



Legislative Assembly of Alberta

The 30th Legislature  
First Session

Standing Committee  
on  
Public Accounts

Treasury Board and Finance, ATB Financial,  
Alberta Investment Management Corporation,  
Alberta Gaming, Liquor and Cannabis

Wednesday, February 12, 2020  
9:30 a.m.

Transcript No. 30-1-13

**Legislative Assembly of Alberta  
The 30th Legislature  
First Session**

**Standing Committee on Public Accounts**

Phillips, Shannon, Lethbridge-West (NDP), Chair  
Gotfried, Richard, Calgary-Fish Creek (UCP), Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (UCP)  
Dach, Lorne, Edmonton-McClung (NDP)  
Feehan, Richard, Edmonton-Rutherford (NDP)  
Guthrie, Peter F., Airdrie-Cochrane (UCP)  
Hoffman, Sarah, Edmonton-Glenora (NDP)  
Nixon, Jeremy P., Calgary-Klein (UCP)  
Renaud, Marie F., St. Albert (NDP)  
Rosin, Miranda D., Banff-Kananaskis (UCP)  
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)  
Stephan, Jason, Red Deer-South (UCP)  
Toor, Devinder, Calgary-Falconridge (UCP)  
Turton, Searle, Spruce Grove-Stony Plain (UCP)  
Walker, Jordan, Sherwood Park (UCP)

**Office of the Auditor General Participants**

W. Doug Wylie	Auditor General
Brad Ireland	Assistant Auditor General

**Support Staff**

Shannon Dean	Clerk
Stephanie LeBlanc	Clerk Assistant and Senior Parliamentary Counsel
Teri Cherkewich	Law Clerk
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Clerk of Committees and Research Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Michael Kulicki	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Director of Parliamentary Programs
Amanda LeBlanc	Deputy Editor of <i>Alberta Hansard</i>

## **Standing Committee on Public Accounts**

### **Participants**

#### Ministry of Treasury Board and Finance

Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management  
Darren Hedley, Senior Assistant Deputy Minister, Budget Development and Reporting  
Athana Mentzelopoulos, Deputy Minister  
Mark Parsons, Assistant Deputy Minister, Economics and Fiscal Policy  
Sherri Wilson, Assistant Deputy Minister, Financial Sector Regulation and Policy

#### Public Service Commission

Tim Grant, Public Service Commissioner

#### Alberta Gaming, Liquor and Cannabis

Bernie Bolton, Vice-president, Corporate Strategic Services and Chief Risk Officer



9:30 a.m.

Wednesday, February 12, 2020

[Mr. Gotfried in the chair]

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

My name is Richard Gotfried, MLA for Calgary-Fish Creek, and I'll be chairing the meeting today. I'm also the deputy chair of this committee. I would ask that members, staff, and guests joining the committee at the table introduce themselves for the record – I will then go to the members on the phone lines for their introductions – starting on my right.

**Mr. Rowswell:** Garth Rowswell, MLA, Vermilion-Lloydminster-Wainwright.

**Mr. Jeremy Nixon:** Jeremy Nixon, MLA for Calgary-Klein.

**Mr. Turton:** Good morning. Searle Turton, MLA for Spruce Grove-Stony Plain.

**Mr. Guthrie:** Peter Guthrie, Airdrie-Cochrane.

**Mr. Walker:** Jordan Walker, Sherwood Park.

**Mr. Stephan:** Jason Stephan, Red Deer-South.

**Mr. Epp:** Lowell Epp, Treasury Board and Finance.

**Ms Wilson:** Sherri Wilson, Treasury Board and Finance.

**Mr. Hedley:** Darren Hedley, Treasury Board and Finance.

**Ms Mentzelopoulos:** Athana Mentzelopoulos, Treasury Board and Finance.

**Mr. Parsons:** Mark Parsons, Treasury Board and Finance.

**Mr. Grant:** Tim Grant, Public Service Commissioner.

**Mr. Ireland:** Brad Ireland from the office of the Auditor General.

**Mr. Wylie:** Doug Wylie, Auditor General.

**Ms Phillips:** Shannon Phillips, MLA for Lethbridge-West.

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

**Ms Hoffman:** Sarah Hoffman, Edmonton-Glenora.

**Mr. Feehan:** Richard Feehan, Edmonton-Rutherford.

**Mr. Dach:** Lorne Dach, Edmonton-McClung.

**Dr. Massolin:** Good morning. Philip Massolin, clerk of committees and research services.

**Mr. Roth:** Good morning, everyone. Happy 2020. I'm Aaron Roth, committee clerk.

**The Deputy Chair:** Thank you.

We have members on the phone. Member Barnes, please introduce yourself.

**Mr. Barnes:** Drew Barnes, MLA, Cypress-Medicine Hat. Thank you.

**The Deputy Chair:** And we have members Rosin and Toor. I do not believe they're on the line at this point in time, but we will have them introduce themselves as they join us.

I would note for the record that we do not have any substitutions today. However, the chair will be sitting in the regular members' gallery at her own request.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard*. Please set your cellphones and other devices to silent for the duration of this meeting. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and video stream and transcripts of meetings can be accessed via the Legislative Assembly website.

First I'd like to seek any changes or additions to the agenda.

Seeing none, would a member like to move that the agenda for the February 12, 2020, meeting of the Standing Committee on Public Accounts be approved as distributed? Member Rowswell. All in favour? Any opposed? On the phones? Thank you. The motion is carried.

I would like to welcome our guests from Treasury Board and Finance, ATB, Alberta Investment Management Corporation, Alberta Gaming, Liquor and Cannabis, who are here to address us. The office of the Auditor General recommendations as well as the ministry annual reports for 2018-2019 will be addressed.

I now invite officials from Treasury Board and Finance, ATB, Alberta Investment Management Corporation, and Alberta Gaming, Liquor and Cannabis to provide opening remarks not exceeding 10 minutes. Over to our guests, please.

**Ms Mentzelopoulos:** Thank you, Chair. Thank you, members, and good morning. My name is Athana Mentzelopoulos. I'm deputy minister at Treasury Board and Finance, and I appreciate the opportunity to be here this morning to discuss the Treasury Board and Finance 2018-19 annual report and the outstanding recommendations from the Auditor General.

I will begin with a brief overview of the key financials from the report. Revenue was \$27.83 billion. This was less than half a per cent higher than budget. Corporate income tax revenue was higher than expected although given the volatility in CIT revenue and the challenges with forecasting, it's a relatively small variance, and cash receipts actually came in lower than expected. We also saw higher than expected revenue from tourism and cannabis sales. Other tax revenue was lower than expected in part because of lower than anticipated tobacco and fuel consumption. Net income from government business enterprises was \$64 million lower than budget due in part to ATB Financial's loan losses.

On the expenses front, total expenses for the ministry were \$192 million over budget, which is about 5 per cent. The higher than anticipated costs were related to a market access advertising campaign through CPE and also to AIMCo's third-party investment fees and, finally, to debt-servicing costs. In terms of year-over-year results, revenue was 7 per cent higher than 2017-18. Personal and corporate income tax saw continued slow recovery after the downturn. Again, these gains were offset slightly by losses at ATB Financial. Expenses year over year were also higher because of a range of factors, including the climate leadership plan, debt servicing, and investment management costs.

I will now move on to the recommendations from the office of the Auditor General. Treasury Board and Finance has 14 outstanding recommendations. We received no new recommendations this year; however, due to restructuring we did inherit three recommendations when we took on capital planning in our ministry. The Public Service Commission is here to take questions on an additional four recommendations.

First off, the Auditor General's office recommended that we "set standards for the public sector pension plan boards to establish funding and benefit policies." This recommendation is fully implemented and has been identified as ready for a follow-up audit.

Another recommendation was to "establish an Alberta public sector pension plan risk management system." This recommendation is also fully implemented and has been identified as ready for a follow-up audit.

The Auditor General also recommended that we "consistently apply [our] policies when recommending to Treasury Board Committee to approve a [request for] payment based on agreement." This recommendation has been fully implemented and has been identified as ready for a follow-up audit.

Now I'll move on to the remaining recommendations, which are all at various stages of response. We have made significant progress on updating and following our enterprise risk management system to identify, monitor, communicate, and appropriately mitigate relevant risks.

Moving on to recommendations related to economy and efficiency of cash management. As part of Budget 2019 we announced the development of a new integrated treasury management system. This system will address the Auditor General's recommendation that we "use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs." The new cash management model will also ensure that departments only provide cash when needed to help eliminate the situation of agencies, boards, and commissions holding excess cash due to early payment of grants.

Regarding the use of IT to manage cash, a new enterprise resource planning, or ERP, system is now being developed under contract. This will help address the Auditor General's recommendation that we "manage treasury functions and processes, including government-wide cash pooling and management." This will form part of a broader ERP system that is targeted for the second quarter of 2020-2021.

There are a few different areas related to cash management. The recommendation to use leading banking practices can also be addressed through the new ERP system. When ERP comes online, the new system will compare fees among financial institutions to ensure that government receives competitive pricing. We have also identified a payment strategy as part of transformational work across government to standardize payments and cost recoveries between government entities.

In terms of the work to improve capital planning standards, the capital planning branch has made significant changes to its manual to address the Auditor General's recommendation to update standards, clarify capital planning phases and deliverables, and verify that departments have completed the required planning for capital submissions.

Updates to the capital planning manual will address the Auditor General's recommendation that we obtain information from departments on their maintenance needs and risks and their intentions for maintenance funding. Also, we will be able to analyze departments' maintenance information to provide objective advice. In addition, the forthcoming infrastructure act will help ensure adequate maintenance of existing assets.

Lastly, in 2018 we drafted a scope document, sharing it with Advanced Education, Education, and Health to gather input on scope for a review and evaluation of the four capital maintenance programs for buildings. Once this scope is finalized, we will complete the review using internal resources.

This concludes my formal remarks, and I along with my colleagues would be pleased to answer questions.

**The Deputy Chair:** Thank you, Deputy Minister.

The Auditor General has ceded his time due to the very thoughtful review of the outstanding recommendations by the deputy minister.

Our time allotment format for questions from committee members has been revised for today's two-hour meeting. The first rotation will be 15 minutes each for the Official Opposition and then the government members. Our second, third, and fourth rotations will be 10 minutes each for the Official Opposition and then the government members.

