Legislative Assembly of Alberta

The 29th Legislature
First Session

Standing Committee
on
Public Accounts

Advanced Education, University of Alberta,
University of Calgary, Olds College

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Standing Committee on Public Accounts

Fildebrandt, Derek Gerhard, Strathmore-Brooks (W), Chair
Gray, Christina, Edmonton-Mill Woods (ND), Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (W)
Cyr, Scott J., Bonnyville-Cold Lake (W)
Dach, Lorne, Edmonton-McClung (ND)
Gotfried, Richard, Calgary-Fish Creek (PC)
Hunter, Grant R., Cardston-Taber-Warner (W)
Loyola, Rod, Edmonton-Ellerslie (ND)
Malkinson, Brian, Calgary-Currie (ND)
Miller, Barb, Red Deer-South (ND)
Payne, Brandy, Calgary-Acadia (ND)
Renaud, Marie F., St. Albert (ND)
Turner, Dr. A. Robert, Edmonton-Whitemud (ND)
Westhead, Cameron, Banff-Cochrane (ND)
Vacant, Calgary-Greenway

Also in Attendance

Cooper, Nathan, Olds-Didsbury-Three Hills (W)
Taylor, Wes, Battle River-Wainwright (W)

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Robert Driesen	Assistant Auditor General

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Standing Committee on Public Accounts

Participants

Ministry of Advanced Education
- Darrell Dancause, Executive Director and Senior Financial Officer, Corporate Services
- Rod Skura, Deputy Minister

University of Alberta
- Phyllis Clark, Vice-president, Finance and Administration
- Don Hickey, Vice-president, Facilities and Operations
- Dick Wilson, Acting Chair, Board of Governors

University of Calgary
- Elizabeth Cannon, President and Vice-chancellor
- Steve Wilson, Audit Committee Chair

Olds College
- Robert Clark, Chair, Board of Governors
- H.J. Thompson, President

8:30 a.m. **Tuesday, December 8, 2015**

[Mr. Fildebrandt in the chair]

The Chair: All right. It is 8:30, and I'll call this meeting of the Public Accounts Committee to order. Welcome, everyone. It looks like we have quite a few visitors today.

I'm Derek Fildebrandt, MLA for Strathmore-Brooks, chairman of the Public Accounts Committee. I'll ask those joining us to introduce themselves for the record, starting to my right with our deputy chair.

Ms Gray: Good morning. Christina Gray, MLA for Edmonton-Mill Woods.

Ms Renaud: Good morning. Marie Renaud, St. Albert.

Mr. Dach: Lorne Dach, Edmonton-McClung.

Mr. Westhead: Good morning. Cameron Westhead, MLA, Banff-Cochrane.

Mr. Malkinson: Brian Malkinson, MLA, Calgary-Currie.

Ms Miller: Barb Miller, MLA, Red Deer-South.

Loyola: Rod Loyola, Edmonton-Ellerslie.

Ms Payne: Good morning. Brandy Payne, Calgary-Acadia.

Dr. Turner: Bob Turner, Edmonton-Whitemud.

Mr. Clark: Bob Clark, chairman of the board of Olds College. My right-hand man, Dr. Thompson, is parking the truck. He'll be right here.

Mr. D. Wilson: Dick Wilson, acting chair, board of governors, University of Alberta.

Ms Clark: Phyllis Clark, vice-president, finance and administration, University of Alberta.

Mr. Skura: Rod Skura, Deputy Minister, Advanced Education.

Mr. Dancause: Darrell Dancause, senior financial officer, Advanced Education.

Dr. Cannon: Elizabeth Cannon, president and vice-chancellor, University of Calgary.

Mr. S. Wilson: Steve Wilson, University of Calgary, audit committee chair.

Mr. Saher: Good morning. Merwan Saher, Auditor General.

Mr. Driesen: Rob Driesen, Assistant Auditor General.

Mr. Gotfried: Richard Gotfried, Calgary-Fish Creek.

Mr. Hunter: Grant Hunter, Cardston-Taber-Warner.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake.

Mr. Barnes: Good morning. Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. Taylor: Good morning. Wes Taylor, MLA, Battle River-Wainwright.

Mr. Cooper: Nathan Cooper, the MLA for the wonderful constituency of Olds-Didsbury-Three Hills.

Dr. Massolin: Good morning. Philip Massolin, manager of research services.

Ms Bianchi: I'm Giovana Bianchi, committee clerk.

The Chair: Thank you very much.

A few housekeeping items to address before we turn to the business. Microphone consoles are operated by *Hansard* staff, so there's no need for members to touch them. Audio of the committee proceedings is streamed live on the Internet and recorded by *Hansard*. Audio access and meeting transcripts are obtained via the Legislative Assembly website. Please do your best to keep your phones on mute or on a light vibrate.

Are there any additions or changes to the agenda as distributed? Ms Gray.

Ms Gray: Thank you, Mr. Chair. At the meeting of the working group yesterday there was some confusion over the motion passed at the end of our last meeting. I'd like to add to our agenda – and it could be under other business – a discussion of the invitation to Justice to discuss the tobacco litigation. I would suggest 10 minutes at the end of the meeting.

The Chair: Any discussion?

Mr. Cyr: Well, these meetings are pretty packed as we go, and as the mover of the motion, it would be nice to have been informed of exactly what you're planning on doing with the motion. There is never an issue of adding to agendas, and I trust our working group because, again, we need to have these working groups, but I feel that the motion that I brought forward is very important, and I'm just not sure where we're going with this discussion. Now, is this something that could wait till the two-day super PAC that we are planning on putting on, or is this something that has to be done at this meeting?

Ms Gray: Unfortunately, it's my opinion that it can't wait. At the working group not all parties were in agreement. Normally up till now we've always had that, so it's our first time where the working group wasn't able to come to a consensus. Action is being taken. If we hold off until January – I think that we need to have that discussion today.

Mr. Cyr: Okay. I guess the fact is that when we add to the agenda – and it's probably going to take a lot more than 10 minutes to get through that topic because I have a lot of thoughts when it comes to that specific issue regarding Tobaccogate. My concern is: this being an in-session day, are we going to be able to flesh out exactly what everybody's point of view is on this point, and are 10 minutes going to be sufficient for whatever it is that you're trying to do with the motion that I put forward?

Ms Gray: I think that that would be reasonable, and I don't want to take away more time from our presenters today.

Mr. Cyr: You think 10 minutes is reasonable on a $10 billion questionable issuing of a contract? My concern here is that this is obviously going to be – I'm wondering where this is going. The fact is that I don't think we're putting enough time or focus into this information or this discussion that you're planning on putting forward at the end here. Like I said, would it be more appropriate to put this off until our super PAC? We can still deal with it then.

Ms Gray: I'm afraid not because it will impact other, outside parties. At the working group we did try to discuss things and come to an agreement; we weren't able to. I'll let you know that it's just around the timing, so a quick discussion about reasonable timing, and I would like to add it to our agenda for today.

Mr. Cyr: Well, I guess . . .

The Chair: While you're collecting your thoughts, I'll give the floor to Ms Payne.

Ms Payne: I just would like to point out the irony of how much time we're spending talking about adding this item to the agenda when we're concerned about time. I think that if there's a miscommunication about a motion, it behooves the committee to take the time to make sure that we're in agreement about what the intention is. I think many people thought, leaving the meeting the other day, that the intention was that after the report was released, a date would be set. However, my understanding is that other members of the committee had a different opinion of that, so I think that as a committee we should come to an agreement about what we actually intended before scheduling an appointment and booking any people, particularly given the seriousness of this conversation.

