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The 29th Legislature
Second Session

Standing Committee
on
Public Accounts

Education
Infrastructure

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**Legislative Assembly of Alberta
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Second Session**

Standing Committee on Public Accounts

Fildebrandt, Derek Gerhard, Strathmore-Brooks (W), Chair
Anderson, Shaye, Leduc-Beaumont (ND), Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (W)
Cyr, Scott J., Bonnyville-Cold Lake (W)
Dach, Lorne, Edmonton-McClung (ND)
Fraser, Rick, Calgary-South East (PC)
Goehring, Nicole, Edmonton-Castle Downs (ND)
Gotfried, Richard, Calgary-Fish Creek (PC)
Hunter, Grant R., Cardston-Taber-Warner (W)
Luff, Robyn, Calgary-East (ND)
Malkinson, Brian, Calgary-Currie (ND)
Miller, Barb, Red Deer-South (ND)
Renaud, Marie F., St. Albert (ND)
Turner, Dr. A. Robert, Edmonton-Whitemud (ND)
Westhead, Cameron, Banff-Cochrane (ND)

Also in Attendance

Hanson, David B., Lac La Biche-St. Paul-Two Hills (W)
Schneider, David A., Little Bow (W)
Smith, Mark W., Drayton Valley-Devon (W)

Office of the Auditor General Participants

Merwan Saher	Auditor General
Brad Ireland	Assistant Auditor General
Michelle Fleming	Principal

Support Staff

Robert H. Reynolds, QC	Clerk
Shannon Dean	Law Clerk and Director of House Services
Trafton Koenig	Parliamentary Counsel
Stephanie LeBlanc	Parliamentary Counsel
Philip Massolin	Manager of Research and Committee Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

Standing Committee on Public Accounts

Participants

Ministry of Education

Curtis Clarke, Deputy Minister

Michael Walter, Assistant Deputy Minister, Program and System Support

Ministry of Infrastructure

David Breakwell, Acting Deputy Minister

Roy Roth, Executive Director, Learning Facilities

8:30 a.m. Tuesday, November 22, 2016

[Mr. Fildebrandt in the chair]

The Chair: Good morning, everyone. I'll call this meeting of the Public Accounts Committee to order and welcome everyone in attendance.

I'm Derek Fildebrandt, the MLA for Strathmore-Brooks, chairman of the committee. I'll ask members, staff, and guests joining the committee at the table to introduce themselves for the record, beginning to my right.

Mr. S. Anderson: Shaye Anderson, deputy chair, MLA for Leduc and Beaumont.

Ms Goehring: Good morning. Nicole Goehring, MLA, Edmonton-Castle Downs.

Ms Luff: Robyn Luff, MLA for Calgary-East.

Mr. Westhead: Cameron Westhead, MLA for Banff-Cochrane.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

Mr. Dach: Morning. Lorne Dach, MLA for Edmonton-McClung.

Dr. Turner: Bob Turner, MLA, Edmonton-Whitemud.

Mr. Fraser: Rick Fraser, Calgary-South East.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mr. Walter: Good morning. Michael Walter, assistant deputy minister, Education.

Dr. Clarke: Good morning. Curtis Clarke, deputy minister, Education.

Mr. Breakwell: David Breakwell, acting deputy minister, Infrastructure.

Mr. Roth: Good morning. Roy Roth, executive director with learning facilities in Infrastructure.

Ms Fleming: Michelle Fleming, principal, office of the Auditor General.

Mr. Ireland: Brad Ireland, Auditor General's office.

Mr. Saher: Merwan Saher, Auditor General.

Mr. Smith: Mark Smith, Drayton Valley-Devon.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake.

Mr. Hunter: Good morning. Grant Hunter, Cardston-Taber-Warner.

Mr. Barnes: Good morning. Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Schneider: Morning. Dave Schneider, MLA, Little Bow.

Dr. Massolin: Good morning. Philip Massolin, manager of research and committee services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: On the phone?

Ms Renaud: Marie Renaud, MLA, St. Albert.

The Chair: Thank you.

We have a few housekeeping items to address before we turn to the business at hand. Microphone consoles are operated by *Hansard* staff, so there's no need for you to touch them. Audio of committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts can be obtained via the Legislative Assembly website. Please turn your phones to silent as they may interfere with the audio stream.

I do have an item to note under other business. Are there any other changes or additions to the agenda as distributed?

Seeing none, would a member move that the agenda for the November 22, 2016, meeting of the Standing Committee on Public Accounts be approved as distributed? Moved by Dr. Turner. Discussion? All in favour? Opposed? On the phone? Well, it's carried.

Do members have any amendments to the November 8 minutes as distributed? If not, would a member move that the minutes of the November 8, 2016, meeting of the Standing Committee on Public Accounts be approved as distributed? Moved by Ms Goehring. Discussion? All in favour? Opposed? On the phone? Carried.

I would like to welcome our guests from the ministries of Education and Infrastructure here today to speak to systems to manage the school building program, which the Auditor General addressed in his report of April 2016. Members should have committee research documents prepared by research services, the Auditor General briefing document, as well as the status of Auditor General recommendation documents completed and submitted by the ministries of Education and Infrastructure.

I'll now invite ministry officials to provide opening remarks not to exceed five minutes from each ministry, and then I'll turn it over to the Auditor General for his comments. I guess I'll begin with you, sir.

Dr. Clarke: Thank you, Chair, and thank you for this opportunity to provide an update on the Auditor General's recommendations. I can say that significant work has been undertaken to address the nine recommendations. I will provide updates on those recommendations directed to Alberta Education while my colleague will provide updates on recommendations given to Alberta Infrastructure.

To begin, a foundational OAG recommendation was that Education improve its oversight of the school building program by first clarifying the roles and responsibilities of each department and establishing supporting policies and procedures and developing clear decision-making authorities for the program. The two departments are working together to finalize tools that will provide this clarification. Work on these documents began in 2015, and we are committed to developing an agreed-upon governance structure for decision-making and escalation of issues. This structure will be developed following finalization of the documents I mentioned with terms of reference for the governance committees developed by spring 2017. Education will also be undertaking a comprehensive review of its capital planning policies and procedures.

The second recommendation highlighted the need to improve project approvals by identifying approval gates, required deliverables, responsibilities for the completion of the deliverables. The department is currently leading the development of such processes, which will include checkpoints to ensure necessary review and approvals at each stage. This development will be completed in time for implementation of school capital projects approved in 2017. Furthermore, Education will request that its budget include annual block funding for planning, which will help ensure that projects have a well-defined scope and budget and are

ready to proceed upon approval. This request will guide Education's submission to the provincial capital planning process for Budget 2017.

The third recommendation sought to improve systems to manage and control school capital projects by promptly agreeing on project expectations with school jurisdictions and Infrastructure and developing and implementing change management policies and procedures. Education has implemented grant agreements for school jurisdiction managed projects and is working to strengthen these agreements in order to ensure compliance with gated approval processes. Education is committed to reviewing and modifying the approach it uses to define the scope of complex projects in an effort to improve data collection, user engagement, and technical inputs.

Furthermore, we have jointly developed and implemented a posttender budget adjustment process that requires Education approval for any budget changes exceeding available contingencies. In reference to recommendation 6 we were to define and report on key performance indicators of the school building program. This work is well under way. Education and Infrastructure are working to establish key performance indicators to adequately assess performance and risks related to the overall school building program.

