

[Mr. White in the chair]

THE CHAIRMAN: I'd like to call the meeting to order.

Might we have approval of the agenda as circulated? Is it agreed? It's carried.

This morning we have a special event happening around the Legislature, and I've been asked by more than one member if we could finish a bit early, perhaps at a quarter or 10 to 10, in that area, in order to facilitate those that wish to attend the Lord Strathcona's Horse 100-year anniversary. Might we have a motion to that effect?

MRS. O'NEILL: So moved.

THE CHAIRMAN: Is it agreed? Carried. Thank you.

This morning we have with us the Hon. Walter Paszkowski, Minister of Municipal Affairs. I must remind members that there were some changes that occurred in this particular year we're examining such that registries, consumer affairs, and seniors' housing are not included in this report. Therefore the minister does not have staff at his disposal to answer those questions and should not be put to it.

We have the minister. If you would like to introduce your staff, and then we'll do it with the Assistant Auditor General, please.

MR. PASZKOWSKI: Thank you, Mr. Chairman. As Minister of Municipal Affairs, I'm pleased to speak to the department's public accounts for '98-99. Before I get into the presentation, I'd like to introduce my department officials who are accompanying me. We have Alec Campbell, executive director of information management and privacy branch. We have my assistant deputy minister for local government services, Brad Pickering. Dennis Gartner is the assistant deputy minister, public safety and information services. Lothar Hellweg is the executive director of financial services. Mr. Jay Slem, the chairman of the Special Areas Board, has just found a parking spot and been able to join us here. We welcome you. We have Ken Fenning, the executive director of safety services, and our executive director of disaster services, Mr. Ron Wolsey.

Seated in the public gallery are Mr. Dwight Dibben, my executive assistant; Joyce Ingram, executive director of business planning and corporate support; George McCormick, acting chief information officer, information technology; Lynn Oscroft, executive director of human resource services; Jim Leitch, the executive assistant to the deputy minister; Sue Kessler, director, information management and privacy branch; as well as Marjorie Morris, the director of communications. I'd like to welcome them all and thank them for joining us.

Mr. Chairman, I'll be addressing comments by the Auditor General later in my report, but I'd like to say that the Auditor General's observations and recommendations are very much appreciated. The co-operative relationship that exists between our ministry and the office of the Auditor General can only enhance the stewardship of the taxpayers' dollars that we've been allocated through the Legislative Assembly.

Before I speak to the public accounts, I'd like to take a minute to outline how the government reorganization changed the ministry's responsibilities. After the reorganization, the responsibilities of our consumer services, the registries information and distribution became part of the newly established Ministry of Government Services. The responsibility for the administration of housing programs, including the Alberta Social Housing Corporation, was moved to the Ministry of Community Development. At the same time Alberta Municipal Affairs assumed responsibility for safety services, information and privacy, and the fire commissioner's office from the former department of labour. It also assumed responsibility for disaster services from the former department of transportation

and utilities. These are new areas that have strong links with each other and the local government service division of Municipal Affairs as well as the municipalities they serve.

The reorganization consolidated an extensive network of municipal services within our ministry. As a result, we now have a department that more truly reflects municipal affairs in this province.

The following entities are also accountable to the Ministry of Municipal Affairs. The Safety Codes Council and/or delegated administrative organizations, the Special Areas Board, and the improvement districts continue to be accountable to the Ministry of Municipal Affairs. As these entities are reported as trust funds under administration, they're not consolidated in the financial statements of the ministry.

Because of the foregoing changes, my appearance before your committee today will focus on, as the chairman pointed out, the '98-99 fiscal year in terms of my current responsibilities.

Municipal Affairs includes two main program divisions: local government services and public safety and information management. Local government services includes the municipal services branch and the assessment services branch, which provide support and advice to municipalities to help them develop sustainable and effective local government. Public safety and information management brings together a number of groups that have a common local government focus. These groups are safety services, disaster services, the fire commissioner, and information management and privacy. The department's two main divisions are responsible for delivering the ministry's core businesses.

Let's start with the first core business: to provide support services, policies, and legislation that enhance the development of a sustainable, accountable, responsive, and effective local government sector. During '98-99 local government services spent almost 117 and a half million dollars under support of municipal programs. It is worth noting that the grant programs comprise 90 percent of the total '98-99 authorized budget and actual expenses of the support for municipal programs.

In '98-99 grant payments were \$32.7 million for the unconditional municipal grants program, \$31.8 million for the grants in place of taxes program, \$16 million for the municipal debenture interest rebate program, and \$14.4 million in other financial support for municipalities. The year 1998-99 was the first year for the municipal 2000 sponsorship program, a three-year conditional grant program launched to encourage innovation and co-operation amongst municipalities. The Alberta capital region governance review was initiated during 1998-99, with participation from 22 municipalities in the capital region.

Also during '98-99 municipalities in the capital region united in support for the Anthony Henday Drive extension, a major regional transportation corridor, and Municipal Affairs took the lead in conjunction with the Chief Electoral Officer and intergovernmental and aboriginal affairs to provide information technology, vote tabulation, and media relations support for the senatorial selection system.

The second core business. Mr. Chairman, I'll now move to this particular area, and this is to promote and apply appropriate safety standards throughout the province. The costs of safety services under the previous ministry of labour fall under technical and safety services, which includes the fire commissioner's office. The total '98-99 program expenses to support this core business amounted to over \$4.9 million. The activity highlights include safety services staff monitoring of over 450 organizations that are accredited to administer the Safety Codes Act in Alberta.

