

Standing Committee on Public Accounts

8:30 a.m.

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'll call the Public Accounts Committee to order. The first item of business is approval of the agenda. Could I have a motion? Debby Carlson. Any discussion? If not, I'll call the question. All in favour, say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Any nays? It's carried unanimously.

I'm very pleased this morning to welcome the Hon. Tom Thurber, Minister of Municipal Affairs, and also our Auditor General, Peter Valentine. At this time I'd ask the hon. minister, before opening remarks, if you would introduce your staff members here in the Chamber, and also if you wish, if there are members in the gallery, we'd appreciate that as well. Likewise to Peter: if you would like to do the formal introductions once again.

Tom.

MR. THURBER: Sure, and thank you kindly. This represents most of my department that I have here with me. You know, we've cut so much in the last few years that there's very little left.

Thank you, Madam Chairman. On my left is Ed McLellan, the deputy minister, and on my right is Ray Reshke, ADM in charge of finance and administration. Bob Leitch, at my far left, is ADM in charge of housing and consumer affairs, and John McGowan, second from the far left there, is ADM in charge of local government services. Gary Boddez is the registrar, Alberta registries, and Bruce Perry is our executive director of finance. I'm happy to have these folks here as backup. You know, sometimes when you don't know the specific answer, it's nice to be able to nod this way or that way and get an answer. So thank you.

THE CHAIRMAN: Thank you.

Peter.

MR. VALENTINE: Thank you, Madam Chairman. I'm delighted to be able to introduce Nick Shandro on my left, the Assistant Auditor General who has the responsibilities for the Department of Municipal Affairs. On my right is David Birkby, a principal in the office who has direct field responsibilities. Also in the gallery are three of my staff: Mohan Aggarwal, who is a principal in the office; Ron Drebit, who is a manager; and Bruce Laycock, who is my solicitor.

THE CHAIRMAN: Thank you. Welcome, gentlemen.

At this time I would ask the hon. minister if he would like to make opening remarks.

MR. THURBER: Just a few, thank you, Madam Chairman, to give you a little bit of an overview of the 1994-95 budget year. The department in that year reduced its net estimate by approximately \$77 million from our comparable '93-94 estimate. During the '94-95 budget year we went a step further and generated a budgetary surplus of over \$52 million, a surplus that contributed to the overall surplus recorded by the provincial government. This \$52 million surplus was achieved because we quickly implemented many elements of our business plan and because of the careful use of our resources by department staff.

I'd like to briefly describe some of the program areas appearing in the public accounts and give committee members some information on how this surplus was attained. Our first program is the

departmental support services area, consisting of my office, the deputy minister, and the finance and admin support groups. Looking at the combined figures under the operating expenditure and the capital investment areas, this program area achieved a surplus of \$1.7 million. This surplus was achieved owing primarily to two factors. First, we didn't use all the funds budgeted for the payment of salaries and wages because a number of employees decided to accept the severance package and left the department sooner than expected. Secondly, in this program area we exercised restraint in the spending of funds on supply and service needs and also had a few dollars remaining since the amount of money paid out to cover severance costs was a little less than the amount we actually budgeted for.

Program 2 is the area where we budget for the delivery of our municipal programs ranging from the provision of advice to municipal councillors and administrators and the provision of assessment services to the distribution of money in the form of conditional and unconditional grants and grants in lieu of taxes. The total surplus generated by this area was some \$6 million. The largest contributor to this \$6 million surplus was the grants in lieu of taxes paid by the province, and if you look in the public accounts book, you'll find it under element 2.4.1.

I'd like to share with the committee some of the reasons we saved \$4.8 million on this particular budget. First, the government has been actively selling Crown-owned properties as its downsizing activities have decreased our property needs. Secondly, there have been very few if any new properties purchased and very little construction of new facilities by the province. Thirdly, we've been reviewing property valuations. In fact, when we informed municipalities that we were going to do audits of government properties to validate the grants in lieu of taxes, many municipalities took it upon themselves to revalidate their own assessments, and this action resulted in many municipalities submitting lower grant requests for the grants in lieu.

I'd also like to draw the attention of committee members to two other parts of this particular program area. The first is the \$1.1 million overexpenditure appearing under reference 2.1.4, regional assessment operations, and 2.1.5, industrial assessment. On January 6, 1995, in accordance with our business plan, the department withdrew from the marketplace as a provider of property assessment services to municipalities. In other words, we privatized that. Individuals employed by the department to provide these services accepted the government's severance package, and many of them left to form their own businesses to provide this service to the municipalities. Over \$3.7 million in severance was paid to those individuals. However, the total overexpenditure for their areas was reduced to about \$1.1 million because the department saved salary dollars as we left the marketplace earlier than our originally planned date of March 31, 1995.

The second area I wish to draw your attention to is reference 2.2 on the unconditional municipal grant program. Under this area the public accounts show a \$5.1 million overexpenditure in unconditional municipal grants and a \$6.1 million surplus in the family and community support services, the FCSS program. In '94-95 the government offered municipalities the choice of receiving FCSS funding on either a conditional or an unconditional basis. As you are aware, a total of 118 out of 273 municipalities chose unconditional funding. As a result of this decision by 118 municipalities, the department distributed more funds to municipalities in the form of unconditional grants than originally anticipated. However, this overexpenditure was offset by the surplus in the budget for the FCSS funding.

Program area 3 provides for the administration and delivery of our housing and consumer programs. The surplus generated by this program area was over \$38 million. During 1994-95 a number of grant programs ended or were merged into new programs that were

targeted to those Albertans in greatest need. For example, the senior citizen renters' assistance program, 3.2.2, and the property tax reduction program ended June 30, 1994. On July 1 the Alberta seniors' benefit program delivered by the Minister of Community Development started, and this program included a component providing shelter assistance. These were targeted mainly for those in need. With these programs ending on July 1, benefits were paid out to seniors for the first half of the 1994 calendar year. The amount required was less than anticipated, generating these surpluses that are identified in public accounts.

A large surplus was also generated under program reference 3.3, housing and mortgage assistance for Albertans. Under this program area the department provides a grant to the Alberta Social Housing Corporation. This grant is to cover the province's share of subsidized rental housing for low-income families and individuals as well as seniors and those with special needs. The surplus of almost \$18 million was achieved as a result of two things. First, the average annual per unit rent supplement subsidies paid were less than budgeted because the rent geared to income percentage was increased from 25 percent to 28 percent. Secondly, the decision by a number of public nonprofit management agencies to defer the start of major maintenance work resulted in some savings in that area.

