



Legislative Assembly of Alberta

The 27th Legislature  
Second Session

Standing Committee  
on  
Public Accounts

Housing and Urban Affairs  
Municipal Affairs

Wednesday, March 11, 2009  
8:30 a.m.

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**Legislative Assembly of Alberta**  
**The 27th Legislature**  
**Second Session**

**Standing Committee on Public Accounts**

MacDonald, Hugh, Edmonton-Gold Bar (AL), Chair  
Quest, Dave, Strathcona (PC), Deputy Chair  
Benito, Carl, Edmonton-Mill Woods (PC)  
Bhardwaj, Naresh, Edmonton-Ellerslie (PC)  
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Dallas, Cal, Red Deer-South (PC)  
Denis, Jonathan, Calgary-Egmont (PC)  
Drysdale, Wayne, Grande Prairie-Wapiti (PC)  
Fawcett, Kyle, Calgary-North Hill (PC)  
Jacobs, Broyce, Cardston-Taber-Warner (PC)  
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Kang, Darshan S., Calgary-McCall (AL)  
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Hon. Ray Danyluk	Minister
Dan Balderston	Director, Financial Planning and Reporting
Ethan Bayne	Executive Assistant
Ray Gilmour	Deputy Minister
Alison Gurnham	Public Affairs Officer
David Hodgins	Managing Director, Alberta Emergency Management Agency
Jody Korchinski	Director, Communications
Anthony Lemphers	Assistant Deputy Minister, Corporate Strategic Services Division
Michael Merritt	Assistant Deputy Minister, Local Government Services Division
Ivan Moore	Assistant Deputy Minister, Public Safety Division
Trent West	Fire Commissioner, Executive Director of Administration, Finance, and Training

**Department of Housing and Urban Affairs Participants**

Rai Batra	Executive Director, Corporate Projects
Mike Leathwood	Assistant Deputy Minister, Housing Development and Operations
Marcia Nelson	Deputy Minister
Robin Wigston	Assistant Deputy Minister, Homeless Support and Land Development

**Auditor General's Office Participants**

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Doug Wylie	Assistant Auditor General
Ed Ryan	Executive Director

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8:30 a.m.

Wednesday, March 11, 2009

[Mr. MacDonald in the chair]

**The Chair:** Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. On behalf of all the members of the committee I would like to welcome everyone in attendance. My name is Hugh MacDonald. Perhaps we can quickly go around the table, starting with the hon. Member for Strathcona, and introduce ourselves for the record.

**Mr. Quest:** Good morning. Dave Quest, Strathcona.

**Dr. Massolin:** Good morning. I'm Philip Massolin. I'm the committee research co-ordinator, Legislative Assembly Office.

**Mr. Dallas:** Good morning. Cal Dallas, Red Deer-South.

**Mr. Jacobs:** Good morning. Bryce Jacobs, Cardston-Taber-Warner.

**Mr. Chase:** Good morning. Harry Chase, Calgary-Varsity.

**Mr. Kang:** Good morning. Darshan Kang, Calgary-McCall.

**Mr. Lemphers:** Good morning. Anthony Lemphers, senior financial officer, Municipal Affairs.

**Mr. Gilmour:** Good morning. Ray Gilmour, Deputy Minister of Municipal Affairs.

**Mr. Danyluk:** Good morning. Ray Danyluk, minister of municipal affairs and housing in '07-08.

**Ms Nelson:** Good morning. Marcia Nelson, Deputy Minister of Housing and Urban Affairs.

**Mr. Wigston:** Good morning. Robin Wigston, assistant deputy minister, Housing and Urban Affairs.

**Mr. Batra:** Rai Batra. I'm with Housing and Urban Affairs as well. I'm helping the DM today.

**Mr. Ryan:** Ed Ryan with the office of the Auditor General.

**Mr. Wylie:** Doug Wylie with the office of the Auditor General.

**Mr. Dunn:** Fred Dunn, Auditor General.

**Mr. Drysdale:** Wayne Drysdale, MLA, Grande Prairie-Wapiti.

**Mr. Olson:** Good morning. Verlyn Olson, MLA, Wetaskiwin-Camrose.

**Mr. Vandermeer:** Good morning. I'm Tony Vandermeer, MLA for Edmonton-Beverly-Clareview.

**The Chair:** Mr. Danyluk, do you have other people with your delegation that you would like to introduce?

**Mr. Danyluk:** Yes, please.  
Please stand.

**Mr. Merritt:** Mike Merritt, ADM, local government services, Municipal Affairs.

**Mr. Hodgins:** Dave Hodgins, managing director, Alberta Emergency Management Agency.

**Mr. Bayne:** Ethan Bayne, executive assistant to the minister.

**Mr. Balderston:** Dan Balderston, acting executive director of financial services, Municipal Affairs.

**Mr. Leathwood:** Mike Leathwood, assistant deputy minister, Housing and Urban Affairs.

**Mr. West:** Good morning. Trent West, fire commissioner and executive director, Alberta Emergency Management Agency.

**Ms Gurnham:** Alison Gurnham, communications, Municipal Affairs.

**Ms Korchinski:** Jody Korchinski, communications director, Municipal Affairs.

**Mr. Moore:** Ivan Moore, ADM for public safety division, Municipal Affairs.

**The Chair:** Thank you. I would like to advise our guests this morning that they do not need to operate the microphones as this is taken care of by our *Hansard* staff. I would like to note that the meeting is also of course recorded by *Hansard* and that the audio is streamed live on the Internet.

May I please have approval of the agenda that was circulated? Moved by Mr. Chase that the agenda for the March 11, 2009, meeting be approved as distributed. All in favour? Thank you very much.

Item 3 on our agenda is approval of the minutes for the March 4, 2009, meeting. Are there any questions, or may I have approval of those minutes? Thank you. Moved by Mr. Drysdale that the minutes of the March 4, 2009, meeting of the Standing Committee on Public Accounts be approved as distributed. All in favour? Thank you very much.

Of course, we come to the most important item on our agenda this morning, which is the meeting with the officials from both Housing and Urban Affairs and Municipal Affairs. I would like to personally welcome the hon. minister here this morning. Thank you for your time in coming. You may give opening remarks. I don't know how you want to share this, but if both departments could keep it within 10 minutes, we would be very grateful.

**Mr. Danyluk:** Well, thank you very much, Mr. Chair. It is, indeed, a pleasure to come before you. I am pleased to provide you with an overview of the 2007-2008 Municipal Affairs and Housing annual report. In March of 2008 this busy ministry became two. It is now Municipal Affairs and Housing and Urban Affairs, so bear with us as sometimes we answer questions or try to make sure that the right information is brought forward. I will try to stay within the reporting year in question, and I know that all of you will definitely help me do that.

Mr. Chairman, strong municipalities are a priority of this government. We know that strong municipalities are the key to strong communities, and strong communities are the building blocks of a strong province. Our Premier has stated this on many occasions, and I'm pleased to say that it shapes this ministry in everything we do.

That's why in 2007-08 municipal affairs and housing proved its commitment to communities through the creation and support of many new programs and initiatives.

First of all, let me say to you that this ministry supports the development, viability, and long-term sustainability of local governments and communities. The challenges facing Alberta's municipalities are as wide ranging as the unique nature of municipalities themselves. The Minister's Council on Municipal Sustainability recommended long-term solutions to some of these challenges. In 2007-08 the council presented its report. A key outcome included the creation of the municipal sustainability initiative. MSI is a long-term funding commitment that is helping municipalities plan for the future and meet the needs of their citizens.