**9:40**

The final rotation provides for a three-minute time allocation for opposition committee members followed by government members. This rotation provides members the opportunity to read questions into the record for follow-up answers by the ministry.

I will now open up the floor to questions from members of the Official Opposition. Member Phillips.

**Ms Phillips:** Thank you, Mr. Chair. Good morning. Thank you to all the officials for joining us here today. I'd like to begin with a few questions about insurance. I note from the report that financial sector regulation and policy, one of the divisions within Treasury Board and Finance, is responsible for both the oversight of the insurance industry and for collecting information on that industry as the main regulator. In 2018-19 roughly how many private-sector insurance companies were operating in Alberta in the automobile, or what is referred to as the vehicle, segment? A follow-up is fine as well. Okay. Thank you.

I also want to take just a minute to validate my understanding of how the auto insurance industry operates. As I understand it, the single most important driver of profitability in the insurance industry is the claims ratio. Simply put, if you pay out more in claims than you generate in premiums, then your claims ratio is above 1, or 100 per cent, and in that case a company or the industry is not profitable at that point in time. Is my basic understanding of the claims ratio correct?

**Ms Mentzelopoulos:** I believe so, yes.

**Ms Phillips:** Okay. Is there a more important driver of profitability than the claims ratio in the insurance industry?

**Ms Mentzelopoulos:** I believe there are a number of factors at play, but I'd have to get back to you on whether there's anything that supersedes or anything that's prevalent there.

**Ms Phillips:** Okay. I'd like now to draw the committee's attention to the Superintendent of Insurance Annual Report 2018, which is the most recently published document that provides an overall look at the insurance industry. Can the superintendent or any officials explain to the committee why this document is produced? What is included in it?

**Mr. Hedley:** I'll touch on that a bit. The purpose of the report is to give an indication of what's occurred in the industry over the past year in terms of claims and to show a trajectory of the health of the industry.

**Ms Phillips:** I'd like to draw your attention to page 6 of the Superintendent of Insurance Annual Report 2018. The report says that in the automobile insurance industry insurers brought in \$4.94 billion in insurance premiums and paid out \$3.97 billion in claims. Is that correct?

**Ms Mentzelopoulos:** I'd have to verify it in the report. I do know that information compiled by the General Insurance Statistical

Agency indicates that between 2013 and 2018 Alberta's insurance industry lost more than \$667 million on automobile insurance.

**Ms Phillips:** The annual report of 2018 from the superintendent of insurance published most recently indicated that industry brought in roughly \$1 billion more in premiums than it paid in claims, leading to a claims ratio of 80 per cent. I see that in the report the claims ratio was 79 per cent in 2014, 78 per cent in 2015, 87 per cent in 2016, 81 per cent in 2017, and 80 per cent in 2018. I'd just like to take a moment to ask about the 2016 number, which is the one year where we do see some blip in insurance industry profitability in that claims ratio. That was a significant outlier. I always assume that anything that's an outlier in 2016 is attributable to the Fort McMurray fire, but that is an assumption on my part. I'm wondering if you could provide some background as to what accounts for that particular blip in what is otherwise a fairly stable claims ratio.

**Mr. Hedley:** That would be correct. The majority of that is associated with the Fort McMurray wildfire. In terms of the profitability, too, I'll touch on that. That is all sectors of insurance, so property and casualty, life insurance, automobile insurance, and the like. In terms of the profitability that's been spoken to on auto insurance, that's the one sector that profitability has been seen to decrease over the last number of years.

**Ms Phillips:** On page 6 it does break out the various kinds of insurance, and that's where we see the claims ratio at 80, 81, 87, 78, and 79 under automobile. Is that correct?

**Mr. Hedley:** Under 2018, yes. Yes.

**Ms Phillips:** The goal of the superintendent of insurance is to ensure affordable and wide auto coverage for Albertans while simultaneously ensuring that companies are sufficiently financially solvent to pay out claims to Albertans. If the claims ratio is one of the biggest drivers of profitability, can the superintendent of insurance or the officials on their behalf explain, at least in '18-19, what the ministry viewed as an appropriate ratio? I seem to recall that on average every year the goal was to have a claims ratio of about 80 per cent to ensure system sustainability and a fair level of profitability.

**Mr. Hedley:** We'll have to get back to you on what that exact claims ratio is to your point on the profitability because the claims ratio would address one of the pieces, and then that doesn't account for the administration and overhead as well. There is an amount – we'll get that back to you – that the Automobile Insurance Rate Board uses in terms of an appropriate ratio.

**Ms Phillips:** As the superintendent of insurance and as the regulator can officials then follow up as to how the regulator gets to the preferred claim ratios, in particular for the most recent year that we have data, which is 2018-19?

**Ms Mentzelopoulos:** Yes.

**Mr. Hedley:** Yes.

**Ms Phillips:** Okay. Thank you. I have a few questions now related to government of Alberta financial documents. As officials did talk about in their opening comments, it is the role of Treasury Board and Finance to ensure, from a corporate perspective, that government's books are presented openly and transparently. As a general matter, the ministry develops a budget presented to the Legislature for their approval, and after that approval it is up to

management to manage the finances of the province and, in particular, cash management. We have a number of recommendations for that.

My first question is relatively straightforward. Albertans receive AISH and other income supports. They get those payments monthly. During fiscal 2018-19 am I correct in assuming that for AISH and income support clients those statutory payments happened according to a schedule of 12 payments, one for every month?

**Ms Mentzelopoulos:** I think I'd have to ask for the appropriate ministry to respond to you. I don't have the details of their schedule for payments.

**Ms Phillips:** Am I correct in my understanding that in 2018-19, as a matter of cash management, those AISH and income support payments are made near the end of the month?

**Ms Mentzelopoulos:** Sorry. I'm not privy to the details of the AISH payments.

**Ms Phillips:** It's \$190 million-ish, maybe \$180 million, of cash management, and we're going to go to another ministry, then, to find out their cash management schedule. That is what I am to understand?

**Ms Mentzelopoulos:** I believe that's what I'm suggesting. Yes.

**Ms Phillips:** Okay. We have some indication. We have some cash management recommendations for 2018-19 from the Auditor General. I have some questions for both the department and for the Auditor. Am I correct in my understanding that by moving payments from the end of a month that is the end of a fiscal year to very early into the next fiscal year, there would then be 11 payments for that year? This would then, all other things being equal, reduce that budget by one-twelfth for that fiscal year. Am I correct?

**Ms Mentzelopoulos:** Are you speaking generally or specifically?

**Ms Phillips:** If there is a usual situation where there is \$100 million of cash moving at the end of every month and one of those payments – instead of having 12 payments, we then have 11. Does that reduce the deficit by \$100 million, and is that consistent with usual cash management practices?

9:50

**Ms Mentzelopoulos:** I'm struggling to answer a general question. I'm worried that it could be applied to a specific situation and therefore potentially misinterpreted. But I think in general the desire is that if a payment is due at the beginning of the month, it ought to be paid for at the beginning of the month and that it would be hard to draw a line to anything in terms of impact on a deficit because there are multiple factors that would impact the deficit.

**The Deputy Chair:** Okay. Excuse me. Could the member please make a reference to the annual report or any of the Auditor General's recommendations as well so that we can perhaps frame these questions more appropriately?

Thank you.

**Ms Phillips:** Sure. Well, we have a number of outstanding recommendations with regard to cash management and moving cash at various points in the year because we have found sometimes prepayment of grants affects cash management, and it seems that if you have 12 payments in a year of a particular obligation on behalf of the Crown and then we all of a sudden have 11 payments in the

year, what material difference does that make to both the cash management recommendations that are outstanding right now and any future recommendations regarding cash management?

**Mr. Wylie:** If I could ask Brad Ireland to respond a little bit more with specifics. But I think part of the issue here is the financial reporting being prepared on an accrual basis versus the cash flow of items.

Brad, do you want to supplement that with respect to our recommendations?

**Mr. Ireland:** Sure. Yeah. The government and Treasury Board's financial reporting is done on an accrual basis. I think that even if you move the timing of the cash payments around, the financial reporting may not exactly align with the cash and the timing of the cash flow because it's prepared on an accrual basis. With respect to AISH it's an entitlement program, and as long as those individuals are entitled, our expectation would be that there would be 12 months' worth of payments per se within the financial statements.

**Ms Phillips:** That was exactly what I was looking to confirm. My understanding, then, that there may be, from a reporting perspective, some change in terms of how the overall finances are reported, but it does not really change the cash needs of government. Is my understanding correct?

**Mr. Ireland:** Well, yeah. I think it's more dealing with the program delivery and when they flow the cash. Like I said before, that may be different than how you would do the accounting. I guess in this hypothetical situation the cash would, you know – whether the cash flowed on the 1st of the month or the 31st of the month, the timing of when you recognize that as an expense within the financial statements may not change.

**Ms Phillips:** Okay. Thank you.

I'd like to now move on to some of the work done during fiscal 2018-19 by Treasury Board and Finance around crude-by-rail contracts. In late 2018 and early 2019 there was a crude-by-rail plan announced by government, and at that time the government announced that over time the plan would generate roughly \$5.9 billion in revenues. Can officials confirm that during the fiscal year of 2018-19, that is now under deliberation by the Public Accounts Committee, the professional analysis of the departments of Energy and Treasury Board and Finance was that the plan would generate \$5.9 billion in revenues at that time?

**Ms Mentzelopoulos:** We actually endeavoured to address this in the 2019 budget. It's on page 16. I think it is actually a very succinct summary of the advice that I believe was provided in a fairly consistent way. Maybe I'll just read from that. It says:

The fiscal plan reflects a provision of \$1.5 billion in 2019-20 to extricate taxpayers from the crude-by-rail program hastily put in place in the final 30 days of the last government's mandate.

The program would have seen taxpayers purchase and ship 120,000 barrels of oil per day out of Alberta, in the hopes of positive returns, low trading risk and increased royalties. It was designed to rationalize and justify the previous government's excessive spending habits. The program would have cost taxpayers a minimum of \$1.8 billion

and in brackets it says:

(commercial revenues of \$8.8 billion less expenses of \$10.6 billion – [which is] \$3.7 billion in rail contracts and \$6.8 billion for the cost of purchasing the crude).

I'm just going to skip down a bit. It says:

The business case carried a number of risks and assumptions never adequately disclosed to Albertans.

First, it was assumed that the private sector would not have invested in sufficient crude-by-rail capacity in the absence of government involvement.