The fourth program, Madam Chairman, is that of registries. Registries contributed over \$8 million to our surplus total when you combine the \$6.9 million from the operating budget and the \$1.1 million from the capital investment budget. There were two events that occurred which led to the program area generating this surplus. First, SHL Systemhouse became responsible for providing registries information technology needs. Combined with the transfer of corporate registry, personal property, and land title searches to the private sector and the initiation of remote computer access for personal property registration, the number of full-time equivalent employees in this division decreased by 298. This translated into a significant savings in the salaries and wages paid. The second event was the deferment in the purchase of capital assets as the division initiated a review of its business process. This decision led directly to the \$1.1 million surplus appearing in the capital investment part of the budget.

The fifth program in the public accounts relates to the Access Network. In '94-95 the department budgeted \$16.1 million to support the development, production, distribution, and utilization of audio, video, graphic, and print materials, including Access Network television and CKUA radio broadcasts. Late in that fiscal year an agreement was reached to sell CKUA radio to the CKUA Radio Foundation. The province as part of the agreement agreed to provide a little over \$2 million to assist CKUA in the transition from being a government entity to a foundation supported entity. It's this onetime payment that led to the overexpenditure appearing next to program reference 5.0.1.

8:40

The final area I'd like to touch on, Madam Chairman, is the revenue figures for our department. The public accounts appear to show that we collected \$126.2 million less in '94-95 than in the previous year, with most of the decrease attributed to motor vehicle licences. This seemingly large decrease appears only because of the method of presenting and consolidating financial information as used by Alberta Treasury. In fact, in '94-95 Municipal Affairs transferred to Transportation and Utilities exactly \$122 million in motor vehicle licence and registration revenue to fund road construction and maintenance activities. When this \$122 million is added back to the '94-95 final figure, you can see that the department then collected a total of \$243.1 million in the fiscal year, which represents a reduction of only \$4.3 million compared to the previous

years.

To conclude my opening remarks, I'd like to spend a moment on the observation of the Auditor General on the Alberta Social Housing Corporation. First, the Auditor General recommended that the ASHC procure rental accommodation at rates that do not significantly exceed market rental rates. I'd like to state that we agree with his recommendation, and the corporation has indicated that it will follow up with those management bodies managing the rent supplement program to ensure that its policy on adjusting annual rents is being followed.

The Auditor General also included a recommendation that the corporation increase its efforts to collect rent arrears for the housing project that it directly manages. Again, we agree wholeheartedly with this recommendation, and we've stepped up efforts to collect these overdue amounts. The amount that remained outstanding as of the end of January 1996 was approximately \$340,000, and the corporation is continuing with its efforts to collect these rents.

Madam Chairman, I've tried to give you an overview of the very complex department we have here since it's been an amalgamation of several other departments. I hope I've given you some information that will add to your knowledge of this department.

With that, Madam Chairman, I'd receive any questions you may have.

THE CHAIRMAN: Thank you, hon. minister, for that overview.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman.

THE CHAIRMAN: Just for the benefit of the minister, we only have one supplementary question to the main question now in public accounts.

MR. THURBER: Madam Chairman, could I ask if when they're asking their questions they would refer to a specific page, and reference numbers would help me.

THE CHAIRMAN: Reference points? I certainly will.

MR. THURBER: Thank you.

DR. PERCY: Madam Chairman, minister, gentlemen, my questions actually relate to something completely different, the annual report of Municipal Affairs for '94-95. It sets out very clearly a number of the issues I'd like to address with regard to Alberta's social housing. Page 29, note 14, guarantees and indemnities, sets out very clearly the time lines of guarantees that have been issued by the corporation. It's on page 29 of the annual report.

THE CHAIRMAN: Just let me know, hon. minister, when you've got the reference point.

DR. PERCY: That note sets out clearly that guarantees as of March 31, 1995, amount to approximately \$168 million on single-family properties and \$208 million on multi-unit rental properties and land and sets out the time lines for guarantees. My first question is: why was it necessary for the department to offer guarantees to financial institutions to absorb this with the province bearing all the risk? A corollary to that is: why the bunching in the year 2009? We're exposed, at least in the multi-unit families, to \$113 million in guarantees over a significant amount of time.

MR. THURBER: Okay. That's a fair question. When we tried to move out of a lot of these mortgages and sell them to the private

sector, to the banks or trust companies or wherever, they have in the Canada Bank Act, I believe, reference to a debt/equity type of ratio, and if that exceeds a 75 percent value, then there has to be a guarantee or they're not allowed to buy them. Now, we have exposed a certain amount to a guarantee, but frankly it's been a lot less. We haven't had to pay out very much on that. You'll find other places in here where I think we had allocated \$6 million for guarantees to make up the difference. What happens: once the mortgage moves down below 75 percent debt/equity, then the guarantee comes off, or if it changes hands once more, the guarantee comes off. So we've been exposed very little to any financial implication on these guarantees.

The reason we did that was twofold. One was, as I mentioned, the debt/equity thing. But to get the very best dollar we could out of these mortgages for the Alberta taxpayer, we thought it advantageous, knowing there was very little risk involved in it, to leave the guarantee on them, and we still have the guarantee on some.

Now, I guess if we go to – you're talking about 2011, where you indicate a bunching of the \$113 million. Bob, can you help me with that one just a little bit?

MR. LEITCH: Yeah. That would simply represent a sale where there was probably a 20-year limit on the guarantee and then it falls away just on the basis of time. The rationale behind that is: assuming the mortgage has been good over that period of time, the principal amount outstanding will be significantly below any loan-to-value ratios in any case.

DR. PERCY: Turning, then, to note 9 on page 26, which is assets held for sale, land, it clearly sets out the cost, approximately \$59.6 million in '95, and then less allowances for loss – and you've pegged the losses at \$38 million – for a net of approximately \$22 million. Can you explain why you'd have effectively a two-thirds write-off?

MR. THURBER: Can you give us the answer to that one, Bob, please?

