed to working with the Ministry of Finance, OSRE and BCFSA to ensure a smooth transition to a single regulator, while continuing to deliver robust consumer protection. In addition to the volume and complexity of activities required to implement the transition, RECBC is working closely with BCFSA to harmonize technology improvements to modernize regulatory functions across the financial services spectrum.

The COVID-19 pandemic continues to disrupt traditional real estate business practices. While the real estate market was negatively impacted in early 2020 by the pandemic, affecting the numbers of new entrants and the retention of experienced practitioners in the industry, markets in many regions of the province have since rebounded strongly. Sustained increases in residential real estate activity may result in increased volumes of consumer complaints over 2021/22. One of the most significant challenges that RECBC continues to experience is complaint volumes. The numbers of complaints received annually by RECBC have nearly doubled in the past five years, from 536 in 2015 to 1028 complaints and anonymous tips received in 2020.

The COVID-19 pandemic has also disrupted RECBC's workplace practices, requiring the transition of all staff members to remote work. RECBC's brokerage audit program suspended in-person audits, transitioning to a system of remote risk assessment and virtual audits. Procedures for virtual disciplinary hearings have been developed in order to safely continue to administer disciplinary enforcement under the *Real Estate Services Act*. Despite the challenges, RECBC has transitioned its operations successfully to a remote work environment, maintaining our service standards and our workforce engagement.

Developments that may positively impact performance results in 2021/22 include continued investment in building leadership capacity across RECBC's business areas. Ongoing work to support employee engagement and retention will be particularly critical during the transition to a single regulator within BCFSA.

We will continue planned improvements in data management and information technology to understand and manage regulatory risks, and maintain or improve service delivery levels. RECBC recognizes the fast pace of technological change and the need to adapt business-critical systems to provide effective and efficient services. Responding to the threats and opportunities of technological change will require ongoing innovation, collaboration and system-wide thinking.

The COVID-19 pandemic significantly reduced economic activity in B.C. in 2020. The ongoing evolution and economic cost of the pandemic on B.C. and its trading partners remains highly uncertain. The Economic Forecast Council (EFC) estimates a 5.1 per cent decline in B.C. real GDP in 2020 and expects growth of 4.9 per cent in 2021 and 4.3 per cent in 2022. Meanwhile for Canada, the EFC projects national real GDP growth of 4.7 per cent in 2021 and 4.2 per cent in 2022, following an estimated decline of 5.4 per cent in 2020. As such, B.C.'s economic growth is expected to outperform Canada's in the coming years. The pandemic has increased risks to B.C.'s economic outlook, such as the timing of the global vaccination rollout, extended travel restrictions, a weaker global recovery, and the continued impact of a slower recovery in some sectors of the B.C. economy. Further risks include ongoing uncertainty regarding global trade policies and lower commodity prices.

Performance Planning

This performance plan describes RECBC's goals, objectives, and performance measures for 2021/22, with updates to reflect the current focus on ensuring a smooth transition for the integration with OSRE and BCFSA and maintaining operations throughout the transition. These goals and measures align with the Minister of Finance's Letter of Direction for 2021/22.

In developing this performance plan, RECBC evaluated results of its ongoing monitoring of the operating environment, responding to direction from Government regarding its strategic priorities. We regularly engage on both strategic and operational levels with the Ministry of Finance, OSRE and BCFSA. RECBC will work with OSRE and BCFSA to ensure that development and implementation of the strategies in this performance plan that will impact the single regulator are done collaboratively and with due consideration of the expanded role of the future amalgamated organization.

Goal 1: RECBC fosters a culture of service excellence

Objective 1.1: Enhance the efficiency and timeliness of compliance and licensing processes

To ensure that RECBC continues to effectively manage complaints and investigations in a timely manner we are committed to improving our processes to enable the organization to respond effectively to a changing environment. A key measure of success for RECBC will be the maintenance or reduction of the average time to complete an investigation. To achieve this outcome, RECBC's compliance and legal department will continue to implement measures to streamline investigative processes, prioritize and expedite critical investigations, increase the efficiency and transparency of disciplinary processes, and monitor the introduction of alternatives such as expanded administrative penalties. RECBC will continue its modernization of licensing processes, implementing practices to promote flexibility and problem-solving within our licensing department.

Key Strategies:

- Continue implementation of process enhancements to improve productivity and reporting through use of RECBC's case management system introduced in 2020 to expand tracking of progress of investigations and centralize the capture of investigation details and case data for evidentiary purposes.
- Monitor the introduction and use of the expanded administrative penalty framework to promote timely resolution of certain cases and free up resources for more complex cases.
- Continue transition of licensing processes online.