In response to recommendation 8 Education was to "improve its cash-flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress." We're working to develop and implement a process to ensure cash-flow assumptions are more accurately documented. Education has also implemented, just in time, grant-funded payments for school jurisdiction managed projects to match cash flow to project progress.

With respect to the Auditor General's final recommendation, that if the Treasury Board adjusts the Department of Education's funding request, then "the revised plan should align with the approved funding and should clearly identify the impact on project progress." Education is guiding the development of a revised procedure for submitting capital plans should a funding adjustment be made by Treasury Board.

At this time I'd like to turn it over to my colleague, who will provide the remaining remarks. Thank you.

Mr. Breakwell: Thank you, Deputy Minister Clarke. Good morning. I'm Dave Breakwell, acting deputy minister for Alberta Infrastructure. With me today from Infrastructure is Roy Roth, our executive director of learning facilities; Faye McCann, our senior financial officer; Jutta Czynowski, who's our director of learning facilities; and Jessica Lucenko, our director of communications.

As you've just heard from Deputy Minister Clarke, Infrastructure and Education have been working together to implement the recommendations as detailed in the Auditor General's report, reviewing the systems to manage the school building program. I'll take a minute now to highlight our department's activities on the three remaining recommendations not yet addressed this morning.

Speaking first to the Infrastructure-directed recommendation number 5, improve the reporting systems and controls, it was recommended that "Infrastructure improve its systems for publicly reporting on the status of school capital projects." Working jointly with Education, we have implemented a formalized monthly reporting process for updating the school projects website. We are ensuring accuracy in website data by developing internal and interdepartmental processes, including, for example, formal sign-off by department executives and deputy ministers before the website can be updated. Work is also under way to ensure that publicly reported school project milestones, including opening

dates, are reasonable and that these milestone dates are supported by schedules that consider project status and project complexities.

Looking now at joint recommendation number 4, improve systems to manage and control projects, it was recommended that Education and Infrastructure improve planning processes. Working together, our departments have implemented a system that helps plan and monitor projects more efficiently and ensures that responsibilities and processes are clearly defined. Also, we have developed a method for assessing whether a school project should be delivered by Infrastructure or grant-funded to the school jurisdiction.

8:40

The other joint recommendation, number 7, which is to improve reporting systems and controls, recommends that "the departments of Education and Infrastructure improve reporting on the school-building program." We have implemented measures for assessing and reporting on project cost, scheduled performance, and potential delays. This includes biweekly reporting that identifies project-specific issues and impacts these have on schedule and/or cost. In addition, significant effort has been applied to improving grant agreements that are executed with school jurisdictions for grant-funded projects. The agreements articulate the accountabilities each party has with respect to a school project, status, and cost.

Other work under way to address this recommendation will establish key performance indicators to adequately assess performance and risk at the project level, which is expected to be completed by September 2017, and to develop a reporting system for data management and workflow to address issues of data security, ownership, integrity, accessibility, and continuity. This system is expected to be completed in December 2019.

In conclusion, I'd like to reiterate Deputy Minister Clarke's opening remarks, that while the Alberta government has not yet formally accepted the Auditor General's report, the ministers of Education and Infrastructure have broadly accepted the Auditor General's recommendations, many of which have been implemented. On behalf of Deputy Minister Clarke and our department teams, thank you for providing us the opportunity to highlight our activities completed and under way related to the Auditor General's report. We will be happy to answer questions from the committee.

The Chair: Thank you very much. I'll now call on the Auditor General for his comments, not exceeding five minutes.

Mr. Saher: Thank you, Mr. Chairman. My comments are on Report of the Auditor General of Alberta, April 2016: Education and Infrastructure – Systems to Manage the School-building Program. In October 2015 we received a request from the Minister of Education to examine the processes that the departments of Education and Infrastructure used to plan, deliver, and report on the school building program. In our audit we found that the publicly announced original timelines for completion of the schools were not reasonable because they were not based on evidence from sufficient project planning. For phase 3 there was not adequate funding in the March 2015 capital plan to match the announced completion dates. The government had to revise the school opening dates because the system failed in two ways. Ministers made public commitments and announced completion dates without evidence that those dates were reasonably attainable. Department staff did not tell the ministers that the completion dates were not attainable. They didn't have supportable evidence that that was the case.

This all matters because the school building program is large and complex. Albertans expect the government to use taxpayer dollars

effectively. Albertans also expect the government to provide them with accurate information on the status of school projects.

I'll close with the lessons from this audit. The lessons, I think, can be described in two ways. The lesson for ministers: don't create false public expectations. The lesson for the public service: provide ministers with evidence that commitments either can or can't be met and why and continuously update the public on progress.

Thank you.

The Chair: Thank you, Auditor General. I'll now open the floor to questions from members of the committee on a rotational basis. Eight minutes for the Official Opposition.

Mr. Smith: Thank you. Thank you very much for being here, gentlemen, and, Mr. Saher, thank you for your work and your report. We find ourselves in a difficult position. I think everybody here would agree with that, that we're undergoing an incredible capital build, unprecedented in the history of Education and Infrastructure, I think, with regard to education, and we've identified some very serious problems. I guess it's not too difficult to say that in many ways this has gone off the rails.

The report has identified some very serious issues. I want to start off with recommendation 1, clarifying roles and responsibilities. The Auditor General's report – I'm reading from a quote on page 6 – says:

Education lacks a governance framework sufficient to oversee and manage the school-building program . . . nor was it clear which department reported on the program or the projects, or ensured new schools and modernizations were sufficiently planned before the Minister of Education approved them. The two departments have very few documented policies and procedures between them. Therefore, roles and responsibilities are not clear, project managers use inconsistent practices and there is a duplication between the two departments.

On page 10 it says:

- The Department of Education lacks an adequate governance framework to oversee the school-building program.
- . . . Policies and procedures are inadequate . . .
- The Department of Education does not have clear decision-making authorities for the school-building program.

Wow. We find ourselves in a real pickle here, don't we? I guess the question I ask is: which department has taken responsibility for the overall results of the school build? Who's going to have the final say here at the end of the day?

Dr. Clarke: If I can quickly respond, and then I'll rely on my colleagues to help flesh that out a little bit more.

It is clearly now a joint initiative. The two ministries are working together, both in terms of the development of our memorandum of understanding of how that would unfold and then on the development of our RASCI – responsible, accountable, support, consult, inform – structure, that clearly articulates the hand-off, the responsibilities, and the oversight throughout the full process of the development of a school project. As I said, the terms of reference for the MOU will be signed in December of this year, and the RASCI will be developed over until the spring of 2017. So we're working collectively to build that process and that model of oversight and responsibility.

Mr. Smith: So we have close to 200 schools that are either being modernized or being built, and we're not going to have a clear understanding of the roles and the responsibilities between Infrastructure and the Department of Education until 2017?

Mr. Walter: If I can just supplement what Deputy Minister Clarke said, I think what we have done is that we have clearly articulated

in the new memorandum of understanding that the Minister of Education is responsible for capital planning. The minister takes control of school board submitted capital plans. The minister reviews capital priorities to identify which projects meet the criteria relative to future approvals and ultimately works with Infrastructure on that, but the Minister of Education is responsible for capital planning, as outlined, as Deputy Clarke talked about, in the MOU. Infrastructure – and, again, I'll defer to my colleagues here in a moment – is responsible for project implementation. So once the project is approved, then there is a bit of a matrix relative to whether that becomes a school board managed project or whether it becomes an Infrastructure-managed project, at which point, then, our colleagues become responsible for the implementation; i.e., the construction of that particular school.