MR. LEITCH: Yes. Madam Chairman, the main component of that is the land in and around Fort McMurray. This was a very large parcel of land that was actually transferred at significant cost between government departments. The realizable value, the market value of that land has dropped substantially over the last 12, 15 years since that sale was made.

MR. THURBER: Just to add to that, at that point in time it was perceived that Fort McMurray was going to continue to grow at a really rapid rate, so the two departments, the department of environment and the Department of Municipal Affairs, in effect got in there to try and bank this land against future rises in price to protect the community there. As a result, we ended up owning a large tract of land up there, which may at some point in time be of some value given the situation there today.

THE CHAIRMAN: Thank you, hon. minister.
Lorne Taylor.

DR. TAYLOR: Thank you. Volume 2, page 104, 2.1.4, 2.1.5. It seems to me these refer in the expenses to the regional assessment operations and industrial assessment operations. They are part of the assessment function, as I understand it. I thought, Tom, we were getting out of the assessment function, that we weren't doing assessments anymore, that we had privatized it all. So I'm just wondering what these expenses are for. Are they overexpenditures?

Just exactly what are they?

MR. THURBER: No. As we went through the process in privatizing this, there were large severance packages at that point in time, which indicates a savings later on, you know, as you move these people to the private sector. Then there were some more expenses in updating our technology within the department to take care of that. We privatized some parts of the assessment but not totally. We still maintain the linear assessment process within the department, because it's so intermunicipal that we felt it was beneficial at this time to keep it within the department.

DR. TAYLOR: It appears, then, that you're not out of the assessment business yet. Are you planning to get out of the assessment and turn it all over to the private, or are you going to maintain this linear part of it?

8:50

MR. THURBER: We're looking at ways of doing that, but again it's fairly complicated in the linear end of it and the M and E type of thing because it's intermunicipal pipelines and things like that. So yes, we are contemplating that at some point in time there's a possibility we can privatize that side of it too.

THE CHAIRMAN: Thank you, hon. minister. Thanks, Lorne.
Debby Carlson.

MS CARLSON: Thank you, Madam Chairman. Good morning, Mr. Minister and everybody else. My questions relate to some of the comments you made at the end of your opening remarks where average rents – from the Auditor General's report on page 149 – paid for subsidized private-sector housing units in Edmonton and Calgary were significantly higher than the average market rates, particularly in Edmonton where they were 31 per cent above the average market rate, and there was a huge vacancy in the rental market in Edmonton at that time. How did this happen? Who was monitoring this? You said that some changes have been made. What process has been put in place to stop this from occurring in the future?

MR. THURBER: Well, as you're aware, we do agree with this recommendation, and it was something that happened. It happened before the downward slide in rental accommodations and rental prices within this city. Perhaps, Bob or Bruce, you can tell us the exact procedure in place now to alleviate this.

THE CHAIRMAN: Bob.

MR. LEITCH: Yes, Madam Chairman. The rent supplement designations that are available in both Calgary and Edmonton are administered through the community housing groups in Calgary and Edmonton; that's the Calgary housing authority and the Edmonton housing authority. They enter into agreements with private landlords for these. Now, what we feel happened here is that a number of the designations they'd entered into or contracted with private landlords were put in place, and just about that time or during that period of time – and these are normally done for five years incidentally – the rents in both areas dropped significantly. Real rents came down, and they simply didn't keep up with that change in rent structure over that period of time. We've been in contact with both agencies, and they're working and renegotiating all these contracts in fact to bring the rents down.

MS CARLSON: So you're saying that some adjustment can be made to those five-year terms you were talking about? Because we're

talking about a rental cost of \$600. It's about \$180 over market. That's a significant difference.

MR. LEITCH: We are renegotiating those amounts involved. Now, there are actually two things happening. There is a fairly significant vacancy rate here in Edmonton – not as bad in Calgary; it's about half the rate – and we're taking back a lot of the designations and not putting them out to the private market. We're simply not filling them. In other words, if a vacancy occurs where there is a designation for two months in the middle of the contract, for example, we can take that designation back, and we're doing a lot of that where possible.

THE CHAIRMAN: Thank you.
David Coutts.

MR. COUTTS: Thank you, Madam Chairman. Good morning, Mr. Minister, gentlemen from Municipal Affairs, and Auditor General and staff. My questions this morning come from the Alberta Social Housing Corporation, volume 3 of public accounts, in particular page 188. On that page you'll see a consolidated balance sheet of the Alberta Social Housing Corporation. Now, in your introductory remarks I believe you touched on – I believe you actually answered my question, but I've got to ask it anyway because it kind of leads into my supplementary. I note that under the category of accounts receivable the figure has increased by over \$90 million over the previous year's figures. This would indicate that the corporation is extending substantially more credit to its customers than it did in 1994. I wonder if you could explain the reason for this increase. It's accounts receivable, the second item down on page 188.

MR. THURBER: The increase in this is largely due to the sale of mortgages as of March 31, 1995. At that point in time we had made some significant sales, but the money just hadn't come in over the end of the year. It came in at a later date, and it's reflected in the next year's accounts.

MR. COUTTS: Okay. Then under the liability section, I note that allowance for losses on guarantees and indemnities has gone from nothing in 1994 to \$6.417 million in 1995. What kind of liability does this represent, and why does the corporation have these losses on guarantees and indemnities?

MR. THURBER: Well, when we put that figure out, just over \$6 million in the budget, it was clearly an estimate of what might happen in a worst case scenario. The facts are that we actually were around \$1 million that we had to prop up the guarantees. So it was a kind of fudge factor; we try and look at the worst case scenario on that. As I mentioned before, we've had very limited call on the guarantees, and we don't anticipate a lot of call on these guarantees. So that's the reason that number was there to start with: the worst case scenario type of thing.

THE CHAIRMAN: Thank you, David. Thank you, hon. minister.
Terry Kirkland.

MR. KIRKLAND: Thank you, Madam Chairman. Mr. Minister, my questions this morning will be drawn from page 108, line 3.1.3, and that's air transportation. I see a \$4.7 million expenditure there, and I just wondered in light of the privatization mode – I'll wait till you catch up to that page.

THE CHAIRMAN: What volume are you in?

MR. KIRKLAND: Oh, I'm sorry. I'm in volume 2.

MR. THURBER: I believe that's under public works instead of Municipal Affairs.

THE CHAIRMAN: Yes, it's not Municipal Affairs.