Performance Measure(s)	2017/18	2018/19	2019/20 Actuals	2020/21 Forecast	2021/22 Target
1.1a Average number of calendar days to complete a complaint investigation ¹	310 Baseline	296	218	471	Maintain or decrease from prior year
1.1b Percentage of complete applications for new individual licences processed within three weeks ²	N/A	89% Baseline	97%	96%	Maintain or increase from prior year
1.1c Reduction in 2018/19 inventory of compliance files ³	N/A	700 Baseline	395	188	Maintain or decrease from prior year

¹ Data Source: RECBC complaints tracking system.

² Data Source: RECBC licensing tracking system.

³ Data Source: RECBC compliance department files.

Linking Performance Measures to Objectives:

- 1.1a RECBC demonstrates its ability to respond to reported conduct issues in a timely manner, while continuing to ensure administrative fairness, through the average length of time required to complete complaint investigations. In 2020/21, RECBC redoubled efforts to reduce the inventory of older compliance files (see 1.1c), assessing more than 200 compliance files opened prior to April 1, 2019. File dispositions may include assignment to legal for formal discipline proceedings, issuing administrative penalties or letters of advisement, or file closure. This focus on older files resulted in an increase in overall days to complete an investigation in 2020/21. Investigations of newer files opened after April 1, 2019 average 191 days to complete.
- 1.1b RECBC has an obligation to provide licensing services to suitable and qualified applicants in a timely manner. The processing of new licence applications is a key indicator of licensing service standards and efficiency.
- 1.1c Due to high complaint volumes beginning in 2016, RECBC has an inventory of active investigation files. Measures implemented to reduce this inventory include: recruitment and training of additional investigators to expand the capacity of RECBC's compliance department, process improvements to streamline file review and increase the efficiency of investigations, and initiatives to enhance the timeliness of RECBC's response to consumer complaints. These changes have had a significant impact on reducing the inventory of investigation files. As part of its transition to BCFSA, RECBC will continue process improvements and training for more complex investigations.

Discussion:

- 1.1c This measure is based on the inventory of complaints as of April 1, 2019. The volume of new complaints is subject to change and cannot be predicted. While the inventory reflects the number of open compliance files, it does not provide insight into the relative complexity of those files, which is also outside of RECBC's control. Variability in the complexity of investigations impacts the time required to complete investigations.

Objective 1.2: RECBC employees are engaged and motivated

Engaged and motivated employees contribute to higher levels of organizational success. As part of its efforts to ensure a smooth transition to BCFSa, RECBC will continue to build a strong culture in which all employees are valued and receive the support to increase their skills, expand their knowledge and develop their careers. By continuing to focus on workplace culture development, we will build organizational capacity to achieve service excellence, contributing to the success of BCFSa.

Key Strategies:

- Enable and promote a workplace culture where all employees are engaged and valued contributors.
- In collaboration with BCFSa and OSRE, engage and inform employees about the transition to a single regulator through consistent and transparent communications.
- Continue implementation of employee engagement strategies that includes recognition and opportunities for ongoing learning and development with RECBC and in future under BCFSa.

Performance Measure:

RECBC will demonstrate success at implementing the strategies described above to build a culture of service excellence and an engaged and motivated workforce through regular, comprehensive employee surveys, augmented by pulse check surveys to confirm results in alternating years.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Forecast	2021/22 Target
1.2 Level of employee engagement ¹	76% ²	84% ³	82% ⁴	Maintain or increase from prior year

¹Data Source: Great Place to Work™ survey results. Results are accurate within +/- 5%.

²Great Place to Work™ survey result March 2019.

³Results of the December 2019 “pulse check” survey using a sub-set of questions tied to biggest areas of opportunity from the full Great Place to Work™ survey.

⁴Great Place to Work™ survey result July 2020.

Linking Performance Measure to Objectives:

1.2 RECBC measures employee engagement through a survey and trust index that measures employee perceptions on leadership, organizational credibility, respect, fairness, pride and camaraderie in the workplace. The results of the survey provide a foundation upon which to build further employee engagement initiatives. RECBC was certified in 2019 and again in 2020 as a Great Place to Work™ by [Great Place to Work®](#), a global authority that measures and recognizes excellence in workplace cultures. In 2020, RECBC, OSRE and BCFSA surveyed employees using a common survey methodology in order to provide a baseline for subsequent measurements as an integrated organization.