A risk assessment methodology was developed to ensure that 100 percent of the sites with a high risk of safety code violations are monitored each year. Operational and implementation plans for technical and safety services were updated to provide a framework

for achieving departmental goals and strategies as a result of public meetings on the Safety Codes Act and its regulations, and the fire commissioner's office established new partnerships with municipalities and fire departments to maintain Alberta's fire prevention and suppression services.

The department's third core business is to manage provincial disaster planning and recovery programs and provide support to municipalities to ensure their preparedness to deal with emergencies and, after disasters, to assist in the recovery. During 1998-99 disaster services spent just over \$3 million on this core business. That's down significantly from the more than 33 and a half million dollars spent in '97-98, but over \$30 million of that went to pay claims for flooding caused by ice jams on the Peace River and Fort McMurray areas and heavy spring runoff in other parts of northern Alberta.

8:44

Here are some of the highlights of some of the activities that the nearly \$3 million for disaster services supported during '98-99. There were 34 emergencies in the province where municipal emergency plans were activated. Over half of these involved forest, grass, or structural fires, while the rest included dangerous goods, pipeline releases, floods, a mass casualty incident, and a well blowout. Although none of the incidents warranted a disaster recovery program, disaster services provided almost \$240,000 to 10 municipalities for evacuation and emergency operating costs as a result of the devastating forest fires in northwestern Alberta during the year 1998.

Disaster services also helped to establish the Y2K Alberta steering group and continued to work with the federal, provincial, and municipal governments and the private sector to develop emergency plans for dealing with potential Y2K problems. Also, during '98-99 disaster services implemented a new Alberta emergency plan detailing the functions to be performed by provincial government ministries during a major emergency or a major disaster. It also validated over 170 municipal emergency plans and helped more than 130 municipalities test their emergency plans. Finally, Alberta played a lead role in organizing a provincial/territorial initiative to urge the federal government to improve the delivery of service in the disaster recovery program.

The final core business of Municipal Affairs, Mr. Chairman, is to provide a legislative and policy framework and support to public bodies to enhance access to information and protection of privacy for Albertans. During 1998-99 the ministry spent just under a million dollars supporting this core business. Here are some of the highlights. The Freedom of Information and Protection of Privacy Act was extended to school jurisdictions and to the health sector in the fall of 1998, and plans are under way to extend it to postsecondary institutions and local government bodies. The freedom of information and privacy legislation was extended to postsecondary institutions on September 1, 1999, and to local government bodies on October 1, 1999. Information management and privacy provided training courses for about 2,300 participants from local public bodies and government ministries to prepare for when the legislation would be extended.

The branch also provided technical support to the select special committee of the Legislative Assembly for the three-year review of the Freedom of Information and Protection of Privacy Act. Public consultations in 1998 led to a final report in early 1999. This report formed the basis of a bill which amended the Freedom of Information and Protection of Privacy Act during the spring session last year.

I'd now like to talk about the Auditor General's recommendations and explain how they've been addressed. As the result of an Auditor

General's recommendation in 1997-98, the Alberta Boilers Safety Association developed a comprehensive plan to eliminate the backlog of pressure equipment inspections. The plan assigns priority to higher risk situations such as pressure equipment located in public facilities. In 1998-99 the plan was to reduce the backlog from 32,000 to 6,000 by November 1, 2001. We're way ahead of that target and plan to completely eliminate the backlog by November 2001.

The Auditor General also recommended in 1998-99 that Municipal Affairs include targets for performance measures in its business plan. We addressed this in the restated 1999-2000 business plan by adding targets to our existing performance measures wherever possible. In the new 2000-2003 plan a great deal of work has been done to develop performance measures that the department can actually influence and be accountable for and that are meaningful.

Finally, it should be noted that the Auditor General has reserved his opinion on all 1999 ministry and department financial statements because, in his view, there have been significant departures from generally accepted accounting principles. However, all exceptions adhere to the corporate government accounting policies and reporting practices.

Thank you, Mr. Chairman, for allowing me this time. We will certainly entertain any questions, and if indeed we're not able to answer the questions verbally here today, we will take on the obligation of seeing that the questions are answered in writing a short time after.

THE CHAIRMAN: Thank you, sir. The undertaking would be to forward them through the secretary so as to disseminate the answers everywhere. Terrific.

MR. PASZKOWSKI: That's the normal practice.

THE CHAIRMAN: Prior to that, perhaps we could have Mr. Hug introduce his staff.

MR. HUG: Thank you, Mr. Chairman. With me today is David Birkby, who is the audit principal responsible for the audit of Municipal Affairs, and behind me in the gallery is Ian Sneddon, who is the audit manager responsible for the audit. My name is Jim Hug. I'm the Assistant Auditor General responsible for the audit of this ministry.

THE CHAIRMAN: Thank you, sir.

The first question is from Dr. Nicol, followed by Mr. Yankowsky.

DR. NICOL: Thank you, Mr. Chairman. Mr. Minister and staff, good morning. To the Assistant Auditor General and staff, good morning. I'd like to just kind of follow up a minute on the last statement you made in your presentation just now when you talked about the Auditor General feeling that the ministry's reporting was not in line, yet you said that it was in line with general corporate accounting data. What are you doing to try and bring together this different perspective on how you keep track of your finances and reporting?