MR. KIRKLAND: Oh, sorry. You're right. Let me pass while I restructure my thinking then.

MR. THURBER: Okay. I can try and answer it, but I don't think it would be good.

THE CHAIRMAN: Terry, don't let it happen again this early in the morning.

MR. KIRKLAND: My apologies. I was busy chatting.

THE CHAIRMAN: Do you have a question, Peter, at this time? I've got you on the list.

MR. SEKULIC: Sure. First of all, I need some clarification. Good morning, Mr. Minister. I need some clarification as to where the land sales revenues would be reflected in the public accounts. Is it on the revenue page, on page 107?

MR. THURBER: Are you talking about straight land sales or . . .

MR. SEKULIC: Straight land sales. When I was going through there, in other revenue, sales of assets in 1995, you just have a dash through it as if there were no assets sold. I'm curious whether there was no land sold, whether that is considered an asset, or there's a separate heading somewhere.

MR. THURBER: I guess that would appear on page 189, at the top of the page under sales. That's volume 3.

MR. SEKULIC: Okay; good. The question I have that's a little more specific: last year I came across individuals who were interested in purchasing property from the province. Now, I understand the way you are selling it is through real estate agents. Right? Is that correct?

MR. THURBER: Yes.

MR. SEKULIC: Now, I want you to confirm or, I guess, deny – it's difficult to phrase this question – was there in the previous year or the year we're covering under these public accounts a single buyer, a foreign buyer, interested in purchasing all the land put forward by the department? I had heard there was a foreign buyer who had made an offer to purchase all the land.

MR. THURBER: Not that I'm aware of. It goes on a fairly open market. There's the odd time that you may get a letter from somebody wanting to handle all the land we have for sale, as they did even in public works, but it goes through a very open process of being advertised through the area, through the Real Estate Association and multiple listings. It's a very open process that we use to sell this land, and I'm not aware of anybody that had come forward and wanted to buy all the land we had.

9:00

MR. SEKULIC: So there was never an indication for . . .

MR. THURBER: No, absolutely not.

MR. SEKULIC: The second question I have follows from that. I have a large amount of provincial land in northeast Edmonton in my constituency. I'd like to know: what is the average loss on those lands? I've heard figures that we purchased it for up to \$30,000 an acre at some point, and now I think it's selling between \$2,000 and \$3,000.

MR. THURBER: I don't think there's any way I could answer that specifically. In fact some of the land we have in Municipal Affairs and have sold – and the same thing in public works – has appreciated in value. Others have gone down in value; there's no doubt about that. But I wouldn't have an average figure on that compared to book value, as to what we actually sold it for on an average. Would you have any idea?

MR. LEITCH: Madam Chairman, I believe the lands you're referring to are the RDA lands, and those were purchased through Alberta public works. The amount of land the corporation had within the city was normally restricted to specific plots.

MR. THURBER: If it's the RDA land, it's all handled through public works. There were some losses and there were some gains in some of that land, depending on when it was bought.

MR. SEKULIC: I guess I'm . . .

THE CHAIRMAN: Thank you. I think we have to move on, Peter. Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Good morning, Mr. Minister. I'd like to refer the minister to public accounts, volume 2, page 104, and that's reference 2.4.1, grants in lieu of taxes. The amount budgeted under this heading was \$46.5 million, yet almost \$5 million less was actually expended. I wonder if you could explain to the committee why the budgeted amount was off by more than 10 percent, which is almost \$5 million not disbursed to municipalities in grants in lieu of taxes.

MR. THURBER: Thank you. I touched on that briefly in my opening remarks, but under the grants in lieu of taxes process, we pay to the municipality what is perceived to be the assessed value in the taxes on provincial government buildings and property within that area. When we started the whole process here, we decided that since we had privatized the assessment, we should have a look at these grants in lieu of taxes at the same time. So we mentioned to the municipalities that we were going to audit the assessment on these things. Two factors kicked in. One was that they actually assessed them a little differently, so that reduced the expenditures of the province. The other thing that contributed to the surplus in that area was the fact that we're not renting any new buildings, we're not buying any new buildings, we're not building any new buildings, or very little, within the province, and we have actually disposed of a lot of our property out there. So again, it contributed to that surplus in that area.

MR. AMERY: Thank you, Mr. Minister. I wonder if you could indicate which cities reduced their grant in lieu of taxes request because of a reassessment that was undertaken and by how much.

MR. THURBER: Which cities reduced it?

MR. AMERY: Yeah.

MR. THURBER: Well, I think all of them did.

MR. AMERY: All of them.

MR. THURBER: I think all of them did. We were prepared to do a full audit on it, and as result of that, they actually reassessed a lot of them on their own hook, and it led to a reduction in most areas – let's put it that way. So it was significant.

MR. AMERY: Thank you.

DR. PERCY: My questions again refer to the Alberta Social Housing Corporation. Again, my window of entry might be note 9 on page 26, assets held for sales for '94-95. My question in part is sparked by interest in SilverTip and the linkages between Alberta social housing and Stone Creek Properties. The question is: how are option arrangements set out between Alberta Social Housing and developers? They can be struck in such a way that the government bears all the risk or in a way in which it's equitably spread. Is there a generic format that you have – and it would be evident in this fiscal year ending '95 – for which the structure of an option to purchase would be put up, or is it on a case-by-case basis?

MR. THURBER: Basically, it's on a case-by-case basis depending on what kind of agreement we can reach with the purchaser. As I've mentioned different times, there are different methods of doing that. In some cases we hold a mortgage on it and they receive title right off the bat. As such they go ahead and they're responsible for the taxes and everything as an owner of the property. In other cases, in order to try and get the best bang for our buck and get the best return on this property, we do make an agreement, an arrangement whereby they can pay for a portion of the property, and then it's turned over to them, but an agreement on the whole property is reached so they can do it on installment basis.

In fact, on that particular issue, when you mentioned SilverTip, it's a different arrangement. The town was so enthused by having this development there that they offered to not charge any taxes on any of that land until it was developed. They really wanted this. So in negotiations with the town and with SilverTip – and we've done it in other instances as well on a time-payment program with different municipalities and with different purchasers in order to, as I said before, get the best bang for our buck and get the most out of this property. In that particular instance, he pays for the land as he develops it. He can't develop it until it's paid for, and the minute he pays for it, then the taxes revert to him. We pay no grants in lieu of taxes on this.

