



Legislative Assembly of Alberta

The 28th Legislature
Third Session

Standing Committee
on
Public Accounts

Infrastructure
Treasury Board and Finance

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The 28th Legislature
Third Session**

Standing Committee on Public Accounts

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Young, Steve, Edmonton-Riverview (PC), Deputy Chair

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Luan, Jason, Calgary-Hawkwood (PC)
Pastoor, Bridget Brennan, Lethbridge-East (PC)
Sarich, Janice, Edmonton-Decore (PC)
Starke, Dr. Richard, Vermilion-Lloydminster (PC)*

* substitution for Fred Horne

Also in Attendance

Strankman, Rick, Drumheller-Stettler (W)

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Brad Ireland	Assistant Auditor General

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Standing Committee on Public Accounts

Participants

Ministry of Infrastructure

Hon. Manmeet Singh Bhullar, Minister
Dave Bentley, Assistant Deputy Minister, Properties
Tom Bradley, Chief of Staff
David Breakwell, Assistant Deputy Minister, Corporate Strategies and Services
Barry Day, Deputy Minister
Brian Fedor, Assistant Deputy Minister, Learning Facilities
Sharon Lopatka, Director of Communications
Faye McCann, Senior Financial Officer
Neil McFarlane, Executive Director, Government Facilities
Neill McQuay, Chief, Strategic Partnerships Office
Andrew Sharman, Assistant Deputy Minister, Health and Government Facilities
Judith Wright, Director, Learning Facilities

Ministry of Treasury Board and Finance

Ian Ayton, Assistant Deputy Minister, Tax and Revenue Administration
Ray Gilmour, Deputy Minister
Darren Hedley, Assistant Deputy Minister, Strategic Business Services
Kate White, Assistant Deputy Minister, Economics and Fiscal Policy

8:33 a.m.**Tuesday, March 24, 2015**

[Mr. Saskiw in the chair]

The Chair: Well, good morning, everyone. I'd like to call this meeting of the Standing Committee on Public Accounts to order. I'd like to welcome everyone in attendance here. I'm Shayne Saskiw, your committee chair and the MLA for Lac La Biche-St. Paul-Two Hills.

We'll start by going around the table to introduce ourselves, beginning on my right with our deputy chair. Please indicate if you're sitting in on the committee as a substitute for another member.

Mr. Young: Good morning. Steve Young, MLA for Edmonton-Riverview and the deputy chair.

Mr. Donovan: Good morning. Ian Donovan, Little Bow riding.

Dr. Starke: Good morning. Richard Starke, Vermilion-Lloydminster, sitting in on behalf of Fred Horne, Edmonton-Rutherford.

Mr. Allen: Good morning. Mike Allen, MLA for Fort McMurray-Wood Buffalo.

Mr. Luan: Good morning. Jason Luan, MLA, Calgary-Hawkwood.

Ms Pastoor: Bridget Pastoor, Lethbridge-East.

Mr. Bilous: Good morning. Deron Bilous, MLA, Edmonton-Beverly-Clareview.

Mr. Jeneroux: Good morning, everyone, and thanks for coming. Matt Jeneroux, MLA, Edmonton-South West.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. Gilmour: Ray Gilmour, Deputy Minister of Treasury Board and Finance.

Mr. Hedley: Darren Hedley, assistant deputy minister of strategic business services, Treasury Board and Finance.

Mr. Bhullar: Good morning. Manmeet Bhullar, Minister of Infrastructure.

Mr. Day: Good morning. Barry Day, Deputy Minister of Infrastructure.

Mr. Ireland: Good morning. Brad Ireland. I'm an Assistant Auditor General.

Mr. Saher: Merwan Saher, Auditor General.

Mrs. Sarch: Good morning and welcome. Janice Sarch, MLA, Edmonton-Decore.

Ms Jansen: Sandra Jansen, Calgary-North West.

Mr. Strankman: Good morning. Rick Strankman, Drumheller-Stettler.

Mr. Anglin: Good morning. Joe Anglin, Rimbey-Rocky Mountain House-Sundre.

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

Mr. Tyrell: I'm Chris Tyrell, committee clerk.

The Chair: Is there anyone joining us by teleconference? All right.

Before we begin, the microphones are operated by the *Hansard* staff. Audio of committee proceedings is streamed live on the Internet and recorded by *Alberta Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website. Please make sure to speak directly towards the microphones and not lean back in your chairs while speaking, and please do your best to keep your cellphones away from the microphones and on silent or vibrate.

At this point I'd like someone to move that the agenda for the March 24, 2015, Standing Committee on Public Accounts meeting be approved as distributed. Mr. Anglin so moves. All those in favour? Opposed? Carried.

Members should all have a copy of the briefing documents prepared by committee research services and the office of the Auditor General as well as responses to the outstanding Auditor General recommendation documents for each department.

Joining us today are the ministers and department staff from Alberta Treasury Board and Finance and Alberta Infrastructure. We'll begin by having the ministers make opening statements of no more than five minutes each on behalf of their respective ministries. The remaining time will be for the committee to ask you questions.

Minister, you may begin when you are ready.

Mr. Bhullar: Thank you very much. Just for clarification, Mr. Chair, am I speaking, and then we're asking questions on my department, or am I speaking and then Treasury Board and Finance and then we ask questions together?

The Chair: We'll start with your ministry, then Treasury Board, and then all questions.

Mr. Bhullar: Perfect. Thank you. Well, good morning. I want to acknowledge Infrastructure staff that are here today. I don't know if it's possible for everybody to quickly introduce themselves.

Ms Lopatka: Sharon Lopatka, director of communications.

Ms McCann: Faye McCann, senior financial officer.

Mr. Fedor: Brian Fedor, assistant deputy minister, learning facilities division.

Mr. Bentley: Dave Bentley, assistant deputy minister, properties division.

Mr. Sharman: Andrew Sharman, health and government facilities division.

Mr. McFarlane: Neil McFarlane, executive director, government facilities branch.

Mr. Bradley: Tom Bradley. I work with the minister.

Mr. McQuay: Neill McQuay, chief, strategic partnerships office.

Mr. Breakwell: Dave Breakwell, assistant deputy minister, corporate strategies and services.

Ms Wright: Judith Wright, director, learning facilities branch.

Mr. Bhullar: I think that's it. All right. Thank you all for being here this morning. Mr. Chair, I'll refer to them and defer to them whenever needed.

I will now highlight Infrastructure's activities and achievements for 2013-14. Infrastructure has been busy working closely with our partner ministries to address the outstanding recommendations

from the Auditor General of Alberta on the build and upgrade of public infrastructure.

We continue to make progress on four outstanding recommendations from the Auditor General and are undertaking a capital plan process redesign. We are working to improve the process to evaluate and prioritize proposed infrastructure projects and align them with government priorities within the fiscal plan. We are continuing to improve the quality of information being provided to Treasury Board to ensure better informed decisions on capital plan approvals. As part of our effort to reduce deferred maintenance, we are working to provide consistent definitions for identifying capital maintenance and renewal needs. This includes reviewing facility evaluation, auditing, and reporting processes, and we are developing an asset management strategy to enable a corporate approach to assist life cycle management. This will help ensure public infrastructure assets are properly maintained over their lifetime.

Looking at capital construction achievements, building Alberta's school infrastructure continues to be a key priority. By the end of 2013-14 we had begun work on 120 new and modernized schools to be completed beginning in 2016, 50 new, 70 modernizations. Much progress continued on the 35 new or modernized school projects announced in 2011: 32 of the new or modernized schools are completed; two are under construction; one is in planning, and that was the school that I believe was affected by the Calgary floods. Of these new schools, 12 were delivered by a P3 at a savings of about \$43 million compared to traditional delivery methods.