MR. PASZKOWSKI: This is a discussion that's been ongoing for several years, as I recall. I remember this dialogue from when I was with agriculture. This transgresses all departments. It's not just Municipal Affairs, actually. There is dialogue. There is ongoing negotiation. Certainly, I'd be appreciative to hear what the Auditor General's view on this is, because I'm not that much involved in the discussions and the negotiation. This is a process that we have established as a corporate entity that we feel is the best way of

reporting. The Auditor General has different views on the subject, but indeed we are in discussions, and hopefully we'll be able to come up with some common ground here.

MR. HUG: There are ongoing discussions between the office of the Auditor General and Treasury to try and resolve these ongoing exceptions to generally accepted accounting principles. We are making progress; for example, the observation with respect to the pension liability. I believe that exception will be removed this year from our observations on the various financial statements.

MR. GARTNER: The department also committed and the Auditor General agreed to look at some of the work we were doing, Dr. Nicol. We'll be looking at the actual observations applicable to Municipal Affairs to determine whether or not we can make some changes to the way we administer the program to meet the concerns of the Auditor General from an accounting point of view and still maintain the safety requirements that we need to build into the program.

DR. NICOL: I guess just one follow-up on that then, Mr. Minister. Are you satisfied that a process is in place so that in the foreseeable future you'll either come to some accommodation, even if that accommodation might be an agreement to disagree? Do you see a resolution to this debate?

MR. PASZKOWSKI: Well, the discussions are ongoing, and they are certainly ongoing with the intention of bringing this to a final resolve. They've been, I think we can call them, very friendly and helpful discussions, and we do very much appreciate the good work that the Auditor General does. It's a bit of a disagreement on taking the whole process forward. I want to be a little careful that I'm not expressing my own views here, because really it's Treasury that is doing the negotiation. There are some reasons why we feel that the process should be done the way it's being done. Ultimately, I don't think it has any outstanding bearing on the final results. I think that's a critical element. Correct me if I'm wrong, but I think the information is all there. It's just a matter of process in delivering the information that we have some discrepancy on. At least that's where I see it, anyhow.

8:54

MR. HELLWEG: If I may just add to that. One of the observations on page 93 in respect to capital assets – while it was pointed out that there is an exception, in the Auditor General's view, in the last line of that section, the Auditor General also states that the amount of money involved is not significant.

THE CHAIRMAN: Mr. Yankowsky, followed by Mr. Herard.

MR. YANKOWSKY: Thank you, Mr. Chairman, and thank you, Mr. Minister, for being here to answer our questions. In his 1998-1999 annual report the Auditor General reported on preparations for potential Y2K problems. Would the minister tell us what, if anything, actually transpired during this critical event?

MR. PASZKOWSKI: Well, I think we all heaved a big sigh of relief on New Year's Eve, and many of this group were actually part of the GEOC on the evening, including myself and family. With the preparedness I'm very, very proud of the good work that was done. Things went well throughout the world largely because of the preparedness, and things were extremely well handled in Alberta. I want to compliment and commend the outstanding work of the department in this particular case. There was a huge undertaking,

and virtually every component was covered.

I can refer back to New Year's Eve at the command centre. Virtually everyone was there: the city police, the RCMP, the military, most of the departments that would have any risk at all, and certainly staff. I think I should mention that staff presence was very much appreciated, because these people were volunteering. They were actually there for 48 hours and were prepared to be there for an even more extended period of time. Virtually every aspect that was vulnerable was covered, so it was not by accident that indeed there were no hitches or no glitches that transpired.

Mr. Wolsey was responsible and in charge, and perhaps he would like to make a comment on the preparedness. I think he's in a better position because he was the co-ordinator of this project for the preceding years as it built to a final conclusion. There will be reports coming forward as well as to the wind-down and the process that took place.

Mr. Wolsey.

MR. WOLSEY: Thank you very kindly, sir. The preparation, Mr. Yankowsky, actually began in 1997. We put together a working group of essential service providers from throughout the province, the major people that would be called upon in the event of the kinds of things that might well have occurred had there been a complete computer failure throughout the province. We had all the major power companies onside, the gas providers, people from the petroleum and petrochemical industry as well as the very key elements, the municipalities that would be dealing directly with any potential problems that came to light. We had the Alberta Fire Chiefs Association onside as well as the counterassociation for the chiefs of police, the ambulance workers, and virtually anybody that could be called upon.

[Mrs. O'Neill in the chair]

This was co-ordinated extensively on a national and international basis through our ties with Emergency Preparedness Canada, who were also present in the Government Emergency Operations Centre on New Year's Eve. The work that went into it has provided us, quite frankly, with a legacy that is going to work very effectively for us. Obviously, the functionality of the working group that was put together wound down shortly after midnight on January 1 of this year, but we have decided to continue the group with their full support in order to provide ready access to exactly the same type of resource people if and when we ever have to put that together again. As well, they will serve as an advisory group on virtually any questions that come up in this general area.

MR. YANKOWSKY: Well, thank you, and I want to thank you for all the work that you did to prepare for this event. I certainly want to thank the volunteers that were there, because volunteers of course are always very, very important.

My supplemental is: were any of the preparations actually put to the test?