DR. PERCY: My second question would be to the Auditor General. When the Auditor General's office goes through the books of a particular department – in this case, this particular department – and there are these types of arrangements in place, does the office look in any way at the fairness of a deal that has been struck or just whether or not it's legal?

THE CHAIRMAN: Auditor General.

MR. VALENTINE: Thank you, Madam Chairman. I want to answer that in two ways. First of all, I have opined on the financial statements of Alberta Social Housing Corporation, and that opinion appears on page 187 of volume 3 of the public accounts. My opinion states that the “financial statements present fairly, in all material respects,” and in order to support that opinion, I've done what I believe is the requisite audit work.

Secondly, in answering your second question in a generic way, if

we found anything that was contrary to the legislation, then it would be appropriate for us to so report. You'll note that the audit opinion does not include any reservation with respect to compliance with legislative authorities. Therefore, you can assume that we didn't find any noncompliance situations.

Lastly, if it was a matter that related to the economy, efficiency, and effectiveness of the government and it was of a material nature, then it would find its way into the annual report of the Auditor General. You will note that on page 149 of the Auditor General's report last year, my first report, we didn't have any matters to report with respect to the department in particular, but with respect to Alberta Social Housing Corporation we had one numbered recommendation. As you are aware, numbered recommendations require a response from the government. We have received that response, and they have indicated that they concur with the recommendation.

I cannot speak to the individual business transactions of the entity, because it would be inappropriate for me to do so in accordance with the provisions of my legislation.

DR. PERCY: A clarification.

THE CHAIRMAN: As long as it's purely a clarification and there's no question.

DR. PERCY: No. The issue I had raised generically was: since the Auditor General's office is increasingly focusing on outcomes and whether or not the best results were achieved, does the office when it conducts an audit assess when it comes across transactions . . .

THE CHAIRMAN: I'm going to rule that out at this time. You can come back with another question, Mike. I don't think it's a clarification.

Pearl Calahasen.

MS CALAHASEN: Thank you. I want to refer to volume 2, public accounts, page 105. If you look at program 5.0.1 regarding Access, it indicated in 1994-95 the department budget was \$16.1 million to support the Access Network but then ended up giving them up to \$18.125 million. This is more than 12 percent of the original budgeted amount. Can you explain the reason for this and give us an update on Access?

9:10

MR. THURBER: Thank you. That's a good question. What we did in that particular instance: we had completed an agreement to sell Access and get out of the business of being in business. Because we were moving ahead quite quickly with all our plans to do this, Access was in a position in that year to receive the funding earlier than was expected. We had planned on that extra \$2 million to go the next year, but because they were winding down, they said that if we could advance them that in the year prior to when it supposedly was to be expended, they could round up and roll up their business quite quickly. So we did that as an option which was agreed to by this government.

THE CHAIRMAN: A supplementary, Pearl?

MS CALAHASEN: Yes, I do. With the sale of Access, then, are we still continuing to provide any financial assistance to Access?

MR. THURBER: I don't believe so, although there are some contracts, I believe, with other departments that are being paid out at this time.

THE CHAIRMAN: Thank you.

Debby Carlson.

MS CARLSON: Thank you very much. I'd like to go back to Alberta Social Housing Corporation, a follow-up to my previous question. You stated that you're not filling designated subsidized housing. Does this mean that there are fewer subsidized units available on the market now?

MR. THURBER: I'm sorry; could you just give me the first part again? I missed it.

MS CARLSON: You're not filling some of the designated subsidized housing now.

MR. LEITCH: Madam Chairman, the total portfolio available has not decreased at all in the last two or three years. We have taken some of the designations out of service; they're available if we need them. But in actual fact, in Edmonton today we have a surplus in our community housing program, a significant surplus. So we're simply trying to save a few dollars by not using the rent designations.

MS CARLSON: What are the criteria, then, for people to fill in order to get a unit?

MR. LEITCH: Well, there's a point-scoring system that the various management bodies use. All of the community housing programs are in effect income tested by requiring that the individuals, once they satisfy the point-scoring system, pay 30 percent of their income. So it's focused and directed toward low-income individuals and their families.

MR. THURBER: This is just an add-on to Bob's comments. What this has done by moving to that 30 percent RGI: it has moved some of the people out of these into private rental accommodation, which of course they should be in if their income is higher, and it opens them up for the very low-income people. As Bob has said, it's a point system that gets one into it. We're trying to target the whole thing to those in need as opposed to those just looking for cheap accommodation.

THE CHAIRMAN: Thank you, hon. minister.

Julius Yankowsky.

MR. YANKOWSKY: I thank you, Madam Chairman, and good morning, everyone. I refer the minister to public accounts, volume 2, page 105, registries information and distribution. Reference 4 shows overexpenditures in two areas, division support and information distribution. That's volume 2, page 105. Okay? The overexpenditures total \$41,000 and \$57,000 respectively. I wonder if the minister could please tell us why these areas were overspent.

MR. THURBER: These overexpenditures in that particular area are directly attributable, I believe, to the severance packages, and one in particular to the former agency head who left the Alberta government, and that's \$40,607.

THE CHAIRMAN: Supplementary, Julius.

MR. YANKOWSKY: Thank you, Madam Chairman. Under the heading nonbudgetary disbursements on the same page in the department's public accounts, there is a second entry for the Alberta Social Housing Corporation, and this is aside from the earlier

reference, 3.3. This entry shows a surplus of \$33.6 million. The question here is: what are these funds for and why was \$33.6 million not required and why was the budgeting so far off the mark in this category?

MR. THURBER: These losses are associated with the disposition of non social housing assets, which we disposed of, and these funds go directly toward the reduction of long-term debt associated with these assets. The payment of any claims associated with these guarantees is part of it, and payment of any claims associated with the former mobile home loan insurance program, which is no longer there. Because of the uncertainty regarding the timing of when these assets are disposed of, funding that was forecast to be required in the '94-95 year was not utilized because these transactions were not completed prior to the end of the fiscal year.

THE CHAIRMAN: Thank you, hon. minister.
Mike Percy.