Discussion:

1.2 While forecasted survey results for 2020/21 are still within the margin of error, results indicate a slight decline. Further analysis is required and additional focus on employee engagement will occur as part of the transition to BCFSA. RECBC continues to implement measures to enhance employee engagement in order to ensure a smooth transition to the integrated regulator. These include enhancements to our onboarding processes, improvements to performance goal setting and management, updates to human resources policies and procedures, expanded opportunities for continuous learning and development, and improved internal communications. In December 2019 and 2020, RECBC was proud to be named one of Canada’s Best Workplaces Managed by Women, as determined by Great Place to Work™. The award is based on direct feedback from employees and demonstrates RECBC’s level of workforce engagement and satisfaction.

Goal 2: Consumers and real estate professionals have the information and resources they need to participate effectively in real estate transactions

Objective 2.1: Increase the availability of consumer resources to support informed real estate decisions

To ensure that real estate consumers are well informed and feel empowered to make the decisions that are most appropriate for them, they need access to independent, relevant, accessible information that helps them to understand the process of a real estate transaction, and the risks and issues that may be encountered. RECBC is investing in delivering information online through our website and social media channels to help consumers build the skills and knowledge they need to make sound real estate decisions. These efforts will include external communications in collaboration with OSRE and BCFSa to build awareness of the integrated regulator.

Key Strategies:

- Promote the availability of online resources to assist consumers.
- Inform and educate real estate consumers, including high-risk or vulnerable consumers.

Performance Measure:

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Forecast	2021/22 Target
2.1 Percentage of consumers who feel informed and knowledgeable to participate effectively in a real estate transaction. ¹	70%	N/A ²	75%	N/A ³

¹ **Data Source:** Biennial consumer survey conducted by Insights West. Results are accurate within +/- 5%.

² As surveys are conducted in alternating years, there is no data to report for this period.

³ As surveys are conducted in alternating years, there is no target identified for this period.

Linking Performance Measures to Objectives:

- 2.1 RECBC gauges consumers’ self-reported levels of knowledge and confidence through a consumer survey conducted every two years by a third-party market research firm. Surveying every second year allows for sufficient time to analyze results and implement measures to improve future outcomes.

Objective 2.2: Increase the standard of education and resources provided to real estate professionals

RECBC will increase public confidence in the real estate industry by raising educational standards, promoting best practices and fostering a culture of strong ethics. Following an external review of its regulatory education RECBC developed a multi-year education strategy including new initiatives to increase education standards. RECBC will continue to focus on planned enhancements to regulatory education to promote increased professionalism among real estate professionals and to strengthen consumer protection, working in collaboration with BCFSa to identify opportunities for sector-wide education and/or application to other regulated financial services professionals.

Key Strategies:

- Continue to update continuing education for real estate professionals.
- Engage industry stakeholders through the RECBC Education Advisory Group on enhancements to regulatory education.
- In collaboration with real estate regulators in jurisdictions across Canada, establish national competency profile for real estate professionals, to support the review of the educational and assessment components of pre-licensing and continuing education.
- Introduce updated regulatory guidance materials, replacing RECBC’s current resources for real estate professionals and managing brokers, the *Professional Standards Manual* and *Brokerage Standards Manual*.
- Collaborate with OSRE and BCFSa to engage and support managing brokers as industry change agents.

Performance Measures

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Forecast	2021/22 Target
2.2 Percentage of managing brokers who agree that RECBC education prepares real estate professionals for competent and professional practice. ¹	87%	N/A ²	Maintain or increase from prior results. ³	N/A ⁴

¹**Data Source:** Biennial survey of managing brokers conducted by Insights West. Results are accurate within +/- 5%.

²As surveys are conducted in alternating years, there is no data to report for this period.

³As a result of business disruptions related to the COVID-19 pandemic the biennial survey of managing brokers was postponed to spring 2021. Survey results will be reported in RECBC’s 2020/21 Service Plan Report.

⁴As surveys are conducted in alternating years, there is no target identified for this period.

Linking Performance Measures to Objectives:

2.2 RECBC measures the effectiveness of strategies to enhance regulatory education and raise standards of resources for real estate professionals by surveying managing brokers. Managing brokers have attained a higher level of licensing, must be experienced practitioners, and are responsible for oversight of all real estate professionals at a real estate brokerage. They are thus well positioned to assess the competency of real estate professionals under their supervision. Surveys of managing brokers measure the effectiveness of changes to the delivery and content of licensing education.