MR. PASZKOWSKI: No. Actually, the real test came on New Year's Eve. There was actually no testing done of the processes, but indeed I'm pleased to report that as a result of all the preparatory work that was done and achieved, it all worked out very well. Obviously, all the components and aspects were covered with the preparedness. It's very difficult to put an actual testing process to that without being disruptive, so the short answer is no.

MR. WOLSEY: The minister is quite accurate in terms of actually going out and performing any kind of exercise, but one area that was, in effect, tested was the communications system that had been

put in place, and it worked extremely effectively. We had personnel located at the Canadian Association of Petroleum Producers, and the resource people in Calgary generally had an emergency operations centre, which included the power companies primarily and the gas associations. We had personnel in place there. There was communication throughout the process with that installation in Calgary. We put in four special telephone lines to which municipalities only had access in the event they had emergencies to report.

I think the way the entire event went is reflected by the use of the phones. We received four telephone calls during the 24-hour period immediately prior to and immediately after midnight. Two of them were to report that fire chiefs were moving from one telephone number to a different number, and fortunately the other two were wrong numbers.

THE ACTING CHAIRMAN: Thank you.

Mr. Herard, followed by Dr. Nicol.

MR. HERARD: Thank you, Madam Chairman. Good morning, Mr. Minister and staff, Auditor General and staff. Being from Calgary, education property taxes have been a real hot topic in the last number of years, and I notice that this year the topic has shifted to Edmonton a little bit. I'd like to understand more about education property taxes: how they're calculated, who pays, and who doesn't.

MR. PASZKOWSKI: Well, obviously, I don't have to tell you that education property tax is something that's very current as far as discussions are concerned. Thank you for raising that, Denis, and good morning to you as well.

[Mr. White in the chair]

This is an item that's under review. There is a committee structure to review the whole process and to see if, indeed, this is the best proper way of dealing with raising funds for education. Every province calculates the amount that a municipality provides in perhaps a bit of a different way, but we've actually been downsizing the amount relative to the cost of education. Education is increasing each year, as you know. Our budget is increasing by something like 19 percent over the next three years, so obviously there is an additional cost to education. Of that, though, property tax has been assuming a smaller and smaller proportion. In 1995 50 percent of education was funded through education property tax. As of this year 38 percent of the total cost of education is being funded through property tax assessment.

9:04

The calculation is based on a formula that takes into account the amount of assessment from each municipality, and obviously with the review that's ongoing, we're going to try and see if there's a different way of funding education as well. Now, is your question specifically how the formula is arrived at or how the amount is arrived at, Denis?

MR. HERARD: I guess I was perhaps more interested in who pays and who doesn't.

MR. PASZKOWSKI: Okay. Well, who pays is basically based on property tax. That's really where the essence of who pays comes from. It's a certain percentage of the assessment. Brad is the expert. If you want to give a breakdown on the formula.

MR. PICKERING: Sure.

MR. PASZKOWSKI: Would that help, Denis?

MR. HERARD: Sure.

MR. PICKERING: With respect to the formula, it's based on a municipality's equalized assessment. The assessment base throughout the province is equalized, so everybody across the province is brought to a common level. It's both the residential and the nonresidential taxpayers. On the nonresidential side the machinery and equipment basically has no mill rate applied to it, so in essence they don't pay education property taxes. The calculation to determine the municipality's requisition is based on its equalized assessment for that particular municipality times the provincial uniform mill rate. Equalized assessment is basically a calculation of bringing that municipality's assessment base, the assessment base they actually taxed on the previous year – so for the year 2000 it would be what the municipality taxed on in 1999 – up to a common level, and then we apply the uniform mill rate. There were some capping programs back in '98-99. There was a capping program that the province had, and that's continued forward. A lot of discussion this year with respect to the capping program.

MR. HERARD: My supplemental. Of course we're dealing with the past, and I'm hopeful we will find different ways of funding education, but the issue in Calgary over the last few years has been that there's this perception that Calgarians are subsidizing schools in rural Alberta. Yet when I look at the numbers and find that approximately \$350 million or so comes out of Calgary and about 700 and some million dollars, excluding any kind of capital, goes back into Calgary, then I have difficulty understanding the argument that Calgarians are cross-subsidizing rural schools. I'd like to understand how that argument can even be made. Now we've got Edmonton saying: well, it's costing us this much more, tah-dah, tah-dah.

THE CHAIRMAN: Perhaps, Mr. Herard, that's a question you might deal with more properly in your caucus in that it is more of a policy question for the minister than a history question. We're looking at examination of accounts. I actually was remiss in not helping you reshape your earlier question. Perhaps the committee doesn't feel the same, but in my view it was more of a policy question. Perhaps you can rephrase the question to deal with the history of that time.

MR. HERARD: Well, exactly what I'm talking about is the history. I mean, the history has been some real different views about, you know, where the taxes are coming from and going to. Historically, the period we're looking at in this Chamber is the past. There's been this argument that taxes flow from the city of Calgary to rural schools. I don't understand how that argument can be made, but I'd like to understand it.

MR. PASZKOWSKI: Denis, fairness is really key to the process of education. Back in '94 we had a situation where municipalities were basically raising the funds for education, and at that time it was found that some municipalities were funding education to the tune of slightly over \$2,000 per pupil and others were funding education to the tune of over \$22,000 per pupil. That was deemed to be unfair, and it was certainly recognized that there had to be some changes made to that process. So ultimately the undertaking was made to try and find a common number that education was funding across the province. I think that's the right thing to do, and I don't think anyone is arguing that particular concept at all.