The funding is having a real impact in our communities. In 2007-08 Alberta municipalities benefited from an investment of \$400 million. Due to this funding Albertans are seeing new roads, recreation facilities, fire and emergency facilities to keep our communities safe, repaired underground infrastructure, water and sewer lines, and, of course, libraries, all of which are critical to the well-being of our communities.

In addition, our Premier created the Capital Region Board. This initiative involved 25 municipalities in the region. Together the board is working collaboratively and co-operatively to develop a long-term regional growth plan for the next 20 to 50 years. This will include plans for regional land-use planning, intermunicipal transit, a regional geographic information system, and a strategic plan for housing. This plan will not only benefit the citizens of the capital region but all Albertans.

As mentioned earlier, libraries play an integral role in our communities. They are the focal points for new Canadians, connectors to new jobs, and they provide opportunities for literacy. In 2007 this ministry had discussions with more than 300 library stakeholders to develop vision and priorities for public libraries. This feedback laid the groundwork for the work that was done by the MLA committee this past summer. We want to support libraries so that they can continue to support Albertans in the future.

Strong communities are places where citizens are supported and cared for. The stability starts when our citizens have a place to call home. In 2007-08 municipal affairs and housing worked to provide a range of housing options and supports for lower income Albertans. In response to the Alberta Affordable Housing Task Force the ministry announced a strategy to develop more than 11,000 units over the next five years. Our target for the year was 2,100 units. This was exceeded by actual results of 3,406 units.

Finally, strong communities are places where citizens feel safe. In 2007-08 the Alberta Emergency Management Agency was formed. The agency works with fire and emergency management partners to protect Albertans in emergencies. The Alberta emergency plan was revised in '07-08. The plan promotes a cross-government approach to emergency management. Its creation involved participation from all ministries and established the agency as a co-ordinating body for the government's emergency plans. It also ensures that all partners work within a common framework. The plan ensures the protection of people, property, communities, environment, and economies from the effects of emergencies.

#### **8:40**

In addition to our commitment to safe communities, the high-intensity residential fires working group was established in June of 2007 to study large-loss building fires in Alberta. The group was tasked with developing recommendations to reduce the occurrence and severity of these fires. Recommendations included public education and awareness, construction site safety and security as well as changes to Alberta's fire and building codes.

This ministry continued the tank site remediation program. This supports the cleanup of underground petroleum storage tanks and continues to take action to protect the environment, water supply, and health and safety of Albertans. In addition to taking significant action, this ministry also believes in being accountable, which is why I would like to briefly discuss the Auditor General's report recommendations.

The report had two recommendations for municipal affairs and housing. The first is the ME First program. This program provides interest-free loans to municipalities with energy-efficient programs. We have taken all the necessary steps to implement this recommendation, and by December of 2009 we will have a complete report on the energy savings and resulting reductions in greenhouse gas emissions.

The second recommendation is related to assessing the status of funds advanced to grant recipients who have not started the construction of affordable housing projects. Housing and Urban Affairs responded to the Auditor General on August 21, 2008, providing an account of expenditures and a report of the status of the grant fund recipients identified as being at risk. A quarterly reporting assurance process for recipients was implemented. In addition, the recipient must provide a copy of title for the lands used for the proposed development and a copy of the approved development permit before funding is advanced.

Mr. Chairman, in conclusion, this was a busy, productive year for municipal affairs and housing. Albertans deserve strong, safe, and sustainable communities, a wide range of housing options and supports, and an effective emergency management system. I want to thank all of the staff who have worked tirelessly to accomplish these ministry goals and continue to support municipalities and the citizens of this province.

I'm happy to answer any of the questions that the Auditor General or members of your committee have. Thank you very much for the opportunity to present.

**The Chair:** We appreciate that, Mr. Danyluk.

**Mr. Wylie:** Mr. Chairman, I'd like to thank the minister for indicating his status update on the recommendations we made. I won't belabour the points, but I would highlight, I think, the recommendations and the focus of those recommendations for the committee members.

Mr. Chairman, the results of our audit work at the ministry of municipal affairs and housing are included on pages 163 to 166 of our April 2008 report and on pages 335 to 342 of our October public report. Our auditor's reports on the financial statement of the ministry and its component organizations were unqualified. This work is summarized on page 342 of our October report. We also completed specified auditing procedures on the ministry's performance measures, and no exceptions were identified.

As the minister has indicated, on page 163 of our April report we summarize the results of our examination of a grant provided to the Innovative Housing Society of Canada. Our work resulted from a public complaint regarding Monarch Place, which is an affordable housing project in Red Deer owned by the Innovative Housing Society of Canada. Based on our examination, we concluded that the department had adequate processes to ensure that the grant for Monarch Place was disbursed in accordance with the program requirements.

We also examined other grants provided by the ministry to assist with the construction of affordable housing units. As the ministry did not require accountability reports until construction commenced and funding was disbursed in advance of construction in certain

instances, we did make a recommendation that the Ministry of Housing and Urban Affairs assess the status of funds advanced where construction has not yet started. This recommendation is included on page 336 of our October report.

As part of our climate change audit we examined the Ministry of Municipal Affairs systems to monitor required reporting for municipalities on how the ME First grant funds were used to generate energy savings. We made one recommendation to the Department of Municipal Affairs, which is included on page 335 of our October report. We recommended that the department “assess the effect on greenhouse gas emissions of the energy savings that resulted from the projects funded.” The department required municipalities to summarize the actual energy savings achieved by the projects on an energy reduction confirmation report, which was due one year after project completion. We found that these accountability reports were not always received from municipalities and that there was no follow-up by the department when reports were not received.

We are pleased to note that the Alberta Social Housing Corporation has fully implemented past recommendations on its systems for selling land in Fort McMurray and developing procedures to support its capital asset policy. On page 385 of our October report we identified two outstanding prior recommendations made to the ministry, which will be reported in future public reports.

Mr. Chairman, that concludes our opening comments. We’d be pleased to answer any questions the committee may have of us. Thank you.

**The Chair:** Thank you, Mr. Wylie.

The chair would like to welcome and recognize Mr. Benito this morning. Good morning.

We will quickly get to questions, starting with Mr. Kang, followed by Mr. Benito.

**Mr. Kang:** Thank you, Mr. Chair. On MSI funding what mechanisms are in place to ensure that the money is spent on approved projects?

**Mr. Danyluk:** Okay. First of all, I want to say that there are criteria in place for applications to MSI. They fall under infrastructure construction, whether it be above ground or below. It also includes recreation centres. To answer your question specifically, when the project is completed – you have two years, I believe, to complete and report the spending and also the project completion.

**Mr. Kang:** My supplementary question: what will happen to surpluses if there are any surpluses from the projects? Who is responsible to pay for the cost overruns? If there is surplus money, what will happen to that money, where will that go, and who pays the cost overruns?

**Mr. Danyluk:** Okay. You’re talking about funding surpluses that municipalities may have from the projects?

**Mr. Kang:** Yes.

**Mr. Danyluk:** Well, undoubtedly, those surpluses can be reallocated by the municipality with an application, but they have to report how that funding was spent. I’m not saying that the money directly has to come back, but I’m saying that the reporting has to come back. If they don’t have a designation for that funding, then of course it’ll have to come back.