Work continued in conjunction with Alberta Health and Alberta Health Services to provide the space needed so Albertans have access to health programs and services. Construction was completed on six major health capital projects: the Bow Island health centre emergency department; Alberta Children's hospital neonatal intensive care unit in Calgary; in Edmonton the endoscopy suite expansion at the University of Alberta hospital; the redevelopment of the Alberta Hospital food services department; in Red Deer the Central Alberta cancer centre; and in Sherwood Park the Strathcona community hospital, which includes 24-hour emergency services.

8:40

Construction also continued on much-needed health facility projects, including the Edson healthcare centre, Grande Prairie regional hospital, High Prairie health complex, Chinook regional hospital in Lethbridge, Medicine Hat regional hospital, and the Red Deer hospital obstetrics expansion. Infrastructure also secured a site in Medicine Hat for a new 18-bed detox and residential treatment centre to provide local treatment and care.

In 2013-14 Infrastructure led initiatives supporting Albertans affected by the southern Alberta floods, including the floodway relocation program and several floodway mitigation initiatives and cleanups.

The Chair: Sorry to interrupt you, Minister. Your time is up, but there will be plenty of time for questions back and forth. Sorry about that.

Next up is Mr. Gilmour, and he has five minutes.

Mr. Gilmour: Thank you and good morning. I appreciate the opportunity to be here this morning on behalf of the hon. Robin Campbell, President of Treasury Board and Minister of Finance. Also with me this morning are staff from the department and representatives from ATB Financial, Alberta Gaming and Liquor Commission, and Alberta Investment Management Corporation.

Today I will be presenting an overview of the areas that fall under the responsibility of Treasury Board and Finance, including the

2013-14 annual report of the government of Alberta, the 2013-14 annual report of Alberta Treasury Board and Finance, and the 2014 Auditor General report recommendations that apply to Treasury Board and Finance. Starting with the 2013-14 annual report of the government, the annual report includes three major components: the executive summary, Measuring Up, and the consolidated financial statements. The first component, the executive summary, provides a fiscal budget summary along with economic and tax highlights, spending and revenue highlights, and an overview of capital spending.

The second component is Measuring Up, a report that compares actual performance results to desired results as set out in the government's strategic plan. This report lets Albertans know the outcomes of the government's work for the past year. For example, if you look through, you will see outcomes for education, health, the economy, export levels, and key accomplishments in numerous other areas.

An example of one key accomplishment was the response to the June 2013 floods, the largest and most expensive natural disaster in provincial history. The floods were unprecedented in magnitude, and the government drew on its resources in a significant way to provide the necessary supports for local flood recovery efforts. The government assisted Albertans with community stabilization in a number of ways. Another example: the largest growth in exports over this past year was in the chemicals and plastics industry, which grew by 14.6 per cent, followed by energy exports and then forestry and wood manufacturing, which grew by almost 9 per cent.

This year's summary showed that overall 2013-14 was a strong fiscal year for the government of Alberta. On a fiscal plan basis revenue in 2013 was \$45.3 billion, an increase of \$6.5 billion from 2012-13 and \$6.6 billion from the budget. The increase from 2012-13 and the budget was mainly due to higher nonrenewable resource revenue, income tax revenue, net investment income, and one-time flood assistance funding.

The government of Alberta's nonrenewable revenue forecast was based on current conditions and factors such as anticipated economic growth, nonrenewable resource demand trends, and expected supply levels. Due to global supply disruptions in '13-14 oil prices were higher than budgeted for every month after June of 2013. As a result, nonrenewable resource revenues increased \$2.3 billion from budget and \$1.8 billion from the previous year.

Income tax revenue also increased \$1.1 billion from budget and \$1.6 billion from the previous year. These increases in income tax revenue were attributable to higher personal incomes in 2013 and higher corporate incomes from continued strong economic conditions. There were also extremely favourable market conditions which resulted in increases in net investment income, which increased by \$1.1 billion from budget and \$800 million from 2012-13.

On a fiscal plan basis for the, expenditures were \$44.5 billion, an increase of almost \$3 billion from the previous year. The change from 2012-13 was mainly due to an increase of \$1.2 billion in operating expense and \$3 billion in assistance for the June 2013 floods. This was partially offset by decreases in the disaster and emergency assistance area and \$600 billion in capital grants.

In 2013 attention was certainly focused on responding to the floods. At the same time government experienced significant growth, with GDP growth of 3.9 per cent and a population increase of more than a hundred thousand people. As we look at the annual report for Treasury Board and Finance, the revenue within our own department was \$25.9 billion with total expenditures of \$2.9 billion.

It was certainly a very busy year for the department as well in the context of looking at government accomplishments. This included varied aspects of budget development, planning, and forecasting as

well as looking at changes to legislation and consulting with stakeholders and the public in areas such as insurance, financial institutions, and pensions.

The Chair: Sorry, Mr. Gilmour. That's your time. Thank you very much.

At this point we'll open it up to questioning. The PC caucus will begin. Oh, sorry; we'll hear from the Auditor General first. Thank you.

Mr. Sather: Mr. Chairman, thank you. I have no comments today.

The Chair: That was fast.

We will start with the PC caucus. They have half the time. Please proceed.

Mr. Young: Ian Donovan.

Mr. Donovan: Thank you. This is more for the Treasury Board. I guess, obviously, there are some questions on some travel and some previous programs in some previous administrations. I may as well get the elephant out of the room on that one. My question is: yes, we've gotten rid of the means of what was going on with that, but what steps are in place now to actually have the accountability side to it? You know, in most places you need to have a results set-up so that you can actually have a means and a way to say that that won't happen again. I guess my question is: what steps are in place so that there are some checks and balances in there so that we don't have that kind of fiasco again?

Mr. Gilmour: Thank you. As we refer to that recommendation from the Auditor over the past year since that came in August, we have certainly pursued a new section of oversight. The Auditor had highlighted some oversight functions that would be prudent within the government. Of course, as everybody knows, the expenditures of elected members are already public, but what we've done is that we've looked at our travel, meal, and hospitality expense directive. We're proceeding with work in that area as we speak.

Included in that is a new section on oversight, which would go to Treasury Board and Finance on a regular basis as we proceed through this next year. It would highlight the expenditures and the reimbursements and allowances that are paid out to all the elected members, and that would be reported regularly to the chair and to the Treasury Board and Finance. They would be able to see on a quarterly basis a design developed by us based on – what we did when we designed that is that we looked at a peer group of other public-sector entities across the country. We worked with the Auditor General's office making sure that we had it properly laid out so that Treasury Board and Finance would be able to provide the oversight as we go forward in the future.

Mr. Donovan: Okay. Thank you for that. Oversight is usually one part of three things you need for effective management framework. You need to have your governance, your oversight, and then your accountability for results. I guess the processes are on your oversight; what's the accountability for the results side? How am I going to make sure that I can tell my constituents that that wouldn't happen again?

Mr. Gilmour: I guess from making sure that the expense directives that are throughout government are followed and attuned to. We've taken suggestions from the Auditor General in making that directive more clear, identifying the principles upfront. We're looking at common documentation throughout government to use so that there's consistency everywhere. We will continue our training

efforts and our education efforts throughout the government so that we get consistency, which would be provided through public reporting and the oversight.

Mr. Donovan: Okay. Thank you.