Mr. Smith: We understand that in the background research that we've been provided for the Public Accounts Committee, this memorandum, you say, is under way, that you're working on it. Are you working on it, or are you working with it? Where are we at with this memorandum of understanding? The way you're talking right now, it sounds like you've already got it on the rails and that it's working and that you've agreed and that it's not under way but that it has been implemented. Is it implemented, or is it under way?

Mr. Walter: We've briefed our deputies on this, and we still are seeking the minister's final approval on it. But, again, in terms of delineating roles and responsibilities, we have begun to work under that framework, and we will be taking this to the ministers I believe in early 2017 or late 2016.

Mr. Smith: Okay. Could you give us a little bit of a better understanding for a rookie like me? What policies, what procedures have you actually developed to clarify those roles and responsibilities? Could you walk me through, say, a build of a school and how that memorandum of understanding is going to clarify those roles and responsibilities?

Mr. Walter: Sure. The front-end work, again, is largely that the school boards take the lead in identifying what their capital priorities are. They will have a variety of information available to them, some from us and some that they will get on their own; i.e., what their enrolment numbers are, what the condition of their particular facilities is. Some school boards, like our larger ones, like Edmonton and Calgary, actually look at it on a sector basis in terms of particular quadrants of their jurisdictions. They then develop their capital priority list.

8:50

Under the new MOU Education will become very involved with jurisdictions on their top priorities in terms of scoping out what those particular projects are. In the past this was perhaps where we weren't as involved as we should have been, but under the new MOU Education will be working to scope out those projects, looking at: are the sites ready? If it's a new school, is it serviced? Are there roads going into those particular schools so that it's ready to go in terms of shovels going into the ground? If it's a modernization project – many of our rural boards would be a focus, based on where their enrolments are at – is the project appropriately scoped? Does it fit with their particular enrolment projections over the long term? Are there any health and safety issues? Are there any of these issues that we need to be aware of going into it?

The goal is that when the jurisdiction submits their project, we have a very good understanding of what the needs are, that they have checked the boxes relative to what our gates are for readiness, and that when we take that project and share it with Infrastructure

relative to the costing of it and ultimately to Treasury Board, when approvals come, we're ready to go.

Mr. Smith: Okay. So you're making some progress there.

In the report it says that "duplicated efforts, insufficient monitoring and reporting, and possibly inconsistent reporting" have occurred. How much money has been wasted? Have you done any kind of a study on how much money was wasted because of this effort, of not having been ready before?

Mr. Walter: Well, I think the budget – I can only speak for Education – for our internal staff has remained the same, but again it's back to the clarity of responsibilities in terms of planning versus implementation that I think, going forward, will avoid any duplication.

The Chair: Okay. Eight minutes for government members. Dr. Turner.

Dr. Turner: Thank you, Mr. Chair, and thank you to the ministries of Infrastructure and Education for coming today. I really want to congratulate you on the efforts that you've been undertaking over the last 18 months. I think what we have to realize first is that there have been some tremendous advances over the last 18 months, since this new government took hold.

In particular, I'm really pleased to see how many schools have been opened, actually, as of September 1. Indeed, there is one in my riding, Nellie Carlson school, that had been promised again and again and again by the previous government, actually over a period of about 12 years, with big signs in there saying: Growing Alberta; thanks to the Premier you're going to have a school here, K to 9, 900 students. Those 900 students for about 10 years were being bused long distances to schools outside Edmonton-Whitemud, and as of September 1 we have Nellie Carlson school open, functioning. It's a beautiful school, well designed. It's going to be a model for other schools, I believe, and I know my constituents are really appreciative of the collegial efforts that Education and Infrastructure undertook.

The Chair: I'll just try to remind all members to attempt to focus on the questions as much as possible, on both sides.

Dr. Turner: Thank you, Mr. Chair.

I think, though, it's important to understand that there have been some major improvements made and that the product is good. We are seeing the fruits of your efforts.

You know, the previous government announced school completion dates multiple times, and on page 2 of the Auditor General's report it states: "Ministers made public commitments and announced completion dates without evidence those dates were reasonably attainable. These announcements created [massive] false public expectations." My question is: what steps have the departments taken to ensure that completion dates are accurate and evidence based?

Mr. Walter: The steps that we have taken. A large number of the difficulties that were experienced in the past were related to site readiness and the ability for us to get into the construction phase. Again, due to the number of schools that were approved in the past build, as was alluded to earlier as a sort of historic number of projects going on in the province at one time, there were significant challenges relative to having the sites ready for our builds.

In terms of addressing that, we have put in place a process where, when the jurisdiction submits their capital plan, they have to have an approval or a checklist saying that the site is ready and, in fact,

that the municipality agrees that the site is ready. For us, that's a significant hurdle relative to some of the past obstacles that we've had.

The other aspect to that would be when we look at modernizations. Has the project been scoped out appropriately relative to the size of the school that's required, the program that's required, and many of the health and safety aspects that we would, you know, need to address relative to a future build?

The implementation as a standard process of value-scoping of projects gets us at those topics, so we look at the long term, at what the jurisdictions are and in many cases partners from the community. We look at the enrolment projections for the community. We look at what the program needs are, again looking forward relative to career and technology studies and ensuring that our schools are aligning with the curriculum that we have coming out. This is done preapproval, which is, again, a significant advantage to us. In the past much of this work was done postapproval, which led to many of the delays that we had.

Mr. Roth: If I could add as well that there's very much closer monitoring of projects, including asking contractors for schedule updates on a more frequent basis. We're reporting more on issues and concerns that are identified. Therefore, we're mitigating some of the risks that may become apparent as we're working through various projects. As well, we're working with municipalities to ensure that we understand what their planning parameters may be, whether that be in relation to permits or applications that need to be in place as we're planning a project.

Really, as Michael has pointed out already, there's been a really strong focus on front-end planning so that we can identify risks and mitigate those up front and manage them in a way that is more realistic. Ultimately, a lot of what's being done is related to communication with stakeholders as well and helping to manage expectations and working closely with stakeholders, including school boards and parent groups with school boards, et cetera, so that they understand exactly what we're going to be doing and when we're going to be doing that and, to that end, making sure that the milestones that we do identify in each of the projects are realistic and that the scheduled dates for those milestones are followed through on and that they're managed in a way that is realistic for everybody and that everybody understands what those dates may be up front.

Dr. Turner: Thank you.

On page 2 of the AG's report the Auditor General asks this question. "Was adequate funding included in the government's March 2015 capital plan to match the announced completion dates?" The Auditor General concluded that there was not sufficient money for phase 3 projects in that capital plan. Consequently, I'm wondering: how much money has been allocated by the government to the current school projects, and how much money has been advanced to the current year of the school capital plan when compared to the plan of the previous government?

Mr. Walter: For the '16-17 fiscal year approximately \$1.6 billion has been allocated to the school capital budget, so a significant amount of dollars have been provided to Education, again, to advance the 234 projects that we have that were previously approved. We review quarterly, of course, where we're at relative to the construction of the schools and our pacing, and each quarter we either will declare that we need funds to be reprofiled into future years if we see that some projects aren't going at the pace that we would like to see them, or conversely, if we're in a situation where the pace is faster, we may require additional funds. That

information is relayed quarterly to Treasury Board, who then makes decisions relative to what our target is.