**The Deputy Chair:** Thank you. We'll have to continue that at the next rotation for the opposition.

I'd like to turn it over to the government members. MLA Guthrie, you have 15 minutes.

**Mr. Guthrie:** Okay. Thank you. Thanks for being here. Just to go back to that previous question brought up by the member in the opposition. If we have a liability that is moved from the 31st to the 1st, it would not change the financial position of government or a company because it's a liability from the previous month, and it would be accrued in that previous period, so it would not change anything as far as the financial position of a corporation or government's position. Am I correct in that?

**Mr. Ireland:** It would not change the expense. What it might change is whether or not you have a liability at the fiscal end date if you didn't pay it till subsequent to year-end.

**Mr. Guthrie:** Yeah. So it does not change the financial position.

**Mr. Ireland:** It may change the cash position, but it does not change the expense position.

**Mr. Guthrie:** It changes the cash flow, but it doesn't change – yes. It's still accrued in the previous time period. Yes. Okay. I just wanted to make sure that we have that down.

Okay. My first question here. On page 16 the annual report states, "Alberta . . . [has] the lowest overall taxes among the provinces." Can the department speak to the economic advantage that Alberta companies enjoy as a result of laying claim to the lowest overall taxes in the nation?

**Mr. Parsons:** Thanks. I'll speak to that. Alberta does currently have the largest tax advantage of the provinces. It comes in many forms: business taxation, personal taxation, and no sales tax. First, I guess, one point to make is that Alberta is a highly capital-intensive province, particularly with the large reliance on major projects, more than the other provinces, so investment is responsive to changes in after-tax cost to capital, so there's an advantage there. Households pay less tax overall, and that's considering all taxes. If you go into the Treasury Board and Finance's budget documents, you can see a comprehensive summary of households by income type, the level of income, and the number of children. You can see across the board that Alberta has a tax advantage. Generally, what that does is it keeps more money in the hands of Albertans, allowing them to spend more in the local economy. In total Albertans and Alberta businesses pay at least \$13.4 billion less in taxes and carbon charges relative to if they had the same taxes in other provinces.

**Mr. Guthrie:** That kind of brings me to my next question, then. Page 17 states that "Alberta families with \$75,000 in employment income continue to pay lower overall taxes compared to other provinces." Can the department speak to the economic benefits and the competitive advantage that Albertans enjoy because of having a higher percentage of earned income that stays in the hands of hard-working Albertans?

**Ms Mentzelopoulos:** Yeah. I think the answer kind of illuminates a principle that we drive at, which is to try to keep as much money in people's pockets as possible. Having that lower overall tax regime does that. It allows people to keep more money in their pockets. It allows them to afford to buy what they wish to purchase.

I would just say that for 2019 a family with \$75,000 in income would pay about \$1,800 less in taxes than the second-lowest province and about \$4,200 less in taxes than the third-lowest province, so it's a distinct advantage.

10:00

**Mr. Guthrie:** It helps to stimulate the economy.

**Ms Mentzelopoulos:** And people can make their own choices about how to use the money they earn.

**Mr. Guthrie:** Okay. Moving to page 18, a target metric states that sustainable "operating spending growth will not exceed population growth plus CPI" inflation. Can the department explain the importance of government controlling and restraining operating spending?

**Ms Hoffman:** Just to clarify, Mr. Chair. Sorry. I guess it's a point of order, technically. I would love to know how this ties back again, as to your prior point, to '18-19.

**The Deputy Chair:** The reference on page 18 of the annual report indicates that the sustaining operating spending growth should not exceed population growth, so they're talking to that particular policy that is embedded in the annual report.

**Ms Hoffman:** Okay. It sounded like it was forward looking from the way the question was worded.

**The Deputy Chair:** Well, this is referencing that priority, which is in the annual report, as I see it.

**Ms Hoffman:** Thanks, Mr. Chair.

**The Deputy Chair:** Thank you.

**Ms Mentzelopoulos:** Thank you. I think the question was on the importance of restraining operating spending. I think the goal that has illuminated a lot of the work that has occurred over the last year or so is the goal of balancing the budget by '22-23, so having such a goal does require some restraint. The annual report from '18-19 is helpful in pointing out that there ought to be some constraints on spending. Certainly, I think the manner in which we develop Budget 2019 is consistent with that goal.

We also were supported by the work of the MacKinnon panel, a report that noted that per capita expenditures in Alberta are higher than in other provinces even though outcomes from Alberta's expenditures are often middle of the pack relative to other provinces or in some cases, actually, even worse, and we've found from the MacKinnon work that on a per capita basis . . .

**The Deputy Chair:** Just a reminder to all members of the committee and our guests to constrain your responses to '18-19 and to the annual report if possible, please. Thank you.

**Ms Mentzelopoulos:** Thank you. I have nothing more to add, then. Thank you.

**Mr. Guthrie:** The MacKinnon report is based upon these financial data and previous, so is it not applicable?

**The Deputy Chair:** If we're referring to the previous actions of this government, yeah, and this ministry.

**Mr. Guthrie:** Okay. I think it does apply, then, as far as commentary based on these financial data and previous, correct?

**The Deputy Chair:** Yes. Looking at previous data is fine; however, we cannot speculate going forward with respect to policy that will be enacted in the future.

**Mr. Guthrie:** Right. But we're speaking in general terms as far as the government's . . .

**The Deputy Chair:** Let's limit our comments to the '18-19 annual report and also to the Auditor General's reports and/or prior statistics, please.

**Mr. Guthrie:** Okay. On page 18 again it notes that operating expenses exceeded population growth plus inflation in 2015-16, '16-17, and then '17-18. Can the department explain what drove that spending as far as moving us over target?

**Ms Mentzelopoulos:** Yes. There's been spending, I think, in some cases, actually, far in excess of a combination of inflation and population growth. It largely in those years came from funding increases for education, social services, and health care.

**Mr. Guthrie:** Okay. Mr. Chair, I'm going to pass it on to MLA Rowswell at this time.

**The Deputy Chair:** MLA Rowswell.

**Mr. Rowswell:** Yeah. Page 18 of the annual report states that the Finance department provides advice to other departments in their efforts to restrain spending. Can the department explain how they advise other ministries on cost savings? How detailed do you get?

**Mr. Hedley:** I'll take that question. Thank you. The budget development and reporting division in Treasury Board provides timely, relevant, and accurate budget analysis and advice to decision-makers, including the Premier, cabinet, ministers, and other bodies. The division is also accountable for government's budgeting, for both the budget and quarterly updates, and the division works closely with other ministries through the target-setting process as well as the forecasting and quarterly updates. This includes considering the options and providing a challenge function to ministries as they go through their assumptions and through the forecast process. The division also serves as a secretariat to Treasury Board and communicates the direction of those decisions of the board to ministries.

**Mr. Rowswell:** Does the department say to the Finance department, you know, "Here are the areas that we're looking at," and then you feed back information to them? Or is it, "Here's something that looks out of line with other places"? Is that what happens?

**Mr. Hedley:** In terms of the feedback to the board?

**Mr. Rowswell:** Yeah. Back and forth.

**Mr. Hedley:** There's a degree of both. We'll go back and clarify with ministries in terms of the assumptions, looking at other factors, other ministries if there are interrelationships there and then getting that clarification for the board as well and putting options to the board for digging into other areas. Like I said, we serve as a challenge function to make sure that the decisions are well thought out and the board has all the material needed in order to make the decisions.

**Mr. Rowswell:** So if you found something that they weren't thinking about, you would bring that up. Is that right?

**Mr. Hedley:** We would bring that up to the ministry, and we would also do the same for the board.

**Mr. Rowswell:** Okay. All right. Good.

Can the department speak to how public-sector compensation in Alberta compares to other provinces?

**Ms Mentzelopoulos:** I think it's generally fair to say that almost across the board public-sector compensation is higher in Alberta than in other provinces. I think that if you exclude doctors' compensations, in general we come out about \$3 billion higher on average than in other provinces. That's more acute for some professions than for others. We can be as high as 20 per cent above market in some areas and very close to market in others. Overall, as I say, we do spend more for compensation in Alberta compared to other provinces.

**Mr. Rowswell:** Recently what's that trend been like? Like, has the gap been narrowing? Do you know?

**Ms Mentzelopoulos:** I believe that there has been some effort at restraint. There have been labour mandates of zero. When you look at compensation altogether, though, it's not just wages. There are benefits as well. When you look at that in its totality, that's part of what drives the data that shows that Alberta continues to have higher compensation costs than other jurisdictions.

**Mr. Rowswell:** That kind of lands into my next question of public-sector benefits and pensions. How comparable are they relative to across the country?

**Ms Mentzelopoulos:** I'll probably repeat myself a little bit; I apologize. I would say that we have some Statistics Canada data that show that Alberta had the highest total compensation for all public-sector jobs per capita in 2018 compared to key comparator provinces of Quebec, British Columbia, and Ontario. Again, when you take out payments for physicians, we're approximately \$3 billion more. In other words, if we brought our compensation in line with those comparator provinces, it would conceivably represent a savings of approximately \$3 billion for Alberta taxpayers.

**Mr. Rowswell:** Okay. Has the gap shrunk with these mandates for zero that have been happening recently? Do you track that every year, I guess, is kind of where my head is at.

**Ms Mentzelopoulos:** We do, and I believe it has trended downward somewhat, but I would point out that for registered nurses in Alberta, we're still a .1 per cent higher than comparator provinces. Teachers are almost 5 per cent higher than comparator provinces. Dietitians and pharmacy technicians, that's 18 per cent higher. Physiotherapists and therapy assistants are about 11 per cent higher and LPNs about 5 and a half per cent higher. So still some room to go, I would suggest.

**Mr. Rowswell:** And, as you suggest, that includes the benefits.

**Ms Mentzelopoulos:** Yes.

**Mr. Rowswell:** Yeah. Okay. Pensions, of course, are calculated based on your income, so they would tend to be higher but supported by the pension fund that's there, I guess.

**Ms Mentzelopoulos:** Yes.

**Mr. Rowswell:** Okay. All right. Well, I'll pass it on to MLA Turton.

10:10

**Mr. Turton:** Yes. Thank you very much.

Mr. Chair, how much time do I have remaining?