DR. PERCY: Thank you, Madam Chairman. My question is to the Auditor General; it's no longer clarification. The issue is: the Auditor General's department is making significant strides to focus on greater accountability and the equivalent almost of efficiency audits and performance-based audits. Since the Department of Municipal Affairs has to by the nature of the land disposal problem deal on a case-by-case basis, when your department does an audit, do they assess not only whether or not the land was sold consistent with the legislation but also in a way that ensured the equitable distribution of risk and a maximum payoff to the province as owner of the land?

THE CHAIRMAN: Peter Valentine.

MR. VALENTINE: Thank you, Madam Chairman. From the point of view that we are most interested to ascertain whether or not there is a system in place for the evaluation of the land disposals and to determine whether or not that system is working, we have a regular and ongoing interest. To perform a detailed examination of a particular function of a particular agency, Crown corporation, or department would be our judgment as to the available resources we have in a year and where we should best put those resources.

To be specific with your question on land sales in the entity Alberta Social Housing Corporation, it's likely on the list, but it has not been done.

DR. PERCY: In issues such as land disposal, does your office have in mind, then, a sort of generic regime or a set of criteria by which the fairness of those disposals would be assessed? Is there a set of benchmarks you have in place in your mind or your department has set out that you would use as criteria to assess the disposal?

MR. VALENTINE: Well, Dr. Percy, when we look at any area when we are interested in the performance measurement side of things, the first thing we're looking for is to determine whether or not the entity has those criteria and whether or not those criteria are being employed. That's the position where: is there a system and is it working? That's the fundamental of our section 19 work, section 19 of the Auditor General Act. Does this entity have those things in place? To tell you the truth, I can't remember at the moment. I could get back to you in writing if you wish, but I can tell you that if things were falling apart, we would have pursued them.

9:20

THE CHAIRMAN: I'm getting indications from the minister that certainly we would very much like Public Accounts to get any

written information, Peter.

MR. VALENTINE: Sorry.

THE CHAIRMAN: I was just indicating that the minister was agreeing with the information being shared with Public Accounts.

MR. VALENTINE: Thank you.

MR. THURBER: If I could, just a little bit of a follow-up to this. I know that the hon. member across the way is trying to get a better idea of how land transactions occur in this province. Basically, we start out from a viewpoint, as I've said before, of trying to get the best dollar back for the taxpayer when we have surplus property of any kind. There are a multitude of different deals out there that do happen in regard to that. We do a proper assessment and valuation of the property, and then we go to the marketplace in a very open and accountable way. In some cases there is nobody that's interested in the land.

We've done a variety of different deals. In some cases we've turned it over to the municipalities themselves and allowed them to either use it or sell it for their purposes. In other cases public works has a very good process that they handle property and surplus with, both buildings and land. The department of transportation works very closely with them, and so do we. So it's a very thorough process, we believe.

THE CHAIRMAN: Thank you.
David Coutts.

MR. COUTTS: Thank you. I'd like to look again at an item you touched on briefly in your opening remarks, Mr. Minister: the unconditional municipal grant program. If you look at volume 2 of the public accounts, page 104, and go down to program 2.2.2, you'll notice that the figures for the unconditional municipal grant program as seen in that reference indicate that on the whole the department generated a surplus of over \$1 million in this particular program. This surplus is a result, I'm assuming, of the overexpenditure of the \$5.1 million on the unconditional grants and a \$6.1 million surplus on the FCSS grant. I wonder if you could explain what happened here and why there seems to be such difficulty in budgeting in these two areas.

MR. THURBER: Thank you. As I mentioned before – and I partly explained it, I believe – on that unconditional municipal grant for all municipalities, we were working under time constraints to try and deal with the municipalities, and we did communicate with them all through the process as to what was happening and came up with our business plans to develop and to forewarn the municipalities that they had to be part of the cutting of expenses in this province of the administration. So you do some estimates as to where you're going to end up. I think we did rather well on that in bringing that down, and the municipalities have co-operated with us in bringing that down.

The \$1 million: Ray, could you handle exactly where that came from?

MR. RESHKE: Yeah. There were some municipalities that chose to get their FCSS grants on a conditional basis and some that didn't, and as a result there is an overexpenditure on the unconditional grant portion and an underexpenditure on the FCSS grant portion.

MR. THURBER: On the conditional side.

MR. RESHKE: Right.

MR. COUTTS: Then just as a matter of interest: how many communities took their FCSS grant on an unconditional basis?

MR. THURBER: I believe there were 118 of them that took it on an unconditional basis. If you looked at the population, it didn't represent a large portion of the population. The two associations, both AUMA and AAMDC, brought forward resolutions that said they wanted it on a conditional basis. This department really doesn't have program people involved in social services, and that was the reason for the recent transfer of that back to social services. They're dealing with it at this point in time to make sure it's fair for all the municipalities out there.

THE CHAIRMAN: Thank you, hon. minister.

MS CARLSON: I'd like to follow up again in the social housing area. You stated that there is a surplus in housing units right now, yet in my constituency there's a tremendous backlog of people who need subsidized housing. How do you match those two, and do you supply housing to people on social assistance?

MR. THURBER: Well, if I could just start with a kind of generic statement, then I'll ask Bob to get into the specifics. While we do have a surplus of housing in the province, it's because it's not in the right area. There are some areas that do demand more social housing, and I would prefer to be involved in that on a rent supplement basis as opposed to owning and operating the facilities. We're working with CMHC, our federal counterpart, to try and negotiate some deals whereby we can keep the money that's in social housing but get rid of the ineffective units we have that are sitting out there. Nobody is in them, and they are in the wrong place in the province. Rather than build new facilities, I think the more economical way and the best way is to get into rent supplement and let the private sector provide for the housing that's out there.

Do you want to add anything to that, Bob?

MR. LEITCH: Well, in respect to the second part of your question, yes, certainly social assistance people, individuals and families on social assistance, do access these programs. Specifically, in Edmonton today, for example, out of approximately 4,300 community housing units, 52 percent of the occupants are on social assistance.

THE CHAIRMAN: Thank you.
Pearl.

MS CALAHASEN: Thank you very much, Madam Chairman.

THE CHAIRMAN: I'm sorry; no. I beg your pardon, Pearl. I didn't allow the supplementary. I went from the minister to Bob and then cut the member off. I apologize for that.

Your supplementary, Debby.

MS CARLSON: Thanks. First, I just have a point of clarification. Does that also include handicapped housing?

MR. LEITCH: The figures that I mentioned?

MS CARLSON: Yeah.