The Chair: Forty-five seconds.

Dr. Turner: I'll pass.

The Chair: Do you want the time?

Ms Goehring: Yeah. Forty-five seconds?

The Chair: Yeah.

Ms Goehring: Okay. Thank you, Chair. It's important to ensure that these mistakes don't happen again. So how are the departments better preparing for the next announcement of school projects when considering the recommendations from the Auditor General?

9:00

Mr. Walter: Well, I think it goes back to our memorandum of understanding, where, again, we've clearly delineated that the Minister of Education is responsible for the capital planning aspect and the Minister of Infrastructure is responsible for implementation. On the planning side, again, as I spoke to earlier, it's the front-end work with our school jurisdictions that we're very much focusing on, ensuring that when they submit their capital plans, they're as ready to go as they possibly can be and then seeking approval after that.

Ms Goehring: Thank you.

The Chair: Five minutes for members of the third party.

Mr. Gotfried: Thank you, Mr. Chair. Thank you to our presenters today for their information and background. I just wanted to ask a few questions. I mean, we all know that this isn't about cutting ribbons; this is about a lot of hard work and investment that goes into this. A lot of the schools that have been open to date, of course, have been under way for some time. I've got a little bit of a project management background, and I realize that there are a few things that need to be done here: prioritizing, obviously, what needs to be built within the list and when and the schedules around those and, obviously, the planning both from a project and budget management perspective within the agreed scope of work.

But, most importantly, I think what we're here to talk about today is the management and execution of realistic timelines, particularly, I think, within reference to sort of phase 2 and phase 3 projects. In terms of what we're seeing on the website now – and, again, I think a lot of this is about accountability to Albertans in terms of timelines and budgets – when do you feel that we'll be able to feel secure that what we're looking at on those sites is updated, timely, and realistic in terms of the work that you're both doing from both of your departments so that we really have a very secure thing that we can talk to Albertans about in terms of delivering that infrastructure and I guess in terms of financing that infrastructure as well?

Mr. Roth: The website is something that Infrastructure is directly responsible for. In order for us to ensure that we have accurate information, we've implemented a number of new reporting mechanisms. First of all, in relation to biweekly reports we make sure that specific project issues or risks related to projects that may be incurring delays or may be incurring issues are identified. That's developed in a matrix so that we can understand, as you may be aware from your background, you know, "Is it a red light, is it a green light, is it a yellow, or are we still at the warning sort of stage?" so that ultimately we can understand what are some of the high priority issues that are out there.

That biweekly report is then shared with both ministries and shared with the executives in ministries. What that does is it ensures that both ministries are well aware of projects that may be incurring some type of risk or issue. Ultimately, that's rolled up into a monthly report that is reviewed not only by project staff who are directly related to the projects and understand what's going on on the ground with projects but is then shared with the executives once again and is signed off by deputy ministers before it is uploaded to the website.

On a monthly basis this occurs, so on any given month you can be assured that that data is accurate within a period of, I'll say, 90 days. For example, the data that's uploaded today on the website is accurate as of the beginning of October, and it will be updated within the next week or so with information that'll be updated as of the beginning of November. So it is very accurate, and it is very up to date based on some of the new processes that we've put into place.

Mr. Gotfried: Thank you. I think that's a very robust process, actually, and that's pretty close to real time in terms of the scope and the magnitude of some of these projects. Just maybe explain to me – that process, obviously, is between Alberta Education and Infrastructure and also, I'm assuming, the school boards that are involved with that.

Mr. Roth: Absolutely.

Mr. Gotfried: Are they part of the sort of feedback loop in terms of the timing and deeply embedded with that process?

Mr. Roth: Absolutely. Maybe that's a good point of clarification. Ultimately, when we're sharing information with Education, they're validating that information with school jurisdictions to ensure that whatever the dates are that are being reported for occupancy are accepted and realistic for an individual school jurisdiction. So all of the information is validated with Education at that point in time prior to Education signing off on that data before it's uploaded.

Mr. Gotfried: That sounds very robust to me, so thank you.

I guess my other question in that regard – you talked about an approximately \$1.6 billion budget allocation for 2016-17, I believe. Do we have projections, then, going forward for the ensuing fiscal years around the phase 2 and phase 3 production? Are we at that stage yet to be able to do budget projections for those future fiscal years?

Mr. Walter: Yes, we have targets going forward for all projects for the next five years.

Mr. Gotfried: Okay. Do you have those numbers available?

Mr. Walter: I do. Did you want me to state them?

Mr. Gotfried: No. If we could get those in writing after, that might be very helpful.

Mr. Walter: Sure.

The Chair: We're out of time.

Mr. Gotfried: Are we up?

The Chair: Yeah.

Eight minutes to members of the Official Opposition.

Mr. Schneider: Yes. Thank you very much for coming in this morning. Appreciate that. My colleague down the way here talked about responsibility for reporting a moment ago, and I'm not sure the question was answered. Does the Department of Education or the Ministry of Infrastructure have any idea or any data that they can tell us about the \$4 billion that may have been wasted due to duplication, insufficient monitoring, and inconsistent reporting?

Mr. Walter: What I would say is that, again, from a management perspective the budget in Education relative to the oversight of infrastructure has remained the same. So there has been no increase to the overall staff budget or the supply services, et cetera, that's managed within the ministry in terms of delivering the capital projects. Again, the vast majority of the dollars that you just referenced flowed to school jurisdictions for capital construction. Again, I would speak to the systems that we have put in place in terms of what my colleague just discussed in terms of monthly reporting, normally from what the school jurisdictions report to us on a monthly basis but also the Infrastructure-managed projects. Again, the budget within the Ministry of Education for capital has remained the same.

The Chair: I'm sorry. I think the question has been asked several times now: how much money was wasted? That's the direct question. It's been asked by several members, and I think members would like a direct answer.

Mr. Schneider: I mean, is there some missed information or duplicate information being given that would have cut into that big amount of money?

Mr. Roth: I don't know that we could say that there's any . . .

Mr. Schneider: Insufficient monitoring?

Mr. Roth: Pardon me?

Mr. Schneider: Go ahead. Sorry.

Mr. Roth: I would suggest that the budgets that we have are committed to individual projects. Each one of those individual projects has expenditures directly made against them based on contractual agreements. I'm not sure that I would understand how dollars would be wasted in that process because we're committing dollars directly to contracts that are showing a product, which is a school that's being built in a particular jurisdiction.

Mr. Schneider: All right. I don't know if we'll get there, Mr. Chair.

How about authority for making project and program decisions? I'm not sure who'd like to answer this. This is basically an Infrastructure question. Does it have a comprehensive policy on who can make project decisions? Education does not; I believe that Infrastructure does.

For phase 2 and 3 projects the directors in Education's program and system support division approved Infrastructure's projects and budgets. There was no documentation to confirm that they had the authority to approve these budgets. The division has the most knowledge of projects, but the strategic services and governance division is responsible for the capital budget and expenditures.

Nine staff, I understand, have the financial authority over the budget for the \$4 billion school building program. However, there is not a policy that defines financial authority limits for these staff. I think I'm correct in that. So this is a little bit shocking. A \$4 billion school building program that does not have a clear policy that defines financial authority limits for staff who can make project

decisions. Has this been addressed? If so, who has the financial authority over the \$4 billion school building project, the program, and project decision-making?