Mr. Cyr: I thought we had resolved this with a friendly amendment. Now there's contention regarding a specific motion that was put forward? Like, it just doesn't make any sense.

The Chair: Okay. Well, the idea has been put forward to add it to the agenda, so if there's no further discussion, we'll call the question on

> adding an item to the agenda: to revisit the motion passed at the last meeting regarding calling the office of the Solicitor General and the Department of Justice.

All in favour? Opposed? Is there a request for a recorded vote? Okay.

Ms Gray: In favour of the motion.

Ms Renaud: In favour of the motion.

Mr. Dach: In favour of the motion.

Mr. Westhead: In favour of the motion.

Mr. Malkinson: In favour of the motion.

Ms Miller: In favour of the motion.

Loyola: In favour of the motion.

Ms Payne: In favour of the motion.

Dr. Turner: In favour of the motion.

Mr. Gotfried: In favour of the motion.

Mr. Hunter: Not in favour of the motion.

Mr. Cyr: Not in favour of the motion.

Mr. Barnes: Not in favour.

The Chair: Okay. The motion is carried.

Do any members have amendments to the minutes as distributed?

Seeing none, would a member move that the minutes of the December 1 Standing Committee on Public Accounts meeting be approved as distributed? Mr. Loyola. All in favour? Opposed? Carried.

8:40

All right. Members should have a copy of the briefing documents prepared by committee research services and the office of the Auditor General. Status reports on outstanding recommendations from the Auditor General to Alberta Advanced Education were also made available to members.

At this time I would like to officially welcome our guests here to discuss issues related to for-profit and cost-recovery ventures at postsecondary institutions raised in the report of the Auditor General of October 2015. We'll start by asking Mr. Skura – forgive me if I'm mispronouncing any names – to please make an opening statement of up to 10 minutes on behalf of Alberta Advanced Education. Then up to five minutes will be offered to each of the institutions here for their respective comments. We'll then open it up for questions from committee members.

Mr. Skura, again forgive me if I've mispronounced your name.

Mr. Skura: You've pronounced it perfectly.

The Chair: Oh, wonderful.

Mr. Skura: Thank you. Good morning, Mr. Chair and to all members of the committee. Thank you very much for the opportunity to be here to speak about some of the recent recommendations from the Auditor General, that we received in October. I should point out that today is my birthday, so I can't imagine a better way of spending my birthday than being at this committee. I'm very pleased as well to have my colleagues from Olds College, the University of Calgary, and the University of Alberta attend with me today. They'll be able to provide much detail on processes that they have in place related to these ventures.

I just want to point out that we do take the recommendations of the office of the Auditor General seriously, and we're very eager to work with the office of the Auditor General to follow up.

Let me begin by giving you a very brief overview, and then I'll address some of the recommendations from the Auditor General specifically. Advanced Education is responsible for adult education in Alberta. The most well-known part of this is, of course, the postsecondary system, which includes 26 publicly funded institutions. Operational funding to our public postsecondary institutions constitutes the largest portion of the ministry's budget, through the Campus Alberta grant. The department is also responsible for overseeing apprenticeship training in Alberta and our system of financial assistance to learners, mainly known as Student Aid Alberta. Finally, our adult learning system includes community-level services for adult education that focus on literacy programs, English language and numeracy skills as well as some other foundational educational programs.

I'll now take a few moments to discuss some of the recommendations in the recent Auditor General's report. As the committee is aware, the report highlighted concerns regarding the operation of for-profit and cost-recovery operations at postsecondary institutions. These included concerns around Advanced Education's guidelines on how these kinds of requests are managed and approved. To start, I would like to clarify that there is no department mandate that institutions must pursue alternative revenue streams. Institution-generated revenue is, however, a way for an institution to supplement government funding and keep student fees down.

I would like to now outline the kinds of business ventures our institutions are involved in. The first level of business ventures are low-risk operations that all of us will be familiar with. These

include things like campus bookstores, leasing space for food concessions, parking operations, and student residences. These are all fairly routine practices that all institutions engage in to one level or another.

The second level of ventures that we would consider operate in conjunction with programs that match an institution's mandate. Some examples of these types of programs include meat processing and retail sales at NAIT, livestock sales from Lakeland College's agricultural program, and a retail microbrewery at Olds College that operates as part of their brewmaster's program. These business operations add value to their programs and provide important learning experiences for students. These operations are similar to the experiences students would receive through internships in the private sector or through apprenticeship training, which involves extensive work in commercial businesses. In some of these cases, there are very limited opportunities in the private sector for integrated work experience or on-the-job learning. As such, institutions have identified the need and stepped forward to include these operations to support student learning.

The third level of business venture is for-profit ventures. Institutions develop subsidiaries such as land trusts to act as trustee for the institution in order to allow them to generate revenue from commercial ventures without negatively affecting the institution or its charitable status. As such, the trusts are formed to operate at arm's length from an institution, often to manage surplus land that an institution may own, with a mandate to seek out revenue opportunities associated with these lands. Institutional boards do continue to provide stewardship over the land trusts. The creation of a subsidiary corporation requires Lieutenant Governor in Council approval, as set out in both the Post-secondary Learning Act and the Financial Administration Act. Examples of land trusts currently operating are the University of Calgary's and Keyano College's.

Land trusts were previously approved by government as a way for institutions to develop additional revenue streams. These additional revenue streams allow them to enhance either programming or other priorities that may not qualify for direct government funding. Before receiving government approval, institutions provided my department with business cases outlining the rationale for the land trust as well as their risk management processes. Postsecondary institutions' boards of governors are expected to identify how they will respond to these risks. While the department maintains oversight of the entire system, responsibility for ongoing management of revenue generation activities is prescribed by the individual boards at the postsecondaries. The institutions attending here today can provide more detail on how risk is managed for these ventures on an ongoing basis.

I now would like to directly address two of the recommendations from the OAG. The first relates to documenting and communicating expectations and guidelines to the boards and institutions for these kinds of operations, and the second is to help improve the oversight provided by the board of governors for these operations. On the first matter, I'm pleased to say that the department is currently reviewing draft guidelines in order to comply with the recommendations.

The department will also be undertaking a review of the adult learning system, which will examine multiple aspects of our system, which will include the resourcing model. Examining our policies and guidelines for entrepreneurial operations will be considered as part of this review. We know that our institutions are watching this discussion and have an interest in potentially developing their own new entrepreneurial operations. I want to be clear that any new request for subsidiaries will be considered according to the new guidelines under development, and these new guidelines under development will take into consideration recommendations made by the office of the Auditor General. We believe this is in the best interest of Albertans in light of these recommendations.

On the matter of helping to improve oversight of the board of governors, the department will work with boards to enhance their capacity for appropriate oversight and risk management of revenue-generating opportunities. The government of Alberta's agencies, boards, and commissions review is also currently under way, and postsecondary institution governance will be part of that, and it'll be through that mechanism that we review governance practices of the postsecondary institutions. This process, as you know, is just beginning, so details will be forthcoming in the near future.

In closing, I'd like to thank the committee for this opportunity to present, and I'm looking forward to any questions you have later. Thank you.

The Chair: We're going to take questions after opening statements.

Thank you, Mr. Skura.