MR. LEITCH: Can people on social assistance access the buildings we have that have accessible type facilities? The answer is yes.

MS CARLSON: Okay. Then do you have full responsibility in your department for all the handicapped housing that is subsidized, for instance, in Edmonton?

MR. LEITCH: These programs are all managed now through management agencies, so we don't directly manage the projects in Edmonton.

MS CARLSON: But the criteria for establishing need is there?

MR. LEITCH: Yes, we work with the management bodies on criteria and so on. Yeah.

MS CARLSON: Thanks.

MR. THURBER: Madam Chairman, could I just get . . .

THE CHAIRMAN: Basically, I think what I'm hearing is a clarification of a point on handicapped, and I think it's important. Hon. minister.

MR. THURBER: There are, as you're probably aware, several organizations in Alberta that deal strictly with the handicapped. They act as a registry for handicapped housing, and they just do an excellent job out there. We have some involvement with them to try and make sure they have all the statistics and all the availability of this department to help them as they find homes for specifically handicapped people all over the province basically. So it's not just in the cities that this occurs.

THE CHAIRMAN: Thank you, hon. minister.
Pearl Calahasen.

MS CALAHASEN: Thank you very much, Madam Chairman. On page 105, Mr. Minister, 3.2.4, volume 2. Of course, as you realize, within my constituency there's a high need for housing, especially for family-first housing, first-home programs. In there it states that there was supposed to be some amount authorized of \$4.6 million and unexpended of \$1.2 million. Could you tell me why that would be when there's such a high need out there?

MR. THURBER: Well, the Alberta family first-home program is no longer in effect. The program was available to first-time home buyers. Anybody who took possession of their home between, I believe it was, March 1, 1989, and the end of February '91 was provided with an interest-free loan of \$4,000 at that time as part of their down payment or the interest was paid on \$4,000 of the applicant's mortgage. The department's budget for this program is based on remaining commitments and a projection of the interest costs in that. Reduction in the interest rates and sales of homes by the applicants has resulted – you know, a lot of them are no longer eligible to continue receiving assistance, and it reduced the amount of money the department had to pay and resulted in the \$1.2 million surplus, as I referred to in my opening remarks.

9:30

MS CALAHASEN: Well, I wasn't here for your opening remarks. Sorry about that.

I guess because it's now not available, there's nothing in place for first-home buyers, you're telling us.

MR. THURBER: No. That's correct. That program was eliminated some time ago.

MS CALAHASEN: Thank you.

THE CHAIRMAN: That was your supplementary?

MS CALAHASEN: Yeah.

THE CHAIRMAN: Thank you.

MR. KIRKLAND: Mr. Minister, my questions would flow from page 105 of volume 2 on the registries information and distribution. In that privatization exercise that was undertaken, there was undoubtedly a specific number of agencies that came onstream in a privatized mode, and my question would be: was there any decrease in the number that originally started business and did the department have procedures to secure information that they had collected before they went out of business?

MR. THURBER: There were probably one or two, but it was very limited, the ones that went out of business. When we privatized the registries, they were given a three-year contract, and most of those are still in effect till along towards the end of this year. Gary, do you know of any that did perhaps go under?

MR. BODDEZ: No. There were very few, as the minister says, that have ceased operation. There were some businesses that were sold, but they were purchased readily. So there's a market for those businesses.

MR. KIRKLAND: I tried to wrap two into one because I missed that one turn there. How would you have secured the information that they collected prior to their ceasing to do business?

MR. THURBER: How did we collect it back?

MR. KIRKLAND: Yeah. What safeguards are in place to ensure that . . .

MR. THURBER: Well, it's all tied into our department here. All of the information they have comes automatically through the computers back to the department.

MR. KIRKLAND: So they couldn't leave business with the information that they collected while they were in business.

MR. THURBER: No. We've tried to protect that pretty thoroughly. [interjection] Yeah, it's our database that they work from. So I think we have that fairly well covered. I suppose if the guy really wanted to take some information and copy it, then he could go somewhere with it, but we haven't found that to be a problem.

MR. KIRKLAND: Okay.

THE CHAIRMAN: Thank you.
Pearl Calahasen.

MS CALAHASEN: Thank you very much once again. I have another question. Page 105 again in volume 2, and if I may, Madam Chairman, I've got two different areas. I'm not exactly sure where one fits. It's regarding rural and native housing. Could you tell me whether it fits in 3.3.1, or does it fit in just the nonbudgetary disbursements on 3 at the bottom there?

MR. THURBER: It would be under 3.3.1, Pearl, because it's part of the larger picture under the Social Housing Corporation.

MS CALAHASEN: Okay. With that in mind, then, with the estimates that were written in there of \$115 million and \$17 million unexpended, why would that be? Was there not a need expressed about the housing?

MR. THURBER: Yes. Certainly, there always is a need in that area, but we have adopted the philosophy that it's much better for those participants and better for the government if somehow we can get into an ownership program with them. You find that in some cases if we're in charge of all of the maintenance, it removes the responsibility from the occupant. So again we're working very closely with social services to try and provide this service but in a different manner so that we get out of the business of being in business. We try and help them attain an ownership role, and we find that the maintenance goes down considerably if they actually in fact own the property.

THE CHAIRMAN: Supplementary, Pearl.

MS CALAHASEN: Yeah. Could you tell me if you're moving towards an even further letting go of other additional R and N homes or RRAP homes or whatever they are, emergency homes? Are you intending to sell them off even further so that ownership occurs?

MR. THURBER: If they're declared surplus to the needs there, yes, we do put them up for sale. As I said before, we're trying to get most of those folks into an ownership position as soon as we can. Under some of the programs that we had under the rural and native program, there was an option to buy. After they paid rent on it for so many years, there was an option there that they could purchase it.

THE CHAIRMAN: What program are you actually referring to? You said: the R and H.

MR. THURBER: Rural and native housing.

MS CALAHASEN: Rural and native, R and N, and there's a number of them that are in there. Of course, I have a lot of those in my constituency.

For clarification, Madam Chairman, can I ask: what is the process that's used to be able to allow the people to take over? You indicated it when you were speaking.

MR. THURBER: The process that I believe was in place was – and, Bob, you may want to correct me on this. If they paid rent on it for a period of, I believe, eight years, then they were allowed to have that rent applied to the purchase of the home, whatever it was.