Mr. Breakwell: The capital planning division within Infrastructure certainly puts together the capital plan for the government, but it does not in itself approve projects, whether it's for schools or for health facilities or any government facilities. They put together the plan that is then presented to Treasury Board, and it's Treasury Board that decides the financial implications for any projects that are approved. Within Infrastructure that group that you've talked about does not have the authority to approve or not approve projects.

9:10

Certainly, from the side of the actual projects themselves, as Mr. Walter has talked about, Education does work with its stakeholders, the school boards, to decide which capital projects should be brought forward, which are the highest priorities, and they decide on which ones should be brought forward to the capital planning process. Then there is a process between the two departments to decide whether it's going to be Infrastructure delivered or it's going to be grant funded to the school board to be delivered. But, ultimately, the decision on projects and funding is done by Treasury Board and then by cabinet as well following that, as far as any projects are going.

Mr. Roth: Further, if there are any expenditures that are made on individual projects and commitments made against those projects, those can only be made by those that have expenditure officer authority. That expenditure officer authority guideline has been in place for many years, and everybody is very clear as to what the parameters are around what they can commit and what they can expend according to their position within a particular organization. So those have been clearly defined.

Mr. Schneider: That's good to hear.

How much time have I got, Mr. Chair?

The Chair: Two and a half minutes.

Mr. Schneider: Okay. Going through project builds, I've run across one of these. I've just had a call from a constituent, actually. Has the department become aware of any cases where contractors or subcontractors were not paid on schedule due to government delay?

Mr. Roth: Not due to government delay. I'm not sure that I can speak to that.

Mr. Schneider: Well, anybody down there who can?

Mr. Roth: Well, the question, as I understand, was if bills weren't paid as a result of government delays, and I can't speak to that.

Mr. Schneider: Okay.

Mr. Roth: I know that there have been subcontractors that have provided feedback to Infrastructure that they have not been paid, and we work with those subcontractors. Ultimately, the government's responsibility is with the contractor. We don't have a contractual arrangement with a subcontractor. We encourage them to work together and facilitate their efforts to resolve that particular issue. But outside of that, I'm not aware of any bills not being paid as a result of schools being delayed.

Mr. Schneider: Okay. Thank you.

The Chair: One minute.

Mr. Schneider: One minute.

I do have a question, and I'll make it not political if I can. When the government ran in April of '15, they promised a sunshine list – that's what it was called – for infrastructure: a prioritized, criteria-based, transparent sunshine list for infrastructure projects across the province. Was any of that language ever given to you folks? Were you ever privy to any of that kind of that information? Were any decisions made in your departments if you were privy to that information?

Mr. Breakwell: Certainly, within Infrastructure, working with the minister, we were tasked with putting together – you've termed it the sunshine lists. There are many sunshine lists, so we've just called it the unfunded capital project list. We did put that out there with Budget 2016, a list of all the projects that were on that unfunded list that would be up for consideration within the next budget year.

The Chair: Okay. Eight minutes for government members.

Ms Goehring: If I could, Mr. Chair.

The Chair: Yup.

Ms Goehring: Thank you, again. Last year it was announced that more than 100 new school and modernization projects were delayed. Caernarvon school, which is in my riding, is one of those schools on the modernization list. I was hoping that the department could quickly update me on the status of that particular project.

Dr. Clarke: We may have to get back to you on that one, unfortunately. We don't have it on the list that we're working from right here.

Ms Goehring: That's fine. Thank you.

Dr. Clarke: You said it was a modernization?

Ms Goehring: It is a modernization. Edmonton-Castle Downs, Caernarvon.

The Chair: I hope you're okay with that, Ms Goehring. We'll consider that in written questions for follow-up from our witnesses.

Ms Goehring: Yes, that's absolutely okay.

I guess in a more general sense what steps have the departments taken to prevent such delays moving forward?

Mr. Walter: The first part I would speak to relative to delays would be what I spoke to earlier, which is about the site. When we talk about new school construction, typically the thing that delays us the most is having the site ready to go for construction. So, again, it's having the school boards work with the municipality prior to the submission of their capital plans coming in, ensuring the site is serviced and has the appropriate roads leading to it so that once the project is approved, we don't have that gap in time that we've had in the past relative to getting ready to actually start the implementation phase with Infrastructure.

The other part that I would speak to that has led to delays in the past, again, and is perhaps applicable to your situation in Caernarvon, is that when we do a modernization and the appropriate scoping on that, some of the things that we can hit that cause delays in a modernization are hazardous materials or in terms of the phasing of the students in the school because typically you're looking at having to plan the project with the kids moving around the school. We do that very closely with the school principal and with the superintendent. There may be situations where they say,

for example, in a high school: we have exams coming up; we need the following timeline relative to ensuring that things aren't disrupted. Those things can lead to delays. What we've tried to do through the MOU and the RASCI is ensure that when we scope the project out and when we establish the timelines, those things are taken into consideration and that the appropriate amount of time is dedicated towards completing the project.

Ms Goehring: Thank you very much for the clarification.

Dr. Clarke: I do have an answer for you.

Ms Goehring: Thank you.

Dr. Clarke: It is a delivery type under the school jurisdiction, so it is responsible. We are looking at a current revised occupancy date of January 17.

Ms Goehring: Thank you very much.

I would now like to pass my time over to MLA Westhead.

The Chair: Mr. Westhead.

Mr. Westhead: Thank you very much, Mr. Chair. I think all of us can agree that parents and families have waited a long time for these much-needed school projects. Obviously, Alberta is a great place to raise a family, and we have one of the youngest populations of the provinces in Canada, so we need these schools for our children to get the best chance at a good education. On page 1 of the Auditor General's report it says that "public reporting was consequently weak." Therefore, I'd like to know what the departments have done to improve communications with the parents and the public about the projects.

Mr. Breakwell: Sure. As we've talked about, Infrastructure updates the public website monthly with data current as of the month previous to the update, so at the moment we'll be looking before the end of this month to update to the end of October. The updated information is based on verified information obtained from the data tracked on various biweekly and monthly reports shared between Infrastructure and Education and approved by both departments.

Website updates include current school project information: the jurisdiction, location, grade structure, student capacity, project type, status, and the estimated completion date. As we also mentioned earlier, we do check with the various school boards as well on that information to make sure that they will concur with what's going up on that website.

Mr. Westhead: Great. Thank you very much.

I think I'll turn my time over to MLA Dach now.

Mr. Dach: Thank you, Chair. Thank you to all present for your detailed and considered answers.

On page 19 of the Auditor General's report recommendation 8 states: "We recommend that the Department of Education improve its cash-flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress." We've heard the Minister of Education talk about pay-as-you-go funding for these projects. I'm interested to know how this works, how the pay-as-you-go funding for these projects works. What are the benefits of funding projects in this way?

Dr. Clarke: I'll just give you a change of phrase. It's just-in-time grant funding payments that we're focusing on here. These match the cash flow to the project progress.

I'll let Michael explain this a little bit more for you.

9:20

Mr. Walter: Previously we worked off a policy that would provide over a four-year period a percentage of the project funding out to the board. It was a 10-40-40-10 over a four-year period relative to the start and finish of a project. We've changed that now, as Deputy Clarke has spoken to. Again, we work with the jurisdiction to establish the project scope. With that, then, comes the appropriate budget, that is put into a grant agreement with a pre-tender budget estimate that is put in place. That is adjusted posttender relative to, again, the number of bids that we receive on a particular project.