Goal 3: Ensuring public confidence in real estate regulation

Objective 3.1: Raise awareness of the regulatory mandate and strengthen relationships with stakeholders

In collaboration with OSRE and BCFSA, we will engage with stakeholders in industry, government, and key consumer groups, as part of the development of BCFSA’s framework for stakeholder, government and consumer engagement that can be applied across the financial services sector. We will survey consumers on a biennial basis to measure public awareness of the role of regulation in B.C. real estate services in order to ensure a strong foundation for the establishment of a single regulator of financial services including real estate.

Key Strategies:

- Implement the rebranding of all RECBC public-facing materials.
- Strengthen relationships with key stakeholders and government partners to build awareness of the transition to an integrated regulator.
- Enhance transparency in decision-making and governance.

Performance Measure(s)	2018/19 Baseline	2019/20 Actuals	2020/21 Forecast	2021/22 Target
3.1 Percentage of recent real estate consumers who are aware of the regulatory mandate. ¹	65%	N/A ²	58%	N/A ³

¹Data Source: Biennial consumer survey conducted by Insights West. Results are accurate within +/- 5%.

²As surveys are conducted in alternating years, there is no data to report for this period.

³As surveys are conducted in alternating years, there is no target identified for this period.

Linking Performance Measures to Objectives:

- 3.1 This performance measure is tracked through a survey of recent real estate consumers conducted by a third-party market research firm every two years. RECBC will measure success through maintenance or increase in the percentage of respondents who are aware of the role of the regulator of licensed real estate professionals. Surveying consumers every second year allows for sufficient time to analyze results and implement measures to improve future survey responses.

Discussion:

- 3.1 Results for 2020/21 are expected to show a slight decline, following planned curtailment of strategies due to the announced integration of RECBC into BCFSA and the COVID-19 pandemic. Consumer awareness of BCFSA as the regulator of real estate will be a focus of engagement with key stakeholders in 2021/22.

Objective 3.2: RECBC will work with OSRE, BCFSA and other partners to address market conduct and consumer risks

RECBC takes an evidence-based approach to identify and understand the causes of emerging risks in the B.C. real estate market. We work with BCFSA, OSRE, other regulatory agencies, government partners and industry stakeholders to address these issues. We educate real estate professionals to avoid conduct that may result in risks to consumers and raise consumer awareness of risks and how they can be avoided or reduced.

Key Strategies:

- Work with BCFSA, OSRE, and the Ministry of Finance to establish a single regulator.
- Take an evidence-based approach to identifying and responding to emerging risks.
- Work with OSRE and the Ministry of Finance to address market conduct of real estate professionals and support OSRE in ensuring rules are appropriately implemented, including specific attention to anti-money laundering, and reporting suspicious transactions.
- Cooperate with BCFSA, OSRE and other agencies to identify and mitigate consumer risks.

Performance Measure(s)	2017/18 Baseline	2019/20 Actuals	2020/21 Forecast	2021/22 Target
3.2 Number of users who access RECBC Advisory Notices online. ¹	4,676	6,789	43,000	Maintain or increase from 2019/20

¹ Data Source: RECBC website analytics.

Linking Performance Measures to Objectives:

3.2 RECBC will measure success through the number of visits to materials on our website alerting consumers and real estate professionals to emerging risks and providing guidance on ways to prevent or reduce the likelihood of harm. The significant increase in access to online consumer materials forecast for 2020/21 is related to the publication on RECBC’s website of resources on safe real estate practices during the COVID-19 pandemic, and to social media campaigns undertaken to help ensure this information reached consumers. Future targets for this performance measure will be based on the previous year’s results.

Objective 3.3: Implement measures to strengthen enforcement of conduct requirements for real estate professionals and increase consumer protection

RECBC is committed to developing and implementing measures to strengthen enforcement and increase consumer protection. We will collaborate with OSRE, BCFSa and the Ministry of Finance to identify potential future mandate direction as it relates to anti-money laundering for real estate professionals to enhance the effectiveness of B.C.’s Anti-Money Laundering Regime.

Key Strategies:

- Continue to promote the early completion of RECBC’s mandatory Anti-Money Laundering Course by all licensed real estate professionals, monitoring completion rates to ensure compliance.
- Enhance RECBC’s brokerage audits (office records and inspection program) to provide more education for managing brokers on best practices for brokerage policy and records management.
- Continue to develop tools and resources for managing brokers, including resources on records management and brokerage policy best practices.
- Continue to work with the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to ensure that brokerages understand their anti-money laundering requirements.