Mr. Young: I've got a question to Minister Bhullar. Given the lack of accountability around the process of the residential development of the federal building, not so affectionately known as the sky palace, what assurances are in place that this won't happen again?

8:50

Mr. Bhullar: Well, thank you very much, Deputy Chair, for the question. Let me begin by saying, first of all, that at the time that I became the Minister of Infrastructure, I had very clear instructions, and that is to ensure that we do not throw one nickel of good money after any, quote, unquote, bad money. So if there was a decision made in the past that was not the wisest of decisions, we're not going to spend more taxpayers' dollars trying to change it. We're going to make do with what we have, get the job done, and ensure that the facility is used fully and made available to the public in any way possible. That's where we started when I became the Minister of Infrastructure.

I can say that coming up in the budget in just a few days, you will see some changes from what you have seen before. I can't say any more than that about that particular event other than to say that we are being very clear about our strategic priorities on capital investments. The strategic priorities are: number one, schools; number two, health facilities; number three, seniors' facilities; number four, key transportation projects. These are what I would say are the real critical strategic priorities for the government of Alberta, and on a go-forward basis you will see investment predominantly geared in these particular areas to ensure that we're meeting the needs of the public.

I've been very clear that if I was the individual making the decision on the redevelopment of that building, I would have chosen to invest those resources elsewhere. Period. But those decisions were made before my time. We are achieving some changes there, though. It's important to note that, I mean, the footprint per employee in the federal building is less than the footprint per employee in other government buildings. We're moving from 28 metres squared to 18 metres squared, which can over time lead to a significant amount of savings for our government and our leasing priorities.

I'm going to ask my deputy to speak specifically about the Auditor's recommendation on the sky palace.

Mr. Young: I'm sorry; I'm just going to jump in. I think that we could have a really fulsome discussion about the value for money and even the quality decisions, and I think you highlighted some of the really important priorities. I guess my question is more focused on the transparency and the accountability around the decisions that were made so cabinet and the department are not going to be looped out of those decisions from a previous administration.

Mr. Bhullar: Yeah. I'll provide a couple of additional remarks on that and then ask my deputy to supplement. You know, when you're building very large projects like that, the cabinet and Treasury Board sign off on the projects as a whole. Treasury Board really signs off on the project as a whole, and that's why the Auditor General's recommendation of providing more significant information to Treasury Board in making capital decisions is a very important one so that Treasury Board really understands the fullness of the decision so we do not have this type of situation again. That's a recommendation we take very seriously. It involves

not just instances, Deputy Chair, such as this, where somebody goes out and builds an addition to a project that isn't in line with public policy priorities, but also cases where we have to look at the longer term: planning, maintenance, the operational cost of our buildings. So that's a really important recommendation from the Auditor General.

I'll now ask my deputy minister to supplement that as well.

Mr. Day: Thanks, Minister. The only thing I will add is that I believe we've made all of the relevant information public with regard to the federal building, including costs of all of the work that's been completed there.

Mr. Young: Okay. Thank you very much.

I'm going to hand it over to Janice Sarich.

Mrs. Sarich: How much time is left?

Mr. Young: We have eight minutes.

Mrs. Sarich: Eight minutes. Thank you very much.

My questions will be directed to Mr. Day specifically because this is a historical context question. Way back in 2007, actually October, the Auditor General at that time made a recommendation regarding the Department of Infrastructure, and this speaks to the receiving of information, the working across ministries for the issue of prioritization of infrastructure projects and collecting of data. Yet it was also pointed out that this has been an outstanding recommendation to the 2014-15 capital planning cycle, and over that course of time the infrastructure and capital planning has been with Treasury Board and Finance, then it's been independent in Infrastructure itself, and then it shifts back. I was wondering, could you comment on – it's almost appearing that you're still looking at this for the first time, yet it's been an eight-year time frame. Also, what are the right service levels that you're prepared to deliver in this particular area? Progress appears to be stalled.

Mr. Day: Well, thanks very much for the question. You're correct that this issue has been outstanding for a number of years. The responsibility for capital planning was transferred formally to Infrastructure in 2013. Between 2007 and 2013 I can tell you that we did work closely with Treasury Board and Finance to improve processes within the capital plan. Since 2013 we continue to work and have conversations and discussions with the office of the Auditor General, and we are committed to going forward, improving our processes around capital planning, including the ones referred to in this recommendation around prioritization of projects.

Mrs. Sarich: Another comment I would have is that this is very serious. There's an expectation by the office of the Auditor General that things would be completed, you know, reasonably, within a three-year window, three cycles, yet this has extended way beyond that, like I said. Appreciating there have been some shifts and changes, I think that a greater level of progress needs to be made in this area so people can see what exactly is happening and that you would clear this recommendation off the books.

Deferred maintenance is a bone of contention for a lot of organizations, and as a former school board trustee deferred maintenance is always at the top of the agenda for school boards. This particular issue has also been outstanding since 2007, and it has a historical context. Why has there been no progress on the assessment and prioritization of deferred maintenance and taking that information and really putting it in the public purview?

Mr. Day: I think there has been some progress on deferred maintenance. We now have alignment on how facilities are evaluated across all of the programs, including schools, postsecondary, health, government owned. It's taken some time for us to get there. You can appreciate that there are, I think, around 5,000 buildings that are evaluated on a five-year rotating basis, and we are looking very seriously at further refining the process and building a more robust process into capital planning going forward. Again, we take these recommendations quite seriously, and we are committed to acting on them and working with the Auditor General to improve our processes.

Mrs. Sarich: My last question would be – and that's this historical piece. This whole area shifts between, like, Treasury Board and Finance, and then it comes back and it's independent. Would you have an opinion about that? Maybe just share some insight about the difficulties with that, when it keeps shifting like that over this period of time.

Mr. Day: I don't think, Janice, that I'll offer an opinion. The program has been transferred to Infrastructure, and as I said, we will intentionally move forward to address those recommendations. We want to work closely with the office of the Auditor General and with the program ministries that we work with who actually run programs out of those facilities, so we have committed to resolving the outstanding recommendations.

9:00

Mrs. Sarich: Thank you very much.

Mr. Bhullar: If I could, just on your last point, I will provide an opinion. I think it's a very good thing that the capital planning process and sort of the program oversight is starting to come together in one place. I think that's a very good thing for a couple of reasons, the first of which is that we need to have consistent standards by which we evaluate facilities across the government and our stakeholders, and I'll be the first to say that we need to do much better in this area, okay? I've been very forthright about this. We need to do much better in this area. Across all the sectors we need to ensure we have more consistent evaluation tools to evaluate our buildings and our structures.

The second reason why I think it is important is that once you have consistent standards by which you evaluate buildings – and we do have them. I mean, we use the facility condition index. Is the facility condition index the be-all and end-all? In my opinion, no. I think that the facility condition index is a very important measure to look at the economic needs in a building. That's really what it does. It looks at the five-year economic needs, the economic investment that needs to go into a building.

I'll give you an example here. You could be at year 19 and believe that a roof is going to be there for 20 years. So just because you're at year 19 – your assumption is that the roof is going to be there for 20 years. At year 19 it can be perfectly fine, but you may account into the facility condition index that that particular building goes from being good to being fair or from being fair to being poor just because you think that once 20 years hits, you're going to have to redo the roof, and the roof cost is so significant that it affects the standard of the building. I don't think that's as clear as it should be.

As I've said, I've spoken about this before. I think the facility condition index is a great tool for economic analysis ...

Mr. Young: Minister, thank you very much. I'm sorry; we don't mean to cut you off. It was very informative, but we're on to the next caucus's questions.