Ms Clark from the University of Alberta.

Ms Clark: Yes. Thank you very much, and thank you to the committee for the opportunity to talk to you about our accountability mechanisms at the University of Alberta. I want to reiterate Deputy Skura's comments about the seriousness that we take the Auditor General's report with. He's been a useful partner in making sure that we've got the proper processes to account for our various programs. I would also like to introduce Don Hickey, the vice-president of facilities and operations, who is sitting here behind me, because of his involvement with the property trust.

Cost-recovery ventures are not new to the University of Alberta. We have what I would term three levels of risk-rated ventures in this area. Examples of the first are the bookstore, which has a cost-recovery element as well as a goal, to ensure that course materials are provided in the most economical fashion to students through a not-for-profit centre.

8:50

We also have utilities, residences, and livestock and farming operations. These examples highlight the breadth of the current programming and the support that comes to the U of A through these enterprises. As the deputy discussed, these activities are long standing and relatively low risk, and we're very used to accounting for those. We do have an ongoing review by management and the board of these activities to ensure that they are economical and run without a draw on the operating revenues. Since these activities are part of the institution, they're reviewed by the Board Audit Committee and are part of our enterprise-wide risk management assessment reports, which regularly go to the board. Also, administration holds quarterly meetings to review all operations of ancillaries in the university's area.

The next large category of cost-recovery undertakings is related to the academic programming. These programs are subject to numerous controls, which aim to ensure program quality, sustainability, alignment with institutional objectives, and their ability to recover costs. Each program has an approval path to ensure compliance with relevant legislation and University of Alberta policy as well as business soundness. If you would like, I can enumerate the steps in the process from two exemplar programs. I have the full list of what the master's of accounting is going through and the master's of science in urban and regional planning, but I only have five minutes, and I promise you that that would take longer than that five minutes. Although the primary oversight for these programs sits on the academic side, the faculties work them into their budget, and these are reviewed on a quarterly

basis by management and by the board. In this case, it's two board committees, the Board Audit Committee and the Board Finance Property Committee.

The third category in that range of undertakings that I talked about – and these are on the newer side – is undertakings in for-profit activities. We agree with the Auditor General that the risks are different than those of the core academic enterprise at the institution, and we believe that we've been appropriately cautious when entering into such arrangements, particularly regarding the creation of subsidiary corporations for profit.

Since the land trust was mentioned specifically, I thought it would be useful to go through some of the steps that we took to establish the land trust at the University of Alberta, which has not yet started to operate in entirety. We really started this process in 2013, when the University of Alberta governors approved the amendments to the south and north long-range development plans. We operate within those frameworks all the time because they outline what we have to do for the academic enterprise to keep up the quality and size and accessibility of our institution.

The university administration established a land trust advisory task force, comprised of experts from the fields of finance, planning and development, and community engagement, to examine the risks and opportunities. A business case was drafted and reviewed by Alberta innovation and advanced education, Alberta Infrastructure, and Alberta Justice.

The governors of the University of Alberta approved proceeding with the establishment of the land trust, including the next steps: to return with the governance model and proposed directors for the trust board. That required further approval. A competency matrix was created and a search firm contracted through an RFP process to select directors which met those broad needs.

The legal documents, trust deed, and bylaws were created outlining the fiduciary responsibilities of the directors and the mandate of the trust, and those were approved by the governors of the board of the university. An order in council was approved in February 2015, and the corporate subsidiary was created in March 2015.

During this process the neighbouring community representatives had regular meetings and consultation with university administration.

The board of directors for the trust has commenced their due diligence with regard to establishing terms of reference for board policies.

That is the process that we went through, but I want to emphasize that we have a history of using monies that we get from these kinds of operations. We have something called the endowment fund for the future. We sold some assets in 1981 and established this endowment fund to support faculty positions. Those positions are delivering courses across the university.

The Chair: Ms Clark, the five minutes are up. If you want to just take 30 seconds to conclude your thoughts.

Ms Clark: Thank you very much.

The Chair: Oh. Then that's concluded. Well, thank you very much.

I'll now invite Dr. Cannon to provide opening remarks on behalf of the University of Calgary.

Dr. Cannon: Thank you very much. On behalf of the students, faculty, staff, and board of governors of the University of Calgary thank you for the invitation to appear before you today to address questions about the Auditor General's report of October 2015. It is not my birthday today, but I'm equally pleased to be here with the deputy minister.

At the University of Calgary we have focused efforts in recent years on prudent planning, achieving our Eyes High strategy and the associated academic and research plans. The active tracking of key performance indicators to assess our performance against the goals outlined in our Eyes High vision demonstrates our commitment to responsible oversight and accountability. These efforts include strategically aligning activities to leverage for-profit and cost-recovery ventures where they make sense, to support additional investments in campus services, activities, and the student experience.

The University of Calgary is North America's number one ranked university under the age of 50, and we are among the top five research universities in Canada in 24 of the 33 comparable metrics that we use to assess our performance. We continue to be defined as a great place to work, ranked as one of Alberta's top employers. The university also contributes almost $8 billion towards the provincial GDP through our activities.

This summer we were recognized for our excellence in governance when we received an honourable mention for best approach to board and committee support from the Canadian Society of Corporate Secretaries. This award underscores the critical importance of administrative support in overall governance excellence and recognizes the best practices and processes the university has put in place to sustain effective governance.

The University of Calgary Board of Governors includes members with significant business and sophisticated financial experience, particularly with for-profit and cost-recovery ventures. The board has regular oversight of operations through review and approval of the university's strategic plans, financial statements, annual reports, and our comprehensive institutional plan. As a key accountability mechanism the details of these reports along with business cases to support order-in-council submissions are transmitted to the Department of Advanced Education regularly.

We implemented an enterprise risk management, or ERM, program that takes an institution-wide perspective of risk. This analysis reviews internal and external factors that threaten the university's ability to deliver on its mandate. The ERM reports to executive leadership quarterly and works with the senior team to maintain and create mitigation strategies as required. The Board Audit Committee and other relevant standing committees receive risk and mitigation reports regularly. Because the ERM operates at the institutional level, risks and mitigation strategies affecting, for example, Hotel Alma are managed under this process. In addition, West Campus Development Trust has also implemented its own ERM processes and systems.

It is important to note that neither the Hotel Alma nor the trust receives funding from the Campus Alberta grant. The Hotel Alma is part of what we call ancillary services, which is separate from our Campus Alberta funds, and the revenue expense is, again, tracked separately through ancillary services. The trust is financed through third-party bank financing, and the university does not guarantee that debt. It is secured by the land itself.

Relative to our consolidated budget, revenue from ancillary services comprises 4.8 per cent, approximately $60 million. The majority of this revenue comes from residence and food services, bookstore, and parking. Relative to the cost-recovery ventures – that is, Hotel Alma, food and conference services – this amount is less than 1 per cent of our consolidated budget. So it's approximately $10 million. All proceeds from ancillary services units stay on campus, supporting academic research and student programming initiatives.

9:00

Hotel Alma is a 96-room hotel located in the heart of campus and combined with conference services and a long-term stay facility targeted to visiting scholars and speakers. This provides experiential learning opportunities for students. For example, fourth-year marketing students in the Haskayne School of Business have live simulation classes in Hotel Alma, and the hotel staff are engaged in providing real-world examples as part of our business operations and management courses. As part of ancillary services Hotel Alma is subject to the university's controls over financial information, and results are included in the university's financial statements.

