

GEORGE L. MORFITT, FCA

May 30, 2009

✓ Board of Directors,
Land Title and Survey Authority of British Columbia

and

Minister of Agriculture and Lands,
Province of British Columbia

By letter dated May 4, 2009 the Board of Directors of the Land Title and Survey Authority of British Columbia (LTSA), jointly with the Minister of Agriculture and Lands, Province of British Columbia, confirmed my appointment as Fee Commissioner pursuant to section 20(9) of the *Land Title and Survey Authority Act*.

As Fee Commissioner, I have been asked to provide a public report to the Directors and the Minister by May 30, 2009 outlining my determination on the following question:

What level of increase to the base fees established for the LTSA pursuant to the Operating Agreement dated January 20, 2005 is required as of July 1, 2009 to maintain the long-term viability of the LTSA?

In accordance with my mandate, I am pleased to provide to each of you three signed copies of my report dated May 28, 2009.

The President and CEO of the LTSA has confirmed to me his intention to have my report posted on the LTSA website, thus making the report available to the general public as required by the 2005 Operating Agreement.



George L. Morfitt, FCA
Fee Commissioner

Encls.

REPORT OF THE FEE COMMISSIONER

TO THE

**BOARD OF DIRECTORS,
LAND TITLE AND SURVEY AUTHORITY
OF BRITISH COLUMBIA**

AND

**MINISTER OF AGRICULTURE AND LANDS,
PROVINCE OF BRITISH COLUMBIA**

MAY 30, 2009

**Report of the Fee Commissioner to the
Board of Directors, Land Title and Survey Authority
of British Columbia, and
Minister of Agriculture and Lands,
Province of British Columbia**

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A. Terms of Reference and Purpose of Report

By letter dated May 4, 2009, the Board of Directors (the "Directors") of the Land Title and Survey Authority of British Columbia (the "LTSA" or the "Authority"), jointly with the Minister of Agriculture and Lands, Province of British Columbia (the "Minister"), confirmed my appointment as Fee Commissioner pursuant to section 20(9) of the *Land Title and Survey Authority Act*.

As Fee Commissioner, I am asked to provide a public report to the Directors and the Minister by May 30, 2009 outlining my determination on the following question:

What level of increase to the base fees established for the LTSA pursuant to the Operating Agreement dated January 20, 2005 is required as of July 1, 2009 to maintain the long-term viability of the LTSA?

In making my determination of this question, the Directors have requested that I consider:

- LTSA's obligations to maintain both the LTSA Assurance Fund and operating contingency reserve to the levels previously determined to be appropriate by the Board;
- LTSA's obligations under the *Land Title Act* and the *Land Act* as of April 1, 2009 to provide the existing statutory services to government without remuneration, on-demand and without any limitation;
- the scheduled investment in LTSA's Board-approved \$11.8 million multi-year business transformation project, as well as subsequent reinvestment and maintenance;
- the foregone revenue as a result of not proceeding with the permitted 2% annual CPI (Consumer Price Index) increase to the LTSA's Base Fees which was due to be in effect as of April 1, 2009, and
- the Criteria for Commissioner's Decisions as to Fee Increases as set out at Schedule D of the January 20, 2005 Operating Agreement between the Province and the LTSA.

In a letter dated April 7, 2009 from the Minister to the LTSA Board Chair agreeing with the proposal to appoint a Fee Commissioner, the Minister stated that the Province supports the Authority's three-year business plan, including the proposed upgrades to modernize the title registry information technology systems. As well, the Minister expressed the view that the appointment of a Fee Commissioner would help ensure that the LTSA continues to have sufficient revenues to meet its Assurance Fund commitments, service obligations and capital reinvestment program.

Fee Commissioner

Section 20 of the *Land Title and Survey Authority Act* provides for a Fee Commissioner to be appointed in circumstances where the Directors propose to increase a fee in a year by an amount that is more than is authorized in the operating agreement between the LTSA and the Minister, or set a fee in respect of a service or other matter for which there was previously no fee. [There are no new fees included in the current LTSA proposal before the Commissioner.]

The Directors must submit their proposal in writing to the Commissioner and the Commissioner must accept, reject or vary the proposal so that the proposal is satisfactory to the Commissioner. The Commissioner's decision is required to be made in accordance with any criteria set out in the 2005 Operating Agreement between the Province and the LTSA.