**Mr. Kang:** How about the cost overruns?

**The Chair:** Thank you. That’s already two questions. Mr. Benito, followed by Mr. Chase.

**Mr. Benito:** Thank you, Mr. Chair. Thank you also to Minister Ray Danyluk for being here this morning. I’ve been here more than a year since I got elected, but this is my first time in this Public Accounts Committee to have a minister present at our meeting. Thank you for that. My question is: how much education property tax revenue was raised to support kindergarten to grade 12 in Alberta for the fiscal year 2007-2008?

8:50

**Mr. Danyluk:** You’re talking about the amount of education property taxes? Through property taxes \$1.6 billion was collected from Albertans.

**Mr. Benito:** My supplementary question: will the province commit to eliminating or freezing the education requisition to provide taxes from poor municipalities?

**Mr. Danyluk:** Well, first of all, I guess, Mr. Chairman, if you can bear with me a little bit because we’re talking a little bit futuristic. I would just suggest what the policy is, and I don’t see changes in that policy. Please remember that education taxes are not municipal revenue. Education taxes are collected on behalf of the province for education purposes. Now, there are no changes in mind, and there are no changes that I see that are going to happen in the immediate future. Please make that distinction, if you possibly can, that education taxes are not owned by the municipalities. They are only collected by the municipalities for the province.

**Mr. Benito:** Thank you.

**The Chair:** Thank you.

Mr. Chase, please, followed by Mr. Dallas.

**Mr. Chase:** Thank you. During the 2007-2008 year the Alberta government continued to reject its task force’s recommendations of temporary rent controls, which would have held unscrupulous landlords accountable rather than placing the financial burden on the taxpayers. While housing prices have dropped significantly, rents haven’t. I refer to page 57, that reports that a total of \$41,350,000 was spent on housing operating grants rent supplements in 2007-2008, not including supply. Given that 3,649 households were helped, that would make an average of \$11,331 of support per household. Why was this amount so high?

**Mr. Danyluk:** Well, I see about three or four questions, and I’m going to ask staff to supplement. First of all, I need to correct your analogy suggesting that recommendations from the task force were not accepted. In fact, the majority of those recommendations were accepted. One of the recommendations that did come forward, yes, was to have a rent control type of focus, and this government did not accept that recommendation or that direction. But when we looked at the support that the committee felt was necessary for affordable housing, for homelessness, for those types of focus, yes, very much, those recommendations were accepted.

I’m going to pass it to Robin.

**Mr. Wigston:** First of all, just to answer the question regarding the rent supplement. To break down the overall budget into the rent

supplement component on page 122 of the report, our rent supplement budget was just over \$41 million. When you actually break that down based on the number of units we provided under rent supplement, it works out to about \$440 per unit per month as far as a subsidy to support a low-income Albertan living in private-landlord accommodation.

**The Chair:** Thank you.  
Second question.

**Mr. Chase:** Yes. Mr. Minister, 38 out of the 50 recommendations of the task force were rejected.

Did the way the supplement was provided actually have the reverse effect of what was intended by keeping rents high? In other words, we're subsidizing landlords at a fairly significant rent to start with, and we've continued to supplement them, so therefore rents remain at an inflated cost.

**Mr. Danyluk:** Please understand that there were individuals that were in trouble, and we were supporting the individuals most in need. To me that was the key focus of this government: helping those who needed it most.

Could you just repeat the first comment you had made, please?

**Mr. Chase:** Yes. My understanding – and feel free to correct me – was that 38 out of the 50 recommendations . . .

**Mr. Danyluk:** Okay. I need to express to you that the reason that part of those were rejected is that they were being done already. It made no sense to accept them for action because they were being done. But you're absolutely right about the one, the rejection of rent controls.

**The Chair:** Thank you.

Mr. Dallas, please, followed by Mr. Mason.

**Mr. Dallas:** Thank you, Mr. Chairman, and thanks to all of our guests for being here this morning. I want to refer you to page 123 of the annual report, vote 7.4.2. There's a line item there: homeless support. I note that we started out with what appears to be a budget number of about \$33.8 million. There was an authorized supplementary of another \$43.5 million, totalling \$77.3 million, and in the end it looks like we spent \$84.232 million. Obviously, expenditures grew by leaps and bounds there from the original estimates and then finally finished over the budget number. My question: can you explain where that money was spent and how we arrived there?

**Mr. Danyluk:** Well, I'm also going to ask Housing to supplement. Most of that was directly due to the homeless and eviction prevention fund, that, I want to say, was part of the recommendations made by the committee. That, I believe, was 30-some million dollars in addition because it was a fund that was very necessary. It was a good recommendation, and it worked very well, but the need was there as well. This government felt that it was important to continue that service instead of stopping where the budget was.

Robin, can you help me with that?

**Mr. Wigston:** Yeah. Just to supplement, the minister is correct; it was \$33 million for the homeless and eviction prevention fund. It actually grew to \$43 million in expenses before the year was out based on the need in the province. The remainder of the funding in that budget line was split amongst a number of other homeless

initiatives: \$2.5 million for the transitional housing initiative, \$3 million for homeless initiatives, \$2 million to cover shortfall and winter contingency, and the rest would have gone into the shelter budget to support the shelters across the province.

**Mr. Dallas:** Thank you. Actually, I appreciate that because my supplementary was fishing for more information regarding the homeless and eviction prevention fund. Maybe to simplify that, over the course of the fiscal year, then, did we make adjustments in terms of how funds were disbursed under that initiative, or do we continue to operate that in exactly the manner that we started at the beginning of the fiscal year?

**Ms Nelson:** I guess I'll pick up on that one. Over 2007-08, as the minister identified, we did experience significant expenditure growth. As a result of that we did implement a review of the program, and I believe it was this past year, in November 2008, that Employment and Immigration introduced several policy changes with respect to the HEP fund that placed some caps on maximum benefits and aligned some of the other parts of the program with existing rent supplement programs for consistency. At the same time, we're also reviewing the program currently to ensure that it's meeting its stated objectives to meet client need as well as achieving some long-term financial sustainability.

**Mr. Danyluk:** If I can just supplement. For the 2007-2008 year we had a continuing accountability process that we were using because, as you have noted, the uptake was greater than we had expected and greater than what the committee had expected. So we were continually revisiting that or continually monitoring that program to see if we were addressing the issues that we had intended and especially addressing the accountability of application.

**The Chair:** Thank you.

Mr. Mason, please, followed by Mr. Drysdale.

**Mr. Mason:** Thanks very much, Mr. Chairman. Mr. Minister, I want to follow up on Mr. Chase's question. With both the regular rent supplement program and the direct-to-tenant rent supplement program what mechanism do you have in place to ensure that the subsidy that is received does not lead the landlord to simply raise the rent beyond what the market might otherwise indicate; in other words, simply pocketing the difference and the tenant is still paying, essentially, the market rent? Do you have mechanisms in place?

**Mr. Danyluk:** As part of the program and part of the response to the recommendations we did have an increase restriction, if you want to call it, and I will let our staff expand on it. I used to know it by heart but . . .

9:00

**Mr. Mason:** You used to get more questions on it.

**Mr. Wigston:** Under both programs – we'll start with the private landlord rent supplement. We manage that program through local management bodies, and the local management body will sign an agreement with a private landlord. They'll go out and look for modest accommodation in the community, as far as the rent supplement goes. They also work with the landlord to ensure that the rents they're charging through this program are the same rents they charge throughout the building. So if they had a 100-unit project, 100 one-bedroom units, all 100 one-bedroom units would

probably be at the same rental rate, and ours would be no different. They can't really raise the rent just because we're in the private landlord market. Those rents are reviewed and checked every year between the management body and the private landlord, and the tenant pays 30 per cent of the difference between the market rent and what his actual income is.