The West Campus Development Trust is the independent body overseeing the development of University District, the 200-acre planned community taking shape on the university's west campus lands. The board of the trust is composed of recognized industry leaders, who are volunteering their time and have agreed to exclude themselves from any participation in the development of University District lands. It also is comprised of representatives from the University of Calgary and the board of governors. That would be seven of the 13 members. The lease agreement with the trust requires the development plan to be approved by the University of Calgary Board of Governors, and all activity of the trust must be compliant with this plan. As noted, the president and CEO of the trust appears before the university's board of governors a minimum of twice per year to provide updates.

We maintain authority over the trust through two key measures. First, the board of the trust includes myself and two university VPs as well as representatives from the board of governors, the General Faculties Council, the president of the students' union, and the graduate students' association. The second form of authority is the university's right to replace the board of the trust should it be necessary.

With the award-winning governance, planning, and monitoring processes in place we are confident in our ability to manage and mitigate risk across the University of Calgary, including ongoing for-profit and cost-recovery ventures.

Again, we appreciate the opportunity to appear before you today, and we welcome your questions. Thank you.

The Chair: Thank you very much, Dr. Cannon.

We'll invite Dr. Thompson to speak now on behalf of Olds College.

Dr. Thompson: Thank you, Mr. Chair. Members of the committee, colleagues, and guests, it's my pleasure to introduce our board chair, Bob Clark, who is with us today.

In October 2015 the Auditor General's report noted that the Ministry of Advanced Education had not provided clear guidance to postsecondary institutions in the area of for-profit ventures. Without clear expectations and guidelines there is an increased risk to the taxpayer.

Under the guidance of the Post-secondary Learning Act the responsibility to operate colleges and universities is given to the board of governors. In the case of Olds College this happened in 1978. The Post-secondary Learning Act gives guidance to the board with the following statement. "The board must, by resolution, approve policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return." That's the Post-secondary Learning Act, section 75(3).

In response to the Post-secondary Learning Act directive the Olds College Board of Governors has taken the following steps in recent years. In 2002 they developed policy guidance around budgeting, forecasting, and executive limitations. In 2005 they increased the detail in the policy by adding a section for asset protection. In 2006 they created a new policy on shared leadership for major projects, which required a three-stage assessment: concept, business case, and approval. In 2007 they re-evaluated and updated the financial policies. In 2008 they added a requirement to maintain 3 per cent of gross revenues in an unrestricted net asset account. By 2010 they added a section on managing major investment risk through a staged approach, which includes concept, business case, due diligence, approval, and monitoring. By 2011 they added a requirement for a surplus in operating budgets where, in the past, there was no clear direction. By 2014 they had approved a triple-three policy on unrestricted net assets, 3 per cent in surplus, and 3 per cent on capital renewal.

Our current board policies are as follows: budgeting and forecasting financial condition, asset protection, financial borrowing, shared leadership on major capital projects, and managing major investment risk. Ladies and gentlemen, as a result of this activity and due diligence, the Olds College Board of Governors was awarded the 2014 gold award of excellence in governance by the World Federation of Colleges and Polytechnics. Simply put, the Olds College board is a model for this province in the area of high-performance governance and is led by this man, Mr. Bob Clark.

Significant focus has been placed on the role of the ministry in these matters. Without context for our local institution it may appear that the ministry provided limited or perhaps no oversight on these matters. However, the ministry did exercise their due diligence as follows. One, the ministry considered the profile of each board member when appointing new members to ensure that we have a balance of talent and expertise, particularly in financial management and accounting, on this board. Two, they have been supportive of concepts such as the world-famous Community Learning Campus. Three, they were instrumental in obtaining an order in council for our on-campus hotel. Four, they visit the campus each year to monitor our work on the comprehensive institutional plan; each year they provide written feedback on that plan. Five, they are involved in any and all program initiatives such as the Canadian brewmaster's program, which called for a learning enterprise model, where proceeds from sales subsidize program expenses. Six, they monitor the OAG financial and system audits and provide feedback to the institution. Seven, they require an annual report, which includes commentary on our financial condition. They provide education and training on risk assessment for our board members and our senior executives.

Ladies and gentlemen, in conclusion, the Auditor General is right to suggest that any ventures by a postsecondary institution should follow a clear set of guidelines and engage in a due-diligence process which minimizes risk to the institution and, particularly, to the taxpayer. The Auditor General is right to suggest that these ventures require vigilance, due diligence, and ongoing monitoring.

The Post-secondary Learning Act gives this responsibility to the board of governors, which, we would argue, is precisely where it belongs. High-performance governance is a competitive advantage for Olds College, and we believe that the ministry can provide its greatest value by ensuring that each and every postsecondary institution has a high-performing board, not by trying to bring the important task of monitoring and compliance under a centralized bureaucracy.

We know that the government is reviewing all boards, agencies, and commissions, and we believe that this review will support this position. Olds College is prepared to provide a provincial leadership role, should they be asked, in assisting our ministry in their efforts towards high-performance governance.

The Chair: Dr. Thompson, if you could just wrap up in 30 seconds. Your time is exceeded.

Dr. Thompson: Thank you, Mr. Chair.

The Chair: Well, jeez, aren't you guys easy to get along with. Now, if only we could get along so well here. I thank you for your comments. I've toured your campus. It's quite an extraordinary facility. Thank you for coming today.

You're very eager, Mr. Westhead. Hold on.

Mr. Saher, did you have any comments to add at this point?

Mr. Saher: Thank you, Mr. Chairman. I did have some prepared comments, but I think I would prefer to allow the committee to ask its questions.

The Chair: You didn't want to briefly make a statement?

Mr. Saher: No. I think the background has been well set.

9:10

The Chair: Okay. Very good.

We'll now open up the floor to questions from members, using our agreed-upon procedure. Please put your hand up with your fingers wide open if you want to start a new inquiry and for your follow-up with your fingers together. To remind you, if indicating that you have a follow-up question, please announce the topic and how it's on topic, if it's a follow-up question, as you're starting.

Okay. So we're going to go: Mr. Westhead, Mr. Dach, Mr. Taylor, Mr. Cyr, Mr. Gotfried, Ms Renaud, Ms Payne, Member Turner, Member Loyola, Mr. Cooper. Okay. So our speakers list is pretty much everybody on the committee. At this point I feel like I should almost just go in alphabetical order.

Ms Payne: By first name.

The Chair: Well played.

To keep with the spirit of trying to let the meeting flow, let's take our first three speakers and take one from, perhaps, each party to begin. We'll begin with the Official Opposition and then the government and then the third party, and then as the third party is speaking, we'll open up the speakers list so we can try to have some kind of free flow to it if that works.

All right. Let's begin with the Official Opposition: Mr. Taylor. And then who would like to begin from the government side? Okay. You've been very adamant about this. Then we'll go to Mr. Westhead and then Mr. Gotfried. Okay.

Mr. Taylor.

Mr. Taylor: Well, thank you, Mr. Chair, and thank you to the representatives from the U of A and the University of Calgary and Olds College for coming out here. I have a question for the Ministry of Education, with a couple of supplementals here to go with it. From reading the documents provided to us through the committee, I understand that it will take the ministry about two years to implement the most recent recommendations from the Auditor General in regard to for-profit and cost-recovery ventures. In the meantime what direction, if any, has been given to postsecondary institutions in this matter?