The process of raising those funds, of course, is again something that's much easier to achieve on a local municipality basis. Where the anomalies start coming about is when you try to put that local

municipality into a provincial perspective. Consequently, that's where we get the debate quite often, because each person has a different solution for their own municipality as far as raising funds for education is concerned.

Obviously, it varies from year to year as well, and certainly we found that to be the case of the Edmonton situation, where a year ago Edmonton actually benefited from the process that's in place. This year they're actually paying into the process. The year before they benefited by, I think it was, \$5.7 million. This year they're paying into the process \$5.5 million. But overall it works out fairly close, and really the primary objective is to try and be as fair as possible to the whole community. Ultimately that's what we're trying to achieve through this work of the ongoing committee.

MR. HERARD: Thank you.

THE CHAIRMAN: Dr. Nicol, followed by Mrs. O'Neill.

DR. NICOL: Thank you, Mr. Chairman. To begin, Mr. Minister, on page 20 of the annual report of Municipal Affairs you talk there also – this again is dealing with the tax issues – about the idea that the division within your ministry helped on the farm property assessment review. A lot of the issue we just heard in the last question about education was also debated in that forum on the equity and the fairness of rural taxation. I was wondering if the minister would report on how they developed those recommendations and whether you felt that an appropriate response was achieved in the draft report.

I know none of it has ever been implemented, but there was a draft report prepared by the committee on how your recommendations flowed in and came out. You know, the whole focus of your discussion here in terms of your goals and your analysis is to create equity and fairness in the taxation system. Did that report coincide with your recommendations to the committee, and did it flow well?

MR. PASZKOWSKI: Well, thank you, Dr. Nicol, for the question. This is ongoing. The draft report was tabled, and ultimately the process in place today is to now do a cost-benefit analysis of what the ramifications would be on the various recommendations.

As you know, there were several recommendations that came forward in total, and the process that's in place now is to actually put it into a living model and just see what the results of that living model will be and what the ramifications will be. Because, obviously, when you make any changes, it can be quite a disruptive process if it's very, very severe in any particular area. That's where we're at now. We're doing the analysis of each of the recommendations just to see the costing out to find out exactly where the results will take us at this stage. Hopefully before the end of summer we will have that information so that we can actually make better judgments.

9:14

MR. PICKERING: Just to follow up on that. There was a discussion document that the department put out. We did hold public meetings throughout the province, which led to a feedback document that we published actually last May. As the minister indicated, we are doing an impact study now. In the feedback document the committee did indicate what its position was on certain of the nine issues that were looked at. There were four issues in particular that we were doing an impact study on. That's the impact of the farm residents' exemption, which is an issue, and it does actually pertain to some degree to the education property tax, although it's an assessment policy; the intensive livestock operation, which is fairly controversial in various parts of the province; the idea of maybe

using business taxes as a means of trying to deal with some of the intensive farm operations; and, as well, split mill rates. There are nine municipalities throughout the province that we're testing some of the recommendations on, actually capturing data on two townships in each one of those municipalities to try and determine and model what the impact would be based on various scenarios.

The other issue that wasn't resolved by the committee was the definition of farming operations. We did receive a lot of good feedback, and the committee is still working through that issue.

DR. NICOL: Mr. Minister, I think everybody recognizes that fairness and equity are all very personal and very individualized, and your department has undertaken, I guess, quite a tough job to try and bring together all of the competing interests here. Still, when you look at the issue of farm property assessment, as it came out both in the discussion paper and in a number of the meetings, there were some very controversial discussions that went on at the meetings that a lot of people didn't feel were adequately reflected in that draft report in the context of how you handle, you know, the different kinds of capital investment in agriculture: machinery, buildings, land. They're all productive assets, yet they're being taxed very differently. That wasn't really addressed in the report. Did the feedback that you received on that draft address those issues?

MR. PASZKOWSKI: The committee work is ongoing. It's not that the committee has shut down and everything has come to a stop. The other: once we've done the costing, we'll be in a better position to truly reflect some of the discussions that took place. It would then be our intention to go back to the communities once we've done the analysis that Brad has indicated, so this isn't a process that will be implemented just as soon as the costing out has been done. There will be a further consulting process.

Yes, there are strong feelings in various areas. We have to be careful. This is something that can be very disruptive if indeed we move without fully understanding where we will be at the end of the day. To me that's very, very critical. We have to fully understand what the impact of the changes will be on the various operations that exist. We have a very diversified agricultural community in Alberta, as you know. Ultimately, because of that diversification, of course, no one fit fits perfectly for all those particular areas of agriculture. So it is a challenge. It's a major challenge.

Ultimately what the people of Alberta told us and what the agricultural community of Alberta has told us is: we want fairness; we don't mind paying; we just want it to be fair straight across the board. Obviously, we all understand that fairness is something that has to be worked through, and ultimately I'm optimistic that with good communication – and I'm a strong believer in consulting and communicating – we will have a process that will be useful and functional and to the betterment of agriculture in the longer term.

THE CHAIRMAN: Thank you.

Mrs. O'Neill, followed by Ms Graham.