Under the direct-to-tenant rent supplement program, which is a new program, the funding goes directly to the tenant. In most cases the landlord doesn't even know that that person is being subsidized, so there would be no reason for him to think that he could raise the rent on an individual client because he's trying to keep his building full, and all the rents would be charged at the same rate.

**Mr. Mason:** Thank you. My supplementary is: who is eligible for the direct-to-tenant rent supplement?

**Mr. Wigston:** The same client group is eligible for both programs as well as our community housing program, so all people are on the same waiting list. What we use the programs for is just targeting a different way of delivering a product, but the same waiting list applies. Anybody who qualifies under the income limits for housing in Edmonton, for example, would be eligible for any program we have. It's whatever program is suitable to move them into as soon as we can get them into it.

**The Chair:** Thank you.

Mr. Drysdale, please, followed by Mr. Kang.

**Mr. Drysdale:** Thank you, Mr. Chairman. Just looking at your goals on page 32 of your report there, goal 1 was to establish the Capital Region Board. I think everybody here knows that that has been done, but could you give us the status of the work? I know it's to date, but this was a goal of '07-08.

**Mr. Danyluk:** The status of where we are today? Well, as you know, the board was established. This is a municipally driven focus. As I said before, basically we looked at the board having four different priority focuses and directions, one of them being transit, one of them being GIS, one of them being housing, and the other one being land use. We brought these directions to the municipalities, the group, the capital board. We have asked them for a plan, for a direction, by March 31 of this year. From all indications we hear that they are very much on task and will be ready by March 31 to report to the government. Our involvement has been minimal because it is at the direction of those municipalities. And I want to say that they're making good progress. They are working together, and they are looking at focuses and directions on how they can work together for planning, for long-range planning for the region.

**Mr. Drysdale:** Just a supplementary, I guess, while we're on it. What support did the ministry give to the Calgary Regional Partnership in '07-08?

**Mr. Danyluk:** We have given the Calgary Regional Partnership, of course, ministry support on questions that they have asked. In '07-08 we also supported them with \$1.6 million for some of the work that they're doing. The funding is provided through the municipal sustainability initiative. It is a partnership also looking at regional land use and regional transit.

Theirs may be a little different because theirs is completely voluntary. They have taken the initiative. They have come forward, and they are looking at, you know, different ways that they can

incorporate the satellite communities or some of the larger communities and municipalities around. For example, their GIS program, I think, is very informative as they look at cluster development and how they can look into the future for development in general. I think it's a very good program.

**The Chair:** Thank you.

Mr. Kang, please, followed by Mr. Jacobs.

**Mr. Kang:** Thank you, Mr. Chair. On page 39 of the report: \$1.1 million in "supplementary sustainable investment funding to 56 municipalities that would otherwise receive less funding under the [MSI] in 2007-2008 than the funding they received under the Target Investment Initiative in 2006." What type of programs is the \$1.1 million supplementary sustainable investment being used for by these 56 municipalities?

**Mr. Danyluk:** Can you just give me a second to read it? Okay. This is for municipalities that basically followed the old targeted investment program, where municipalities did not have the assessment, had higher mill rates, had less revenue. They fell under an area that we called the supplementary sustainability investment to help municipalities in need. Now, how could they use that funding? That funding could be used in an operating sense however they felt necessary. It was operating support.

**Mr. Kang:** Thank you, Mr. Chair.

**Mr. Danyluk:** I should ask: does any of my staff want to supplement? [interjection] Okay. I'm glad it's correct.

**The Chair:** That's it for now, Mr. Kang?

**Mr. Kang:** Thank you, sir. Yes.

**The Chair:** Okay.

Mr. Jacobs, please, followed by Mr. Chase.

**Mr. Jacobs:** Thank you very much, Mr. Chairman. Good morning, Mr. Minister. It's nice to see you here today. I really appreciate your attendance. My question is going to be centred around MSI. I really believe that the MSI program as put forward by the government and your department has been of great benefit to municipalities. I've always been one of those with previous municipal experience who believed sincerely that municipalities knew how to spend their money and government money better than government did. However, as I look at some of the approvals of MSI projects that have occurred in the past year, I confess that it's caused me to raise my eyebrows a little bit relative to my previous statement. I guess the question to you, Mr. Minister, is: could you comment, please, on the criteria you use for approving MSI projects and how you balance that with the municipal expertise on spending their money and also, you know, projects that would be judicious and wise.

**Mr. Danyluk:** That's a very good question. First of all, when we looked at the municipal sustainability initiative funding, a lot of the focus and discussion was around communication, collaboration, and co-operation of municipalities. In the first year what we did do is put restrictions on the municipalities exactly for that reason or for that purpose or that focus. As a result, because we continually review the program, we felt that maybe some municipalities were

forced into a situation or a direction that maybe they normally wouldn't have done. We felt it was imperative that we give municipalities the autonomy to be able to make the decision of where that funding should and could be spent and give them the option because if they had long-term security and sustainability and, most importantly, predictability for the future, they would look at ways of co-operating with their adjoining neighbours.

9:10

With the autonomy, of course, came the decision-making on where that funding should be spent. I would like to suggest to you that municipalities must be accountable for how they spend their funding. From our view, probably 95-plus per cent is spent the way we felt it should be designated. Yes, there are areas that we feel may need some improvement. That is why we continually look at the program, change criteria, to look at what we feel this program was designated for. That was sustainability, which included a lot of their major projects, whether it be infrastructure, surface and subsurface, or whether it be facilities in their communities or those basic needs.

I guess I want to say that, you know, yes, there are some times when municipalities feel that within the guidelines they could spend money in ways that to us may not seem exactly appropriate. Now, "appropriate" is a funny word. It's all within the guidelines, but we feel that there are better ways to spend it. But we continually look at those guidelines and will continue to look at those guidelines.

**Mr. Jacobs:** A supplementary, Mr. Chairman. Have you actually changed some of the criteria or guidelines that the department uses to approve or not approve municipal applications?

**Mr. Danyluk:** Yes, we have. The first one that very much comes to mind is the 5 per cent guideline, that applications cannot be less than 5 per cent of the total allocation. That basically takes away what we consider some very minor applications that should be spent with their own budgeting. To us this was intended for major support. That was one of them.

Help me out because there were others.

**Mr. Merritt:** We gave the major cities the flexibility to transfer operating costs into capital costs if they wanted to. Edmonton and Calgary did want to do that. I think three of the six other major cities decided to do the same thing. That was flexibility because they felt that capital costs and capital construction was the number one issue. Basically, we changed the formula. It was all based on equalization, ed tax, calculations. We changed it to 48 per cent on that component, 48 per cent on population, and 4 per cent on kilometres of roads. Those are the major changes to date.

**Mr. Danyluk:** If I can say, we continually look – and it's not for the reporting of '07-08 – into the future on how we see changes need to be made to address the program.

**Mr. Jacobs:** Thank you.

**The Chair:** Mr. Chase, please, followed by Mr. Quest.

**Mr. Chase:** Thank you. As opposed to temporary rent supplement solutions, how much money was provided for sustainable affordable housing construction in 2007-2008, specifically for Habitat for Humanity, which is able to dramatically leverage government grants?

**Mr. Danyluk:** Robin will definitely give you the specific details.

**Mr. Chase:** Sorry, I don't have a page qualifier, or I might have been able to answer my own question.

**Mr. Wigston:** That's okay. Under the affordable housing programs that we had in '07-'08, we provided \$160 million through the different programs for affordable housing. Some of that was through block funding to municipalities. The rest of it was through an RFP through municipalities. I believe that Habitat for Humanity – I'm just going from memory – received a \$2 million fund that year to build housing.