Mr. Skura: A couple of comments to open up with. The first is – and I mentioned it in my opening comments – that some of the discussion that will happen in the adult learning review will go towards forming policy around revenue-generating opportunities for postsecondary institutions. So we want that process to be able to inform part of our new policy.

Secondly, we continue that open dialogue with our postsecondary institutions around ventures that they may be bringing forward. We regularly meet with them; we regularly pass on communications to them. And the postsecondary institutions themselves, when they want to propose a new venture of any sort – and I'll talk about those in a second – we will have those discussions with them and make sure that the appropriate consideration is given to risk and that the appropriate processes and procedures are in place, particularly highlighting those areas raised by the AG.

There is a distinction between the two types of ventures that we talked about. The cost recovery: the department normally will approve any new program that an institution is bringing forward, and we go through a due-diligence process as part of that program approval. That will enable the interaction between the department and the institution to evaluate the requirements of that program and what some of the risks may be.

On the for-profit piece of ventures, again, as I mentioned in my opening remarks, there is a requirement for order-in-council approval to set up a subsidiary corporation for these institutions, and there is a very robust process that we already go through. Institutions are required to submit a business case, and part of that business case is the assessment of risk and identification of risk mitigation strategies. Because we don't have all the expertise in a lot of areas, we do work closely with the departments of Infrastructure and Treasury Board and Finance and Justice, if required, to deal with the issues around – in the case of land trusts we get the expertise on land management from Infrastructure. We get financial assistance from the Department of Treasury Board. So we have a robust process in place right now. That will continue. Certainly, we recognize that we need to improve those processes, and that's what we'll be working on over the next year and a bit.

Mr. Taylor: Okay.

The Chair: Mr. Taylor, I'll just explain a little bit because you're new to the committee. We have an interesting way of doing follow-up questions. If you have a new topic, just kind of indicate that it's a new topic, and if it's a follow-up, indicate that it's a follow-up, and we'll allow you to ask it.

Mr. Taylor: This is a follow-up question.

The Chair: If it's follow-up specifically, then that's allowed.

Mr. Taylor: Yes. Thank you, Mr. Chair. So my question kind of is – and I think you kind of answered it – are for-profit and cost-recovery ventures on hold until the AG's recommendations are implemented, or is it business as usual?

Mr. Skura: We're going to take – as I mentioned in my speaking notes, I did say that they would be on hold. We don't want to necessarily forbid a good idea from coming forward. I would say that we will look at those on a case-by-case basis, but again we will be looking at them from a perspective of incorporating those and making sure that we're properly addressing the recommendations raised by the office of the Auditor General.

Mr. Taylor: Okay. Just one other follow-up if I could.

The Chair: If it's on the topic, yes.

Mr. Taylor: Yes. Which of the ventures – you kind of alluded to it, that there are still some ventures that are currently operating – are going to be allowed to continue?

Mr. Skura: Let me clarify my remarks. The ones that are currently in operation we have no intentions of shutting down. They've gone through a process. They're providing a valuable service. The department will continue to monitor those to make sure that they are being managed appropriately by the institutions, and I have a high degree of confidence that they are. What I was talking about was that any requests for a new venture, whether it be a joint venture or a for-profit, we will take much a harder look at going forward until we have a new policy in place.

Mr. Taylor: Thank you.
Thank you, Mr. Chair.

The Chair: Thank you very much.
Mr. Westhead.

Mr. Westhead: Yes. Thank you all for your presentations. I'm not only fortunate enough to have, I think, the most beautiful riding, Banff-Cochrane, in the province – I know that Member for Olds-Didsbury-Three Hills takes issue with that – but I'm also fortunate to have, I think, one of the most unique postsecondary institutions in Alberta and perhaps in Canada, the Banff Centre.

I know that in a tourism-driven economy like Banff's there are some legitimate concerns from private industry, that have been expressed, in terms of using public dollars to compete with private industry. I know that in the Auditor General's report he mentioned that there are mechanisms to prevent the use of public funds in these cost-recovery or for-profit enterprises, so my question kind of revolves around that in terms of the oversight and the accountability. It's not dissimilar to the University of Calgary with the Hotel Alma, that Dr. Cannon discussed previously. You know, obviously, we're in a situation where to create revenue opportunities, postsecondary institutions in Alberta are engaging in these kind of commercial ventures . . .

The Chair: Sorry. Mr. Westhead, focus on the question as opposed to commentary as much as possible.

Mr. Westhead: Yeah. Thank you.

You know, there are things like hotels, meat stores, retail, and breweries, that we've spoken about. So I've kind of got three questions based on that premise. First of all, is an institution's board of governors able to focus on these commercial enterprises while still focusing on delivering the mandate of the institution? That would be the first question.

Also, how do we ensure, like the Auditor General said, that no public funds are being used in these ventures? And sort of a follow-up to that: is there a role for separate accounting mechanisms to delineate between the cost-recovery and for-profit ventures and for separate accounting from the institution itself?

I know that those sort of are three different broad-ranging questions, so I'll leave it up to you guys to determine who wants to answer.

9:20

The Chair: Sorry. Is that for Mr. Skura, or is that for all witnesses? If you could specify.

Mr. Westhead: Well, I believe Mr. Skura may be able to answer the first question, and perhaps the Auditor General might want to answer the question about: how do we ensure that no public funds are used, and is there is a role for separate accounting?

Mr. Skura: What I'll do is that I'll make my initial comments. If there's any supplementation required from any of the postsecondary institutions, then I'll turn it to them. The first question was around ensuring that boards remain focused on their mandates. In our evaluation for – let me step back one step. Again, when I look at the three different types of cost-recovery or for-profit mechanisms that postsecondary institutions use, two of them are already focused on mandate, right? The first one is supporting those ancillary services like bookstores, concessions, on-site parking, residences. That's all part of what I think just about every postsecondary institution in Canada will embark on.

The second type is those cost-recovery ventures that supplement the program. I'll use two examples here. The meat-cutting program at NAIT: I would argue that a good portion of learning the meat-cutting trade revolves around also learning the business aspects of that, so having the retail store at NAIT enhances that education. So it's very much aligned with the mandate. Similarly, the brewmaster's program in Olds really is aligned with the mandate of educating students in all aspects of the brewmaster's program, including those commercial aspects.

The third one is around those for-profit ventures. I'll comment here, and then I'll maybe ask my colleagues to supplement a little bit. In many of these instances separate governance structures and boards are set up specifically to manage the land trust. I think we heard Elizabeth talking about that, in Calgary, and Phyllis as well. The board is enabled to delegate some of that responsibility to a highly competent, highly qualified board, to look at that governance. It's not distracting the board too much.

On the second question, around assurance that no public funds are being used, this is very clearly laid out in our Campus Alberta grant to postsecondaries, that they are to be focused on the mandate that the department has given the institutions, and the institutions go to great lengths to keep that separate. Again, a lot of the ancillary operations are accounted for separately. Separate fund accounting is used for those things, so there's a high degree of segregation between those things.

I think I kind of touched on your third question in my response to your second one. Did I answer those to your satisfaction?

Mr. Westhead: Yeah, I think so. I wonder if the Auditor General might have a comment on that, too.