MRS. O'NEILL: Thank you, Mr. Chairman. Good morning, Mr. Minister and your staff and Auditor General's department. My question pertains to the annual report of the Auditor General, and it's specifically on pages 230 and 231. On those pages the Auditor General is advocating that the DAOs, the delegated administrative organizations, and the Safety Codes Council be consolidated with the financial statements of the ministry in order to, as articulated, "provide a complete overview of the Ministry's operations and performance." My question, Mr. Minister, is: what exactly is at issue here in this recommendation?

MR. PASZKOWSKI: Well, in my view, the council and DAOs are

both accountable to and controlled by the minister and therefore should form part of the ministry's reporting entity. The Auditor General's view is that the DAOs and the Safety Codes Council are both accountable to and controlled by the minister and as a result should be consolidated with the financial statements of the ministry. This goes back to the earlier discussion we had with Dr. Nicol regarding an ongoing discussion with the Auditor General regarding the corporate policy of the government and the Auditor General. So overall it's an ongoing discussion that's taking place.

MR. HELLWEG: If I can also add that there is going to be an internal committee to look at the structure of the DAOs to determine whether or not there are aspects of its format and framework that might be altered to lend itself better to the Auditor General's view of excluding them from the financial statements of the department.

MR. GARTNER: If I could add as well. There are some structures similar to DAOs that provide similar types of services. Examples I think are in the department of environmental protection, the tire recycling board, et cetera. We're looking at those structures where, as far as I know, the Auditor General has said that the way those structures are set up, they are not reporting entities. So we're working with the folks over there to see if we can come up with similar arrangements yet at the very same time ensure that the DAOs that we have now remain accountable to the minister for the very important safety services that they provide.

We're not necessarily interested in the day-to-day management of their affairs: the hiring of their staff, the way that they send people out to do the work, their scheduling, et cetera. As far as we're concerned, that's work that their management board does and does very, very well. What we are concerned about are the results at the end of the day. Is the backlog, for instance, for boilers on target? Are we meeting those targets? Is the work being done? I think that work is proceeding reasonably well right now.

MRS. O'NEILL: My supplemental. Just for clarification, are you looking to have, then, their financial statements included in your reporting or separate? I'm having trouble reading the report and finding out what the Auditor General is recommending and what you are intending to do with respect to their financial statements, not with respect to their autonomy.

MR. HELLWEG: With respect to their financial statement, the objective is to exclude them from the financial statements of the department as we see them as somewhat independent in operations from that of the department. Now we're looking at formulating a structure that will ensure that they are seen as being independent from the viewpoint of financial statement reporting.

THE CHAIRMAN: Perhaps the chair can interrupt here a little bit. The discussion, as two members of the committee have rightly put it, is not exclusive to this particular department actually, and it is an ongoing discussion. For one of the questions that was answered, Treasury is actually the agency that sort of dictates how the department files. To fully explore this, perhaps the chair would take on the responsibility of writing to Treasury and asking for the arguments to be put independently so that it would be filed and so that you could understand it all.

9:24

MRS. O'NEILL: With due respect, Mr. Chairman, that's not what I'm looking for, because I already have it in the bigger picture from my fees and charges. I'm asking this department, in their accounting for 1998-99 and the Auditor General's report, what their intention is

to do specifically for their DAO and the Safety Codes Council vis-a-vis the recommendation made by the Auditor General. That's the question, and I've got the answer actually. It was just provided to me.

MR. PASZKOWSKI: In fairness, you're both right, because this is a bigger issue. Indeed, it is also mentioned in our specific report. You can't avoid it when it's mentioned in our specific report. It's there, and ultimately we have to be responsible for a response to it as well. It is a bigger issue, and it's across departments. There are many departments involved with this particular issue.

THE CHAIRMAN: Thank you.

Ms Graham, followed by Dr. Nicol and Mr. Lougheed.

MS GRAHAM: Thanks, Mr. Chairman. Good morning, Mr. Minister and staff and the Auditor General's staff. The questions that I want to ask this morning relate to the performance measures relative to the three business goals of the ministry. I'd ask you to have reference to the annual report of Municipal Affairs and in particular to page 23 of that annual report, dealing with performance measure 1, which is to reflect the level of satisfaction municipalities have with the division. I note that the target for this satisfaction was 90 percent, but in fact the actual level of satisfaction was found to be in the realm of 75 percent. I see that there is some analysis of those results in the annual report, but I'm wondering if perhaps you, Mr. Minister, could elaborate a little more fully on why the satisfaction rate was substantially below the target.

MR. PASZKOWSKI: Thanks, Marlene. Why would I anticipate this question? Actually, when your performance is at 75 percent and you're anticipating 90 percent, obviously there has to be a legitimate reason for that, and certainly it's one that we found was largely due to process. What we were doing was sending out through the mail asking for a response, and we weren't getting very much. As you know, mail doesn't always get a 100 percent response, and consequently we really weren't getting the response that we needed. So what we've done is changed the methodology of finding the information, and we've moved from mail-out to telephone so that we make sure that we get a 100 percent contact as we're moving along with our information.

Once we'd moved to the telephone, where we're getting a 100 percent response, we found that indeed our benchmark that we had set at 90 percent, which we were using through the mail-out, was set too high. So what we've done is set our new benchmark at 75 percent, which we think is realistic, and ultimately that became the new benchmark. It's just a change of methodology as far as obtaining the information is concerned. Our targets were too high with the previous methodology. We're finding that this is much more accurate.