MS CALAHASEN: Thank you.

THE CHAIRMAN: Thank you. Thank you, Pearl.

MS CARLSON: Mr. Minister, would you be prepared to supply us with a list of those units that you currently own and operate under subsidized housing or have involved in the rent supplement program?

MR. THURBER: Well, we certainly have a list of it. I think there are some 34,000 or 35,000 units in Alberta under the Social Housing Corporation. They're scattered far and wide all across the province. The actual rental conditions or subsidized conditions change on a day-to-day basis, so any list that we might have is certainly subject to being updated on a day-to-day basis.

MS CARLSON: A point of clarification on that then. Could someone from my constituency office request a specific area and have it provided?

MR. THURBER: I believe so, sure. I don't see anything wrong with that. Sure.

MS CARLSON: Okay.

My second: can you tell me who is responsible for establishing the criteria for subsidized housing for handicapped people? Is it you, or is there some managing department that does that?

MR. THURBER: We work very closely with Family and Social Services and with Health and our own department. Is there anybody else involved, Bob, in establishing the criteria? The registries actually do that; don't they? The handicapped?

MR. LEITCH: Groups like the Accessible Housing Society and so on work very closely with selected groups of clients to try and find suitable accommodation. It's difficult because it really gets down to specific cases and the real specific nature of the kind of facility they need. Generally speaking, the first point of contact is the management body in that area. After that, if the kinds of facilities they have simply aren't suitable, then we'll work directly with an agency to try and accommodate a family or an individual.

THE CHAIRMAN: Thank you.

I don't believe there are any government members who have a question at this time. If not, Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, I'm referring to page 17 of the annual report for '94-95, table 6E, performance measures for registry services. When one looks at the table, you see that in terms of the number of products available, it's envisaged that the number of products will increase from 104 to 162, being the target. Can you tell me in the fiscal year ending 1995 what products you envisage being in a sense privatized, moved out, or being offered by government into the corporate registry sector to lead to that significant increase in the number of products available?

MR. THURBER: Yes, and that's an ongoing thing. I've asked all of my colleagues in the other departments what services they could visualize being handled by the registries agents. We've gone from something – I guess it was 75 to start with, and in '94-95 of course there were 104 different products. They're in the process now of handling raffle tickets for anything under \$10,000 and things like that, any kind of services, you know, along with the registration of vehicles, drivers' licences. There're some implications there with maintenance enforcement and other products: fine payments and things like that. We're trying to expand that whole registry service so that it is basically one-stop shopping for a lot of government services.

Do you want to expand on that a little bit, Gary or Ed?

MR. McLELLAN: I could just add some specific examples. Working with other departments we would include hunting licences, fishing licences, and that like.

Gary, did you have any . . .

MR. BODDEZ: Well, the next area, perhaps, where we're targeting to get an increase in products available is vital statistics and corporate registry. We're going to be looking at re-engineering the business processes in those areas and perhaps delivering some of those products through the registry agent network.

9:40

DR. PERCY: Also, there's a target set out of 8 and a half million transactions from the current base of '95 of 4.2 million. Can you tell me what the time line is? When is that target expected to be achieved, and is the number of transactions increasing because of demographic factors or the expansion of the product line or what? Just a little more clarification of when and what the target consists of, how it grows by that magnitude.

MR. THURBER: Primarily an expansion of the product line with a wider variety of government services that can be carried on there. I can't give you an accurate target figure on the time line because it's a matter of evolution throughout the different departments. If they happen to have a product that we think can fit in there, then we work with them to try and move that product there instead of having it scattered in some other department someplace.

THE CHAIRMAN: Thank you, hon. minister.

David Coutts.

MR. COUTTS: Thank you. I'd like to look at field services, Mr. Minister, in volume 2, page 104. If you look at program 3.1.4, it shows the field services element of the housing and consumer services program. Basically it generated a surplus of about 4 and a half million dollars. Inasmuch as that's an impressive figure given the budgeted amount – it was more than 40 percent off the target – I was just wondering if the minister could explain why budgeting in this area seems to be inaccurate, for lack of a better term.

MR. THURBER: Again, a lot of it came about because we were moving more quickly than we had anticipated in some of these areas. We had longer range plans, and these expanded in a hurry, and things took place a lot quicker than what we had in fact budgeted for originally. We've changed our whole focus within the department towards the role of a facilitator rather than a program deliverer, and we've delegated the responsibility for managing their own affairs to the social housing management agencies, as has been indicated here before.

A lot of this came from a restructuring of the whole division, which included the closure or the amalgamation of a separate housing and consumer and corporate affairs. That's where the majority of these unexpended funds came from. A total of 11 field offices have been closed, and the staffing level allocated to the field services area declined from 183 FTEs to 113 as of March 31 in 1995. So that's about 70 deletions there of full-time equivalents.

THE CHAIRMAN: Supplementary, David?

MR. COUTTS: The minister answered my supplementary with the closing of the offices. Thank you, sir.

THE CHAIRMAN: Thank you.

Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Mr. Minister, on page 107 of public accounts volume 2 motor vehicle revenue shows a 73.7 percent decrease from the \$163.4 million collected in the year 1994 to 1995, and that figure is about \$42.9 million. I wonder if you could tell us: what is the reason for the decrease, and are we expecting any similar reduction in the near future?

MR. THURBER: In that year we in fact had more revenue than that, but we did transfer \$122 million to Transportation and Utilities for the purpose of upgrading and maintaining the primary and secondary

highway system. So it kind of went around the loop there. We collected the money, but we actually transferred it directly to them.

THE CHAIRMAN: Supplementary, Moe?

MR. AMERY: Thank you. I move to adjourn.

THE CHAIRMAN: There's no indication of any more questions for the hon. minister or the Auditor General. With that I'd like to acknowledge the openness with which you handled answering the questions, and we look forward to written replies to those that have not been answered fully from yourself and the Auditor General.

I'd like to bring to your attention that there's no Public Accounts Committee meeting next week because of the Easter break and also draw to your attention that on Wednesday, April 17, it's the Minister of Advanced Education and Career Development. Because of the swearing in of the Lieutenant Governor we will not be meeting in the Chamber; we will be meeting in room 512.

So if there's no further business, we will stand adjourned. Thank you.

[The committee adjourned at 9:46 a.m.]