The 2005 Operating Agreement (Schedule D) sets out the criteria for the Commissioner's decisions as to fee increases, the criteria being:

- the increase in fee or new fee established must be consistent with the not-for-profit nature of the Authority;
- the increase in fee or new fee established must relate to
 - the actual cost of service for the particular activity or set of activities,
 - take into account direct and indirect costs of the Authority, including without limitation, contingency and insurance requirements, and
 - users' needs for efficient services;
- the increase in fee or new fee established should be consistent with general economic conditions in the Province and therefore be consistent with the ability of users of the land title and survey systems to pay for services rendered;
- the decision of the Commissioner must be made in a timely manner, having regard to the Authority's obligations under sections 5.03 and 5.04 of the Operating Agreement; and
- the decision of the Commissioner must be made public by the Commissioner.

Section 5.03 of the Operating Agreement states that, on the first day of each fiscal year of the term of the Agreement, the Authority will determine the amount of each fee payable for a service provided during the fiscal year commencing on that day, provided that:

- no such fee may exceed the greatest of:
 - the amount obtained by multiplying the Base Fee in respect of that service by the Adjusted CPI (Consumer Price Index) for the 12-month period that ends on November 30th of the previous fiscal year;
 - the amount of that fee, if any, authorized by the Commissioner under section 20 of the Act; and

- the maximum amount, if any, permitted for the Base Fee under Schedule G (“Base Fee Adjustments”) of the Agreement; and
- the Authority will not be required to reduce a fee below the amount of the fee payable for that service during the previous fiscal year due to any decrease in the CPI over the 12-month period that ends on November 30th of the previous fiscal year.

Section 5.04 of the Operating Agreement states that on or before the first day of February of each year commencing in 2006, the Authority will, by written notice to the Province, advise the Province of:

- the Adjusted CPI for the 12-month period that ends on the November 30th prior to that month of February; and
- the amounts of each Adjusted Fee and each Commissioner Adjusted Fee;

and the Authority may in that notice request the Province to advise the Authority, by written notice to the Authority, of the Province’s intentions as to anticipated adjustments, if any, to the Statutory Fees payable to the Province under the Land Title and Survey Enactments, and the Province will respond to such request within 30 days of its receipt by the Province.

B. Process Followed by Fee Commissioner

In carrying out my responsibilities as Fee Commissioner, I have considered all aspects of the detailed Proposal Package provided to me on May 4, 2009 by the LTSA. As well, I have received and reviewed additional financial documentation requested by me from LTSA officials. I have discussed with senior Authority officials various of the documents included in, and supplementary to, the Proposal Package, and have consulted other information sources I considered relevant to the LTSA proposal. I confirm that I have received all of the information and explanations I have required.

C. Land Title and Survey Authority

The Land Title and Survey Authority Act established, as of January 20, 2005, the Land Title and Survey Authority of British Columbia as a self-governing not-for-profit corporation without share capital, independent of the provincial government.

The purposes of the LTSA are to manage, operate and maintain the land title and survey systems of British Columbia, to facilitate the execution of Crown grants under the direction of government, and to carry on other activities related to the land title and survey systems.

The LTSA is wholly funded from revenues generated through fees charged for services provided to customers. It is responsible for ensuring that amounts charged for its services are, at all times, justifiable and reasonable. The Authority must use all earnings to: add or improve services in accordance with its purposes; fund or maintain reserves; fund capital expenditures; and repay debt or reduce Base Fees.

The LTSA reports directly to the public on the operations of the Land Title Offices and Office of the Surveyor General of British Columbia.

An Operating Agreement between the Province and the LTSA, effective January 20, 2005, established the conditions for the Authority's carrying out of its corporate purposes. The term of the agreement is 60 years, with the parties required to conduct a performance review every five years, and to review every 10 years the sufficiency of LTSA revenues.

D. Base Fees

Section 19(1)(e) of the *Land Title and Survey Authority Act* requires the Directors to prepare bylaws of the Authority that set fees payable under the *Land Act*, the *Land Title Act*, the *Mineral Tenure Act*, or any other enactment for services provided by the registrar appointed under the *Land Title Act*, the Surveyor General or a person under the direction of the registrar of Surveyor General. Fee tables set out in section 13.1 of the LTSA bylaws detail the fees currently charged by the Authority for a transaction, service or other matter as itemized in the tables.