Mr. Saher: I think that with respect to your third part of the question, which I think was driving towards separate accounting delineation, from our point of view, a lot has been talked about the processes to authorize these endeavours to start. One of our recommendations to the department is really focused on continuous monitoring of these ventures, and a subpart of that is that we think that the department should require the institutions to report on venture results on an ongoing basis. To the extent that there may be a blurring of any of these ventures within the total operations of the institution, we think that when the department implements that part and can satisfy ourselves that it can get year by year a clear accounting for a significant venture in terms of: what was the venture designed to achieve in financial terms? Is it achieving that? If not, what are the plans to put the venture back on course if it's gone off course?

I think that the intent of your question will in fact be met once we see how the department deals with that subset of our recommendation. Many of these ventures are long term, so we believe that it's important that the department should be able to look in continuously – is each of these ventures achieving what it was intended to do? – to ensure that the results of a venture that perhaps is not going as well as intended are not in some way masked.

The Chair: Mr. Malkinson.

Mr. Malkinson: Thank you. I was just listening to you speak about the importance, when thinking of these ventures, of managing the risks. I was thinking maybe I would ask a follow-up question to the department. Since the Auditor General mentioned that we need to be vigilant in managing the risks that for-profit ventures bring, does the department have some sort of system, like a hierarchy of risk or some sort of rating system, which they could potentially, generally apply to different types of ventures either when looking at approving them or looking at how they are performing?

Mr. Skura: Yes. The short answer is yes. Again, I covered these off in my opening remarks. The way that we would look at the risks is, again, along those three broad categories, that I talked about, the first one being those things that postsecondary institutions generally undertake like the bookstores, the parking, all that kind of stuff. We look at those. All institutions have a high degree of experience and expertise in managing those, so we look at those as relatively low risk.

The second category, again of low risk, is those things that are related to cost recovery for programs and instruction. We would look at those, again, as relatively low-risk issues. We do evaluate those risks when we do the program review, when institutions put forward their requests for new programs.

The third category really is the one where there's probably – we have to be careful of a heightened level of risk. These things generally, you know – we're getting a little more experience now around the land trusts and what needs to be put in place to manage risks there. But generally these ones are very – you have to look at the unique aspects of each one of those proposals because they do have some subtle differences between institution and institution. We would look very specifically at the risk profiles that are unique to the proposal that is put forward by the institution, and we do that through a business case.

Again as I mentioned, before an institution can undertake one of these things, generally they have to be set up as a separate, subsidiary organization, which requires an order in council. We follow a very deliberate process in the department, engaging colleagues from other departments as required, like Infrastructure, like Treasury Board and Finance, like Justice, and part of that process is to identify the risks. As part of that business case submission from the postsecondaries the postsecondary board of governors has a role to play, a very significant role to play in identifying those risks and identifying to the department what their risk mitigation strategies will be in dealing with those. So the process is robust.

To the Auditor General's point, we agree that we need to do a much better job in terms of documenting those things, the department's policy. We also acknowledge that we need to do a better job in terms of record keeping because some of the criticism, as part of the report that we accept, is that, you know, we haven't done a very good job documenting that risk evaluation in the past.

Mr. Malkinson: Great. Thank you for that.

The Chair: Okay. Now Mr. Loyola has a follow-up specifically on this.

Loyola: Specifically on the risk issue, but I want to focus specifically on land trusts. I want to thank all of the presenters that are here. I just wanted to highlight that the vice-president from the U of A, Ms Clark, identified land trusts as a different kind of risk, and one could even argue that, well, it's a higher risk. I think that's what this committee really needs to grapple with in terms of: what are we talking about in terms of those risks? So if the postsecondary institutions could focus specifically on their land trusts: what are we talking about in terms of the risks? And then within your business plans: how you are measuring that, the performance management of that and the risk mitigation?

9:30

Ms Clark: With regard to the risks of the trusts themselves there's always the issue that they don't generate money and that we don't get it back to the university for what we need to support the institution. What we're doing: we're exploiting assets that we have that are not generating revenue now. The risks would be that we don't generate as much revenue as we think we should or don't generate any revenue. We're moderating that by the composition of the board of directors of the property trust, because they're highly oriented toward business, land development. We also have community representatives because it's another risk on that side, which I'll talk about later.

In terms of what the university would use the money for, as with the endowment fund for the future, the money would come to the institution. That would be a decision of the board of governors about: what's the most useful aspect of the institution to support through those funds? Again, they would be held as an asset, and they would be put into things like chairs, support for students, those kinds of things, to improve accessibility and quality.

The other risk is always a reputation risk. We are extremely vigilant about our reputation, and I think I could say that we do things that sometimes are a little arcane to make sure that we protect our reputation. What we did in the establishment of the trust was not only to work closely with the department to make sure that we were doing things in a way that was responsible; we got a lot of advice in terms of how to set these up, what the tax advantages, disadvantages would be to make sure that we were onside, those kinds of things, to take care of the business risks. But on the reputation risk to the relationship with the community: on our board we have former city councillors to make sure that we are tied in with the feeling of the community, and we did extensive consultation throughout the whole establishment. We had – how many meetings, Don, did we have on consultation?

Mr. Hickey: I would say close to 75 meetings over a number of years.

Ms Clark: Seventy-five meetings, since the beginning of the establishment of this, with our communities.

So two major risks, reputation and not making as much money as we should.

The Chair: I think we've got to be very careful, again, with our follow-ups, that they're very specifically follow-ups. Some of these questions have been sort of new topics. They need to be very specific to a point that was just made if they're going to be a follow-up.

Ms Payne, is this a follow-up or a new question?

Ms Payne: A follow-up to Mr. Malkinson's line of questioning, specifically around the guidelines.

The Chair: I'll allow it. We're starting to get a little off track on it, but I'll allow it.

Ms Payne: All right. In the Auditor General's report, recommendation 1 on page 25 calls for the department to document the risks, and I'm thinking that Mr. Skura commented on that a bit. I'm wondering with respect to that: what are some of the department's plans? I noticed in the status report that this

recommendation is in the process of implementation. You're expecting that they will be completed by the fall of 2017. I was wondering if you could comment a little further on the ways that the department intends to best communicate expectations and guidelines to the postsecondary institutions?

Mr. Skura: A couple of comments I'd make on that specifically. As I mentioned earlier, we are undertaking in the department and will launch in the not-too-distant future an adult learning review. Part of that review will be looking at, certainly, the vision and principles governing the postsecondary system in Alberta, and we'll also look at the resourcing model. We want to make sure that that review process feeds into the final policy, which is why it's taking long.

The second piece is that we really want to be engaged with the postsecondary institutions. They've got a lot of expertise in this area, as you've heard today from my colleagues, so we want to make sure that whatever policy we put in place, whatever guidelines we put in place, we're listening to get their input on what makes sense to put into place.

The third piece, again, is working with the Auditor General to make sure that we do appropriately address the recommendations specifically that they've made in this new policy. The culmination of all this will be a guideline document, that would be shared with the postsecondary institutions, that provides that high-level, clear delineation of responsibilities, what our expectations are from them, including looking at the subsequent reporting of results related from these ventures. That's the basic approach at a high level.

Ms Payne: Thank you.

The Chair: All right.

Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chairman. Mine's, I guess, a bit of a follow-up, but it'll take care of my question as well. Thank you to all the presenters here today, the department and the three institutions represented. I think the key issue here is the risk, certainly in the for-profit ventures. Having been in the land development business myself for a dozen years, there are significant risks there, a unique set of risks, that need to be addressed. I'm encouraged to hear, you know, that there are a few things going on in terms of the staffing and also the population of the boards of directors for the organizations. I'm very familiar – I know, with the U of C, James Robinson, an excellent individual, who's running that, and I'm sure that the other institutions have similar, quality staff running those as well as a well-rounded board of directors to support that.