MS GRAHAM: All right. I guess, then, what you're saying is that because of the issues perhaps in Municipal Affairs, your expectations were just too high. I mean, I don't really follow that the methodology was the issue if in fact the standard was reduced. If now the standard is 75 percent, how can the methodology have really been at fault?

MR. PICKERING: Maybe I can add a little bit further to that. Part of our survey also included "don't know" or "no answer." Then those were taken away from the total, which I think had the effect of inflating the percentage total. So we believe that the new survey methodology is more accurate and provides us with a better indication. As the minister indicated, the 90 percent benchmark may have been somewhat too high based on a better survey methodology.

MS GRAHAM: Well, I don't want to belabour the point, but on the one hand you're saying that our method wasn't good but that because we were getting a satisfaction rate of 75 percent, we lowered our target to 75 percent. Is that what I'm hearing?

MR. PASZKOWSKI: Well, the benchmark that we feel we are at now more accurately responds to the actual feelings that are there. Originally, when we set the benchmark, we just sort of reached out and here's what we think we can achieve. Ultimately, as Brad has pointed out, some of the questions left some open area there as well. Consequently, by restructuring in a more definitive manner what our questions are, we feel that we can more accurately reflect the actuality of the situation. Obviously, at 75 percent we have room to move up, and we have to.

MS GRAHAM: And 75 percent isn't shabby.

MR. PASZKOWSKI: It's not shabby, but it's something that we feel we have to improve upon, and it's going to be one of the areas that we have to focus on. We're taking this quite objectively, and we feel that this is one of the areas that we want to concentrate on for improvement.

MS GRAHAM: Okay. Thank you very much.

THE CHAIRMAN: Dr. Nicol, followed by Mr. Lougheed and Mr. Johnson.

DR. NICOL: Thanks again, Mr. Chairman. Mr. Minister, on page 26 of the Municipal Affairs annual report, property assessments, it's the last two paragraphs on that page that I would be dealing with. You said, "The target for successful property tax appeals to the [Municipal Government Board] was set at five percent." Now, when you set a successful rate, that in essence creates an environment under which the motivation of the board is to not have a successful conclusion. I assume that this target performance measure is related to the idea of determining how adequate and how appropriate the formulas are that you have in place for calculating assessments, based on market value, and how that relates to the taxpayer's perception of fairness.

[Mrs. O'Neill in the chair]

So in essence what you've done is you've set a target of performance here that is going to encourage the board not to find in favour of an appellant. Again, I'm making the assumption here – and please correct me if I'm not making the appropriate assumption – that this performance measure is to determine the appropriateness and the successfulness of your process of measuring assessment. Would it not be more appropriate to measure the performance of that process by saying: what is the proportion of appeals out of the total number of assessments? So in essence what you're finding out is how many people basically accept their assessment based on your process rather than the number of people who after a challenge can say: I won. I don't know if that explains it very well.

MR. PASZKOWSKI: I think I understand what you're after. Part of the process, of course, is to measure uniformity and equity. Really that's also part of the process. That's something that is important as well, and we alluded to that when we talked about variances throughout the province. That's something we have to be conscious of as well. Ultimately one of the measurements that is very critical and very important is that we don't have an assessor in one part of the province doing something entirely different than an assessor in another part of the province. So that's in essence part of the reason

for this particular measurement.

9:34

MR. PICKERING: Maybe I can add something further to that. We have looked at refining this measure. Actually, in this year's business plan you won't see it. We are starting now to capture information as part of our financial records that we receive from the municipality on the number of appeals at the local level, which is the ARB. So we can take that, as you've indicated, as a percentage of the total parcels in the province and then subsequent to that see what percentage from the local ARB decisions are appealed to the MGB.

The department this year as well has put a tremendous amount of effort into education of the assessment review boards around the province. We've put together an education package, and I think we've offered it in about 19 different locations around the province to assist the local boards in making better decisions.

This was the first year we measured, and we set some targets that were probably somewhat unrealistic. We're now reviewing those, doing some benchmarking, and ultimately we'll probably bring them back into our business plan.

MR. PASZKOWSKI: This also provides us an opportunity to develop some historical information. That also is part of the process that's being refined and will give us better information as we move along because we have more background information to rely on.

DR. NICOL: Just in the last paragraph there I read that first sentence, where you're talking about

the measure for successful property tax appeals was calculated by taking the number of property tax appeals heard by the MGB that saw a change in the assessment by greater than or less than 10 percent of the original [value].

In other words, if it's greater than 10 percent or less than 10 percent, it's successful, so the only time it's not successful is when it's exactly a 10 percent change. Or am I reading that wrong? I think it's just a grammatical issue there.

MR. PICKERING: Yeah. The intent of the measure was that if you were in the plus or minus 10 percent range, it was deemed to be a successful assessment. If it fell outside of that, then your valuation was somewhat extreme.

DR. NICOL: Yeah. Well, that's not what that sentence says, but that's what I assumed you were trying to say in this.

Thank you, Madam Chairman.

THE ACTING CHAIRMAN: Thank you.

Ms Kryczka, followed by Mr. Johnson, which will take us either to the conclusion of your questions, Mr. Johnson, or to a quarter to 10, whichever comes first, and then we will conclude.

MS KRYCZKA: Thank you, Madam Chairman. Good morning, Mr. Minister and your staff and the Auditor General's staff. My main question has to do with a revenue line on page 94 of your annual report. Before I get to my supplemental, I'm wondering if I might have permission from the chair. Instead of the supplemental that I see here related to that first question, may I ask a question on another line on that same page?