**The Deputy Chair:** Just 25 seconds.

**Mr. Turton:** I wonder if I should actually just sing a song at this point just to kind of kill time. You know, I will defer my amazing 18 seconds over to the opposition. I'll start off in the next round. We'll save the singing for next time.

Thank you.

**The Deputy Chair:** Moving over to a 10-minute round with the Official Opposition, please.

**Ms Phillips:** Okay. Thank you, Mr. Chair. I just want to confirm my understanding of 2018-19, which is the work before us as the Public Accounts Committee. Can officials confirm that during the fiscal year of 2018-19 – and I can appreciate that the deputy minister read to us from October of 2019, but that is not the fiscal year under discussion – the professional analysis of the departments of Energy and Treasury Board and Finance was that the crude-by-rail plan would generate \$5.9 billion in revenues? During the fiscal year of 2018-19 was that the professional analysis of those two departments at that time?

**Ms Mentzelopoulos:** The work that is reflected – and I appreciate this is about '18-19, but in fact what we endeavoured to do was to represent in the budget of 2019 the totality of the analysis that would have been at play in 2018 and certainly came to the fore for Budget 2019. So the page of the budget, which is page 16 of the fiscal plan, does represent the professional advice that we received and that I understand was consistent.

**Ms Phillips:** During the years of fiscal '18-19 can the department confirm that the professional analysis was that the cost of the crude-by-rail plan was \$3.3 billion, at the time of fiscal '18-19?

**Ms Mentzelopoulos:** Again, the advice that we received is reflected here in the passage that I read. It says, "The program would have cost taxpayers a minimum of \$1.8 billion."

**Ms Phillips:** But that was published some months later than the end of fiscal '18-19. Correct?

**Ms Mentzelopoulos:** It represents the advice that I understand was consistent throughout that period of time.

**Ms Phillips:** So it is not correct, then, that when the government published numbers based on professional advice that the plan would generate \$5.9 billion in revenue, that the cost would be \$3.3 billion with an estimated \$2.2 billion in net revenue, that during fiscal '18-19 those were not the numbers that came out of the professional civil service. Those numbers were wrong during fiscal '18-19?

**Ms Mentzelopoulos:** I can only speak to the advice that is the most up to date, that I understand was consistent, and that was that the program would have cost taxpayers a minimum of \$1.8 billion. Again, it's commercial revenues of \$8.8 billion less expenses of \$10.6 billion, which represented \$3.7 billion in rail contracts and \$6.8 billion for the cost of purchasing the crude.

**Ms Phillips:** Okay. So the work of a Public Accounts Committee is to examine what happened within the previous fiscal year and what is contained within the annual reports, and so on. So we cannot ask

questions about what happened after March 31, 2019, on crude-by-rail or any other program.

**The Deputy Chair:** To the member, I think if information has come to light that is relevant to that period after the period has transpired, if that information is relevant and may or may not have been available but is provided to the ministry, I would rule that that is allowable for them to comment upon. Thank you.

**Ms Phillips:** I'm simply asking for a confirmation that during that fiscal year those numbers that were published at the time were correct and that they were based on professional advice that had come from the civil service. That is my simple question.

**Ms Mentzelopoulos:** Are you referring to a specific page of the '18-19 report?

**Ms Phillips:** I am talking about that during fiscal '18-19 it was published by the government of Alberta that there would be \$5.9 billion in revenue and that in fiscal '18-19 the cost would be \$3.3 billion and the net revenue would be \$2.2 billion, that that was the communication from Treasury Board and Finance at that time. So I'm simply looking for a confirmation that those numbers came on the advice and analysis by Treasury Board and Finance.

**Ms Mentzelopoulos:** My apologies. Is that a specific page in the '18-19 annual report so that I could look at it?

**Ms Phillips:** I'll have to get back to you.

**Ms Mentzelopoulos:** Okay. I can only then say that the advice that we've received, which I understand has been consistent, is reflected in the passage that I have read from Budget 2019.

**Ms Phillips:** I have a few questions related to ATB. As I understand it, ATB has some 775,000 customers, operates in more than 300 locations in the province. Part of the mandate is to ensure that Albertans have access to financial services across the province and in communities across the province. Can officials from ATB tell us about the geographic footprint and how many communities you serve?

**Ms Mentzelopoulos:** My apologies. I know that it was indicated on one of the information pieces that folks from ATB would be here, but they have a board meeting today, and they were unable to attend. I'm happy to take any questions under advisement and get back to the member in writing.

**Ms Phillips:** Okay. They were asked to attend Public Accounts. That is not consistent with my understanding of how a Public Accounts Committee works in terms of its oversight of the workings of government and agencies, boards, and commissions that are called as part of the public accounts process. That is highly unusual. I will read these questions into the record. I expect an answer. But I think I speak for all members when I say that with the Legislature's role in looking at the workings of government and all of their associated entities, that public accounts process has to have some integrity, and that means showing up to the meeting.

**The Deputy Chair:** To the member, please, could you limit your comments to the 2018-19 annual report and also to the recommendations of the Auditor General.

**Ms Phillips:** The minister announced recently that there'd be some changes to practices, so I'm wondering if there have been changes to the mandates and roles document either between '17 and '18 or

between '18 and '19 for the Alberta treasury branches, how often that mandates and roles document is updated, whether there were changes over the years, if there are changes every year, or if there were any changes in '18-19 that we should be aware of.

**Ms Mentzelopoulos:** As I understand it, there were no changes in '18-19. We have been working on updating the mandate and roles document, so I am happy to address that question. I'm not sure. I know that for some mandates and roles there is a required time period for review. I'm not sure if that's the case. I'm looking at my colleague. Every three years? But, as I understand, no changes were made in '18-19.

**Ms Phillips:** Okay. I'd like to talk a little bit about profitability of branches. On average, are branches that are in rural and remote Alberta more or less profitable than urban ones? What drives levels of profitability for branches in ATB?

**Ms Mentzelopoulos:** As I understand, we will get back to you in writing on that.

**Ms Phillips:** I'd like to ask a few questions now around cash management and managing our debt. I'd like to ask some questions of Finance with respect to the borrowing program. As I understand it, there are intentions to borrow \$15 billion in '19-20, \$15.2 billion in '20-21, et cetera, and so on. Getting the best price possible for our debt is important, so I want to confirm my understanding of how this has worked in previous years. When we assess our cost of borrowing relative to our peers, we often look at our spreads; simply put, how much more Alberta pays in terms of basis points relative to our peers. Has TBF quantified how much in basis points emerging environmental, social, and governance considerations potentially cost Alberta in terms of our ability to borrow?

**Mr. Epp:** We have not done any formal analysis.

**Ms Phillips:** Okay. In the past two years we have seen capital markets shift with respect to ESG consideration. Can TBF comment on whether we have seen some of those capital market considerations work their way into whether investors are raising ESG concerns with the ministry when it comes to Alberta's debt?

**Mr. Epp:** In our most recent meetings with investors, the ministry has brought up a number of factors that we consider are important in terms of ESG factors. Certainly, we are proud of the environmental record, the social record, and the governance record in Alberta.

**10:20**

**Ms Phillips:** Okay. Thank you. Has there been any pronounced shift in the 2016-19 period around conversations with respect to borrowing and ESG risks?

**Mr. Epp:** We are seeing more questions about ESG risks, but they're more directed at industry, not government.

**Ms Phillips:** Okay. Very good.

**The Deputy Chair:** Thank you.

Now moving across to the government side, I believe we have MLA Turton continuing with a 10-minute rotation.

**Mr. Turton:** Yes. Thank you very much. I also just want to state really quickly, before I ask my question, that I do agree with Member Phillips. I think it would have been appropriate for ATB to be here today. I'd just like to echo those comments.

My question is actually regarding pension liability. On page 50 of the report it states that the “teachers’ pre-1992 pension liability funding increased by \$5 million compared to prior year due to increased benefit [payments].” Can the department explain this increase and how this is being addressed?

**Ms Mentzelopoulos:** Thank you. The increase is based on increased benefit requirements of retired teachers that the department is obligated to pay until the last members leave the plan and is based on a number of factors beyond the control of government, including things like inflation and expected mortality rates. Liability funding has been increasing due to teachers living longer than I think was originally calculated, but as I understand, it is anticipated to peak in ’20-21, and then it will decline as teachers leave the plan.

**Mr. Turton:** Okay. What is the total unfunded pension liability facing Alberta taxpayers in the most recent fiscal year?

**Ms Mentzelopoulos:** My apologies. I think I have that here. Go ahead.

**Mr. Hedley:** The total pension liability for Albertans: you’re looking for ’18-19 or ’19-20? In ’18-19 the actual is about \$9.2 billion. In ’19-20 it’s about \$8.9 billion.

**Mr. Turton:** Okay. What are some of the risk factors that are of greatest concern to your department with respect to pension liabilities? Are you satisfied with the numbers before you in terms of the risk that it offers Albertans?

**Mr. Hedley:** The plans for Alberta – the public service pension plan, the management employees pension plan – are quite healthy right now, and the management employees pension plan is in a surplus position right now. The teachers’ pension plan: as you may know, the pre-1992 is on a pay-as-you-go basis, so we pay that as the payments to members come due. That was the change that was done in 1992 to prefund those. Post that period of time that’s in a much better position as well. I’d say that for the most part the plans in Alberta are well funded right now.

**Ms Mentzelopoulos:** I would just add that the pay-as-you-go represents just a little bit less than half a billion dollars a year, that comes basically from general revenue.

**Mr. Turton:** Thank you very much. I defer the rest of my time to Member Nixon. Thank you.

**Mr. Jeremy Nixon:** Thank you very much, and thank you for being here today. On page 21 of the annual report it notes that AIMCo has earned double-digit returns on its investment in the past four years. I understand that’s a good thing. How has AIMCo’s investment performance benefited Albertans?

**Mr. Epp:** AIMCo’s investment performance has been very good. They’ve been beating benchmarks. There are two components to the high returns. One is that general levels of returns, particularly in foreign equity markets, have been very good, and the government’s investments such as the heritage fund and the other endowments that the government holds have certainly benefited from having investments in those equities, a global portfolio. AIMCo has added about 1.2 per cent above its benchmark return over that same time. The goal for the heritage fund and the other endowments is to earn 1 per cent more than the benchmark, and they’ve been beating that consistently over the last number of years.

How has it benefited Albertans? Well, the income from the heritage fund: most of it goes into the general revenue fund and

helps fund government priorities. The more that is earned, the better the fiscal situation is.