My concerns are really: in the land development business the big risk is about the high cost of infrastructure and the front-ending of the costs of these initiatives and developments, deep servicing, shallow servicing, some of the land moving that goes along with that as well, which maybe . . .

The Chair: Sorry. Let's try to focus on the question.

Mr. Gotfried: Yeah. We know that we're obviously facing some economic challenges now, and the development business can go from good to bad to insolvent very quickly. I guess my question really is in terms of some of the risks associated with that. I mean, we've seen lots of for-profit ventures go under during downturns: holes in the ground and unfinished buildings and things like that. I guess my question to you is that during those times often you deal with breaches of contracts, litigation, those sorts of things: what are the department and, by extension, the institutions doing to mitigate those risks and challenges of heavy up-front costs? The heavy up-front costs will obviously reap benefits down the road but could cause problems and some short-term challenges if there's a risk with the economic downturn as well.

Mr. Skura: I think what I'll do is to give you the high-level department view. It'd probably be worth while to hear from the institutions with the specifics on this one and what they're doing. I know Elizabeth is chomping at the bit to participate. That'll be her birthday gift to me.

You touched on a couple of things, right? A lot of these things, I think, that we need to undertake are what I would consider preventative measures. You touched on them already: making sure that we have the right competencies on the board. You know, we're looking at the skills and competencies matrices for each of the postsecondary boards to make sure that they have the appropriate skills, especially if they're going to be dealing in these types of for-profit ventures. That's the first kind of preventative thing that I would talk about, making sure you have the right competencies on the board of governors.

One of the recommendations that the AG did make is for the department to play a more active role in terms of training that it's going to provide to the boards, right? That's one that we embrace. That's one that we think is a good recommendation, so we'll certainly be looking at that.

Then the third piece is around that business case evaluation, that I talked about earlier. You know, we spend and we reach out and get the appropriate expertise from other departments, as I mentioned before, in terms of making sure that as we're reviewing these ventures, we have people with the knowledge and expertise that can identify those risks.

At that point maybe I'll turn it over.

Dr. Cannon: Thank you very much. I appreciate the question, and I won't repeat the things that my colleagues have said, but in the case of west campus, which is a little bit further along, perhaps, than some other institutions, I think it's really important to understand that we do have a very strong board of directors. As I mentioned in my opening remarks, by being on the board, if they come from industry or from the university, they cannot participate in the development of west campus. That's important because their interests are absolutely aligned with the interests of the university as a shareholder at the end of the day. West campus has its own enterprise risk management framework, separate from the university, and you can imagine that market conditions are a big factor, obviously, in that risk framework.

9:40

One of the things that I think is really important to understand is that the University of Calgary as the shareholder of west campus is a very patient shareholder. This is not a project that we need to get done tomorrow. This is 15 to 20 years. Absolutely, when we started this, times were good. Times are a bit challenged, and we knew there would be some peaks and valleys. It's really important for us to be prudent through those tough times and ensure that we're not putting the trust at risk and creating financial challenges within the trust or reputational challenges for the trust and the university.

One of the things that we do is to make sure that we do business with strong business partners. In the case of west campus, the first phase was to do a request for qualification. Rather than just going out and sort of picking development companies to work with, there was a very strong process to invite key players to the table in some of the areas, whether it's retail, townhouses, and so on, and so forth, and request qualifications and look at their experience, their

financial conditions, and so on, and so forth, to come up with what you'd call a short list, from which then we would go and request proposals on specifics: phase 1, phase 2, and what have you.

We have not made any decision to move ahead with specific projects on west campus as of yet because we are watching the market conditions, and we want to make sure that before we commit to any significant cash outlay on utilities and other things, we're very clear on the plan ahead. This is absolutely front and centre at the discussion of the board of governors within the risk framework, and certainly there is no urgency, if you will, to develop those lands. We completely understand as stewards of west campus that it is a very important asset to us, the citizens of Calgary, and the province of Alberta. We want to be extremely responsible in how we develop those lands, and at the end of the day, as my colleague said, we want a solid financial return, but we also want to develop a community that is vibrant, dynamic, that adds value to the university but also to the surrounding communities. So we're very careful, very prudent, and absolutely take into consideration market conditions in the risk framework.

Mr. Gotfried: Thank you.

The Chair: Mr. Cooper.

Mr. Cooper: Thank you, Chair, and thank you, members. I appreciate your appearances this morning. I'd just like to take a moment to say: welcome back to the Legislature, Mr. Clark. I know that you've spent your fair share of time here, and all of the province thanks you for your service.

Dr. Turner: And he's on the right side of the table.

Mr. Cooper: He is on the right side of the table.

I, just briefly, am hoping to hear from both Dr. Thompson and the deputy minister with respect to the importance of governance. Deputy Minister, in your remarks you talked about: the role for the department is ensuring governance oversight. As we know, postsecondary is an interesting creature because the post-secondaries are a function of themselves, almost at arm's length, if you will, from the department, which is very different from many other departments as the department primarily falls directly under the control of that department. So I'm just hoping to get a couple of comments from Dr. Thompson on the importance of that governance as we see levels of governance varying all around the province, some very good, others not as good, and from the deputy minister on the importance of those board appointments to ensuring good governance, if you had any comments on the status of board appointments across the province, particularly with respect to the current situation, on the need to ensure that governances can oversee all of these projects.

Dr. Thompson, if you wouldn't mind, and then followed up by the deputy minister.

Dr. Thompson: Thank you very much for the question. It's a great question, and I'll see if I can just briefly answer that for you. In my humble opinion, I believe that governance, particularly in the nonprofit sector, has never been as important as it is today. It has become a very complex job. As you learned folks know, there's a big difference between the job of it and the position of it. There's a tremendous amount of diligence that must go in at the front end to find the good Albertans that can handle the job the way the job needs to be done today. This governance review, that's being talked about right now, of agencies, boards, and commissions is mission critical for Albertans and for Alberta's taxpayers because we have so much of what we do in Alberta today wrapped up in those agencies, boards, and commissions.

As I often say when I do the workshops across Canada on governance, you can get through the K to 12 system, you can get through postsecondary, you can even take an undergraduate, postgraduate degree, and you can find yourself out there, as an Albertan, as an Ontarian, with absolutely no training. Then somebody comes along and says: you're now appointed to a board of governors. At that point in time the art and the science must be immediately put into operation in terms of education and training. That can't be a one-off, and it can't be a binder, and it has to be ongoing. That's what we do. That's what we do on an ongoing, systematized, targeted basis to ensure the competence levels of this complex world of policy governance today, to oversee the myriad of responsibilities that are out there.

Thank you.

Mr. Skura: Now just a few comments from myself. As was mentioned by my colleagues earlier, the Post-secondary Learning Act does put accountability and responsibility for management of the postsecondary institutions with their boards of governors. Having said that, I mean, the boards of governors are accountable to the minister of the department, and that's for good reason. The government provides a significant amount of funding, and we want to make sure that the appropriate governance pieces are in place.

I go back to my comments a little bit earlier around preventative measures, and we talked about the land trust. I think that is equally applicable to – and Dr. Thompson touched on this as well – making sure that we are getting the board members on these boards of governors that have the appropriate skills and competencies. We work closely with the boards to identify those things. The provision of training, I think, is also important as well so that they understand their role on the board and the postsecondary system in Alberta.