Then again, we go into a system where it's, as the deputy said, pay as you go. When the jurisdiction hits particular milestones and provides documentation to the Department of Education, we then provide the funds back to the jurisdiction to ensure that the project is appropriately supported. This has ensured that on a quarterly basis the information that we provide back to Treasury Board is accurate relative to what our cash needs are with the pace of the particular projects. It also ensures, again, that the money stays in government and isn't just simply sitting in a school board account if the project is not at a stage that it needs to be relative to the funding that's been provided. We believe we've corrected that and have a solid policy in place.

Mr. Dach: Okay. As a result of that there are cost savings that would accrue because it's just-in-time funding.

Mr. Walter: It would be, again, because the funding is not released simply on a yearly basis and an estimate basis. It's released based on actuals.

Mr. Dach: Okay. Related to my first question, how have you improved your monthly reporting and risk analysis on these projects?

Mr. Roth: Once again, we're having more regular conversations directly with the constructors themselves and ensuring that ultimately the information that they're providing us is provided on a more frequent basis, including updates to schedules, updates to any risk registers that we have in place, and ultimately those feed into all of our reports that ultimately are updated to both ministries.

The Chair: Five minutes for members of the third party.

Mr. Fraser: Thank you, Chair. Thanks so much for all your work. I know that working in departments is difficult work and trying to match that with political ambitions can be extra pressure for you guys, so I do appreciate it.

I just wanted to clarify a few things. They don't need to be long answers. Just for some of the members around this table and maybe some of the people watching or listening, when you come up with a capital project and you announce that capital project, the full money for that project goes in the current year's budget, correct? It's on the books?

Mr. Walter: It's on the books, but it would be spread out over a four-year period.

Mr. Fraser: Correct.

Mr. Walter: Estimates relative to the . . .

Mr. Fraser: Right. So you're not paying all the money right away.

Mr. Walter: No.

Mr. Fraser: Then when we're linked to phases 1, 2, and 3 of the school builds, each phase has allotted money, correct? Like, you pay it out over that period of time.

Mr. Walter: Correct.

Mr. Fraser: Okay. So it's my understanding that when we got into phases 2 and 3 on some of these builds, it wasn't that there wasn't money there for some of these phase 3s; it's just that essentially we moved on to phase 3. We got ambitious, so some of the builds moved ahead without maybe reaching the certain parameters so that money could be allotted, and that caused some problems. Is that correct?

Mr. Breakwell: I'm not sure I'm really clear on the question. Sorry.

Mr. Fraser: Oh. Okay. Just, you know, there are some questions from some of the members around here. Number one, when a government announces that a school is going to be built and they put in their budget, that money is allotted. It's already there, correct? There's a commitment to pay that bill.

Mr. Breakwell: Yeah. When that build project is announced, there is a commitment that funding will be available as it is needed.

Mr. Fraser: Right. So it's not, for instance, that another government comes in and all of a sudden has to make it up. It should be budgeted. It's in a budget.

Mr. Breakwell: You're getting around to what the Auditor General identified, which was that when phase 3 schools were announced, the funding levels there for the completions that they were anticipating were not sufficient, and at that point in time it was not reflected in the budget.

Mr. Fraser: Very good.

I just want to go back to estimates in November, and I'm just going to quote here. I won't quote everything, but I'll get to the heart of the issue. This is from the hon. Member Manmeet Bhullar asking Minister Mason in Infrastructure budgets:

The March numbers were \$3.8 billion approximately for a five-year total; you have \$3.5 billion for a five-year total. How do we anticipate building the same number of schools with \$300 million less?

The answer was this from hon. Minister Mason.

Well, hon. member, you're right. The originally budgeted figure was \$3.9 billion, but once we began looking at the actual costs, they came in lower. The original number was too high.

From Manmeet Bhullar:

Just to be clear, the budget for the school construction has been reduced by \$301 million.

Minister Mason:

It was reduced, hon. member, by \$366.4 million. There was a carry-over of \$50.5 million, so the net is \$315.9 million.

Essentially there was a \$300 million reduction. Just to put it to rest, the previous government actually had more money. It was the current government that reduced that number. When they reduced that number, did it cause some problems with the phase 3 build?

Mr. Breakwell: No.

Mr. Fraser: Okay. Very good.

The Chair: One minute.

Mr. Gotfried: There was one other question I wanted to ask. Really, this is more looking towards the future. There was a motion, actually, by my hon. colleague here back in 2012, I believe, which was unanimously passed by the House, Motion 503 of the day, I believe it was, which encouraged some collaborative building investment with the private sector. I myself come from the building and development industry, and I know that, obviously, schools are considered a major amenity in new communities. I know that some of the development community is anxious to be involved, too, and in some cases accelerate the builds of that educational infrastructure. Could you comment on any activity around that particular motion, that was unanimously passed by the House, whether there has been any work in terms of both planning and funding in collaboration with the private sector?

Mr. Roth: Ultimately, we're in consultation with industry on a regular basis and are looking at ways in which we can ensure that whatever it is that we're planning is going to be effective and efficient, so as opportunities arise, we continue those discussions with industry.

Mr. Gotfried: Thank you.

The Chair: All right. We're on to the second rotation of five-minute blocks now. Five minutes for members of the Official Opposition.

Mr. Hunter: Thank you, Mr. Chair. I have just a quick question for Mr. Breakwell. In your preamble you said that both Infrastructure and Education had not accepted the Auditor General's report. My question is: has that affected the expedition of these recommendations? We've talked about how some of the things are going to be implemented in 2017. Does that cause any problems at all?

Mr. Breakwell: No. I'd say that we have accepted. To be clear, both departments did accept the recommendations. It is just that the official recommendations have not gone through to cabinet for approval by the government, but the departments have accepted and are moving forward with the implementation of those recommendations.

Mr. Hunter: That was my question, actually. Cabinet has not accepted these recommendations yet?

Mr. Breakwell: They have not been presented to cabinet. I've not indicated that they did not accept; I'm just indicating that the report itself has not been put in front of cabinet.

Mr. Hunter: Okay. But it's been in since April, from what I understand.

Mr. Breakwell: I can't speak to that particular process and how they schedule those. I don't think it's only ours that has not been in front of cabinet as yet, but it's not affecting the implementation of the recommendations that the Auditor has made.

Mr. Hunter: It is not . . .

Mr. Breakwell: It is not affecting those.

Mr. Hunter: Okay. Thank you very much.

Mr. Hanson: Thank you very much. Sorry for just jumping in here like this. I'm just curious about the Two Hills Mennonite school in my constituency. It's been kind of an ongoing problem over five years. I'm just wondering if you have any updates as to the issue

with the methane bubble and the artesian well, if there have been any further indications of that being an issue, and also where it sits on its budget. I know that, you know, with all the delays it can't possibly be running under budget, so I just want to know, compared to the original budget, where we're sitting on that project.

Mr. Roth: There were, as you pointed out, some unusual site conditions that we experienced in Two Hills when we were implementing, and that included, as you noted, an artesian well. As well, there were some gases, I recall. The challenges with each one of those issues have been managed. That definitely did have an impact on the project schedule. We had not anticipated that we were going to be dealing with the level and the complexity of the site conditions as they were. They have all been managed through our project team and working with the school board so that, as you may be aware, the school is seeing great progress. Ultimately, it will be completed in the spring of next year.