The Chair: We'll begin with the Wildrose caucus. I'd just like to also mention that Drew Barnes, the MLA for Cypress-Medicine Hat, is on teleconference with us.

If Mr. Strankman would begin, please.

Mr. Strankman: Thank you, Mr. Chair. Thanks, all, for the opportunity to raise some questions here, and I'll try and be as coherent as I can doing that to the best of my ability.

It's with great interest that I relate to the minister's recent questions on the facility condition index. I think even it would be interesting to know what the facility condition index is of this building in relation to if there ever was one done on the federal building prior to the takeover of that.

Mr. Chair, if we could go in a back-and-forth process: is that amenable?

Since 2007 the Auditor General has recommended that the government of Alberta establish a process that enables public infrastructure assets to be properly maintained over their life. As I understand, there is still no process or plan in place to comply with these recommendations. Since 2007-08 the government has spent \$50 billion in capital. Why is there still not a process to ensure that tens of billions in capital projects are properly maintained over their life cycle? Is that the facility condition index?

Mr. Bhullar: I'll ask Barry to say a couple of comments.

Mr. Day: Sure. We use the facility condition index, as Minister Bhullar has indicated, to provide an economic forecast of the condition of the building components: the roofs, the windows, the walls, the heating system, those sorts of things. Our maintenance funding is targeted to the priority areas that are identified in the condition analysis reports. We, I believe, do a very good job of maintaining our facilities across all programs, whether it's the school boards, the postsecondaries, health, government. The day-to-day maintenance is done very well. We also address any health and safety issues as they arise, and we look at the longer term maintenance. We fund that with the dollars that are made available to us. Again, we do a reasonably good job – or I'll maybe correct that and say a very good job – with the dollars that are afforded to us.

Mr. Strankman: So is that methodology publicly available?

Mr. Day: The condition assessments are published on our website as they are ...

Mr. Strankman: So would that include facilities like bridges and roads, highways?

Mr. Day: Bridges and roads are under the purview of Alberta Transportation. I believe but I can't say for sure whether they're published on Transportation's website or not.

Mr. Strankman: Well, I haven't been able to find any, so I don't know. That's why I'm asking the question.

Mr. Bhullar: We can check with Transportation. I don't have that answer offhand.

The Chair: That's fine. We'll continue on with your questions.

Mr. Bhullar: The facility condition index and the reports: you know, I made a commitment just a couple of months ago. These reports are made public, but we're going to make them public sooner, number one. Number two, where a department does not agree with a report, they have to provide reasons why, all of which have to be made public.

Mr. Strankman: That's an important point. In the state of the Wainwright hospital, you know, there have been demands for improvement there for some time, and it hasn't been forthcoming. So can you explain to me why that might be?

Mr. Bhullar: Well, I can't comment on the specific hospital. I don't have details at my fingertips on that. My point is that in terms of a process you have to put the tool that you're using to evaluate the buildings out there. That's a facility condition index. You have to make the results of that public, number two. Number three, if the authority, so the health authority or a school board or anyone else, does not agree with the facility condition index, the reasons for which must be made public. Number four, if there is a revision to it, so if the consultant comes and says, "This is in good condition," and someone else feels that it's not in good condition and it's in fair condition, the reasons for which the change occurs must be made public, so ...

The Chair: Thank you, Minister. We'll continue on. Sorry; there's limited time.

Mr. Strankman: Mr. Minister, along those similar lines, in the case of the federal building and the sky palace there are significant cost overruns, and much of the work was done through change orders. Can you explain to me how these change orders were sought for approval, or was the process broken? Was Infrastructure not involved in the sky palace change orders?

Mr. Bhullar: I'm going to have our department provide an overview of how change orders are a tool that's used in the construction process.

Mr. Strankman: You made some comment ...

The Chair: Just before that, his question was in regard specifically to the federal building, so if the Alberta Infrastructure representative would answer that.

Could you please introduce yourself?

Mr. McFarlane: Good morning. Neil McFarlane, executive director of the government facilities branch with Alberta Infrastructure.

The way change orders work in any construction project that we undertake is that initially, if there is a change contemplated either by us as the owner of the facility or it comes out as an identified need for unforeseen conditions that were raised during the construction process, we take a look at the scope of the required change, and we issue what we call a change order worksheet, which is a request to the contractor for pricing. That request is then evaluated by the contractor, and pricing is submitted back to us for review by ourselves and the consultant that we have hired on the project. Once we've conducted that review and we feel that there's value for money in making that change, then we will issue a change order to the contractor. The contractor will then commence work on that change.

9:10

Mr. Strankman: So could you tell me who submitted the request for the change order?

Mr. McFarlane: For which?

Mr. Strankman: For facilities like the 80-seat theatre, the sky palace itself.

The Chair: He's talking about the residential component for the federal building.

Mr. McFarlane: The residential component for the federal building: I believe the entire process was quite clearly identified in the Auditor General's special report of August 2014. The request came from the Premier's office along with a set of plans requesting the work be done on the 11th floor, and Alberta Infrastructure then took that as a directive to proceed with the change. We proceeded with getting pricing from the contractor for the change and then proceeded with the construction.

The Chair: So are you saying that that's consistent with what the policy is on change orders, that the Premier's office can simply dictate a change?

I guess my second question is: what specific date was the residential component of the federal building cancelled?

Mr. McFarlane: In answer to your first question, it's unusual to get a directive directly from the Premier's office; however, at the time during the project it was taken as a directive to the department to proceed, and we took that information and proceeded to follow our processes that we would normally follow in reviewing and pricing change orders for contractors.

As far as a specific date, I don't have a specific date that I can give you at the moment. I can search that out and get back to you with that.

The Chair: Does anyone in the department have a specific date when the residential component was cancelled?

Mr. Bhullar: I don't think that's something that people have at their fingertips.

The Chair: Okay. What date did the Premier's office direct that the residential component be added to the federal building?

Mr. Bhullar: One thing I think in all these references is that it's very important that we clarify it was the then Premier. I think there's ...

The Chair: It's the same government, sir. I'm asking a question.

Mr. Bhullar: Well, I'm sorry, but there was a different Premier, and there was a different Premier's office, so I think it could be misleading, sir, for you to claim ...

The Chair: I'm asking about the specific date the Premier's office at that time – if he provides the date, I think most people could recognize which Premier was in power at that point. So what was the specific date when the Premier's office requested a residential component in the federal building?

Mr. McFarlane: It was in December 2012 that the minister's office confirmed the floor plans and submitted that information to Alberta Infrastructure.

The Chair: So the Minister of Infrastructure at that time would have known that the residential component was requested?

Mr. McFarlane: Correct.

The Chair: Thank you.

Just to go back, you do not know the specific date when it was cancelled, or the rough time period?

Mr. McFarlane: It's a little difficult to say exactly when that was cancelled because work was ongoing at the time on developing the floor plan. Some of the work that had taken place would have been costly to reverse, so some of the work continued because it was

more cost-effective to continue on with the construction of two rooms at the north end of the 11th floor and use those rooms as meeting rooms rather than reverse the work and spend extra money taking those components out.

The Chair: Will the minister endeavour to get us the date when the residential component was cancelled?

Mr. Bhullar: Yes.

The Chair: Thank you.

Mr. Strankman: Also, to that subject matter, would there have been change orders required to make that change, too, to stop the work in progress?

Mr. McFarlane: Yes, there were change orders that were issued.

Mr. Strankman: So you should have a date for the issuance of that.

Mr. Bhullar: All of that has actually already been made public.

The Chair: To be readily available? So what is the date?