**Mr. Jeremy Nixon:** It’s a good-news story, for sure. Thank you. What risks do you see with respect to AIMCo investments, going forward, given historical returns and normal business cycles?

**Mr. Epp:** I think it’s 11 years straight of positive equity returns, and that’s about as long as it gets in terms of equity returns. Sooner or later, and probably sooner, I would expect that equity markets would show a negative year, maybe more. If interest rates should rise, for example, generally across the world, price-earnings ratios will go down, stock prices will go down, and you could be in – and this is speaking more for myself than the department – for an extended period of negative equity returns. Global central banks have put us in a situation of very low returns, for good or for worse, and when those return to normal, should they ever do so, there will be an adjustment in the equity markets.

**The Deputy Chair:** Again, if we can just limit reflection on past performance and some of the risk associated with normal business operations of AIMCo, please. Thank you.

**Mr. Jeremy Nixon:** Thank you, Chair. I’m just going to switch over to debt servicing. On page 54 it states that the debt-servicing costs reached almost \$1.9 billion. We all know that that’s a lot of money diverted from critical services and public infrastructure investments. Can the department speak a bit to the impact that this unprecedented growth in debt has had on government finances?

**Ms Mentzelopoulos:** I’ll make a few comments, but my colleague Lowell Epp might want to fill in some blanks. Essentially, net financial debt was \$27.5 billion, and that represents an increase of \$8.1 billion from March 31, 2018, mainly due to higher borrowing for the fiscal and capital plans, so increased deficit, increased debt. Debt-servicing costs were \$1.9 billion, as you mentioned, and that was an increase of \$577 million compared to 2017-18. That was primarily due to, again, borrowing for the fiscal and capital plans. Essentially, what we’ve seen and what we’ve been tackling in the ministry is an overall trajectory of increased debt and therefore increased debt-servicing costs. All of the money that is spent on debt servicing comes from general revenue, and they are funds that could be used for other services but have to go to debt servicing. They could be used for health or education, but instead they have to go to that particular pursuit.

**Mr. Jeremy Nixon:** The primary reason for the debt-financing increase is because of increases in debt. It also noted on page 54 that we’ve seen 4 per cent higher than budgeted for debt-servicing costs. I’m wondering what the department has done or did in 2018-2019 that will help work towards minimizing debt-servicing costs going forward.

**Mr. Epp:** There isn’t a whole lot we can do. When you have to borrow a lot of money, you have to pay the interest rate of the day. We do borrow globally, and we are able to find savings from borrowing globally. We have had an active investor relations program to get Alberta’s story in front of investors. That can help, but really we’re talking about one or two basis points or .01 per cent or maybe even .05 per cent. The most important factor is the general level of interest rates within the economy.

**Mr. Jeremy Nixon:** What are the key risks? Maybe you can elaborate more on these risk factors given the debt levels in the 2018-2019 budget.

**Mr. Epp:** The key risks of the debt are that it continues to rise, and therefore we are exposed to the risk of higher interest rates. Should interest rates rise, that would have a significant and serious impact on government spending. We do try to borrow long term to manage this risk. We have five-, 10-, and 30-year debt forming a substantial portion of the debt, but we still have about \$8 billion a year that just needs to be refinanced, let alone any new borrowing. So there is substantial interest rate risk.

10:30

**Mr. Jeremy Nixon:** Okay. Thank you very much. I'm going to pass it over to Member Guthrie.

**The Deputy Chair:** Just five seconds left.

**Mr. Guthrie:** Five seconds? Okay. We'll wait.

**The Deputy Chair:** We'll move to a further 10-minute rotation for the Official Opposition side. We have MLA Renaud.

**Ms Renaud:** Thank you. I'm going to go back to some of the questioning that my colleague started around assured income for the severely handicapped and income supports, which would be in the Ministry of Community and Social Services. As I understand it, Treasury Board and Finance is ultimately responsible for ensuring compliance with accounting standards. According to the annual report one of the key outcomes, on page 28, is to ensure compliance with public-sector accounting standards. Certainly, I'm not a professional accountant, so I rely on people with some expertise, hearing from experts in public-sector accounting standards from outside the government of Alberta that the change to the timing of payments for AISH recipients may have the effect of artificially lowering the deficit and might be offside with public-sector accounting principles or standards. Now, I just want to remind people that the reason I'm focusing on this is that although, yes, it is just a couple of days, a shift in payment dates, the impact is . . .

**The Deputy Chair:** Excuse me. To the member: are you referencing 2018-19 or the Auditor General's reports?

**Ms Renaud:** I'm giving an example of why I'm asking this question.

**The Deputy Chair:** Okay. Could we focus, though, on the issues at hand, please.

**Ms Renaud:** I am, actually, on page 28, and I'm focused squarely on that outcome. The reason I'm giving context is that there are about 67,000 Albertans on AISH and over 60,000 people on income support, so changing dates is important.

My question is to the ministry. Perhaps we can hear from the Controller of the government of Alberta. Was it the professional advice of Treasury Board and Finance and your office that the change to the AISH payment schedule was in complete alignment . . .

**The Deputy Chair:** Excuse me. Is this a payment schedule that has transpired in 2018-2019? If it's not in the 2018-2019 annual report, I would ask you to limit your comments and your questions to those reports that we have at hand.

Thank you.

**Ms Renaud:** Okay. Let me switch to the Auditor General. Can you tell this committee and all Albertans why we have public-sector accounting standards and why it's critical that those be followed?

**Mr. Wylie:** Sure. There are a number of reasons, but primarily it is to ensure comparability, consistency, accuracy of reporting to

ensure that the users of financial reporting have a benchmark. It's really the criteria upon which a set of financial statements are prepared in the public sector. It's the standards that are adhered to. As I say, the qualitative characteristics there allow for comparability between jurisdictions and for the user to have assurance with respect to the methodology, really, the criteria upon which the financial information is put together, compiled, and the necessary note disclosure that allows the user to understand that financial report.

**Ms Renaud:** Okay. Well, just to maybe add onto that, in putting these statements together as a way of reporting to Albertans, I guess, is there a process of risk assessment and risk mitigation when these accounting changes are made? Like, is there some oversight through Treasury Board and Finance? I guess I'm getting at an earlier question you deferred to asking the Ministry of Community and Social Services to comment on, but I guess I'm going back to Treasury Board and Finance to say: what is your role in providing oversight and risk assessment and risk mitigation for decisions like this, like the one I described?

**Ms Mentzelopoulos:** I think the earlier question was more specific about payment schedules, and I don't have details about payment schedules from the other ministry. I would say in general, though, that virtually everything we do has oversight, whether it's through budget development and reporting, whether it's through the Controller's office or ultimately through the Auditor General. There is very consistent, professional, and extremely high-level quality advice that's provided for everything that we produce.

**Ms Renaud:** Then there would be a record of exchange of information, ideas for a change like this to have been made to a payment schedule and reporting?

**Ms Mentzelopoulos:** Sorry. The change that you're referring to?

**Ms Renaud:** Let's say, for example, a change like an AISH payment date. So in one month, the end of one month to the beginning of the next, which is, in fact, a different fiscal year, there would be a record of information or advice between these ministries to talk about, you know, risk assessment, risk mitigation, what the impacts of this would be, and how that's compliant with the standards that are adhered to.

**Ms Mentzelopoulos:** Yes.

**Ms Renaud:** There would be?

**Ms Mentzelopoulos:** I would expect so, yes.

**Ms Renaud:** Okay.

**Ms Mentzelopoulos:** I'm speaking generally because I think you're phrasing your question in a general way, so my answer in general is that for virtually everything that we produce, there is a degree of analysis. Depending on the significance of the issue, you would see the analysis calibrated with that.

**Ms Renaud:** Okay. Thank you.

I'll try another question, just to the Auditor General, just for clarification. If you could expand on your original answer. Using that as an example, sort of a change of timing of payments for things like AISH or income support, would you say that that's in complete alignment with Canadian public-sector accounting standards? Are there some grey zones that perhaps I don't understand? Just your opinion and your thoughts on that.

**Mr. Wylie:** Well, I'll restrict my opinion to the nature of my involvement with the information before this committee, and that's the financial statements and the accounting processes related to that. This follows off the previous discussion. These financial statements are prepared on an accrual basis, which means that when the event gives rise to the transaction, it's occurred. That's when the financial transaction should be recorded in the financial statements regardless of when the cash payment is made. The accounting policy that is being followed here is that there is an accrual basis of reporting. Our expectation is – and it's management's expectation because that's the premise on which these financial statements are prepared – that the substance of the transaction would be recorded in the fiscal period when that transaction occurred regardless of when the cash payment was made.

**Ms Renaud:** Thank you.

I'm going to pass the time on to my colleague.

**Ms Phillips:** Yeah. How much time do I have, Mr. Chair?

**The Deputy Chair:** You have two minutes and 50 seconds left.

**Ms Phillips:** Okay. I just wanted to follow up with the query as to the annual report. On page 3 it indicates that Treasury Board and Finance is governed by the Financial Administration Act and the Fiscal Planning and Transparency Act, which requires financial reporting on a quarterly basis. I just wanted to confirm my understanding that as part of those formal requirements of reporting under the act that are referenced on page 3 of the annual report, in the formal reporting of the third-quarter of the '18-19 fiscal year there was a formal statement that the net revenue from crude by rail would be \$2.2 billion in that fiscal year as part of the statutory requirements to report the province's fiscal and financial position to Albertans.

**Ms Mentzelopoulos:** I can only speak to the information that I have and the advice that I've received, which, as I say, is summarized in the 2019 fiscal plan on page 16. At the risk of being repetitive, the advice that we received consistently over the last almost year is that the program would have cost taxpayers a minimum of \$1.8 billion, which represented "commercial revenues of \$8.8 billion less expenses of \$10.6 billion," the \$10.6 billion being comprised of "\$3.7 billion in rail contracts and \$6.8 billion for the cost of purchasing the crude."

**Ms Phillips:** That would have been analysis prepared subsequent to March 31, 2019.

**Ms Mentzelopoulos:** As I understand, the advice had been consistent over a period of time.

**Ms Phillips:** So there was no advice that was contained within formal reporting under the act? There was no advice that underpinned that \$2.2 billion in net revenues, that that formal reporting that occurred as a part of the legislative architecture that TBF is required to report on was not a real number and that that was not based on professional civil service advice even though it was contained within reports that are required under law and are prepared formally?