Article 5 and Schedule A of the 2005 Operating Agreement together establish the revenue that may be retained by the Authority from "Base Fees" charged for services provided. Section 5.03 provides for Base Fees to be adjusted annually (the "Adjusted Fees"), if required, so long as the Adjusted Fees do not exceed the amount obtained by multiplying each Base Fee by the adjusted consumer price index for the 12-month period that ends on November 30th of the previous fiscal year. These fees are separate from "Statutory Fees" collected by the Authority on behalf of the Province. The fee paid by a customer for LTSA services is the sum of the LTSA Base Fee and the Province's Statutory Fee for those services.

Historical Adjustments to Base Fees

As stated above, the Base Fees (together with corresponding Statutory Fees and fees applicable to delegated functions) are set out in Schedule A of the 2005 Operating Agreement. The Base Fees in 2005 represented approximately 31% of the total customer fees payable. Since 2005, the Base Fees have been adjusted annually by no more than the adjustment permitted by section 5.03 of the

Operating Agreement. There has been no increase since 2005 in the Statutory Fees collected by the Authority on behalf of the Province.

The fee schedule for the fiscal year ended March 31, 2009 reflects Adjusted Fees that are approximately 6% above the 2005 Base Fees and that represent approximately 31.3% of total customer fees payable. Total fee revenue earned by LTSA was \$26.4 million in 2005/06, \$27.5 million in 2006/07 and \$29.0 million in 2007/08, decreasing to \$25.2 million in 2008/09.

In February 2009 the LTSA Board of Directors approved an overall percentage fee increase of 2% for fiscal 2009/10. With the enactment in March of the Budget Measures Implementation Act, 2009 (see below), the Board proceeded to rescind this increase and, instead, commenced the process for appointment of a Fee Commissioner to consider the Authority's 2009/10 fee requirements taking into account financial sustainability and related operational considerations.

E. Financial Position at March 31, 2009

The LTSA unaudited financial statements for the fiscal year ended March 31, 2009 indicate that the Authority is currently in a healthy financial position. At March 31, Operating Fund current assets exceeded current liabilities by a ratio of 3:1, there was an unrestricted Operating Fund balance of \$14.2 million, and Special Purpose Fund balances totaled \$12.3 million. Both the Operating Fund and Special Purpose Funds experienced \$2 million in positive cash flows during the year. Cash and cash equivalent assets held by the Authority at March 31, 2009 totaled \$30.2 million.

However, although in 2008/09 Special Purpose Funds realized a \$2.3 million excess of revenue over expenses, Operating Fund expenses exceeded fee revenue by just over \$1 million. This result was due in large measure to a 13% (\$3.8 million) decline in Operating Fund fee revenue and a 20% increase in general Operating Fund expenses, which included substantial planning costs incurred relating to the Authority's Business Transformation Program.

F. Financial Projections for Three Fiscal Years to March 31, 2012

Strategic Plan Projections

The LTSA Strategic Plan 2009-2012 was issued in November 2008 and includes the proposed completion of a number of IT projects considered by the LTSA Directors to be critical to the future operational effectiveness of the Authority. These projects include full implementation of an automated registration system, deployment of electronic survey plans, and migration of ALTOS and the related

image database to contemporary server technology. The Authority has developed a detailed Business Transformation Program, including a multi-year implementation strategy intended to establish the LTSA as “a customer-centric service organization leveraging current state technologies to support enhances products and services, self-serve capabilities, enhanced title security and survey excellence”.

One of the LTSA’s strategic objectives set out in its strategic plan is to maintain its business in a sustainable and cost efficient manner that directly benefits its customers. Measures and targets for each of the years 2009/10, 2010/11 and 2011/12 in respect of this objective are:

Assurance Fund – 90%+ confidence level based on actuarial review.

Contingency Fund – 25%+ of annual cash operating expenses.

Debt/Equity Ratio – 1:3 or less.

Ongoing Capital Reinvestment (or increase in capital reserve) – 15%+ of annual revenue.

The financial and service demand assumptions underpinning the Strategic Plan – annual inflation rates, service volumes, salary and benefits and building occupancy increases – were reasonable at the time the plan was prepared. They also included the expectation of \$4.6 million of operating investment and \$8 million of capital investment over the 3 years, with total operating and capital investment over the 6 years 2008/09 to 2013/14 of \$25.8 million which is expected to produce an internal rate of return of 7.8% over the 6 years. It is further assumed that the capital and operating costs for developing new products and services will be offset by new revenue.

The business case financial projections for the four years 2008/09 to 2011/12 reflect net operating results of: 2008/09 - \$220,000; 2009/10 - \$(520,000); 2010/11 - \$432,000; 2011/12 - \$3,2 million. The Authority’s cash position was projected to increase to \$34.5 million by 2012.