Mr. Bhullar: The change orders and so on: that's all been made public. There was a list of the change orders as well that was made public. The dollar figures attached with the change orders, if I remember correctly, were made public. The change orders, if I recall correctly, were made public. A lot of that, sir, has actually been made public already.

Mr. Strankman: Well, thank you, sir. Not to my availability, but I appreciate your candid answer.

I'd like to go on with the Calgary cancer centre, some questions in regard to that. One of the easiest ways to control costs for projects is the project planning stage. How much has been spent on the project planning for the Calgary cancer centre, and could that be wasted by splitting up the project, by staging it?

Mr. Bhullar: Well, I'll ask someone to get the specifics of that. I agree with you that the planning processes are incredibly important for government projects. If I may, planning is incredibly important so that we clearly define scope of projects. This is one of the most important things that, I believe, all public projects have to do a much better job at.

Mr. Strankman: I certainly understand that, Mr. Minister, but the question was: how much has been spent?

Mr. Bhullar: Yeah. I'm asking our officials to bring that forth. I believe \$20 million approximately has been spent on the cancer centre.

Mr. Strankman: Thanks.

Mr. Bhullar: That doesn't necessarily mean that it's just on that particular site, if I recall correctly.

Mr. Strankman: That's specifically for the Calgary centre, then.

Mr. Bhullar: Yes.

Mr. Day: If I could supplement, \$20 million has been spent to develop a very comprehensive program for the cancer centre in Calgary. That program information can be used and will be used going forward when the Calgary cancer centre goes ahead.

Mr. Strankman: Okay. Thank you.

The Chair: But I'm assuming some of the money would be wasted by splitting up the project. You can't assume that 100 per cent of those costs incurred are going to be going forward. Is that correct? How much would be wasted?

Mr. Bhullar: That's a very interesting question, but I think that whenever you're doing any type of planning, sir – any type of planning – you take into account a variety of different things. For example, when you're doing a planning process, you could look at 15 different options for something, and you're going to settle on one of them. Does that mean that all other 14 options you've explored have been, quote, unquote, wasted? No. I think that that's a part of the due diligence process. I think it's a very important part of the due diligence process to ensure that you evaluate every single option from a fiscal perspective and from a program delivery perspective.

The Chair: Thank you, Minister.

Mr. Strankman.

Mr. Strankman: Yeah. I just had two more questions. In the last cycle of government we had the promise of family care clinics, and I was wondering if you could tell me about the rolling out of the 24 family care clinics. There was great interest even in our rural constituencies about this. Can you tell me how much was spent on this project or about the potential initiation of that?

Mr. Bhullar: Because the budget is coming in a couple of days, I have to be cautious about what I say in some of my responses. You're asking about what was spent last year . . .

Mr. Strankman: On the potential initiation of the 24 family care clinics.

Mr. Bhullar: Okay. If I don't have that number here, we can get that for you.

Mr. Day: There was nothing spent in 2013-14 on family care clinics.

Mr. Strankman: On the capital.

Mr. Day: On the capital side.

Mr. Bhullar: So if there were programming dollars spent by AHS, I mean, that's a question for them, but with respect to the capital side from us . . .

Mr. Strankman: Okay. Thank you for that.

Another comment that became of interest to me, to the Treasury Board, was that it says that there are plans in place to periodically analyze data and track successful collection efforts in order to improve the administration of outstanding corporate taxes that amounted to \$885 million. Is that going to be an ongoing program to try and retrieve that, or is that a significant – \$885 million, to my math, is on the short side of \$1 billion, so that's a significant number.

The Chair: Thank you, Mr. Strankman. The time is up, so we'd request a written response to that question.

Next up is the Liberal caucus.

Mr. Hehr: Well, thank you. I'd like to start off, as this is probably my last Public Accounts meeting, by thanking the Auditor General and his staff and Dr. Massolin and his staff for the excellent work they have done in preparing this committee to do our work. Really, we come here and deliver the questions, but we're not experts. I'm

a recovering lawyer. Their yeoman service in analyzing finances, checking out best practices, and ensuring that we are at least somewhat prepared to do our good work is amazing. True professionals. I want to thank you from the bottom of my heart for your service not only to this committee but to the Alberta people.

9:20

Nevertheless, moving on, following up on the question on family care clinics, it seemed to me that that was a central plank in the PC election victory in 2012. I believe there were 124 that were promised. Were plans to fulfill this promise almost immediately abandoned given that there was no capital spent on this in 2013? Is that my understanding from the answer?

Mr. Bhullar: Well, sir, we can only refer to the capital expenditure, so what we are saying is that in the last year there was no capital expenditure. With respect to the program, I mean, you have to look at the program itself and see what the capital needs actually were. I don't know if capital was the biggest part of their analysis. I don't think it was. I think, quite frankly, the bulk of their analysis would have been on the programming side, so I think that's a question better answered by Alberta Health.

Mr. Hehr: Okay. On the capital side of the 124 family care clinics how many were started, how many were completed, and where are we on fulfilling any of that? Has a number been more brought into line as to how many structures are actually going to be physically completed by Infrastructure?

Mr. Day: I can tell you that the first wave of family care clinics consisted of trial sites in three communities: Slave Lake, Edmonton, and Calgary. Those are now in operation. The second wave, announced in June 2013, identified 24 additional communities for family care clinics. The intent of the second wave was to accommodate the family care clinics in leased space, not in owned space, so that's why there wouldn't be a capital requirement for them.

Mr. Hehr: Where are you on fulfilling the lease spaces of those 24? Three have been built. Where are you on securing 24 lease spaces?

Mr. Day: We're not involved in that. Alberta Health and Alberta Health Services would be in a better position to respond to that question.

Mr. Hehr: So you have no idea how many of these 24 projects have lease space?

Mr. Day: As I said, we're not involved in the acquisition of that space.

Mr. Hehr: So to your knowledge three have been completed?

Mr. Bhullar: You're asking questions that need to be asked to Alberta Health, Alberta Health Services. I don't think you can infer anything by us saying, you know – you've got to speak with them on this because it's their area.

Mr. Hehr: That's fair enough.

Then let's transfer. I'm very interested in our corporate tax collection. As was mentioned by our hon. chair, it seems like we are one of two provinces that collects corporate taxes on our own, and he indicated that it seems to be a vestige of the old firewall days as Alberta was going to go it alone and strike out boldly and battle the federal government. Nevertheless, I'm always concerned when Alberta is one of the minority of provinces going forward on

something. I tend to believe that if best practices emerge, most provinces follow that and go ahead. Have you analyzed whether Alberta collecting its corporate taxes instead of moving it over to the CRA is, in fact, in our best interests?

Mr. Gilmour: Yes. Thank you for the question. I'm going to ask one of our ADMs to come up and answer that question.

Mr. Ayton: Good morning. Ian Ayton, ADM for tax and revenue. That question does come to tax policy, not necessarily to administrators, which I am, on a regular basis, and we address it from a policy perspective. Now, you're quite correct. Quebec and Alberta are the only two that do administer their own corporate tax. Unlike Quebec, we complement CRA in that they take care of the taxable income, and we look after those particular deductions of interest to Albertans.

Mr. Hehr: Any analysis as to whether this is – are we getting value for money for this? Is this a net gain for us? Anything on that front?

Mr. Ayton: Certainly, from my perspective, yes. As the administrator that's a policy question, and we believe there is definitely a benefit accruing from a monetary basis of interest and principal, which is usually part of the tax collection agreement. All that analysis has been done, yes.