THE ACTING CHAIRMAN: I'm confused. You want to ask three questions?

MS KRYCZKA: Instead of my supplemental being related to the line that I'm going to ask about, may I change the essence or the content of my supplemental and refer to another line on that page?

THE ACTING CHAIRMAN: Yes. Go ahead.

MS KRYCZKA: Thank you. On the line I wanted to refer to under revenues, transfer from the Alberta lottery fund, could you please explain the nature of the \$10 million transfer from the Alberta lottery fund? It's under revenues, schedules 1 and 2, on page 94.

MR. PASZKOWSKI: You're referring to the \$10 million?

MS KRYCZKA: Yes, I am.

MR. PASZKOWSKI: That was a program that was working with the capital region, with the regionalization and the co-ordination of the capital region. Ultimately, the region had decided that the proper use and the best use of that \$10 million to promote regionalization for the capital region was to invest it into the Anthony Henday Drive.

Now, one of the programs that we're bringing forward and will be focusing on and probably highlighting for the year's activities will be to see that various municipalities within the province provide a regional focus. When we traveled on our mission through eastern Canada and the United States, we learned that 20 to 25 years ago the United States and eastern Canada had brought many of their services, if not most of their services, into a regional component. That's something we haven't done in Alberta. Consequently, we're now in a situation where there's a group called Siteseekers, who basically do 80 percent of the location of industrial development in the United States. Siteseekers don't select on the basis of an individual municipality. They base on the statistics, on the information of a region. Consequently, we're going to have to implement a process that will meet the guidelines of Siteseekers or we're going to be left out of the picture as far as being able to compete informationwise with regions in other parts of North America.

It just makes sense. When you have an industry locating, it doesn't draw all its talent, it doesn't draw all its services, and it doesn't draw all its purchases or whatever from one municipality. They really don't care which municipality, as long as they can draw all of the service requirements. Ultimately, that's something that this \$10 million was focused on as far as the capital region is concerned, because of the efforts of the region to initiate regionalization. As I said, the \$10 million was given to the region to help develop it as a region. Ultimately, all of the municipalities came together and decided that that money should flow through in the form of funding for the Anthony Henday Drive.

MS KRYCZKA: Thank you very much. The other question, my supplemental, had to do with valuation adjustments. I'm curious as to why on line 2, provision for vacation pay, the actual in 1998 was \$499 million and then \$600 million in 1999, which is a fair increase. I wonder if you could explain the main reason for that increase.

MR. HELLWEG: If I can perhaps answer that question. It is an accounting treatment. The process that's undertaken is that in the prior year we estimate the accrued or the vacation pay that is payable to all of the employees at the end of March 31, 1998. Then at the end of March 31, 1999, we follow the same process, estimate the amount of vacation pay owed to the employees, and the difference in the amount between the two years is expensed. So the cause for the difference is likely that staff that had not taken their vacation are owed more money, and therefore the expense has gone up in the 1999 year.

MS KRYCZKA: Is that one reason also why in our constituency offices it's recommended that we continually encourage our staff not

to accumulate too much vacation?

MR. HELLWEG: That could be a good reason why.

MS KRYCZKA: The same kind of principle. Okay. Thank you.

MR. PASZKOWSKI: I did notice that two years ago we were starting to get what's owed in dollars and cents as well. That wasn't there before, but now that's being done as well. Each constituency office receives that notification, just so you are prepared. It's useful, because indeed if the employee chooses to leave, that money has to be paid out. So that is a very useful function and one that is helpful for all of us.

MS KRYCZKA: Thank you.

THE ACTING CHAIRMAN: Mr. Johnson, a quick question, and Mr. Minister, a very brief answer, please.

MR. JOHNSON: Thank you. Good morning, everyone. My question is taken from the Alberta Labour annual report, page 48. On page 48 I noticed that there was an increase of \$16,000 from 1997-98 to 1998-99 in the FOIP, freedom of information and protection of privacy, expenditures. I'm just wondering if you might explain that increase and also give me some idea of the number of requests that you had in 1998-99.

MR. PASZKOWSKI: The expenditures increased slightly as a result of an increased support of local public bodies that were soon to be subject under the act, so indeed it was just a matter of expansion of the overall process as far as numbers are concerned.

MR. CAMPBELL: In terms of request numbers there were 1,576 requests in '98-99, about two-thirds of which were requests for an individual's own personal information.

THE ACTING CHAIRMAN: Thank you very much, Mr. Johnson.

MR. PASZKOWSKI: Of that, \$45,000 was collected in fees. I'm sure you wanted to know that too, LeRoy.

THE ACTING CHAIRMAN: Thank you, Mr. Minister.

In light of the hour and the opportunity we have to attend the function at 10 o'clock, I'd like to bring the meeting to a conclusion by saying thank you very much to you, Mr. Minister, to the members of your staff who have provided us with the information, to the committee members for questions, and to the Auditor General and Mr. Hug's office.

Also, I'd remind you that the next meeting is Wednesday, May 24, with a presentation from the Hon. Dr. Lyle Oberg, from the Ministry of Learning.

With that, we will ask for an adjournment motion. So moved. Those in favour?

HON. MEMBERS: Agreed.

THE ACTING CHAIRMAN: Thank you very much.

[The committee adjourned at 9:44 a.m.]