**Mr. Chase:** Okay. Thank you. Habitat for Humanity, as I say, is tremendous in terms of leveraging funding.

Given that the cost and availability of land is a major obstacle to affordable housing, how much land was donated or provided at a reduced cost to the Calgary land trust for building affordable housing?

**Mr. Wigston:** From memory, again, I don't believe any land was transferred to the Calgary land trust. We do have a \$19 million nominal sum disposal budget, and each year we review applications that come in for transfers, and all transfers are targeted to the development of affordable housing. So each year we go through that process. From memory I don't even remember having an application in from the Calgary land trust.

**Mr. Chase:** Thank you.

**The Chair:** Thank you.

Mr. Quest, please, followed by Mr. Mason.

**Mr. Quest:** Thank you, Mr. Chair. Minister, just to echo everybody else, thank you so much for being here this morning. It's great to have you.

Just looking on page 123 of the annual report, there's a note there. Just curious. It's note (c) right at the bottom: includes achievement bonus. I assume that's \$1.3 million. I'm just wondering what that would be.

**Mr. Danyluk:** I'm going to refer that to staff.

**Mr. Quest:** Yeah. Understood.

**Mr. Lemphers:** This is part of the annual achievement bonus that is managed through the Alberta government to management employees based on fund availability within the Alberta government and based on performance being achieved. Every ministry receives an achievement bonus allocation, and near the end of the year, once the year-end financial status is determined and once the year-end financial and program deliverables have been recognized as being achieved and once that's approved, management staff receive salary bonuses.

**Mr. Dunn:** Just to help the questioner, if you flip the page, move over one page to 124, you'll see the salary schedule, compensation disclosure for the deputies and assistant deputies. You'll see the columns. You see base salary is number 1 and other cash benefits is number 2. That's the one that you were asking about. So that is the incentive comp that is paid to senior management, those that are named there. In the aggregate, in the whole of the department, it came to \$1.3 million.

**The Chair:** So, Mr. Dunn, if I could ask for clarification. On page 122 the \$1.3 million is also totalled in those program elements, right?

**Mr. Dunn:** Yes. You can see that it comes right down to the total of the actual expense column. It's included in the compensation amount, salary and other bonuses.

**Mr. Quest:** All right. These are just all predetermined incentives based on certain objectives et cetera, right?

**Mr. Dunn:** The criteria is laid out, and it's up to the department to determine if the individuals have met that criteria and then allocate it. There are maximum pools – and maybe you can explain it – based upon the total salaries. I believe the maximum pool is 15 per cent, is it not?

**Mr. Lemphers:** There are different pools based on the different categories or different levels within the senior management. Based on those pools and based on the performance being achieved for the overall department, the department then allocates it out based on individuals achieving their own performance levels as well.

**Mr. Quest:** Thank you.

**The Chair:** Thank you.

Mr. Mason, please, followed by Mr. Vandermeer.

**Mr. Mason:** Thank you very much, Mr. Chairman. I'm referring to about page 337 – this is the Auditor General's report – Alberta Social Housing Corporation, systems for selling land in Fort McMurray, the follow-up audit. Now, it's my understanding that Fort McMurray has for a long time had a serious housing shortage, some of the highest housing prices in the country, yet all the land around the municipality, the city, belongs to the provincial government. The Auditor General has addressed the issue of selling land and so on. The question that I really have, Mr. Minister, is: given that the province has enormous amounts of land around the municipality, wouldn't it make more sense to simply transfer a significant amount of developable land to the municipality so that they can address the housing needs in the long term?

9:20

**Mr. Danyluk:** Well, first of all, I want to say that we have worked with the municipality. We have worked with the housing authority, Housing, Infrastructure, Transportation, and SRD, depending on who had the control of that land. We have worked with those individual – and I say "individual" – departments or the municipality to achieve exactly that, but there are also goals that were in mind. This is not strictly a housing or a land transfer. It was very important that the goals of achieving affordable housing were in there as well to make sure that those goals were met. I can very, very confidently say that they were, and they are working very well.

I'll ask Robin to supplement.

**Mr. Wigston:** Certainly that's correct. The affordable housing was part of it. The other part of it was trying to get land on the market as quick as possible. So the province determined that if we came up with suitable agreements that included time frames to get land developed, we would support the municipality by getting developable land for residential on the market as quick as possible. Since 2006 we've put 570 acres of land on the market, and it's all open for development today. There are units and lots for sale as we speak, so it has worked quite well.

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

Well, then, my follow-up is to the Auditor General. Your original audit, I believe, arose out of a controversy around the sale of land to developers that did not follow the proper procedures and involved a substantial bonus in terms of free land and land that was at least alleged to be below market value. In your view, as a result of your audit and your follow-up audit have the conditions that gave rise to that situation been mitigated so that it can't happen again?

**Mr. Dunn:** The recommendations that you're referring to are in our October 2005 report, which was based upon some concerns regarding the amount and the values that were being transferred. Indeed, the recommendations that we made following that report, we followed up this time, and we have determined that those recommendations have been implemented.

**Mr. Danyluk:** If I can, just to add: the recommendations, as the Auditor General has said, were made prior, and that was the focus and direction that we took in the '07-08 budget to ensure that all of the concerns that were laid out were addressed. As I said previously, we are very confident that the direction and focus we took very much complied with the concerns that the Auditor General had.

**The Chair:** Thank you.

Mr. Vandermeer, please, followed by Mr. Kang.

**Mr. Vandermeer:** Yes. Thank you very much for being here. My question, if you could comment on it, is the direction that you're planning to go in regard to rent controls. As you know, that's a real supply and demand industry. There has been a time where landlords were losing money every month by collecting rent. I hope that you never plan to do rent control, so I wonder if you could comment.

**Mr. Danyluk:** Well, if you're asking the question of myself as a minister or government, I do not believe in rent controls, but please understand that's under Service Alberta and is not under Municipal Affairs and/or Housing, so that decision comes from Service Alberta. But from my perspective, no, I don't believe rent controls are the solution.

**Mr. Vandermeer:** Okay. Unrelated question to that, then: could you explain the municipal sustainability initiative in a little bit more detail and how those funds are allocated to municipalities?

**Mr. Danyluk:** Okay. As you know, the program itself is a commitment by this government of \$11.3 billion over 10 years. In the first year of its implementation there was an allocation of \$400 million. I want to say to you that last year municipalities received \$500 million. The criteria for the distribution, if you want to so call it, was done as was mentioned previously: 48 per cent for equalized assessment, 48 per cent on population, and 4 per cent on roads. The province has set forward a criteria for distribution for transit, roads and bridges, police and emergency facilities, recreation and culture facilities. The municipalities decide what that project should be, and municipalities, as I said before, need to be accountable to the projects that they apply for and that they do. We do have the accountability as well. Each application is approved individually, and there needs to be a follow-up to those projects, a completion and a monetary follow-up.

**The Chair:** Thank you.

Mr. Kang, please, followed by Mr. Olson.

**Mr. Kang:** Thank you, Mr. Chair. Referring to page 15 of the report: “The Municipal Government Board held 2,580 hearings in 2007-08 compared to 524 . . . held in 1998-99.” On page 51 \$3.8 million was spent on the Municipal Government Board. The number of appeals has gone up considerably, from 524 to 2,580, and the funding only increased by \$400,000 from the year before. You know, what is the wait time for an appeal to be heard now?