Mr. Hehr: Well, thank you. Let me ask, then. We seem to have a growing outstanding allowance. We have doubtful accounts growing from year to year, from \$123 million in 2011-12 to \$377 million in 2013-14. Are processes in place to stop these increases in potentially forgone revenue without resulting in further writeoffs?

Mr. Ayton: Absolutely. Again, for numerous years tax and revenue administration were concentrating on those accounts that were collectible rather than looking at the entire balance of accounts receivable. You're quite correct that we're close to \$1 billion in accounts receivable right now; however, over the past couple of years with the assistance of the Auditor General we have managed that balance properly by looking at what exactly would be collectible, and that's why you're seeing our allowance, which is recognition of the fact that part of that \$1 billion that would not be collected has been increasing. On top of that, of the \$1 billion that is in our accounts receivable, \$650 million of that is in objections. That is, we've made assessments, reassessments, and they're objecting to it or it's before the courts, either with CRA or with the province themselves.

Mr. Hehr: What plans are in place to report on the collection of corporate income tax in a more thorough and transparent way? Might the department consider adopting performance measures to assess the effectiveness of debt collection provided by the international tax-benchmarking study cited by the Auditor General? Have you guys considered this?

Mr. Ayton: We have in the past monitored our accounts receivable and the amount that we do collect; however, at the Auditor General's recommendation we are looking at other administrations and how they report on the effectiveness of their collection operations so that we may be able to adapt some of their measures. Absolutely. We're doing that currently and plan on doing that.

The Chair: Sorry, Mr. Hehr. Your time is up.

Next is the NDP caucus, with Mr. Bilous.

Mr. Bilous: Thank you very much. There have been many recommendations from the AG regarding deferred maintenance that have been repeatedly raised. For example, in October 2007, in regard to deferred maintenance, it stated that the Department of Infrastructure "in consultation with departments, develop objectives, timelines, and targets for reducing deferred maintenance." I'm curious to know. You've said in the past that you made a request from Treasury Board and Finance to increase funding to pay for deferred maintenance; however, neither interim supply estimates nor any recent announcements give any indication of increased funding for deferred maintenance. Can you give us a snapshot of how much money has been allocated for deferred maintenance?

Mr. Bhullar: As my officials pull up the numbers, sir, you might remember that there was an increase of \$100 million on the education side that was just announced and allocated just a number of months ago now. That was a very significant investment, a \$100 million increase on education deferred maintenance. Deferred maintenance from a policy perspective is something that we want to get a handle on. As the Premier says, you can't be very prudent fiscal managers unless you ensure that the facilities you have are looked after. I would say that we have an important budget with a capital plan coming forth later this week, but the \$100 million has gone up with respect to education.

So for schools in 2013-14 ...

Mr. Bilous: Yeah. Minister, that answer is sufficient at the moment, and we'll come back to schools.

Can you give me a number regarding hospitals for deferred maintenance specifically?

Mr. Bhullar: Two hundred and twenty-two million dollars is allocated to Alberta Health Services over three years for maintenance and renewal of health facilities; \$222.5 million, to be precise.

Mr. Bilous: Okay. So can I ask: who decides which projects go ahead and the order of them and which ones do not as far as deferred maintenance?

Mr. Bhullar: I'll ask our officials.

Mr. Day: Sure. With school deferred maintenance the school boards make those decisions. With health facilities it's Alberta Health Services who's responsible for prioritizing and dealing with deferred maintenance.

9:30

Mr. Bilous: So the Ministry of Infrastructure, that actually does the facility condition reports and the assessments, does not actually rank them or prioritize them?

Mr. Day: We conduct the facility assessments for all programs and identify the deficiencies and deferred maintenance or maintenance that's required, and Alberta Health Services, again on the health facilities program, would prioritize and do the work. We review their priority list. We do not, as far as I'm aware, give them authority to proceed.

Mr. Bhullar: I'd like to make one point if you would allow me a minute.

Mr. Bilous: Please, if it's brief. I only have eight.

Mr. Bhullar: Yes, it is. Your question goes to what I was talking about earlier about the facility condition index reflecting, essentially, the economic state, the economic investment required for a building. Now, sometimes in deferred maintenance what I can see happening is that the facility condition index says that building X is going to require 10 million bucks in investment, right? But from a program perspective – let's say that Alberta Health Services says: "Well, building X may need \$10 million in investment for things like their roof, which is still functioning just fine. We think we can get an extra year or two years out of it, and if we have deferred maintenance money, we'd rather put it towards a surgical suite that is not quite up to date. We want to make some changes there." You know, random examples here – right? – but I'm trying to illustrate my point. So you see how the programming and policy piece is not totally connected to the facility condition index. The facility condition index is really an economic assessment of the building. From a programming perspective and maintenance that is required for a building, you know, that's a separate conversation.

Mr. Bilous: Right. You know, my concern with, just for an example, the facilities condition index is that, as you explained earlier, it's not an actual assessment of the condition of the building and the envelope and everything inside of it. You're basing it on ballpark figures because you just said that the facility condition index, for example, would be based on – if you were at year 19 and a roof is set to be replaced at year 20, the condition may be downgraded from good to fair. To me, it seems like, then, this condition index is not actually giving us an accurate snapshot. I'll give you a clear example. Well, let me ask you: what is the Misericordia currently rated at, good, fair, or poor? I would imagine that your folks know this.

Mr. Bhullar: They'll pull that up.

The facility condition index is a five-year snapshot of the investment required into that particular building, right? It's a snapshot of the economic investment required into a particular facility over a five-year period based on the actual status of a building. But some of that conversation, some of that analysis does look at – the Misericordia, according to the facility condition index, is in good condition.

Mr. Bilous: It is, hey?

Mr. Bhullar: However, I mean, due to human error a flood occurred on the third floor of the facility on May 2, damaging the second and third floors.

Mr. Bilous: Okay. Well, I'd like to just quote a news release from March 2014 that talked about

- serious problems with overheating ... At one point in December of 2013, the cardiac unit reached 33 degrees and management at the hospital report staff breaking down in tears because [of the] overheating
- issues with the bell call system in many units. Nurses have said that [they've had to give] "patients little silver bells [which] is not a solution"
- employees need protective equipment to enter the mechanical room because the mold levels are 10 times higher than a control sample
- elevators and dumbwaiters that were regularly not working
- a 4-year old hole that was growing on the floor of a delivery room, fills with blood and fluid and causes an infection hazard.

Another 2014 release, in March: before the creation of AHS Alberta Infrastructure had agreed to fund a new Misericordia hospital.

Back in July of 2014 a pipe burst, flooding the day-surgery area and affecting the care of almost 300 patients.

I highly question the integrity of your assessments if you consider the Misericordia to be in good condition.

Mr. Bhullar: Well, as I said, the assessments are based on the economic investment required in a building over a five-year period divided by the overall cost of the building.

I'll ask my official, Andrew, to provide some specific information.

The Chair: Sorry to interrupt here, but the time is up for this particular Q and A, and I think that Mr. Bilous got his point across very effectively.

We'll now head on to the independent MLA, Mr. Anglin.

Mr. Anglin: Thank you, Mr. Chair. This one is for the Treasury Board. Last year we were told that there was a \$6 billion hole due to something referred to as the bitumen bubble, which is nothing more than the spread between Canadian select and WTI. This year we're told that there's a \$7 billion hole due to the drop in resource revenue. My question to you is simply this. This is not something unusual in the sense that commodity prices fluctuate and can fluctuate significantly. What prevents us as a government, when we roll out a budget with an expectation that our revenues are, say, going to be \$9 billion, from hedging that and locking in part if not in all of that revenue?