I'll touch a little bit on the agencies, boards, and commissions review. Postsecondaries are in phase 3 of that review, which will start next year. Some of the issues that we talked about here are certainly what that review process will look at moving forward.

In terms of board appointments we are working through those right now in the department. We have made some progress in terms of getting some appointments in place. We've taken basically a triage approach, recognizing that time is limited and making sure that those boards in greatest need of their appointments being fulfilled will be dealt with first.

Finally, in closing, one thing from the system, you know, since I've come to the department in July, is the ability to share and learn best practices from all these institutions. We talked about some of the experience that the U of A and the U of C have in terms of land trusts. You know, Olds College – Dr. Thompson talked about the effectiveness and the award-winning process of their board of governors. It's really about looking at best practices within our system and elsewhere to make sure that we have the best processes and practices in place here in Alberta.

The Chair: Thank you.

Mr. Cyr: Thank you for being here today. My question is to Mr. Skura here. I know. You're on the hot seat. Actually, it's a three-part question.

An Hon. Member: We don't have time for a three-part question.

9:50

Mr. Cyr: They're just off Member Westhead's. This is for profit. Is it possible to set up various businesses that directly compete with your local business community: farms, construction, say, realtors?

The next question is: are we subsidizing those people using the services of these for-profit businesses, say, faculty or students? The last one. We talked about debt within these trusts. Now, are you able to leverage these assets and these trusts to the point where, say, the debt to equity is 1 to 1, something like that? I guess my concern is: is it possible for the school to overleverage inside of these trusts and withdraw, leaving, say, a bank or lending institution on the hook for this money? You said that you weren't guaranteeing it. So if you're not, I guess, who is?

Mr. Skura: A couple of comments on those three items. In terms of direct competition in the case of – again I go back to my categorization of the three different levels of risk. On the second one, or the middle one, where it's program-focused, like the meat-cutting program at NAIT or the brewmaster's program, I mean, we feel that it's the benefits that accrue to the students from those programs that are paramount. That's the prime focus.

On the land trusts, again maybe I'll let my colleagues speak directly to that one. There is an element of, I guess, competition with the local community on those, but they do take a number of steps around ensuring that public funds aren't used to subsidize those programs. I talked about it earlier. Terms are very specific in the grant agreements that we send out to the postsecondary institutions to ensure that public funds aren't used to subsidize these for-profit ventures. We do take that very seriously, and there are safeguards in the institutions to ensure that that doesn't happen. I think it was Elizabeth who mentioned earlier, you know, that the only place where there potentially could be some subsidization occurring is within that suite of ancillary programs or other revenue-generating programs in the universities.

In terms of your final question on overleveraging, I think part of the decision-making process that the institutions have to take is ensuring that they're getting value from assets that are otherwise going to be idle. If you have a large parcel of land that you have no immediate or long-term plans for, you want to make sure that you're trying to get some revenue back from that. So it is a balance in terms of making sure that you are deriving some revenue from your assets but not overleveraging yourself. Again, I mentioned earlier that we do go through a very rigorous process in the department. All requests for borrowing have to come back to the department for evaluation. We'll look at the debt load of the institutions to ensure that they aren't overextending themselves, certainly, by the levels of debt that they're incurring and that we're satisfied that the business case strikes that right balance between risk and benefit.

The Chair: All right. We're going to be wrapping up questions soon.

Dr. Turner, did you have anything? You were on the list.

Dr. Turner: No.

Ms Payne: I'm just aware of the time.

The Chair: I'm aware of the time.

Ms Payne: Okay. I'd like to move a motion that we move directly to other business.

The Chair: That would be a debatable motion if you'd like to put it forward. Is that a debatable motion you're putting forward?

Ms Payne: It is indeed.

The Chair: Okay. So the motion is to move straight to other business. Any debate on the motion?

You'd like to speak to the motion?

Mr. Hunter: Yeah. First of all, I'd like to say, Mr. Chair, that – well, one question to you: when will the next time be that we can have these people here so we can ask them fulsome questions and finish with our inquiry?

The Chair: I suppose the other business will eat into our time today to continue with the follow-up questions members probably intended to have. We'll be having a meeting likely on the 3rd or 4th of February, our major PAC meetings. It would probably, then, fall into March or April if we wanted the earliest date to call them back to conclude our line of questioning.

Mr. Hunter: I guess my concern is that we have to wait, due to a new agenda issue that's been brought forward, in order to be able to bring these fine people back. I think that it's unfortunate that we have to do that when we have them here now. I have questions that I'd like to ask and would've appreciated being able to ask these questions.

The Chair: Mr. Westhead.

Mr. Westhead: Yeah. I appreciate Mr. Hunter's concern, and I would suggest, perhaps, that he could read the questions he wants answered into the record, and the department could get back to him, as is the usual practice for the committee if we don't have time for all of the questions.

The Chair: Okay. Would you like to read the questions into the record?

Mr. Hunter: I would, and I think that that's acceptable. But, once again, it would be wonderful if we could actually get a fulsome discussion on this as this is a big issue. Once again, we're actually in the debate of whether or not we should actually go forward with this motion, if that's what I understand, so I'm not sure whether or not I can actually read these questions into the minutes.

The Chair: Well, as the chair has the ability to move to other business, I will just move us to other business.

After consulting with members, we have preferred dates for the next two meetings out of session. Those are February 3 and 4.

An Hon. Member: There's a motion on the floor.

The Chair: Oh. Sorry. There is a motion on the floor. Would it be withdrawn if I just want to move straight to dates of meetings outside of session and other business?

Ms Gray: To other business.

The Chair: Other business. Okay. In other business we have Dr. Turner's concern, raised at last week's meeting, that a written response to one of his questions from Alberta Environment and Parks . . .

Mr. Gotfried: Mr. Chairman.

The Chair: Yes?

Mr. Gotfried: Sorry. Could we maybe just thank our presenters here and excuse them?

The Chair: Yes. I think we'd be remiss if we did not thank them for coming and for their testimony today. Thank you very much.

Dr. Turner had some issues regarding his written questions. As previously mentioned, I think that members who have requested

written responses take ownership over their specific responses and bring it to the committee's attention if they're not complete in their view. We can deal with that in more detail, however, at our next meetings.

As previously discussed, our next meetings will be on February 3 and 4 here in Edmonton.

Other business beyond that?

Ms Gray: Thank you, Mr. Chair. I move that the motion passed on December 1 with regard to the tobacco litigation be rescinded and be replaced by the following: that the Standing Committee on Public Accounts organize a meeting concerning the awarding of the tobacco litigation contract in April 2016, after the release of Justice Iacobucci's report. I make this only because at the working group meeting held yesterday, it was apparent that there was some confusion in interpreting Mr. Cyr's motion, which had a friendly amendment applied to it. With the working group a meeting date was set for March 2, only 48 hours after the report is released, and that is unreasonable. Discussion at the working group level could not resolve this difference of opinion, so I bring this discussion to the committee. Both committee members and invited guests need time to consider and respond to any recommendations found in Justice Iacobucci's report.

The Chair: That's interesting. However, under section 57(1) of the *Standing Orders of the Legislative Assembly of Alberta* a committee may not meet during the hours that the Assembly is sitting.

Therefore, I adjourn the meeting.

[The committee adjourned at 10 a.m.]

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