

Question: At what time did the government understand that it was in contravention of the law?

In the November 2016-17 Second Quarter Fiscal Update and Economic Statement, a note was included indicating that appropriate accounting treatment of obligations associated with coal transition agreements were being determined. In 2016-17, the government entered into agreements to pay annual amounts of \$97 million for 14 years (\$1,358 million in total, over 2017-18 to 2030-31) for electricity generation facilities to transition away from use of coal. The facility owners have to meet certain criteria annually to be eligible for the payments (e.g., residency in Alberta, investing certain amounts annually in the electricity sector, phasing-out coal use fully by 2030).

Two approaches were considered to account for the obligation. The first method was to simply report the \$97 million in annual payments in expense in each of the next 14 years. The second was to report the net present value of the payments in 2016-17, the year the agreements were signed. The second method was supported by the Auditor General. The Office of the Auditor General shared their position paper on February 8, 2017. Following the Office of the Auditor General's decision, the net present value of the payments was recorded in 2016-17. This decision results in reporting an expense of \$1,132 million in 2016-17, and adding an equivalent liability to the government balance sheet. As there is no exclusion in the *Financial Planning and Transparency Act* (FPTA) for this extraordinary expense, the \$1,132 million increase in operating expense results in a lack of compliance with the FPTA. Without this accounting requirement, the Third Quarter forecast would have been in compliance with the FPTA.

Question: On what date did the government become aware that it was in violation of the financial transparency act?

Same as answer above.

Question: On page 19 of the annual report it talks about cost-saving initiatives. Were these recommendations in the form of a brief memo, meetings, report, et cetera?

Pursuing cost-saving initiatives is the ongoing business of government. Cost-saving initiatives are pursued whenever possible to limit the rate of growth in government spending. With respect to the 2015-16 Annual Report, as examples, in December 2014 a hiring restraint was put in place for the Alberta Public Service and in March 2016 a two-year salary freeze for all management and non-union employees within the Alberta Public Service was implemented.

Question: Will recommendations be made public, and can you table the recommendations?

See answer to above question.

Question: Given that we guarantee 100 per cent of ATB's debt, what steps are being taken to ensure that we do not face liabilities for taxpayers?

ATB Financial (ATB) is an agent of the Crown and, as such, all of its liabilities are the liabilities of the Alberta government. Government manages these risks through the following mechanisms: legislation, ATB Financial, and regulatory bodies.

Legislation

- The *Alberta Treasury Branches Act* sets limits on the nature and scope of ATB's operations.
- ATB Financial is subject to other legislation of general application.

ATB Financial

- ATB is overseen by an independent board of directors.
- ATB is professionally governed and operated.
- ATB's lending decisions are made and administered on the basis of sound business practices for financial institutions by professionals, not by politicians.

Regulatory Bodies

- Financial Sector Regulation and Policy – Financial Institutions, Regulation (FSRP) is the primary regulator for ATB. FSRP assesses the quality of management and oversight within ATB and compliance with legislation. This is accomplished by maintaining a continued knowledge of ATB's business activities, discussion and analysis, as well as regular reviews of ATB's operations. Independent reviews by subject experts are also contracted periodically.
- Office of the Auditor General (OAG) reviews financial reporting of ATB as well as performing periodic operational audits.
- Alberta Securities Commission oversees all securities related activities of ATB directly and indirectly through the Investment Industry Regulatory Organization of Canada (IIROC).

Question: Given the sustained downturn in the economy, small and medium-sized enterprise and corporate losses, can you please address your projections and the risk of further reduction in corporate tax revenues in hopes of reducing our deficits?

Regardless of the business cycle, corporate income tax revenues are difficult to forecast. This is due to the volatile nature of its tax base: corporate profits. Corporate profits reflect the difference between corporate revenues and expenses. As expenses can be hard to adjust in the short term, a fluctuation in a corporation's revenue thus directly affects corporate profits. This effect can be magnified by the use of discretionary tax provisions such as loss carry backs/forwards and capital cost allowance.

Historically, net corporate operating surplus, a measure of corporate profits and driver of corporate income tax revenues, has recovered much faster than corporate income tax revenues after an economic downturn. This difference in recovery rates is due to the discretion corporations have when they calculate their corporate income tax owing. Corporate losses accumulated during a downturn can be carried forward, reducing corporate income tax collections in future years. They can also be carried backwards, which allows corporations to recover taxes paid up to three years prior.

We do our best to produce a forecast that incorporates all of these challenges. There is risk inherent in any forecast until final actuals are available.