- Work collaboratively with the federal and provincial Governments, OSRE, BCFSA and other agencies as appropriate to ensure real estate professionals comply with anti-money laundering requirements.

Performance Measure(s)

Performance Measure(s)	2019/20 Baseline	2020/21 Forecast	2021/22 Target
3.3 Percentage of audits that do not result in administrative penalties or disciplinary proceedings. ¹	92%	92%	Maintain or increase from prior year

¹ Data Source: RECBC audit tracking system.

Linking Performance Measures to Objectives:

- 3.3 RECBC measures the effectiveness of initiatives to increase compliance by brokerages by tracking the number of audits that do not result in administrative penalties or disciplinary proceedings against the brokerage. Audits of a representative sample of B.C.'s real estate brokerages are conducted annually based on a risk matrix to ensure they are operating in accordance with the *Real Estate Services Act*, Regulation and Rules. This performance measure tracks the percentage of brokerages that do not have significant deficiencies noted in audit results.

Discussion:

- 3.3 As a result of restrictions on travel and in-person contact during the COVID-19 pandemic, RECBC suspended in-person brokerage audits in 2020. To continue to ensure public protection, RECBC developed and implemented an audit outreach program that included an adapted risk assessment through which auditors contacted 369 BC real estate brokerages between March and August 2020. By early 2021, RECBC auditors transitioned to virtual audits of brokerages, completed 34 audits, with 16 others in progress.

Rule changes expanding the range of administrative penalties were introduced in 2021. Future targets for this performance measure may require recalibration as a result. A baseline survey of recently audited managing brokers, conducted in 2019, identified areas where RECBC's audit program can be enhanced to increase the educational value of the audit and may inform the development of future resources and tools for managing brokers.

Financial Plan

The Real Estate Council of BC does not receive taxpayer funding. Key activities described in this Service Plan will be primarily funded through licensing assessment fees gathered from the more than 25,000 individuals and brokerages we license and regulate.

A small portion of our revenue is derived from enforcement sanctions and required under the *Real Estate Services Act* to be directed to the internally restricted In-Trust Education Fund. RECBC's budget includes fees collected and remitted on behalf of the Superintendent of Real Estate, the Real Estate Errors and Omissions Insurance Corporation (REEOIC), and the Real Estate Compensation Fund Corporation. RECBC expenditures are divided between investigative functions and other administrative costs.

Financial Summary

(\$000)	2020/21 Forecast	2021/22 Budget
Total Revenue		
By Major Sources		
Licence Fees ¹	1,076	1,156
Assessment Fees ²	9,599	12,362
Course Fees	6,154	8,586
Other Interest and Investment Income (net) ³	588	304
Total Revenue	17,417	22,408
Total Expenses		
Operational and Administration	14,178	13,805
Investigative	1,307	1,347
Other	4,039	7,256
Total Expenses	19,524	22,408
Annual Surplus (Deficit)⁴	(2,107)	0
Total Debt	0	0
Accumulated Surplus (Deficit) – (RECBC & REEOIC)	31,581	31,581
Capital Expenditures	1,349	200

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

Note 2: Financials for a single fiscal year are being provided rather than the typical three-year forecast, as RECBC anticipates amalgamating with the BC Financial Services Authority in 2021. As the date of amalgamation is unknown a full fiscal year is being provided; actual (lower) amounts will be provided at the time of amalgamation.

¹ Licence fees are collected for a 24-month licensing cycle based on individual renewal dates.

² Assessment fee increase of \$100 (annualized) effective April 1, 2021.

³ Interest and investment income is net of credit card charges.

⁴ While RECBC is reporting a deficit as at Q3, the overall fiscal position is expected to be a net surplus once the annual audited financial statements are finalized to include the impact of consolidation with REEOIC. REEOIC 2020/21 surplus to December 31, 2020 is \$3,128k.

Key Forecast Assumptions, Risks and Sensitivities

Key revenue assumptions for comparative year 2021/22:

- RECBC's budget is based on a conservative estimate that annual licence renewals and initial licence applications may decline up to 2% as a result of market fluctuations and changes to education standards.
- An assessment fee increase of \$100 (annualized) was introduced effective April 1, 2021 to ensure balanced budgets. RECBC reviews its licensing fee and assessment rates annually as part of budget planning.
- As a result of ongoing technology investments and process improvements, operating expenses are expected to increase, with potential revenue risk due to the projected decline in renewals per above.
- Course fee revenue for 2020/21 is forecast at \$6.1M and the 2021/22 budget is \$6.9M. All real estate professionals must complete RECBC's mandatory regulatory education courses within their 2-year licensing cycle. RECBC assumed administrative responsibility for regulatory education course development and delivery in 2019. RECBC develops and administers regulatory education on a cost-recovery basis.