These figures, prepared in the fall of 2008, do not reflect the loss of government fee income from April 1, 2009 (see below). As well, the unanticipated extent of overall decline in the British Columbia economy has required the financial assumptions to be reexamined and revised (see following). Additionally, the projected 2008/09 figures have been superseded by the unaudited financial results (see Section E above).

Revised Financial Projections

LTSA management has recently prepared revised financial projections for the three-year period ending March 31, 2012 that take into account the unaudited 2008/09 financial results, the current depressed state of the economy and, commencing April 1, 2009, the loss of government fee revenue. Annual fee

revenue (before any fee increase) is projected to decline from the 2008/09 level of \$25.2 million to \$18.9 million in each year of the three-year period. This decline includes an estimated annual loss of \$1.9 million in government fee revenue. At the same time, cash operating expenses are expected to increase 2-3% each year. Projected annual net operating losses (after asset amortization) are: 2009/10 - \$4.6 million; 2010/11 - \$5.9 million; 2011/12 - \$6.5 million. Major capital expenditures to 2012 are expected to approximate \$16.1 million over the three years. Cash and cash equivalents are projected to steadily decline and to be in a \$2.1 million negative position as at March 31, 2012.

G. LTSA Proposal for Fiscal Year Ending March 31, 2010

The LTSA proposal for fee increase as at July 1, 2009 submitted to the Fee Commissioner has three components:

- recognition of the loss of \$1,893,188 in annual fee revenue from the provincial government as of April 1, 2009;
- recognition of the loss of fee revenue in the first quarter of 2009/10 due to the delay from April 1 to July 1, 2009 in the implementation of an LSTA Board-approved 2% fee increase;
- requirement for annual fee revenue sufficient to enable the LTSA to maintain annually to March 31, 2012, on a projected basis, its strategic goals for both the Assurance Fund and the Contingency Fund.

Loss of Government Fee Revenue

In the spring of 2009 the provincial legislature enacted the Budget Measures Implementation Act, 2009. Included in the Act are provisions exempting provincial government ministries, central agencies and certain other organizations from paying fees for services provided by LTSA. These exemptions have effect from April 1, 2009.

The LTSA estimates that in fiscal 2009/10 the loss of government fee revenue will approximate \$1.9 million, and its proposal requests approval to increase fees to other customers to offset this loss of revenue source.

The LTSA has been receiving government fee revenue for services rendered since April 1, 2006, and for the past three fiscal years such revenue has been an important component of the Authority's financial sustainability. I am of the view that, considering both the current financial position and projected financial requirements of the Authority, it is reasonable and prudent that as of July 1, 2009 there should be a percentage fee increase, calculated on an annualized basis, sufficient to offset the \$1.9 million of annual fee revenue that is no longer to be received from government and related sources.

As the loss of such fees in the first quarter of 2009/10 is a one-time event, I am also of the view that the resultant effect on revenue in the quarter, estimated to be \$486,167, should not be directly factored into the calculation of a LTSA fee increase to have effect as of July 1, 2009.

General Operating Cost Increases

The LTSA included in its proposal package a schedule comparing, for the four years fiscal 2005/06 to 2008/09, the Authority's actual revenue and expenditures to those set out in the 2005 multi-year financial model for the Authority. Analyzing the relative differences suggests that the Authority may have realized cost economies over the four fiscal years of as much as \$14.6 million. This achievement is likely due in large measure to a combination of good cost controls and the existence of substantial fixed costs in years of strong revenue growth.

While keeping costs under reasonable control, the LTSA nevertheless has, year over year, experienced expenditure increases that have necessitated annual Base Fee increases tied to the annual increases in the CPI. The expenditure projections for 2009/10 indicate the need for the LTSA to again apply, in that fiscal year, an overall percentage increase approximating the increase in the CPI, calculated as set out in the Operating Agreement. Such calculated increase in CPI for 2009/10 is 2%.

I am of the view that an increase in LTSA fees as of July 1, 2009 should include a 2% overall increase reflective of the year-over-year increase in CPI, calculated as prescribed by the Operating Agreement. Such increase is estimated to yield fee revenue of \$305,300 in 2009/10 (three quarters) and \$402,500 in each of 2010/11 and 2011/12.