**Mr. Danyluk:** Well, I think you hit the nail on the head. What happened is that the budget was not substantially bigger, but the demand was. So what that did is put more pressure on the Municipal Government Board, and it extended the times of hearings. I can't tell you what the exact wait times were. We have caught up more. All I know is that, yes, you are right; they were extended. Some of the hearings that we had that we felt should be within the guidelines that we set forward did extend some of those time frames.

Okay. Michael.

**Mr. Merritt:** I think we're still behind on a few appeals, but we're catching up, and we expect to be caught up by the end of next year for where we're at.

**Mr. Kang:** My supplementary question to that is: what is the reason for the significant increase in appeals, and what is being done to reduce the wait times?

**Mr. Danyluk:** Well, I mean, I suppose more development is probably one of the significant reasons for appeals. As you know, this province had a major growth spurt. Of course, when we deal with the increased values of property, that also had a significant influence as well as looking at the industry development and the annexations that happened as well as the different projects that were taking place in this province in regard to linear assessment, for an example.

**Mr. Kang:** Thank you.

**The Chair:** Thank you.

Mr. Olson, please, followed by Mr. Chase.

**Mr. Olson:** Thank you, Mr. Chair, and thank you, Minister, for being here. I'd like you to talk a little bit about your disaster recovery program. I'm referring to page 70 of the annual report. I guess probably by definition it's hard to budget for disasters. I notice that there's a very modest budget amount of, it looks like, \$600,000 initially, supplemented by \$50 million in the supplementary estimates. I'm just wondering if you could talk a little bit about, you know, the process of coming up with these numbers. Is there any experience from previous years that would allow you to do some maybe more precise budgeting?

9:30

**Mr. Danyluk:** Well, I guess what I can say to you is that disasters by the name disasters in nature are exactly that. They are very unpredictable. In fact, in 2005 in southern Alberta I think we had close to \$200 million worth of support in disasters. We have to look at it on a case-by-case basis. It was \$50 million. Last year, '07-08, I believe we were at \$20 million. We just don't know.

The one thing that I can tell you we are trying to do is that we are very much working, especially on the flood end, on the mitigation side with the federal government, looking at what mitigation we can do to prevent flooding. Also, if I can say, a disaster is only a disaster if we aren't prepared. What we have done is the agency was formed

that year, in '07-08. We have an extensive focus on working with municipalities, with industry, and especially between ministries to look at ways to ensure that we are prepared.

You know, you can never judge to what extent that does take place, but if I can give you a little bit of an example of what this government did in co-operation with the municipality of Canmore, where there was such flooding potential. The government came in with mitigation support – and I say support for Canmore – and worked with Canmore. That probably cost us in the neighbourhood of a hundred thousand dollars when it could have been itself a \$10 million disaster. So that's where we're focusing.

As far as addressing the disasters themselves, it is on a one-by-one basis or an area basis. We really work with the federal government. We deal with individual storms if it's flooding or damage or tornados or whatever it may be. Really, I didn't answer your question, but I need to say that they are as predictable as the weather.

**Mr. Olson:** A supplementary if I might, Mr. Chair. So \$50 million was the amount of this supplementary estimate and then the actual expense ended up being about \$38 million and change, so there's \$12 million left that was not needed, not spent. I'm just curious to know about that difference and how – like, did you end up spending not as much as you thought you were going to have to when the \$50 million was first being asked for?

**Mr. Danyluk:** Okay. Let us use an example – okay? – and let me go back to 2005, when we had the extensive flooding in the southern part of our province. We do an assessment, we work with the municipalities, we get the best general idea of what that flood could cost because we, in turn, report to our federal counterparts because we do have a formula for their support as well. So if you have a flood that's as extensive as that one was, we go and work with the municipalities. The municipalities give us an estimation of what they feel the damage would be and could be. We compile that. We need to have a little bit of an estimate, and that's the estimate we use. When we get down to the applications, of course, some of the damage is covered by insurance, some of the damage isn't eligible. I'm trying to explain why it might be less.

At the same time we've also had to do exactly the opposite where we felt that we're being covered. Just an example of this year, if I can, Mr. Chairman. It's not major. What happened this year is that there were municipalities that didn't claim until after we had done our assessment. It was still within the guidelines, of course. They didn't feel that they had the damage, of course, until someone reported to them. So then, all of a sudden, they say: oh, but we have damages, too.

You know, those go up and down, and we do the estimations as best we can. That's why I say that we do it on a case-by-case basis.

**Mr. Olson:** Thank you.

**The Chair:** Thank you.

Mr. Chase, please, followed by Mr. Dallas. I would remind the members that there is quite a list, and we have very limited time this morning, so I would appreciate your co-operation.

**Mr. Chase:** Thank you. I will be as quick as possible. The government has a policy which suggests that no more than 30 per cent of a subsidized individual income should go to paying rent. This, unfortunately, is far from the reality faced by individuals on AISH, PDD, or for the majority of postsecondary students who are not able to live at home while attending school. In 2007-2008 was any action taken to increase rent supplements to ensure that rents didn't erode income by more than 30 per cent?

**Mr. Danyluk:** Robin.

**Mr. Wigston:** Certainly, the overall budget for rent supplements went up from an estimate of \$24 million at the start of the year to \$41 million at the end of the year. That was part and parcel of the new direct-to-tenant rent supplement program. All rent supplements are targeted at 30 per cent rent geared to income, so people that are in our program under that only pay 30 per cent of their income for rent.

**Mr. Chase:** If only that were the case.

What affordable student housing or postsecondary rent supplement initiatives were undertaken in the 2007-2008 year?

**Mr. Wigston:** Specifically targeted at student housing? None specifically targeted at student housing. Students apply through the process just like all other low-income Albertans, and they're scored based on highest need. For the most case, a student would not rate as high as a single mom who is working for a living. So whoever is the highest need Albertan would get the next available unit.

**Mr. Chase:** Thank you.

**The Chair:** Thank you.

Mr. Dallas, please, followed by Mr. Kang.

**Mr. Dallas:** Thanks, Mr. Chairman. I'm looking at page 15 of the report. There's a discussion about the pandemic influenza operations plan. I guess the first question I have is to what degree we completed the readiness preparation during that fiscal year. If the minister could elaborate a little bit in that area for us.

**Mr. Danyluk:** Well, first of all, as you know, the legislation came forward to legislate the agency itself. Also, the directive to our ministry was to ensure that we worked with all of the parties involved, the government ministries, Health, which we have done and continue to do, to make sure that this province is prepared and ready if there is a pandemic influenza. I want to say that we test the system on a regular basis to make sure that we're advancing our GEOC operation. We're looking at different ways of prevention.

**Mr. West:** As far as the pandemic plan and the expectations and outcomes, we test that on a regular basis. It's reviewed annually: the GEOC as well as the plan and its effectiveness and its interoperability and also the other government ministries.

**Mr. Dallas:** Thank you. Just a related supplemental. I'm looking at page 122 in the financials. I'm assuming that this investment didn't rate a line item, and I expect that perhaps the bulk of the expenses are borne by the Health and Wellness ministry. But could you just speak to the investment that was made by this ministry in that area in '07-08?

**Mr. Danyluk:** In the pandemic area?

**Mr. Dallas:** Yes.

9:40

**Mr. Danyluk:** I guess that is pretty hard to answer. I mean, we look at, you know, disaster services as a whole unit and working with different ministries. I don't know if you have an exact number that you can isolate to that. I don't think we can.