10:40

**Ms Mentzelopoulos:** Well, as we indicated in the crude-by-rail information in Budget 2019, there were actually some assumptions that were not adequately disclosed to Albertans. There was one about the assumption that the private sector would not have

invested in sufficient crude-by-rail capacity. Second, there was an assumption the program . . .

**The Deputy Chair:** Thank you. We'll have to continue the answer to that.

We'll move across to the government side for a 10-minute rotation. Member Guthrie.

**Mr. Guthrie:** Okay. On page 19 it states that Alberta borrows 55 per cent of its debt from international markets. As an example, in February 2019 Alberta borrowed 750 million rand at a rate of 8.05 per cent. What I want to know is: what's the risk to the province that's associated with borrowing excessively from foreign entities?

**Mr. Epp:** The risk is very low because we use derivatives, cross-currency swaps, to eliminate all currency risk. That 8 per cent South African rand deal actually worked out to about 2 to 2 and a half Canadian. I don't have the numbers in front of me exactly, but it was in the twos as our effective interest rate. We pay the South African investors 8 per cent, but a bank that we arranged the cross-currency swap through pays us 8 per cent on the South African portion of the cross-currency swap, and we pay them let's call it 2 and a half per cent on the Canadian portion. Our risk is entirely covered, our currency risk, and we do that for all foreign currency debt.

**Mr. Guthrie:** Okay. But when you borrow in excessive amounts, what does it do to the autonomy of a government? Is there a risk of calling that debt, for instance, prematurely, ahead of the term? Also, you know, if you have excessive debt, you're moving cash out of the province. What does that do to reserves?

**Mr. Epp:** As far as them calling the debt, there is no contractual ability for them to call back the debt. These are fixed-term contracts of typically five to 10 years when we borrow in foreign markets. There is zero risk of them calling.

**Mr. Guthrie:** It's fixed. Okay.

**Mr. Epp:** As far as moving money out of the province, well, like private investment that Alberta is seeking to bring into the province, we are bringing capital into the province from outside of the province. It's a little different than when foreign investors invest in oil companies but not a whole lot. The flow of funds is the same from a foreign entity or a foreign body or a foreign country to the domestic economy.

**Mr. Guthrie:** What was the interest in 2018-2019 paid by the province?

**Mr. Epp:** The total debt-servicing costs?

**Mr. Guthrie:** Yeah.

**Mr. Epp:** It was roughly \$1.9 billion.

**Mr. Guthrie:** One point nine billion? Okay. You think that could be better spent in the province in other ministries than paying foreign debt holders?

**Mr. Epp:** I don't think that's a question for me to answer, quite frankly.

**Mr. Guthrie:** Okay.

**Ms Mentzelopoulos:** It certainly represents a number that is larger than the total budget of several ministries. I would say that.

**Mr. Guthrie:** Yeah. Okay.

Well, thank you very much.

I'm going to pass this over to MLA Walker.

**Mr. Walker:** Okay. Well, thank you so much, Chair, and thank you, all, for being here. I really enjoyed the committee today. I found it very informative.

To begin, I'm going to focus on the AGLC. On page 13 the report indicates that the department is working with the AGLC to modernize its liquor policies. What changes are being made to cut red tape while maintaining public safety?

**Ms Wilson:** I can answer that.

**Ms Hoffman:** For '18-19.

**The Deputy Chair:** Sorry. We have to reference the past changes that were done during 2018-2019.

**Mr. Walker:** Sure. Okay. So the past changes that were done in 2018-2019. Thanks.

**Ms Wilson:** We may have to get back to you specifically on the items in '18-19. The list I have that I can share with you in terms of some of the RTR, or red tape reduction, items are items that were under way or completed. I don't have specifically identified which ones are in each, but I can read them and then can get back to you on that piece of it.

Maybe I'll start by indicating that the AGLC takes a balanced approach to provide consumer choice and generate revenue while at the same time offering programs and tools that encourage responsible use, and those programs include items such as DrinkSense, GameSense, and Dry9.

Some of the RTR initiatives that, again, are under way or completed – and I will get the completed list to you – include expanding the definition of artisan markets in AGLC policy to allow Alberta's small liquor manufacturers to sell their products at a wider range of artisan markets; special-event licence area restrictions – beer gardens are not a requirement, and a site-wide event licence is an option at the direction of the licensee – site-wide licensing in hotels provides a more flexible customer experience by allowing patrons to take drinks from one area to another within a hotel facility; they've also expanded businesses eligible for a liquor licence, so it allows more businesses that offer goods and services to the public, where the primary purpose is not the sale of food or beverages, to obtain a class B liquor licence; and then perhaps the last one I'll reference is that they have clarified in their policy to better indicate that small brewers can choose other authorized warehouses to warehouse and distribute their products.

Those are a few examples, but I can look at those that have been completed and provide those dates.

**Mr. Walker:** I really appreciate those comments. Thank you.

Continuing on, we hear of changes to the AGLC licensing and regulations with respect to outdoor events and festivals. Can you provide some insights into the changes enacted in 2018-19 thus far to modernize practices and to move away from Prohibition era influenced regulation?

**Ms Mentzelopoulos:** If it's okay, we'll just ask someone from the AGLC to come to the microphone.

**Mr. Walker:** That would be wonderful.

**Ms Bolton:** Good morning. I'm Bernie Bolton from the AGLC. The changes that we made in '18-19 were basically to clarify the

policy for special-event licensing and to ensure that it was more of a risk-based focus on how the licensing worked. We always try to balance social responsibility with public safety and so on and so forth. The changes to not require a beer garden, like, a fenced area, were balanced with provisions to require security and people with ProServe, which is our education program to identify people that have been drinking too much and to stop service to them and things like that. Really, the changes were to clarify and focus on public safety.

**Mr. Walker:** Thank you very much.

Continuing on with the AGLC now, we are also encouraged by recent licensing initiatives around food halls, markets, and other dining and community-gathering venues. Can you speak to what has been achieved in 2018-2019, up to that period, in liberalizing licensing restrictions and how this aligns with your organization's priorities and efforts to have reduced red tape going back to 2018-2019?

**Ms Mentzelopoulos:** I'll just ask the AGLC to come back to the mic if that's okay.

**Mr. Walker:** Yeah. That's great.

**10:50**

**Ms Bolton:** Good morning again. I can't think specifically of which specific policy amendments applied to food halls. One of our strategic directions is effective and balanced regulation, and we always look for ways to streamline our regulations and reduce the red tape that's imposed on businesses and operators. Our approach, as always with any policy, is that we review and look to see: does it have an effective balance of public safety, responsible service, and providing opportunities for businesses? But I can't remember or speak to the specific instance that you mentioned.

**Mr. Walker:** Thank you very much.

I'm now going to turn the focus to the carbon tax as well as the corporate taxes for 2018-2019.

**The Deputy Chair:** Thank you to the member.

We'll move back to the Official Opposition for a final 10-minute rotation.

**Mr. Dach:** Thank you, Chair. I'd like to focus on a slightly different topic now, and that concerns the role of Treasury Board and Finance in 2018-19 and, of course, ongoing in other years. My understanding is that it is one of the roles of Treasury Board and Finance to ensure tax compliance. Is that correct?

**Ms Mentzelopoulos:** Yes, sir.

**Mr. Dach:** All right. So that would also include collection of taxes by municipalities. You would have oversight on that if I'm not mistaken. The role of compliance would include municipal tax collection?

**Ms Mentzelopoulos:** I believe that that question might be more appropriately directed to Municipal Affairs.

**Mr. Dach:** Well, I'm just wondering if the tax compliance role that TBF has is something that requires them to look at collection of taxes by all jurisdictions that are collecting taxes in the province. My questions were geared to talking about what categories of nonpayers there may be. Do you have information on that? Do you collect information on what outstanding taxes there may be in 2018-19 that were not collected and on what amount that might be?

**Mr. Parsons:** Specifically what tax?

**Mr. Dach:** Well, I was hopefully going to get some insight as to what municipal taxes went uncollected but taxes in general. If you're recording that you have a role to ensure tax compliance, I would assume that you know how much is outstanding and not collected in any particular year, particularly '18-19.

**The Deputy Chair:** Member, did you reference somewhere in the report that maybe will assist them in responding?

**Mr. Dach:** Well, I'm thinking that the oversight role would take in the whole of 2018-19.

**The Deputy Chair:** Okay. If you have a reference, it might assist. That's all I was suggesting.

**Mr. Dach:** I wouldn't say that I have a reference, a particular page number. I was just trying to gain some insight as to the collection tools that Treasury Board and Finance implements to ensure that its compliance role is enforced.

**The Deputy Chair:** Are you referencing something in the annual report, then, specifically?

**Mr. Dach:** I would suggest that it would be part of the annual report, Mr. Chair.

**Ms Mentzelopoulos:** Our accountabilities in terms of compliance would be more focused around the CIT, the corporate income tax. In terms of questions about compliance – I think you're referencing municipal tax collection – we don't have any accountabilities unless I'm very mistaken. I'd be happy to correct the record in writing after, but we don't have an accountability in terms of collection of municipal taxes.

**Mr. Dach:** All right. So for any jurisdiction that you do have with respect to corporate income tax, as you say, in the event of noncompliance or nonpayment what tools are there to collect unpaid taxes, or do you delegate to other authorities to collect those taxes? What amounts were we talking about in 2018-19 as far as unpaid taxes? Do you look at taking action through the courts? What's the process in collection of unpaid corporate taxes?

**Ms Mentzelopoulos:** I'll break down your question, and hopefully I think I have answers to most of what you've asked. As at March 31, 2019, there was approximately \$1 billion in corporate taxes that were receivable. Some of it was considered doubtful in terms of collection because it had been accrued over several years. That's how it's characterized.

Most corporations pay what they owe when they file a return, but some do not. From a tax administration perspective, part of our ministry, TRA, can only take collection action on amounts that are not under dispute. Once an amount is under dispute, no further collection action can occur until the dispute has been resolved.

We can collect 50 per cent of the assessed taxes for large corporations that object to their assessments for tax year-ends after May 27, 2013. As of March 31, 2019, collection can occur on \$280 million, or about 20 per cent, of that \$1 billion that I referenced at the beginning that is outstanding. No collection action can be taken by us on the remaining \$768 million because those, as I said, are under objection, and when a file is under objection, we cannot take collection action.