The LTSA proposal includes the request that any increase in fees to customers also take into account the expectation that any fee increase in 2009/10 will not be put into effect until July 1, 2009 – the start of the second quarter of the fiscal year – with a resultant loss of fee revenue in the first quarter of fiscal 2009/10 of approximately \$97,200. I am of the view that it would not be appropriate to factor this loss of fee revenue directly into a percentage fee increase calculation.

Assurance Fund

The Assurance Fund is an internally restricted fund established to compensate British Columbia property owners who suffer a loss due to an error in their property titles. Any claims against services prior to January 20, 2005, the date the LTSA was established, are the responsibility of the Province.

The Fund receives income from a \$5.00 fee (being part of the Base Fee) levied on transfers and charges and, additionally, transfers are made between the

Assurance Fund and the Contingency Fund as may be required to ensure the Assurance Fund balance at each yearend is at the 90% confidence level as actuarially determined.

The funding level is re-examined annually and adjusted as required to reflect any change in the number of active titles, changes to the level of fund activity, amendments to the rules under which claims are paid from the fund, and the LTSA's increased experience with management of the program.

As noted above, one of LTSA's strategic targets in each year of the 3-year period 2009/10 to 2011/12 is to maintain the Assurance Fund at a 90+ confidence level based on actuarial review. It is my view that this is an appropriate target, given the importance of the Fund to the property owners of British Columbia.

In 2008, an actuarial firm was retained by LTSA to perform an updated actuarial analysis of the Assurance Fund. The analysis, based on current claims rules, indicated, in part, the following fund balance levels:

	<u>March 31, 2009</u>	<u>March 31, 2010</u>
95% confidence	\$8.9 million	\$11.2 million
90% confidence	\$6.8 million	\$ 8.6 million

The LTSA Legislative Task Force proposed in the fall of 2008 that consideration be given to increasing the required confidence level from 90% confidence to 95% confidence to offset the greater uncertainty associated with new risks being covered. However, by resolution dated February 13, 2009, the LTSA Board of Directors determined that the Assurance Fund must, at all times, be maintained at an amount reflecting a 90% confidence level, except when the Fund must be drawn down below that amount to pay a settlement or judgment arising from a claim against the Fund or to pay operating expenses of the Fund, in which case the fund must be replenished to that level in accordance with the accounting policies of the LTSA. The Directors also resolved that all income earned by the LTSA on the assets of the Fund must be credited to the Fund.

The balance in the Fund as of March 31, 2009 was \$6.8 million. The LTSA proposal includes the provision that, based on actuarial estimates, the Fund be increased to \$8.6 million by March 31, 2010. The financial projections and actuarial estimates accompanying the proposal reflect the need to increase the Fund on an ongoing basis (90% confidence level) to a balance of \$12.2 million as of March 31, 2012.

I consider this proposal for maintaining the Fund balance at or near the actuarially determined 90% confidence level to be fiscally prudent and appropriately protective of the public interest.

It is projected that there are relatively small amounts required, over and above the \$5.00 fee levy, to raise the Assurance Fund balance from its current \$6.8 million balance to a projected \$12.2 million (90% confidence level) by March 31, 2012, such amount being: 2009/10 - \$77,000; \$2010/11 - \$59,000; 2011/12 - \$41,000. Transfers of these amounts into the Assurance Fund from either the Contingency Fund or the unrestricted equity are not material transactions and, therefore, I do not consider it necessary to directly factor them into a consideration of an increase in Base Fees.

Contingency Fund

The LTSA has established an internally restricted Contingency Fund (or operating reserve) of just over \$5.5 million as at March 31, 2009. As noted above, one of LTSA's strategic targets in each year of the three-year period 2009/10 to 2011/12 is to maintain the Fund at 25%+ of annual cash operating expenses. Operating Fund cash expenses in the 2008/09 fiscal year approximated \$21.2 million and are projected to increase to \$21.9 million in 2009/10.

The purpose of a contingency fund is to ensure the sustainability of the organization in case of a significant financial setback due to internal or external causes. An internal cause may be, for example, loss of systems, staff or facilities that disrupt on-going operations. An external cause may be, for example, sharp downturns in the general economy or natural disasters such as a pandemic or earthquake.

I am of the view that, for the LTSA, the target level for the Contingency Fund at 25%+ of annual cash operating expenses is reasonable and prudent. I am also of the view that, given the present level of the Fund and the current amount of unrestricted equity, there exists the financial capacity within the LTSA to maintain the target level for the Contingency Fund in this fiscal year and beyond without requiring a specific fee increase to do so.