**Mr. West:** Yeah. Not specifically a number. On investment in human resources there was quite extensive engagement both in the capital area as well as the Calgary region and around the Red Deer area for some extensive pandemic planning regionally. There was a lot invested in human resources through that period of time.

**Mr. Danyluk:** If I can supplement, by the way, when it comes to human resources, Health and especially the capital region have done extensive work. We are working very closely with them to make sure that we don't have duplication, that we are ready for responses, how we would align those responses, not only making sure before, from the Municipal Affairs' aspect, with ambulance, ensuring that the first responders were ready, ensuring search and rescue – we have a volunteer search and rescue – that training, training for first responders, training for firefighters, training for volunteer firemen, and going on down the line. It's not a direct item. I suppose we could go back into the individual conferences that we had, but this is very much high on our list because, as we talked about very recently, you know, one of the most volatile disasters can be something that we can't seem to touch and feel. So that's a tough one.

**The Chair:** Thank you.

Mr. Kang, please, followed by Mr. Benito.

**Mr. Kang:** Thank you, Mr. Chair. On page 53 of the report there is funding for new transitional housing support initiatives; 2 and a half million dollars was allocated. How much money is allocated for continuing operating costs?

**Mr. Wigston:** Can you just repeat the question?

**Mr. Kang:** On page 53 of the report, the funding for new transitional housing support initiatives, 2 and a half million was allocated for that. Is there any ongoing funding for operating costs?

**Mr. Wigston:** Actually, the transitional housing support budget line was for outreach support services to help people stay in housing. The \$2.5 million was actually for outreach supports and supports to keep people housed. It wasn't the actual housing piece; it was the supports piece.

**Mr. Kang:** So there's no ongoing funding for that?

**Mr. Wigston:** That budget line continues on, and as you continue to house people who are near homeless, you have to continue to help some of those people with outreach supports.

**Mr. Kang:** Thank you, sir.

**The Chair:** Mr. Benito, please.

**Mr. Benito:** Thank you, Mr. Chair. This is basically a follow-up on the question of Mr. Dave Quest. This refers to page 123 of the 2007-2008 annual report. In addition to the \$1.303 million achievement bonus, the department's executive salary and benefits received, was there also an automatic annual percentage increase of salary for the same people?

**Mr. Gilmour:** Yes, there was. Last year I believe it was 4.8 per cent.

**Mr. Benito:** Thank you very much. My second question, Mr. Chair, is an entirely different question. On page 56 of your annual report you reported delivering 3,406 affordable housing units in 2007-08 and only 628 units in '06-07. Why such an increase in units in '07-08 from the prior year? Please explain the addition of 1,306 units actually created in '07-08 over the revised target of 2,100 units.

**Mr. Danyluk:** Well, first of all, with the growth that took place in this province, this government felt that housing was very much a priority. There were a lot of individuals that were coming to this province. There was a lot of growth that took place, and we felt it was necessary to support, you know, that area of, I guess, our responsibility. Was there a substantial increase? Yes, there was a substantial increase. Just as to the exact numbers: \$44 million?

**Ms Nelson:** I can give that.

**Mr. Danyluk:** Go ahead. My eyes are not that good, and my memory is worse.

**Ms Nelson:** In '06-07 those 628 units were as a result of the affordable housing agreement that subsequently has expired, and that had \$44 million in relation to those 628 units. As the minister said, in year we had substantial increases in the affordable housing budget. We had a hundred million dollars under the municipal sustainable housing program and a further \$96 million for capital enhancements. Those were very significant increases. We also had \$45 million provided to Fort McMurray to support 300 affordable housing units. In total it was 1,306 for '07-08 in addition to what we had already seen.

**Mr. Benito:** Thank you.

**The Chair:** Thank you very much. There are other members who have questions. In light of the time and the other matters on our agenda, we're going to have to ask now, Mr. Danyluk, for members to read into the record their questions to you and your staff. If you could provide a written response through the clerk to all members, we would be grateful. We'll start with Mr. Chase, please.

**Mr. Chase:** Thank you. Referencing pages 54 to 56 of your 2007-2008 annual report, it states that with \$213 million 3,406 units are projected to be created. How many affordable housing units have been created since that money was allocated? Secondly, doing the math, each unit should cost approximately \$62,500; however, further on the page it states that \$68 million will be used to develop 632 units through the RFP process, for a unit cost of \$107,594. Therefore, what measures are being instituted to ensure that new affordable units are being built in a cost-effective way and to ensure that best practices are being followed?

**The Chair:** Thank you.

Mr. Quest, followed by Mr. Jacobs, please.

**Mr. Quest:** Thank you, Mr. Chair. Page 62 of the annual report refers to the tank site remediation program. If I may say, that is a fabulous program. I know of individuals that have been spared bankruptcy because of that, that we're actually assisting in some of the old site cleanups, because the contamination goes with the current landowner, not who was responsible for the contamination. Just looking at page 62 of the report, there's \$20 million in authorized supplementary funding there for the program, and it appears to be unused at this point. I'm just wondering what the status of that is and why it's unused.

**The Chair:** Thank you.

Mr. Jacobs, please.

**Mr. Jacobs:** Thank you. I think, Minister, you would be surprised if someone didn't ask you a question today about libraries. Many libraries in southern Alberta have I been invited to visit, which I've done, and I'm impressed with the work the boards do and the volunteer aspect of the work. My direct question to you is: how does your department evaluate how you fund libraries and balance that between what they need and the volunteer services and how they're going to be able to continue to provide the services they do? That's my only question.

**The Chair:** Thank you. Are there any others at this time?

Seeing none, thank you very much, Mr. Danyluk. On behalf of the entire committee I would like to express our gratitude to you for your time and attention this morning. We appreciate it. It's obvious to us that not only do you read your annual report very thoroughly, but you're very proud of it, and we appreciate that. We wish you and your staff all the best in this fiscal year. You are free to go at any point. We have other matters to deal with before 10 o'clock.

Thank you.

**Mr. Danyluk:** Well, thank you very much, Mr. Chair, for the opportunity to be here. Definitely, I can say to you – and I'm not exactly sure how to say this – how happy I am that the ministry has been divided into two.

Thank you very much.

9:50

**The Chair:** Okay. Thank you.

We will now proceed to item 5, other business. Last week we didn't have time before 10 o'clock to deal with the presentation to the Standing Committee on Public Accounts from Mr. Dunn. This was a request that was made by motion from this committee and supported by the members. It is unfortunate, but I would like to remind members that when a motion to adjourn is presented, it has to be dealt with and voted without any discussion or debate. That's what occurred last week at 10 o'clock sharp. There was a motion by a member. The member was entirely within his right to do that. We voted on it, and the meeting was adjourned. We had not finished with Mr. Dunn's report.

With no further discussion perhaps the vice-chair has something to add before we get to Mr. Dunn.

**Mr. Quest:** Well, I do, Mr. Chair. Respectfully, I think that if we were going to make changes to the agenda today, then we should have done that at the beginning of the meeting. There, in our case, are two groups that attend these Public Accounts meetings. We had one group last week who heard part of this report. We have another group this week that will hear the other fragmented piece. I think it would be to everyone's benefit if we just took Mr. Dunn's report as written material, and that way all of us get the benefit of seeing the whole thing rather than fragments. As a matter of fact, I'm prepared to make that a motion. I move that

we accept Mr. Dunn's report as written rather than dealing with it as a fragmented oral report today.