**Mr. Dach:** Thank you. Of those taxes that are deemed outstanding yet still collectible and eligible for action to be collected, what

mechanism – like, who makes the decision to decide that a delinquent account is not pursuable or not worthy of pursuit or, alternatively, to actually go after a delinquent taxpayer?

**Ms Mentzelopoulos:** I'm not sure there's ever a decision taken that something isn't worth pursuing. There is some prioritization in terms of where the greatest return is, but that doesn't mean that anything at the bottom of that scale gets dismissed and there's no collection action taken. In terms of the resources of the ministry I think it's appropriate, and the work that's done is to calibrate the resources to where, potentially, we're going to see the greatest return. That's where they would focus collection action, in terms of whether it's the scale or whether it's the probability of the ability to pay. Like I say – and I want to be really firm about this – that in no way would mean that any of that portion that is available to be collected is deemed not worth pursuing. It is all worth pursuing.

**Mr. Dach:** So is it never written off at a certain point?

**Ms Mentzelopoulos:** There are writeoffs that occur at a certain point, but that would have been after every opportunity is exhausted.

**Mr. Dach:** So, in fact, there is a point at which you deem something not collectible or worthy of pursuit?

**Ms Mentzelopoulos:** Yes.

**Mr. Dach:** Okay. That's usually a long process after lots of elements are exhausted?

**Ms Mentzelopoulos:** Yes.

**Mr. Dach:** As far as the enforcement decisions go, I would imagine there is a branch or department or an individual in your ministry who is responsible for assessing whether or not and at what point to pursue a delinquent account that is eligible for pursuit. What branch is that?

**Ms Mentzelopoulos:** TRA, tax and revenue.

**Mr. Dach:** All right. Well, those are my questions with respect to the role of Treasury Board and Finance.

Thank you.

**Ms Hoffman:** May I have a time check, Mr. Chair?

**The Deputy Chair:** Yes. You have two minutes and 41 seconds.

**Ms Hoffman:** Great.

I'm going to keep my questions focused around the AGLC annual report, and I guess the first question I want to ask is that I see we have targets for responsible drinkers, gamblers. We don't have any for cannabis use, but we do have some targets for cannabis sales. I'm wondering if the AGLC can elaborate on why it was that they didn't set targets with regard to that but did with regard to sales. It's page 25 if anyone wants to . . .

**Ms Bolton:** At the time that our business plan and targets were set for '18-19, there was a lot up in the air around cannabis, and we made a lot of assumptions. The saying around the office was that we were building a plane at the same time as we were flying it.

For targets for responsible gaming and responsible liquor, of course, both of them have been legal for many, many years, and there's lots of research and associations that have come up with what responsible drinking looks like and what responsible gambling looks like. There's no such research existing for cannabis

yet, so we were really at a loss on: what do we measure, and what do we set the target at? We are, in our annual survey of Albertans and our annual survey of licensees, doing research asking about the use of cannabis; you know, how often and whether they think it's a problem or not. Those survey results will be used to come up with a target that we'll have in future years' annual reports.

**11:00**

**Ms Hoffman:** Thank you very much.

With regard to the illicit market, definitely one of the goals was to address and combat the illicit market. Are we measuring what impact this is having on the illicit market? I'd be happy to have a response in writing.

**Mr. Parsons:** We can provide a response in writing. I guess all I'd add, from a Treasury Board and Finance perspective, is that we've entered into a tax agreement with the federal government where we get 75 cents per gram and then the equivalent of 10 per cent ad valorem tax. That was by design to keep taxes low during the early stages of the introduction of the cannabis tax.

**The Deputy Chair:** Thank you.

We'll move now to the final 10-minute rotation of the government side. MLA Walker.

**Mr. Walker:** Thank you so much, Chair. Just moving on from the AGLC questioning, I want to focus now on the carbon tax as well as the corporate taxes, specifically how for 2018-2019 it impacted revenue generation. To give a bit of background for myself as the Member for Sherwood Park, Strathcona county, of course, is an economic powerhouse focused in the petrochemical industry as well as the energy industry. We refine 62 per cent of all crude oil in western Canada as well as 75 per cent of all petrochemicals in Canada. Talking to people in those industries and the residents who depend on those industries in my community, they've told me that corporate taxation as well as the carbon tax had a very negative impact on their businesses.

Reading the report here, going to page 47, just to pull it up, it's my understanding that the carbon tax specifically but also corporate taxation levels caused less revenue to be collected. On page 47 it says that the carbon tax along with "other tax revenue from all sources was \$105 million lower than budget. The largest variances were due to lower than anticipated consumption in Tobacco tax, Fuel tax, and [again] Carbon levy which were \$33 million, \$20 million and \$32 million lower than budget, respectively." I would just like your insight for 2018-2019 on how corporate taxes and the carbon tax affected revenue generation. It went down: that is my understanding.

**Mr. Parsons:** For '18-19, just to confirm, the carbon tax was budgeted at \$1.356 billion, and the actuals came in at \$1.324.

**Mr. Walker:** Okay. Yeah.

**Mr. Parsons:** So slightly lower than expected but not significantly.

In terms of corporate taxes the cash came in less than expected for the year. There were some year-end accounting adjustments, which is normal. We make adjustments to accounts receivable and refund liabilities, and that resulted in slightly higher, but without the accounting adjustments it would have been lower.

I don't know if you want to supplement, Athana, with anything?

**Ms Mentzelopoulos:** No. Thanks.

**Mr. Walker:** Okay. Well, thank you so much for those comments. Very informative. Again, those taxes locally in my area had punitive impacts, that we're still feeling.

Chair, I'll now pass my time to Member Stephan.

**The Deputy Chair:** Please.

**Mr. Stephan:** Chair, how much time do we have left?

**The Deputy Chair:** You have just under seven minutes.

**Mr. Stephan:** Thanks, Chair. Thanks for being here. I appreciate the great and important work that you're doing. Just with time of the essence, I want to ask one question. On page 21 of the annual report it states that one of the goals of the ministry is to continue to advance electronic services for tax and revenue programs, which enable convenient interaction for taxpayers with the government outside of traditional business hours, streamline processes for the government to collect revenues, and minimize the administrative burden for participants in tax and revenue programs.

One of the things that it lists is having the ability to file a notice of objection online as it relates to carbon levy and fuel tax programs.

From first-hand experience, I know that filing a corporate income tax notice of objection is quite burdensome, red tape heavy. Does the ministry also have plans to reduce the red tape as it relates to the corporate income tax notice of objection program?

**Ms Mentzelopoulos:** I can't speak to that specifically, but hopefully I can reassure you by saying that we're basically doing an assessment across the entire ministry of the red tape burden and how we can reduce regulations, make access easier for citizens. On electronic services in the '18-19 fiscal year, they implemented electronic filing for fuel tax and for tobacco tax and streamlined the filing of an estimated \$2 billion in tax revenue beginning in this current fiscal year.

I certainly take your comments to heart. If there are measures that we can implement that will make filing easier, we will definitely look at them.

**The Deputy Chair:** Again, just a reminder to focus your questions on the '18-19 fiscal year, please, on the annual report.

**Mr. Stephan:** Okay. Great.

My remaining questions are going to focus on the ATB annual report for '18-19. I just want to reiterate my colleague's comments. It's disappointing that ATB is not here. I'd like these responses provided in writing. I'd also invite my colleagues to consider whether or not there would be value to taxpayers in inviting ATB back for a separate meeting of this Public Accounts Committee.

My first question relates to the ATB amount in outstanding loans. In their annual report they say that there are \$47 billion in loans. Just as a comparator, the Canadian Western Bank, which has a lower portfolio of loans, \$28 billion, had a net income of \$267 million. ATB had a net income of \$138 million. CWB's income also included taxes of over a hundred million dollars that they paid. So why is ATB not as good as a smaller bank in terms of profitability?

**Ms Mentzelopoulos:** I will be happy to facilitate their written response.

I would just say that we have introduced a provision in the budget implementation legislation that asks for profitability measures for ATB. Hopefully, on a go-forward basis some of those questions can be answered fairly clearly, but definitely we'll get back to you.

**Mr. Stephan:** Okay. I'll ask another question about profitability. A very important financial matrix for profitability and efficiencies is called the efficiency ratio, and this compares noninterest expenses to revenues. The lower the efficiency ratio, the better it is for a bank. Canadian Western Bank has an efficiency ratio of 46.5. RBC has an efficiency ratio of 56.8. ATB had an efficiency ratio of 69.2. Interestingly enough, in terms of budgeting forward, in the annual report they're budgeting for an efficiency ratio of between 70 and 72 per cent. My question is: why is ATB budgeting for a more inefficient efficiency ratio as opposed to a more efficient efficiency ratio, especially compared to other banks?

Another question related to ATB. I notice that ATB provides in their annual report a number of ratios but no comparisons in terms of how they compare to their peers. The question I would ask is: why does ATB not provide any comparative information to their peers in their annual reports?

Another question that I have in relation to ATB is that in terms of the 2019 operating results, ATB reported a net income of \$138 million. In 2018 it reported a net income of \$274 million, so almost half of their net income, whereas for Canadian Western Bank, which is smaller but operates in the same jurisdiction, their net income significantly increased between 2018 and 2019, as did RBC's. So my question is: why is ATB losing money while comparator banks such as Canadian Western Bank and RBC were more profitable between '18 and '19?

**11:10**

Another question that I have relates to payment in lieu of tax. In the ATB annual report the payment in lieu of tax was \$41 million. In 2018 it was \$81 million. I notice that Canadian Western Bank, a smaller bank, paid \$113 million in dividends. My question is: why is ATB, notwithstanding that it's a bigger bank with a bigger loan portfolio, returning less to Albertans than smaller banks are? Can I get a response on that?

**Ms Mentzelopoulos:** We will be happy to provide a written response to all of those. I would only add that it was as a result of analysis like that that drove the provision in the budget implementation legislation.

**The Deputy Chair:** Thank you.

We are now moving to a three-minute read-in rotation, first from the Official Opposition and then the government members. This rotation provides members the opportunity to read questions into the record for follow-up answers by the ministry. I'll now turn over the three minutes to the Official Opposition.

**Ms Hoffman:** Thank you. Again my written questions refer to the AGLC. Given that there were 793 applications but only 75 licences awarded regarding cannabis, what was the rationale? How did we measure the baseline for the illicit market, and how has legalization impacted the illicit market?