Mr. Gilmour: Thank you. I'm going to ask one of my ADMs to talk about the hedging on that piece a little bit. I also want to touch on, though, that ...

Mr. Anglin: I want to just touch on the hedging.

Mr. Gilmour: Okay.

Ms White: Hi, there. My name is Kate White. I'm the ADM for economics and fiscal policy with Treasury Board and Finance. We do have a policy that we do not hedge our bitumen or any other royalties. It is something that we do look into from time to time to see if there would be any financial opportunity for the Alberta government in hedging our revenues. Unfortunately, hedging is something that is usually best done in hindsight. When we do a real trial and error mock-up of what it would look like to hedge, we find that we can do quite well when we look back, but when we're trying to make the decisions under uncertainty, we haven't been able to find a benefit cost that's positive for the Alberta government. But it is something that the ministry looks into from time to time.

Mr. Anglin: Is that a ministry policy, or is that our government policy that we do not hedge?

Ms White: It's a ministry policy, which basically is something ...

Mr. Anglin: Okay. Stop right there because I want to ask you a question about one of the comments you just made. You referred to it as hindsight, but in the commodities world, whether it's a corporate structure like a major corporate player like Shell or Exxon or any of the state-owned oil companies – Saudi Arabia, Venezuela, Mexico – they all hedge their revenues, and they don't do it in hindsight. They do it with the idea that they have an expectation of a certain revenue source coming in, and they will hedge. The most recent example would be Saudi Arabia, with the drop in prices. Clearly, they made it known that they were going to open the taps and flood the market to drop the market price to gain market share – this is all on the public record – and anyone in the field of trading

energy knows that they hedged that as the price dropped. Now, why didn't we do that?

Ms White: Again, there's quite a big difference between the Alberta government, who doesn't operate a state-owned oil company, and others that do.

Mr. Anglin: No, but we operate Treasury Board.

Ms White: We certainly do operate Treasury Board.

Mr. Anglin: Okay. We expect revenues.

Ms White: Yes, we do.

Mr. Anglin: Why don't we hedge those revenues?

Ms White: Because we haven't found that it's a positive benefit cost for the Alberta government . . .

Mr. Anglin: Well, we've got a \$7 billion hole. That's a negative. Is that not a negative?

The Chair: Mr. Anglin, just let her answer the question. Give her a bit of time.

Go ahead.

Ms White: Yeah. It's certainly true that in the fluctuation of futures markets we see our potential revenue go up and down. Unfortunately, when we look at having a program for the Alberta government, we haven't found that we could make a positive benefit cost.

I do want to point you to a couple of international examples. One of the only governments that actually hedges with their state-owned oil company is Mexico, with Pemex, and they have a very mixed record in terms of those hedges. Again, because the Alberta government is a large enterprise, we have chosen a policy to take the risk. We do look at it periodically, about every six months, to see whether it would be better to look at a hedging program. Unfortunately, with the studies we've done up till now, we do not see a positive benefit cost for the Alberta government.

9:40

Mr. Anglin: We don't have the ability as a committee to look at what you're discussing here, and I think we need that ability. When you say that you don't see a positive benefit, what I'm asking you is this. There needs to be a risk management policy in place. Anyone who deals with commodity prices deals with risk management. Where is that policy now? Where is that practice? You should have both. You should have a policy and a practice for risk management, dealing with the price, because we expect these revenues. What is your practice for dealing with unloading that risk, to avoid risk?

Ms White: So the government . . .

The Chair: Sorry to interrupt you. His time is up, but I'll ask that you endeavour to provide a written response to that question. Thank you very much.

We now go on to the PC caucus.

Mr. Young: Okay. I'm going to head it over to MLA Luan.

Mr. Luan: Thank you, Mr. Chair and Deputy Chair. I have one comment and one specific question, but I want to begin by saying that it won't be due justice if we don't recognize Minister Bhullar for taking time to come to this committee, because normally just the deputies come. So thank you for being here.

The comment I have, you know, is that I can appreciate that your ministry is dealing with overdue infrastructure that we've left behind for many years – with the rapid growth of our population you're building schools, you're building hospitals, and all that stuff – and how hard it is in the midst of all of that to address the deferred maintenance issue here.

I know that several members have already referenced the health facility related one, particularly the Misericordia hospital, I believe, but this is a specific question that I'd like to have Mr. Day, probably, help us with. I know of Minister Bhullar's collaboration with Health and seniors' facilities recently. I was in Calgary. You guys opened so many health spaces for assisted living for seniors. That was a terrific example, through collaboration, of how well you can advance the speed of those facilities. I want you to comment in the sense of the deferred health facilities. Can you try something similar in this way? Through collaborations, through some concerted efforts, you can really speed up that one.

The specific question I have is for Mr. Day. In the Auditor General's report referencing last year, there was \$381 million spent on health facility deferred maintenance. Several members mentioned the Misericordia situation. I just wonder: can you share some specifics with this committee? How did you spend that money? Where are we at in terms of this hospital, that we're all concerned about?

Mr. Bhullar: Thank you. I'll first ask Andrew Sharman to provide some information on your specific question about the Misericordia. I think that will answer some of the questions that the previous member had asked about the Misericordia as well.

Mr. Sharman: Thanks, Mr. Chair. We've committed a considerable amount of money over the five-year window to maintenance of hospitals. Maintenance of hospitals is broken down into operational funding that Alberta Health Services has for small projects and then the IMP funding from the capital plan for any major projects.

For instance, we committed \$40 million for maintenance, repairs, and upgrades at the Misericordia, and this includes \$25 million over the next five years to address their most critical infrastructure needs. We advanced them \$19.27 million in 2013-14 for flood repairs and renovations to the second and third floors, that Mr. Bhullar referenced, for renovation of medical surgical in-patients on the eighth floor, and also to replace their emergency generator, for elevator upgrades, and for plumbing inspections. Therefore, it depends on the maintenance money that either AHS directly allocates or the money that we give them for IMP.

We are working with them at the moment, going to your collaboration question, Mr. Luan. We have a working group together at the moment to look at how we can forward commit money for future years so that they can get the contracts advanced quickly so that we're not waiting for the first of April of the fiscal year to let contracts, so that we're letting them in anticipation. My staff are also looking at: what capacity do we have to assist them in delivering some of these major projects to try and speed up some of this work?

Mr. Luan: That answered my question. Thank you so much.

Mr. Bhullar: Just very briefly on your point about, you know, the ASLI – I think you were referring to the ASLI projects and the seniors' projects – I think that's a very good example of what's possible with collaboration. I believe it's a \$180 million investment on the part of the government, and that \$180 million investment is leveraging private and nonprofit funds. We're building I believe it's some \$800 million worth of seniors' facilities, leveraging those

dollars. The collaboration piece is absolutely critical. Obviously, in some areas it's a lot simpler to do, but in other areas it's a bit more challenging.

Specifically with respect to deferred maintenance, one of the pieces that I continuously hear from industry and from our stakeholders is that when you're investing in deferred maintenance, have it be a sustainable number year after year so people can preplan. Some of these projects require a very significant amount of planning beforehand, so if we spring some money on a department or on, you know, Alberta Health Services or what have you, it can take them four, five, six, seven months to do the planning work for a specific maintenance project. In some cases, for example in schools, it requires decanting space, where you have to have space for children to be educated while major work is taking place.