Cash and Cash Equivalents

As noted above, as at March 31, 2009 the Authority held cash and cash equivalents amounting to \$30.2 million. However, current projections of annual cash flows indicate that those liquid assets will be fully depleted by March 31, 2012 as a result of annual operating losses and a planned significant investment in capital assets.

As Fee Commissioner, I have taken this circumstance into account in my determination of a fee increase as at July 1, 2009. It is projected that an overall further Base Fee increase of 29.21% will enable the LTSA to maintain to March 31, 2012 the Assurance Fund and the Contingency Fund at their funding targets, leaving less than \$7.5 million in unrestricted net assets. At the same time, cash and cash equivalents will amount to a projected \$15.2 million, a reduction of

approximately one-half from the position as at March 31, 2009. It is my view that this is a reasonable and prudent financial position for the Authority to achieve at the end of fiscal 2011/12.

Unrestricted Net Assets

With the Assurance and Contingency Funds established at reasonable levels, the question then arises as to what balance should appropriately be maintained in unrestricted net assets. There are no specific guidelines in this regard. However, given the LTSA is a not-for-profit entity, it is reasonable that the amount of unrestricted net assets should not be more than an amount that can be publicly demonstrated to be required to ensure the Authority is financially sustainable on an ongoing, multi-year basis.

As at March 31, 2009 there was an unrestricted balance of \$14.2 million in the Operating Fund. It is my view that, without harming the financial sustainability of the LTSA, a portion of this amount could be safely transferred in future to the Assurance Fund or Contingency Fund, as may be required (see above), or otherwise reduced to some reasonable extent before consideration need be given to increasing Base Fees for such purpose.

As mentioned above, my determination in respect of an increase in Base Fees results in a projected unrestricted net asset balance of approximately \$7.5 million.

H. Considerations External to the LTSA

British Columbians are currently experiencing a significant decline in the provincial economy. An increase in LTSA fees must be considered in the context of the financial impact of such increase on the users of the Authority's services.

In this regard, it is recognized that the fees charged by the Authority are a very small proportion of the total service fees and expenses that are incurred by its customers in relation to their property transactions. Consequently, any prudent increase in LTSA fees should not present a particular financial difficulty to those customers, even in a time of overall economic contraction in the province.

A review of the fees charged in other provincial jurisdictions for similar services indicates that, in general, fees charged by the LTSA are in the mid-range of such charges and would remain so after the fee increase determined in this report.

I. Determination in Respect of LTSA Fee Increase Proposal

Taking into account the many considerations set out above, is my determination as Fee Commissioner that the LTSA be authorized to implement, as of July 1, 2009, a further increase to the Base Fees of 29.21%, being the calculated increase required to provide additional fee revenue to the Authority on an annualized basis to accomplish the following:

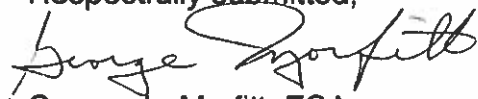
- offset the approximately \$1.9 million of fee revenue (on an annualized basis) that is no longer to be received from government and related sources;
- implement a 2% overall fee increase (yielding estimated fee revenue of \$305,300 in 2009/10 and \$402,500 in each of 2010/11 and 2011/12) reflective of the year-over-year increase in operating expenditures and relating to the increase in CPI, calculated as prescribed by the Operating Agreement; and
- to provide additional annual fee revenue of \$3.83 million.

The effect of this determination is to have a LTSA realize fee revenue that will result in the following, on a projected basis:

- have the Assurance Fund annually funded to the 90% confidence level, actuarially determined;
- have the Contingency Fund annually funded to 25% of cash operating expenses;
- fund strategic capital asset additions of \$16.1 million over the three years to March 31, 2012;
- reduce cash and cash equivalents by \$15 million (from \$30.2 million at March 31, 2009 to \$15.2 million at March 31, 2012, inclusive of cash relating to an Assurance Fund balance at March 31, 2012 of \$12.2 million);
- leave an unrestricted net assets balance as at March 31, 2012 of \$7.5 million.

A 29.21% increase in Base Fees, combined with no increase to Statutory Fees, is calculated to result in an overall 9.06% increase in fees paid by users of LTSA services. For example, a \$66.15 fee simple transfer would increase by \$6.00 to \$72.15. I consider this level of fee increase to be reasonable, financially prudent and in the public interest. I also believe the overall increase in customer fees to be consistent with the ability of users of LTSA services, in general, to pay for services rendered.

Respectfully submitted,



George L. Morfitt, FCA
Fee Commissioner