Question: Can officials from the Public Agency Secretariat let us know which agencies, boards, or commissions will have their salaries reduced, by how much for each of these CEOs, and what the expected savings are? (PA 330 left column)

Twelve CEOs in designated agencies will have their total compensation reduced through the reduction of base salary and/or variable pay (bonuses). These agencies include:

- Agriculture Financial Services Corporation (AFSC);
 - Alberta Energy Regulator (AER);
 - Alberta Enterprise Corporation Board (AECB);
 - Alberta Human Rights Commission (AHRC);
 - Alberta Local Authorities Pension Plan (ALAPP);
 - Alberta Pensions Services Corporation (APS);
 - Alberta Petroleum Marketing Commission (APMC);
 - Balancing Pool (BP);
 - Credit Union Deposit Guarantee Corporation (CUDGC);
 - Health Quality Council of Alberta (HQCA);
 - Market Surveillance Administrator (MSA); and
 - Workers' Compensation Board (WCB).
- Total compensation reductions for these agencies range from roughly four per cent to 47 per cent.
 - Standardization of compensation is expected to save government and agencies nearly \$16 million a year once fully implemented by March 2019.
 - See the attached table for details.

Question: Roughly what percentage of CEOs will see total compensations decreased? (PA 330 left column)

52 per cent of CEOs under the new regulation will see total compensation decrease.

Table 1 compares the CEOs' (and equivalents') 2015 compensation disclosure amount under the *Public Sector Compensation Transparency Act* with existing base salary and variable pay as submitted by public agencies in 2016. The new base salary ranges and actual base salary amounts under the new compensation regulation are also shown.

<https://www.alberta.ca/abc-compensation.aspx>

Agency name	2015 Compensation disclosure amount ¹	Existing base salary ⁴	Existing variable pay	New CEO base salary range	New CEO base salary ⁵
Agriculture Financial Services Corporation	\$732,103 ²	\$518,471 ²	N/A	\$223,040 – \$301,760	TBC
Alberta Energy Regulator	\$721,680	\$525,000	N/A	\$264,480 – \$396,720	\$396,720
Alberta Enterprise Corporation Board	\$203,982	\$275,000	N/A	\$184,365 – \$249,435	\$249,435
Alberta Gaming and Liquor Commission	\$367,125	\$286,977	N/A	\$223,040 – \$301,760	\$286,977
Alberta Human Rights Commission	\$341,917	\$258,375	N/A	\$184,365 – \$249,435	\$249,435
Alberta Innovates	\$284,424 ³	\$360,000	N/A	\$264,480 – \$396,720	\$360,000
Alberta Local Authorities Pension Plan	\$329,222	\$248,200	\$52,800	\$184,365 – \$249,435	\$248,200
Alberta Pensions Services Corporation	\$411,617	\$264,576	\$73,023	\$223,040 – \$301,760	\$264,576
Alberta Petroleum Marketing Commission	\$658,014	\$600,000	N/A	\$223,040 – \$301,760	\$301,760
Alberta Securities Commission	\$487,356 ³	\$491,032	N/A	\$333,280 – \$499,920	\$491,032
Alberta Utilities Commission	\$529,400	\$345,849	N/A	\$264,480 – \$396,720	\$345,849
Appeals Commission for Workers' Compensation	\$285,945	\$217,589	N/A	\$184,365 – \$249,435	\$217,589

Agency name	2015 Compensation disclosure amount ¹	Existing base salary ⁴	Existing variable pay	New CEO base salary range	New CEO base salary ⁵
Balancing Pool	\$416,739	\$364,000	N/A	\$153,595 – \$207,805	\$207,805
Credit Union Deposit Guarantee Corporation	\$365,169	\$309,000	N/A	\$223,040 – \$301,760	\$301,760
Energy Efficiency Alberta (new agency)	N/A	N/A	N/A	\$153,595 – \$207,805	TBC
Health Quality Council of Alberta	\$405,540	\$350,000	N/A	\$184,365 – \$249,435	\$249,435
Labour Relations Board	\$314,836 ²	\$217,589 ⁶	N/A	\$184,365 – \$249,435	\$217,589
Land Compensation Board/ Surface Rights Board	\$275,731	\$214,032	N/A	\$184,365 – \$249,435	\$214,032
Market Surveillance Administrator	\$252,572	\$286,977	N/A	\$153,595 – \$207,805	\$207,805
Natural Resources Conservation Board	\$237,711	\$217,589	N/A	\$184,365 – \$249,435	\$217,589
Travel Alberta	\$240,946	\$230,000	N/A	\$184,365 – \$249,435	\$230,000
Workers' Compensation Board	\$896,206	\$475,000	\$218,313	\$264,480 – \$396,720	\$396,720

¹ Includes base salary, bonuses, non-taxable benefits as well as non-monetary benefits such as pension contributions (employer's portion), employment insurance, CPP and WCB premiums.

² Previous CEO's salary disclosure amount

³ Interim CEO information reported in salary disclosure

⁴ Base salaries submitted as per Section (4) of the Reform of Agencies, Boards and Commissions Compensation Act (RABCCA).

⁵ New CEO Base Salary will immediately take effect for new hires or reappointments; or on March 16, 2019 for existing incumbents.

⁶ Existing Base Salary amount based on current incumbent's existing base salary.