9:30

We understand as well that for any issues that have arisen since those original site issues have been presented, we have taken care of all those issues as well with the school board so that there will be an open school, ready for students, come spring next year.

Now, as far as budget, I don't have the specific budget numbers with me. I'd have to get back to you on the budget itself, unfortunately.

Mr. Hanson: Well, that would be great. If we could get some assurances, because I still get questions from local people there, you know: "What about the gas? Have they actually rectified that?" So if there's some way we could get some kind of a statement out that all of these issues have been rectified, just to reassure people.

Mr. Roth: Absolutely, and that's a good recommendation. We do work with the school board, but maybe what we can do is that we can ping the school board and work with them around communication specific to those issues. Especially since they're seeing great progress, they're probably very excited about the project itself, and we want to make sure, as you were saying, that their particular questions are dealt with in advance of the school opening.

Mr. Hanson: Yeah. You bet. I try to get by there every couple of weeks, and I notice, you know, that things are progressing very nicely and that people are actually getting pretty excited about getting in there. But there is still that overlying: if I send my kids there, are they going to be safe? So if we could have some assurance, that would be great.

Thank you.

The Chair: Fifty seconds left.

Mr. Barnes: Okay. Thank you. I'll just jump in quick.

When do Infrastructure and Education decide whether Infrastructure builds the school or the group of schools, or when do they decide to have the school board do it instead? What are the criteria around that, please?

Mr. Walter: Again, we do have a matrix, when a project is approved, that we apply in terms of whether or not it becomes a board-managed project or whether or not, in fact, Infrastructure provides that oversight. A lot of that speaks to the jurisdiction's capacity to actually build schools or familiarity with the process. Some of our bigger boards, for example, have actual units within their school board that are there for school construction. Those are

almost an automatic deferral to the school board for the construction of those.

For the other ones, that maybe do a project once every four or five years, in fact, we would then provide that support through an infrastructure manager. But there is a decision-making matrix that has more complexity than I just described.

The Chair: Five minutes for members of the government. Mr. Malkinson.

Mr. Malkinson: Thank you very much, Chair, and thanks to the staff from both ministries for being here today. I have a question that could be answered by either ministry, whichever feels appropriate. In my constituency the Calgary Arts Academy is undergoing a modernization, and it's very important to many of my constituents. I'm curious: can you tell me the status of that project?

Mr. Walter: We will have to get back to you on that one.

Mr. Malkinson: Okay. Perfect. If you could give me a written response back, that would be great.

Sort of following up on school modernizations, there are a number of projects that are under way currently with those modernizations. I'd love to know how many of the new schools and modernization projects have been completed this fall.

Mr. Walter: In terms of new schools 31 school projects were opened – again, I'll have to get the breakdown for you – so 31 school projects as of September, opened in September 2016. The vast majority of those would have been new schools. Within the 31 there were 20,000 new student spaces added into the system, so a significant amount of space that was introduced into the system as of September, and 2,400 student spaces were modernized.

Typically we don't add capacity when we do a modernization. You're simply upgrading the existing footprint of a school, or in many cases, be it in smaller communities, you may be rightsizing that relative to the future projections of what the community would be.

But back to September 2016: 31 school projects, 20,000 new spaces opened up, and 2,400 student spaces modernized.

Mr. Malkinson: Great. Now, for those modernizations, what do some of those modernizations look like as far as helping students that are going to be going into those spaces?

Mr. Walter: When we do a modernization project, again, a few key components that would go into that, of course, are looking at: are there any health and safety issues relative to the school? Are there situations where there could be water underneath the school or anything like that that may need to be mitigated?

Then, again, something we'd be very excited about in Education is, of course, that if you've got a school that's of a considerable age, that school needs to be brought into today's standards relative to the programming components in the school. Do they have suitable CTS space? Do they have suitable space for physical activity? Are there opportunities within the school – and typically these have to be introduced into our minds – for collaborative teaching within the school, where teachers can get together to program together, as well as appropriate space for technology and for individual student work? That's a big component of that as well as looking, of course, at what the deficiencies are within the facility condition and ensuring that the size of the school is appropriate for what the community is projecting going into the future.

Dr. Clarke: I am able to sort of give you an update on your query. The revised occupancy date was the end of October 2017.

Mr. Malkinson: Perfect. Thank you very much.

Mr. Chair, I'd like to cede my time to Ms Miller.

The Chair: You have 50 seconds, so real quick.

Ms Miller: Thank you, Mr. Chair. I also have a question that relates to both departments. Both your departments have already taken many steps to improve processes for school construction. However, we do still see some school delays. Could you speak to the reasons behind some of these delays?

Mr. Roth: There are a variety of issues that may come to the fore. Some of them are related to unforeseen site or building conditions that we encounter during construction, particularly when we're looking at a modernization-type project. In some cases that may require a structural upgrade, where that was not previously anticipated when the project was approved.

As well, there may be some unforeseen construction issues. For example, we've seen in the last couple of months that there have been some trade bankruptcies that have been occurring in construction, and that's resulted in delays in ordering or delays in materials actually coming to the site. As well, weather can have a significant impact on projects. If there are excessive amounts of rain, that can delay roofing work or site work or other activities.

Once again, with modernizations especially, there are situations with hazardous materials. We do assessments prior to commencing construction, but once you actually get into the demolition stage of the project, you may discover other hazardous materials that need to be taken care of, and obviously those need to be carefully managed and mitigated to ensure safety of not only construction crews but, as well, the students that are in that school. In some cases there are delays because there are scope changes, where a school board may request something that was not originally contemplated in the approval. As a result of that, we need to work very closely with the school board or the project stakeholders in the case of a partnership that may come to the table, where funds are provided that are supplementary to an approved project.

The Chair: Thank you very much.

Five minutes for members of the third party.

Mr. Fraser: Thank you, Mr. Chair. Regarding modernizations, is there a process in place – just, you know, again, to try to unpoliticize that process. Regarding that process, is there a way where you work with the school boards that have contingency funds for that and then the ask to the government? Is there a process where Infrastructure would go in and take a look at it to see: what is the critical nature of a modernization? Is it upgrading space, those types of things? Is there a collaboration that looks at all these things and then takes a look at the funding that the school board may have set aside for that, the funding that the province would give, so that there's kind of an accountability measure there that is kind of an ongoing thing perhaps, whether it's biyearly or every five years, an inspection by Alberta Infrastructure so that you're not getting into the weeds when you mention, "Wow, this project is much more money, and there are some hazardous things here," so that you're actually taking a look at things?

Is there a process where you're looking at that on a regular basis with school boards, first, encouraging them to use their reserve funding to help with some of this and then, second, so you know exactly where these schools are, especially the aging ones, so that it's not a surprise and/or, again, it's not a political announcement, where it's just something that's an ongoing maintenance issue that we can easily budget for if we can get out in front of it?

9:40

Mr. Walter: The value scoping that we've put in place, I believe, gets at a lot of what you're talking about, which is looking at a particular school facility. We do have processes from a condition index, which I'll defer to Infrastructure on, to establish whether or not it's in the best interest to modernize the existing school or simply replace it. For example, for one in Paradise Valley, Alberta, it was deemed that it was more economical to just build a new school and demolish the old one, so there is a process that's in place to establish that.