These are all very important logistical challenges that take place. One of the things I want to do is that I want to have a long-term forecast for folks so that they can anticipate the types of investment we're going to have on deferred maintenance over a number of years so that they can plan in advance. They can strategically plan with minimal interruption, whether it's for a classroom or a health facility, and industry can plan their projects.

I mean, at the end of the day, we want industry bidding on our projects. The more bids the merrier for us, so we want to make sure that industry can plan and that they have the capacity to actually do the projects as well. One of the challenges, you know, that you could see is when government has a very significant infrastructure build at a time when the economy is very hot. That has the potential to and in some cases I believe it has led to very rapid inflation on the part of construction.

Mr. Young: Minister, we have two more individuals who have questions to ask, so I apologize for cutting you short.

Sandra Jansen.

Ms Jansen: Thank you, Deputy Chair. My question is really going back to the facility condition index, and either Minister Bhullar or Barry could take this one. Just a question. We look at health facilities, and we talk about sort of a five-year cycle for reassessment, where these independent consultants go in and they do an assessment. I'm just curious. You know, when I think about health facilities and what they go through on a daily basis and I think about my own home, for example, if I sat down and looked at the maintenance on my own home every five years, I wouldn't have a roof over my head. I'm a little concerned about what that cycle looks like and if you've ever looked at other jurisdictions for perhaps a different way of doing some kind of an assessment. Rather than looking at the FCI for health facilities specifically, maybe there are other jurisdictions that might have programs that work better at doing an ongoing assessment. At any given time, doing the math, you only have a good idea of what 20 per cent of your facilities are really looking at in terms of upkeep.

9:50

Mr. Day: Thank you. A very good question. Five years is an industry standard. We did a lot of research before going to a five-year cycle. The FCI looks at the major components: the roofs, the heating system, the chillers, the boilers, the building envelope, those sorts of things.

In addition to that, there is the day-to-day maintenance that takes place in all of the facilities across the province, whether they're health, schools, government-owned, or whatever. The day-to-day maintenance and the folks who are on-site have the ability, the opportunity to identify items as they come up, as they see them, and to feed those back into the system, whether it's, you know, through

their own facility maintenance shops, or if it's a big-ticket item – that's a premature failure of a boiler, for instance – in some cases those have come back to the province to assist with funding if the school board doesn't have the capital to do those.

I think the FCI and the rolling five-year assessment are a good indicator of the major components of the facilities, and, you know, as I said, to supplement that, we have the day-to-day operational folks who are on-site running the facilities.

Ms Jansen: How confident are you that those updates are coming in regularly?

Mr. Day: The day-to-day?

Ms Jansen: Yeah.

Mr. Day: I guess I'd look to the Misericordia as an example. When the water damage was identified, that was dealt with, I think, very quickly, expeditiously, and a significant amount of funding was approved specifically for the Misericordia to deal with those sorts of things.

Mr. Bhullar: Barry, could you provide the member with a breakdown of what types of maintenance – I think this is a very important point as well – we consider to be regular that is not included in our maintenance envelope?

Mr. Day: In terms of the maintenance?

Mr. Bhullar: Yeah.

Ms Jansen: If you could do that really quickly. My colleague wants to ask a question, too. Sorry to rush you.

Mr. Day: Sure. So that's for day-to-day things like carpet replacement, looking at repainting walls, fixing things that are broken from time to time, or identifying those things that just stop working.

Mr. Bhullar: Those types of things are fixed as they come up, and they are outside of the envelope of maintenance funding that they get from us. Education or Health or whatever department may have their own operational expenditure that has an envelope to deal with those types of maintenance issues, so there are other maintenance funding tools outside of this.

Ms Jansen: Thank you.

Mr. Young: Thank you.

I'm going to jump to Janice Sarich. You have four minutes.

Mrs. Sarich: Thank you very much. My questions are for Mr. Gilmour. I'm reasonably confident that you would agree that one of the foundational pieces for the government of Alberta is performance measures and targets, yet the Auditor General has pointed out that your particular area lacks adequate performance measures to evaluate the collection activities. My question is: to what extent does the department measure whether its collection activities are successful? What progress are you making in terms of performance measures and targets? Is your staff trained adequately to deal with this particular area, or do they need more oversight and management?

Mr. Gilmour: I certainly would agree with that comment. As you'll notice, this recommendation came from the Auditor General just late last year. We are very well equipped. We have performance measures in different areas that we look at. The Auditor came in and highlighted that we can certainly expand on that and continue

to improve, and that's what we're doing. We certainly are reviewing all of our policies. We're looking at how we can manage our results in a way in which targets have effect.

You heard our ADM talk earlier about how we are going around looking at other jurisdictions, we're looking at our receivables, we're looking at our balances, we're looking at our collection pieces, all of those, as we continue to structure which performance measures will get us the best results as we go forward. In following up on the Auditor's report last fall, we clearly are on the right track moving forward, and hopefully within the next few months we will be able to respond to the Auditor, show enhanced measures that are in place, and continue to strive to continue to enhance in those areas.

Mrs. Sarich: Great.

Are we close to the time, Deputy Chair?

Mr. Young: Two minutes.

Mrs. Sarich: Oh, two minutes. Okay.

How does management monitor the effectiveness and the efficiency of the collection activities? How does management determine what is the most effective collection method? Because you're doing a body of work in preparation for another look-see by the Auditor General, what does management do to deal with the backlog of writeoffs, and when do they expect to be caught up on this particular function? If you don't have enough time, the expectation is that you have an opportunity to provide additional information to the committee.

Thank you.

Mr. Gilmour: Okay. Thanks. I'll start with your last question first, when we look at the writeoffs. As was mentioned earlier, a lot of the effort was focused in the past on what could be collectible and those types of areas. We rank our collectibles in a different category. As was mentioned, we've got a group of our collectibles right now that are, I guess one would argue, either in front of CRA or in the courts. I mean, those processes continue on and will unfold, hopefully, in the near future. We have another group that is viewed and treated as – whenever you look at collectibles, you want to be able to get on them as soon as possible. As we look forward in our strategies – and we have seen some improvements in our collections over the last couple of years – we continue to deploy

which strategies work best for which groupings and as people fall into that category. We're going to continue to move forward on that, and as we do, hopefully we'll continue to see improved results as we go forward.

By doing the groupings, by looking at other jurisdictions, by looking at enhanced training in our areas, it's all going to set us up to continue to make headway in that category. At the same time, when we looked at the writeoffs, we began a couple of years ago to start making sure that we properly did those and that we didn't have a backlog and that we needed to address the ones that were addressed. So it's in process right now and will continue in the next couple of years.

Mrs. Sarich: Thank you.

The Chair: Thank you.

That's the end of the time. I'd like to thank the hon. minister.

Mr. Bhullar: I have one quick answer, Mr. Chair. Am I allowed to put that on the record now?

The Chair: Yeah, if it's super short.

Mr. Bhullar: Yeah. The question about the sky palace and when it was cancelled: in the Auditor General's report the date is May 5, 2014. I believe that answers all of the questions that you had for us today.

Thank you very much.

The Chair: Thank you to the hon. minister and all of your staff for being here today. You guys did an excellent job. We're going to continue on with other business, so feel free to leave.

Very little left. Mrs. Sarich had asked about training for this committee. The deputy chair and I have discussed this, and we're going to table that to the next meeting. We're just getting some more information on it, and we'll provide it then.

If there isn't any extra business, the next meeting date is Tuesday, April 14, with Service Alberta and Alberta Executive Council.

I'd like someone to move that the meeting be adjourned. Dr. Starke. All those in favour? Opposed? Carried. Thank you.

[The committee adjourned at 9:58 a.m.]

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