Then, acknowledging that this report says that 20 per cent of Albertans don't drink responsibly, how did we set the responsible targets of 15 per cent, how have we performed in past years, and has this influenced the targets that we set in '18-19? Those are my questions.

**Mr. Dach:** I have a question as well. In the event of a municipal insolvency, perhaps due to nonpayment of taxes, what role might TBF have in resolving the insolvency or winding up the municipality?

**The Deputy Chair:** Any further questions from the Official Opposition?

Seeing none, we'll move to a three-minute rotation for the government members.

**Mr. Rowsell:** Just on unfunded liabilities for pensions I'd like to know: how is that calculated? Like, \$9.2 billion in '18-19 and \$8.9 billion in '20. What actuarial methods do we use to try to calculate that? I'd like to know what's been done in the past in order to reduce it. Ultimately, there has to be a consequence. You just can't have that as a line item forever. In the past, you know, what's happened? What have you done to do that? I'd really like to get some clarity on that if it's possible.

The last question I'd have is with regard to AIMCo. You had mentioned that from the return one of the benefits is that money flows into general revenue. Does that happen every year, and how is that amount calculated? If there is a shortfall, what happens then?

Those are my questions I'd like answers to.

**The Deputy Chair:** Any further questions from the government side?

**Mr. Stephan:** Just a quick follow-up question in relation to page 21 with Treasury Board and Finance's initiative to go more online. With respect to that movement towards electronic services, can the department share any cost savings that have resulted from that transition?

**The Deputy Chair:** Any further questions?

Seeing none, I'd like to thank officials from Treasury Board and Finance, ATB, Alberta Investment Management Corporation, and Alberta Gaming, Liquor and Cannabis for attending today and 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. We will now be moving to committee business, so we invite our guests to either stay or depart as they see fit as we move to some other business and committee discussions. Thank you again for attending, for your valuable time, and for your valuable insights.

Members, we'll take a few minutes here to put the relevant documents up on the screens to advance our discussions on the schedule.

Ladies and gentlemen, why don't we just adjourn for two minutes. People can refresh their coffee or take a short break. I'm sorry: recess, not adjourn. We'll recess for two minutes. Well, let's make it to 11:20. Then the chair and I will just confer on a few issues here.

[The committee adjourned from 11:16 a.m. to 11:23 a.m.]

**The Deputy Chair:** Ladies and gentlemen, let's commence here and keep ourselves on time. We are on the air now for discussion on our schedule going forward. Please, may I ask the members to be seated. Thank you.

Ladies and gentlemen, we have before us or coming up here shortly a revised schedule. Aaron is loading it and bringing it forward. In discussion with members and the chair and myself, we have had some additions to what we had brought forward and want to make sure that everybody is amenable to that.

All right. Now that we all have access to this on the screen, maybe we'll just run through this for quick discussion and note, the first on the list being the Ministry of Agriculture and Forestry. We have added the AFSC, the Irrigation Council, and the Agricultural Products Marketing Council to the list of attendees at that particular meeting.

We have added to the Ministry of Seniors and Housing the Capital Region Housing authority, I think it is called, and the Calgary Housing Company, both housing management bodies, and

then the Alberta Social Housing Corporation, as recommended by members from both sides.

The third, the Ministry of Advanced Education: no changes there, Keyano College and the University of Calgary, which were on the list for follow-up.

Then the Ministry of Infrastructure, the Ministry of Transportation, the Ministry of Children's Services, and, through popular demand and referenced by members from both sides and given the fact that we did not have the pleasure of having ATB in our company today, we'd like to bring back Treasury Board and Finance, with a very specific focus on ATB.

There is a number 8 slot, just scrolling down on the page here, which we will leave to be determined at a future date. We have a number of ideas on that, including ministries and some ABCs that could be called, but I think that at this point in time we'd like to leave some latitude on that for further discussion with the Auditor General in terms of rotation and some priorities on their list that we can bring forward. This does take us out several months, to just about the end of the session, and we can certainly do some business around that last slot as we see fit through the session as well.

Is there any discussion?

**Mr. Dach:** I'm just wondering if indeed there could be some latitude as far as later additions, maybe by Friday. I, for one, have a couple where I can't determine if there is an ABC responsible for a certain area; for example, the Agriculture and Forestry ministry. I haven't been able to get my mitts on the actual ABC that might be called for a specific issue I want to delve into. I need a bit more time to do that. Would that be something the committee would consider, allowing us to delegate to the chair or to the steering committee final approval for later submissions, by Friday?

**Ms Phillips:** Yeah. I do think that for some of these ministries like agriculture, where there are specific policy areas, oftentimes the deputy or their executive team can answer to that, and it's not necessarily the delegated authority or ABC that has that policy expertise. There are some committees, councils, those kinds of things, that are sort of one more step removed, whether they're delegated authorities, and sometimes members can get their questions answered just through simply having a deputy and the executive leadership team present at the table. Unless there's something major like livestock marketing or those kinds . . .

**The Deputy Chair:** We are pretty full.

**Ms Phillips:** Yeah, we are pretty full, and we're going to have a lot of bureaucrats at that table, anyway.

**Mr. Dach:** That's fair enough, and such an ABC may not even exist for the issues I have in mind. I just haven't been able to scroll through the whole list. But that's fair enough. The deputy minister may suffice.

**Ms Phillips:** What members can do is also simply give the department and the executive leadership team a heads-up: we would like some policy expertise on issue X, Y, or Z to come to the table to answer for what you spent on this, that, or the other thing. That is something that as an MLA you are perfectly within your rights to do.

**The Deputy Chair:** Or they may bring other ministry officials that are more responsible for that area of the ABC as well, Member. We're pretty full with the first three we'll do. I don't think we want to add any more there.

**Mr. Dach:** That's why I wanted to open it up to the committee. That's fair enough. Thanks for the discussion.

**The Deputy Chair:** All right. Any further discussion? Yes, Member Renaud.

**Ms Renaud:** Yeah. Just a suggestion – and, you know, I'm not entirely sure where it would go – in just looking at the list, the ones that aren't full, for the Ministry of Children's Services. Now, I know the Premier's Council on the Status of Persons with Disabilities is tasked with giving advice to all areas of government, to all ministries. Certainly, their function is to meet with ministries to provide insight, resources. It would be great to hear from that particular group when we get to Children's Services.

**The Deputy Chair:** We discussed that, and your point was actually raised here by the chair. Maybe I'll let her . . .

**Ms Phillips:** Yeah. We basically traced it back in terms of: where the Premier's Council on the Status of Persons with Disabilities gets their money from is Executive Council, right? When they come here to answer questions, they're going to talk about how they spent their money and their time and their priorities and what's in their annual report and so on. The appropriate time to call them – and it's perfectly within our rights to do it – is when Executive Council comes, and they haven't come in some time. We can just make sure that they come at that time.

**Ms Renaud:** Okay.

**Ms Phillips:** Unless we have traced it back in some other way, that they get their money from somewhere else, right now we are moving on the assumption that they are funded through Exec Council.

**Ms Renaud:** Maybe just one other comment. There is a link between that council and a group that provides insight and advice to Children's Services – the acronym and the name escape me now – and that was a new link from maybe two years ago. It would be sort of interesting to hear about that work in terms of advice-giving to that particular ministry, particularly since we're looking backwards to see: what was the impact of that advice, or what was that work? I'm just putting it out there that it might be interesting for us to hear about that lens that's been applied to that ministry, particularly children with disabilities, in terms of funding and services.

11:30

**The Deputy Chair:** Maybe I can ask Dr. Massolin. We now have a fairly full slate for the first three meetings here: Infrastructure, Transportation, Children's Services. We may have a small bit of latitude if there were to be an addition at a later date for an ABC in there. Does that cause any problems? We would then be charged with having to revise this schedule and vote on it again to bring that in. That would be our challenge, to fit that into an in-session meeting. We know those are very tight. That would be my only concern with that. However, I think that at any point in time, if there is a positive motion or suggestion brought forward by any member at that time that is amenable to the committee, we have latitude to add that with adequate notice. Correct?

**Dr. Massolin:** Yes. May I make a suggestion, Mr. Chair?

**The Deputy Chair:** Yes, please.

**Dr. Massolin:** I mean, as you're alluding to, this list will be presumably approved in a few minutes here by a motion of the committee, but I don't think it's beyond what the committee could do to simply indicate in the discussion, as you've done so now, you know, that while we don't need to include it in the motion, there's a particular focus on this area. Therefore, through your committee clerk you could sort of indicate that in the letter of invitation that's sent out to this entity, ministry, whatever it is, so that they have the heads-up.

**The Deputy Chair:** Does that satisfy the committee?

**Ms Renaud:** Sure.

**The Deputy Chair:** That gives us some latitude to get some people at the table without it necessarily having to form part of the formal invitation that we approve today.

**Ms Renaud:** Certainly. I appreciate my colleague's comments about Executive Council and the role of this particular ABC, so that would be a wonderful time to bring that expertise in.

**The Deputy Chair:** And that's been recognized.

Any other discussion?

Now we have to make that motion. I'm seeking a mover for a motion that

the Standing Committee on Public Accounts adopt the recommendations of the subcommittee on committee business regarding inviting ministries, agencies, boards, and commissions

to appear before the committee during the 2020 spring session of the Legislative Assembly as circulated.

Moved by Member Hoffman. All in favour? Any opposed? On the phones? I don't think we have anybody on the phones.

That motion is carried.

So we are now moving forward with that.

With respect to other business, I just wanted to mention to the hon. members that the committee has received written responses to questions asked of Health and Alberta Health Services at the committee's November 26, 2019, meeting and also of the Alberta Energy Regulator at the committee's December 3, 2019, meeting. These were posted to the committee's internal website and as per the usual practice will be posted to the committee's public website as well.

The date of the next meeting, pursuant to the schedule agreed to by the committee, noting that main estimates consideration or constituency weeks may delay or alter the meeting dates, is to be advised as we move forward, as is reflected on our schedule at this point in time.

Is there any other business? I should have asked that prior to that notice as well.

Seeing none, I will call for a motion to adjourn. Would a member move that the meeting be adjourned? Member Nixon. All in favour? Any opposed? The meeting is adjourned.

Thank you to the members.

[The committee adjourned at 11:34 a.m.]