Again, we look at the footprint of the school and the condition of the school in terms of where they're at. Infrastructure does have a cyclical process relative to giving every school in the province a facility condition score, so we know if the school is in poor, fair, good, or excellent condition relative to its current state. Then, again, it goes through a process of looking at: what are the program needs, and can that building, that footprint in an efficient, economical way suit the program expectations going forward that we have on that?

Occasionally school jurisdictions will seek to contribute portions out of their reserves if they want particular elements in the school that are outside of what is supported within the budget, so they can add. For example, one jurisdiction in particular puts in place a school principal a year in advance of the project being completed, so they have that individual on-site. That individual is looking at the set-up and the opening, et cetera, et cetera. That's not something we fund, but that's something the jurisdiction chooses to fund and pay for out of their own funding that they've received.

I'll defer to my colleagues if there's anything they want to add on that.

Mr. Breakwell: No. I think that, as you've indicated, there's a cyclical process in which we go out and assess all the schools. We assess all the government facilities: schools, health facilities, and so forth. That information does come in, and it does go into the decision-making process on how much maintenance funding is required from Education as well.

Mr. Fraser: All right. Just one more question relating to my Motion 503: do you ever see a future where a developer could approach Alberta Infrastructure and Education, offer to build a school on their dime long before the children enter the community, and allow that school to be utilized for other community services? Then when the community is built out and the kids are ready to go there, that infrastructure is already there to serve that community. Do you ever see a future where that might happen?

Mr. Roth: We've had some scenarios that have been presented to us in the recent past. Nothing has ever come to fruition, so I can't comment specifically on if that's going to be a direction that we go in at this time.

Mr. Fraser: Okay. All right. Thank you.

The Chair: Thirty seconds. Do you want to . . .

Mr. Fraser: No. I think we're good.

The Chair: All right. Five minutes for members of the Official Opposition.

Mr. Barnes: Okay. Thanks again, Mr. Chair, and thank you again for all your work and being here today.

Right at the start the Auditor General talked about the lessons. The first lesson for the ministers, of course, is: don't make promises you can't keep. The lesson for the public service was that if a

promise is made or something is out there, one of your duties is to provide the evidence as to why it can or cannot happen and then updating the public. I've heard a lot of good things about your changes and your improvements to update the public.

Can you speak for a second on how you keep the minister informed as to what the actual capacity is in the construction industry to build these? And while you're answering the question, if you don't mind me switching gears a bit, two or three years ago I heard consistently from small builders around Alberta that they had the capacity and the desire to build these schools, but the projects weren't reaching them. They worked to bigger builders in bundles, and that was why my earlier question was: at what point do you decide Infrastructure will build them versus the boards? In my opinion, one of the solutions could have been flowing this money to boards, and some of these schools could have been built. If you can comment on those two things, I would appreciate it.

Mr. Breakwell: Well, I'll start. You're certainly correct that in the past there was a bundling of schools that were put out to be tendered. That process is not what we've been using. It has been individual schools. We are seeing other small construction companies now coming forward and bidding on those particular projects. I think that we have got away from the bundling.

You're certainly right. The capacity out there in industry is much greater now. We do interface with industry. We have a committee within Infrastructure where we meet with the construction associations as well as engineers and architects on a regular basis so that we can get feedback from them on where the capacity is or where there are some issues. We work together to get those done. So we do consult with industry on a regular basis to find out what capacity may be out there and where things may be at with them.

Mr. Barnes: Okay. Thank you. And do you have a mechanism to flow that information to the current ministers of Education and of Infrastructure?

Mr. Breakwell: Well, we certainly flow that information right up because it's asked at Treasury Board as well, so it does get a broader view as to what the capacity is because it's a major question that comes up when we're talking about any of the capital plan and what we're putting out there in the marketplace.

Mr. Barnes: Okay. Thank you. I want to talk about the gate ideas, that research and the Auditor General talked about this morning. Talk about the effectiveness of the gates as to whether at each step of the project you decide to go ahead or change it or stop the project. I'm particularly concerned about what's commonly called scope creep. Some of our research has identified it in one project that was originally budgeted at \$7 million and ended up being at \$37 million. Can you talk a little bit to your planning process before you start allocating capital and deciding contracts, please?

Mr. Breakwell: Well, I was going to start, Mike, and then you can speak specifically about the schools. Just in general, the process that's been put in place right across the capital plan now is that projects need to go through a planning process before they're considered by Treasury Board. There is funding that is now provided to the various ministries to do that planning. That would include identification of the needs assessment, functional planning, business plan, in some cases the design of the particular facility. By doing that, you certainly have a better understanding, then, of what the scope is and what the time frame is going to be to deliver that project. That's now going into the capital planning process before those projects are being considered for approval. That's just all capital projects. That just started with the 2016 budget. I think there

were a lot of good things that have come from that, and we expect to see that continue through the 2017 budget process. But I'll leave it to Mike if he wants to talk about the schools.

Mr. Walter: Yeah. I think we spoke to, again, the significant gate for us, which is the site readiness relative to the new school construction. I'd also, I think, just want to reiterate that the grant agreements that we put in place establish what the project budget will be. There are occasions where the scope of a project will be considered if there is an adjustment requested by the school board and they can present the rationale and the reasons behind that. We will consider that, and some of those are approved. They are approved by the minister, who actually would make the appropriate adjustment to the budget. There are some adjustments that are made to the scope that, actually, the school jurisdiction chooses to fund on their own, so there is a process in looking at what that adjustment request is and then the funding source that would accompany that.

The Chair: Well, thank you very much. That is it for our questions from members' time. I'd like to thank officials from the Ministry of Education and the Ministry of Infrastructure for their presentations today and for responding to committee members' questions. We ask that any outstanding questions be responded to in writing within 30 days and forwarded to the committee clerk.

Are there any questions that members wish to quickly read into the record before we finish today? Okay. We'll start with Mr. Barnes, Mr. Hunter, and see who's after that.

Mr. Barnes: Thank you, Mr. Chair. I would just like a little clarity around the facility index score that Mr. Walter talked about. I recall three years ago when a school had to be shut down. I can't remember if it was mould or leaking, but on the facility index it was actually scored . . .

The Chair: Sorry. I'm just asking for written questions, no statements. Just questions only.

Mr. Barnes: Okay. It was actually scored as good. So I would like to know how often the schools are inspected. Just a little bit about that process, please.

9:50

Mr. Hunter: Really quickly, Mr. Chair, in order to meet capacity benchmarks, have either the Infrastructure or Education ministries ever asked a school board to change their status from ready to not ready to build?

Second question I'd like to know. From what I understand, there was a builder that made a roofing recommendation that would save up to \$300 million. His answer from the ministry was: we don't have time to look into it. Can you answer to this committee why you're not looking into cost-saving measures, please?

Thank you.

Mr. Cyr: Did the department become aware of any cases where contractors or subcontractors were not paid on schedule due to a government delay?

The Chair: Last call for written questions.

All right. Under other business I wish to note for the record that the Ministry of Health provided a written response to questions outstanding from our October 4 meeting, which was provided to committee members last week. In keeping with the usual practice of this committee, the document will be posted to the external committee website.

Our next meeting is Tuesday, November 29, with the Ministry of Justice and Solicitor General respecting the victims of crime fund. The meeting is scheduled from 8:30 to 10:00, and the premeeting will be at 8:00.

I'll call for a motion to adjourn. Would a member move to adjourn? Moved by Mr. Westhead.

[The committee adjourned at 9:51 a.m.]