Key expense assumptions for comparative year 2021/22:

- No increases are anticipated to regulatory education program expenses, exclusive of staffing costs.
- RECBC has lease commitments for its current premises until 2034, with additional space totaling 18,892 square feet at an average cost of \$31.25/square foot over a 13-year commitment from July 1, 2021.
- No changes anticipated in liabilities.
- No change anticipated to investment in controlled entities: Real Estate Compensation Fund Corporation (assets in trust) or Real Estate Errors and Omissions Insurance Corporation (government business enterprise).
- Other interest and investment income is net of credit card expenses.
- Capital assets are amortized straight line for computer hardware and software additions, and office furniture and equipment over four and five years respectively.

Risks include:

- The real estate sector in BC continues to grow and evolve rapidly. To maintain effectiveness, the regulator must keep pace with changes in industry practices to anticipate and respond to emerging consumer risks.
- To ensure successful integration of real estate regulatory functions in BCFSA, RECBC must continue to align and coordinate with its partners, the Ministry of Finance, OSRE and BCFSA.
- RECBC revenue is uncertain as trends in new licence applications and renewals of existing licences are impacted by market fluctuations and the unpredictability of enforcement sanctions.
- Proposed balanced budgets for fiscal year 2021 is subject to change based on licence assessment and renewal fees revenue. Deficits may erode RECBC's unrestricted surplus or

may be offset by future increases to licence assessment fees. RECBC's revenue strategy is reviewed annually and real estate professionals are provided with advance notice of any proposed increases.

- Costs associated with the implementation of technology modernization initiatives remain preliminary.
- RECBC is working closely with OSRE, BCFSa and with the Ministry of Finance to identify and manage project expenses to implement the amalgamation.

Management's Perspective on the Financial Outlook

RECBC's operations are funded by real estate licensing fees and education course revenue. Compensation and occupancy costs account for about 61% of RECBC's expenses for 2021/22. RECBC prepares an annual budget for approval by the Council, provides monthly budget variance reporting to management, and requests Council approval of significant expense variances.

To accommodate all BCFSa staff in a single location following integration and to improve space efficiencies, RECBC will expand our current premises in downtown Vancouver, and has secured a 13-year lease until 2034. RECBC is not a capital-intensive organization and has no capital projects valued at more than \$50M.

RECBC continues to enhance its use of technology to improve the efficiency and effectiveness of its services while improving digital security and reducing technical liability. Technology expenditures are projected to continue to increase as licensing processes are modernized, case management systems are improved, infrastructure is upgraded, and strategic data initiatives continued. Our revenue strategy and assessment fees are reviewed annually to ensure they meet on changing strategic priorities, operating expenditures, and licence renewal trends.

RECBC appoints the majority of the board members to the Real Estate Compensation Fund Corporation (RECFC). RECFC provides protection for members of the public who have entrusted real estate professionals with money that was misappropriated or wrongfully converted, intentionally not paid over or accounted for, or obtained by fraud. The funds administered by RECFC under the *Real Estate Services Act* (RESA) meet the definition of a trust under administration and are not included in RECBC's financial statements.¹

The Real Estate Errors and Omissions Insurance Corporation (REEOIC) is a government business enterprise (GBE) controlled by RECBC. REEOIC is a special act corporation incorporated under RESA. REEOIC pools the insurance premiums paid by real estate professionals in a fund that is used to pay the costs of defending and indemnifying real estate professionals against professional liability claims.

¹ As determined by RECBC auditors Grant Thornton LLP in 2017.

Appendix A: Additional Information

Corporate Governance

Information about RECBC's Corporate Governance can be found at:

<https://www.recbc.ca/about/governance.html>.

This includes links to information regarding:

- Council members
- RECBC committees and advisory groups
- Executive Team

Organizational Overview

Information about RECBC's operating environment can be found at:

<https://www.recbc.ca/about/overview.html>.

This includes links to information about:

- RECBC's mandate
- Core business areas
- Organizational goals

The Real Estate Services Act, the enabling statute for RECBC, is available here:

http://www.bclaws.ca/civix/document/id/complete/statreg/04042_01