**The Chair:** Before we proceed, the chair would like to go on the record and indicate that it was known that we were going to deal with this today. I was instructed to deal with this today by the members because we simply ran out of time because of the motion to adjourn last week.

Thank you.

**Mr. Mason:** Mr. Chairman, I have some questions for the Auditor General, and I would like to be able to ask them today.

**The Chair:** Yes. Thank you.

**Mr. Benito:** This is on another matter, about my observation of what happened this morning. Can I make a point on that?

**The Chair:** We'll deal with that after if that's okay, please.

**Mr. Benito:** Okay. Thank you very much, Mr. Chair.

**The Chair:** Yes.  
Now Mr. Dunn.

**Mr. Quest:** Is there not a motion on the table?

**The Chair:** No. The chair is going to rule on this matter, Mr. Quest. There was a motion presented by Mr. Mason. The motion was voted on. The Auditor General has gone to great lengths to prepare this information for us. The motion was not that this was for information. This was to be presented by the Auditor General to the committee. The gentleman did not have time to finish it last week. The chair is going to suggest that we please proceed quickly with this matter, and Mr. Dunn can explain the rest of his report to us. This was not for information for the members.

**Mr. Dunn:** I understand. You have received it in writing, and I expect that you've all read it. What I did not cover last week and I'll do very briefly is the question that was asked to me: how and why do you decide what you do? What I was going to share with you in anticipation of some questions that may be given to me is where we come up with these ideas.

One is the knowledge of the business as we go through and do the financial statement audits of organizations such as what appeared before you today. We look at their systems and what they are attempting to do. We gather suggestions around where we might look to see about their economy and their efficiency and, as was asked, systems by which they measure their effectiveness. We look at that based upon our knowledge that is gained through the financial statement audit and also matters that are debated in the Legislative Assembly and queries raised here on department's outcomes and processes, their performance measures. Why have you selected those targets? Are those the appropriate targets? How do you ensure that you're achieving those things effectively?

We also share our ideas with work done at other OAGS across the country in other jurisdictions if applicable to Alberta. We looked into disaster recovery. We looked into reforestation. We looked into health care. That is common to other jurisdictions.

We on occasion do receive requests from ministers, MLAs, and departmental management. By way of an example from a departmental manager, we looked into the effectiveness of school board budgeting and how school boards are held to be accountable. Those are the sources that we get.

We use some criteria to evaluate those sources. We use three criteria. Does the matter affect vulnerable Albertans, whether it be homeless, mentally ill, the elderly, whatever? Does the matter affect the collection of the province's revenues, thus the energy revenues versus the taxation revenues, or the protection of the province's assets, whether they be reforestation, whether they be water or the actual land and buildings that the province owns? Does the matter involve an ethical or inappropriate action such as possible frauds or

poor government practices? We then look at those. So those are the three criteria that we use to rank and prioritize from the sources I've described.

Other than that, you have material before you. If you wish to ask me a question, I will try to quickly answer.

**The Chair:** Okay. In light of the time we're going to be very quick. Mr. Mason, followed by Mr. Quest.

**Mr. Mason:** Thanks very much, Mr. Chairman. I'm looking at the list of deferred and cancelled audits, and they cover a number of very serious areas: school performance, homeless eviction, utilities, food safety, water quality, infection control. My question, Mr. Auditor General, is very simple. What is the difference between what you are expecting to get in terms of your budget and what you need to complete all of these as originally planned? How much money are we talking about in your budget?

**Mr. Dunn:** In total it would be approximately 8 per cent, or \$2 million.

**Mr. Mason:** Thank you.

Mr. Chairman, I would like to move that the committee . . .

**The Chair:** We have other questions, please. Mr. Quest, followed by Mr. Vandermeer.

**Mr. Mason:** Okay. I have a motion.

**Mr. Quest:** Thank you, Mr. Chair. Mr. Dunn, I've been on this committee for about a year or so, and I guess I'm still a bit confused. Maybe you can enlighten me as to exactly where the responsibilities of the Auditor General kind of begin and end. I hear the three: food safety, water quality, and infection control. Just to pick water quality, is this not the responsibility of the Department of Environment? Infection control would be the responsibility of Health and Wellness. So I'm just confused as to how there's a connect between the financial performance of those departments and some of these issues.

**Mr. Dunn:** You'll want to refer to section 19 of the Auditor General Act. When the act was created, the Auditor General was asked to not just restrict work to only the financial statements but also look at two key areas. There are two Es, the efficiency and the economy. Look at how the department manages its business in an efficient and economical manner – procurement, contracting, et cetera – and also: does the department have systems by which it measures its effectiveness in achieving its goals. Do those effective systems therefore result in information brought to the Legislative Assembly by which you can evaluate their performance? So the Auditor General is asked to go in and to see if the department's management is managing in an efficient and economical manner and if the management has systems by which it can measure its effectiveness.

**Mr. Vandermeer:** I just want to make the comment that I appreciate the work that you do, and I think it keeps government accountable. A question that I have – and I see this every day when I get this kind of material on my desk, and I get *Hansard* every day on my desk in not just one office but usually both offices. I'm wondering, you know, with technology today if we can't use online services in a better fashion and keep government accountable with all this paperwork, too, and with the environment also – right? – that we save a few trees.

**Mr. Dunn:** That's right.

**Mr. Vandermeer:** I'm wondering if there's any auditing done on the waste that goes on in government.

**Mr. Dunn:** Management has to respond as to how they have planned and operated their business. We do look at the ways in which they are making effective use of their technology, and then we also make sure that we look at the security around that technology. I can assure you that the departments are looking at improved ways in which they can use information technology.

**10:00**

**The Chair:** Thank you.

**Mr. Mason:** Mr. Chairman, I would like to move that this committee recommend to the Legislative Assembly that the Auditor General's budget be sufficient to allow the completion of his work plan with the approximate addition of \$2 million to his budget over the current guidelines.

**The Chair:** Okay. Mr. Mason, we're at 10 o'clock. There are members that wish to adjourn. Would you like to present this motion in writing to all committee members, and we will discuss it next week?

**Mr. Mason:** Yes. Mr. Chairman, we really need to adjust our schedule to allow enough time to discuss these. These are critical matters for this committee, and we keep running out of time.

**The Chair:** I certainly agree with you.

**Mr. Mason:** Thank you. I'll do that.

**The Chair:** Is that fair?

**Mr. Mason:** Yeah.

**The Chair:** Okay.

**Mr. Dallas:** Motion to adjourn.

**The Chair:** We have another item, quickly, first.

**Mr. Benito:** Thank you, Mr. Chair. This is just an observation. I was not born in this country. In the culture that I was raised in, we are very conscientious about how we properly address a person of position. In our entire meeting I observed and noticed that you keep on addressing Minister Ray Danyluk as Mr. Danyluk. Please enlighten me regarding this matter because in our agenda the name states the Hon. Ray Danyluk. Thank you.

**The Chair:** Okay. Well, I can certainly appreciate that. Standing committees of the Assembly don't have the formality of the House. If I've offended the member, I apologize. Okay?

**Mr. Benito:** Thank you, Mr. Chair.

**The Chair:** Thank you.

Now, the next meeting, of course, is with Alberta Environment next Wednesday, March 18, from 8:30 until 10 o'clock. There has been a notice from Mr. Dallas for an adjournment motion. Moved by Mr. Cal Dallas that the meeting be adjourned. All in favour? Those opposed? Seeing none, thank you very much.

[The committee adjourned at 10:02 a.m.]



