

Business Plan 2018–21

Treasury Board and Finance

Accountability Statement

This business plan was prepared under my direction, taking into consideration our government's policy decisions as of March 7, 2018.

original signed by

Joe Ceci, President of Treasury Board, Minister of Finance

Ministry Overview

The ministry consists of the Department of Treasury Board and Finance (TBF), together with Communications and Public Engagement, and the Public Service Commission, as well as the following Provincial agencies: Alberta Capital Finance Authority, Alberta Gaming and Liquor Commission, Alberta Local Authorities Pension Plan Corp., Alberta Pensions Services Corporation, Alberta Securities Commission, ATB Financial and its subsidiaries, Credit Union Deposit Guarantee Corporation, Automobile Insurance Rate Board and Alberta Investment Management Corporation (AIMCo). The ministry administers the following nine regulated funds: Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Lottery Fund, Alberta Risk Management Fund, Provincial Judges and Masters in Chambers Reserve Fund and the Supplementary Retirement Plan Reserve Fund. The ministry also includes N.A. Properties (1994) Ltd. and Gainers Inc.

A more detailed description of the Department of Treasury Board and Finance and its programs and initiatives can be found at www.finance.alberta.ca. A more detailed description of the Public Service Commission and its programs and services can be found at www.psc.alberta.ca. More information on the Public Agency Secretariat can be found at <https://www.alberta.ca/public-agency-secretariat.aspx>.

Strategic Context

The outcomes and key strategies identified in this business plan are aligned with the strategic direction of the Government of Alberta.

The Ministry of Treasury Board and Finance focuses on accountability, financial management, human resource and communications leadership; as well, it regulates Alberta's liquor, gaming, cannabis, financial, securities, insurance and pensions sectors. Monitoring the environment in which the ministry operates is essential to successfully meet the needs of government and Albertans.

Alberta's economy is in a broad-based recovery following a significant and prolonged downturn caused by the historic collapse in global oil prices. In 2017-18, economic growth surpassed expectations; exports, manufacturing, housing starts, wholesale trade and retail sales all saw strong increases over the year. Employment also continued to recover from the low point in the summer of 2016, with an estimated 90,000 full-time jobs added between January 2017 and January 2018.

This momentum is expected to continue into 2018, albeit at a more normal pace, with real GDP expected to grow 2.7 per cent as the province regains its footing after the recession. Nevertheless, challenges remain and many Albertans

are not yet feeling the economic recovery. In the coming years, the forecast WTI oil price is expected to remain lower than levels seen prior to 2014. Even with a strong rebound and Alberta continuing to lead the country in average weekly earnings, corporate profits and household income are expected to remain below pre-recession levels in 2018. These factors will weigh on provincial revenue, including resource royalties and taxes.

While the recession is officially over, many Albertans have not yet felt the full reach of the economic recovery. That is why our government is working to support economic development and create good jobs. Targeted tax credits and business development programs are supporting economic growth, diversifying the economy and helping Alberta businesses reach new markets. These programs include the Petrochemical Diversification Program, the Capital Investment Tax Credit, the Alberta Investor Tax Credit, and the Scientific Research and Experimental Development Tax Credit. Our government will continue to protect the programs and services that Albertans rely on – like health care, education, and social services. Our government has also taken steps to make life more affordable for Albertans by freezing tuition fees, capping electricity rates for consumers, raising the minimum wage and cutting school fees. Through the Alberta Child Benefit and enhancements to the Alberta Family Employment Tax Credit, our government is supporting and making life better for Alberta families.

Our government is continuing to carefully and prudently find savings while protecting the services that Albertans rely on. We have cut salaries and eliminated bonuses for the highest paid executives of Alberta's agencies, boards and commissions (ABCs), which is expected to save nearly \$16 million a year. We have also undertaken a review of our provincial ABCs to ensure that they remain relevant, effective and efficient and that they provide value to Albertans. A number of ABCs have been dissolved or amalgamated as a result of this process, which will save our government \$33 million over three years from 2016-17 to 2018-19. We extended a salary restraint for management and non-union employees in the public service, saving us \$29 million a year. We have strengthened a hiring restraint and frozen the size of the Alberta Public Service.

Treasury Board and Finance supports efficient, sustainable, and effective financial decisions across government. The ministry's financial expertise and sound economic analysis will ensure that public services are delivered in the most efficient way possible with strong oversight in how public dollars are spent. The ministry also sets policies and standards to promote responsible financial practices and conducts internal audits to ensure compliance, manage risks and safeguard public assets. The review of ABCs will keep moving forward to make sure they have strong governance and oversight, and are relevant to the public interest. Through an open recruitment process, board members will reflect today's Alberta, with a broad range of backgrounds, and lived and learned experience. Through the adoption of Gender-based Analysis Plus (GBA+), our government is committed to advancing gender equality.

As our government continues to make life better for Albertans, we are also focused on economic growth, diversifying the economy and creating good jobs. Treasury Board and Finance will continue to be a trusted leader and partner in the strategic direction of financial and economic policy, related services and communications that will support Albertans now and into the future.

Outcomes, Key Strategies and Performance Measures

Outcome One: A strong and resilient financial foundation that supports government services for current and future generations

A strong and resilient financial foundation supports government priorities, strategic goals and services. This foundation is dependent on Alberta's current economy and its future growth. Partnering with all government ministries, TBF acts as government's chief economic and fiscal advisor, leveraging its expertise and resources to provide critical information, analysis and advice to support economic development and provide leadership in developing fiscal policies and plans. TBF manages our government's financial systems to ensure timely, optimized revenue streams, fair and progressive taxation, informed spending decisions and sound borrowing and investment strategies that uphold Alberta's finances. Through these roles, TBF supports a strong and resilient financial foundation for the benefit of current and future Albertans from all walks of life. We are proud that we have a progressive tax system that continues to maintain Alberta's tax advantage over other provinces and jurisdictions. We are addressing our current fiscal challenges in a fair manner that protects the services that Albertans rely on.

Key Strategies:

- 1.1 Act as government's chief fiscal policy advisor to ensure that key strategies consider the fiscal and economic impacts on Albertans. Ensure that strategic financial considerations, including efficiency, affordability and fairness, are embedded into the development and implementation of all government initiatives.
- 1.2 Provide useful and reliable financial and economic information, objective analysis and identification of solutions to achieve effective decision-making, efficient delivery of services, and economic growth.
- 1.3 Monitor the fairness, competitiveness, economic efficiency, and revenue stability of Alberta's tax system and provide supporting recommendations.
- 1.4 Collect and administer revenue fairly, effectively and efficiently. This includes strengthening and improving processes with respect to tax and revenue collections and tax filing.
- 1.5 Lead government's financial planning and budgeting to find savings in operational expenses and ensure that initiatives undertaken by departments and agencies, boards and commissions are aligned with government priorities and make the best use of government's financial assets.
- 1.6 Invest strategically and borrow prudently to sustain robust government finances.
- 1.7 Modernize policies, processes and structures to improve the efficiency and functionality of our government's finance and accounting systems.

Performance Measures	Last Actual 2016-17	Target 2018-19	Target 2019-20	Target 2020-21
1.a Sustainable operating spending growth (operating spending relative to population plus CPI) ¹	3.1% (Operating expense growth) 2.4% (CPI plus population)	Operating spending growth will not exceed population plus CPI growth		
1.b The Alberta Heritage Savings Trust Fund will earn a five-year annualized rate of return of CPI plus 4.5 per cent ²	11.0% (4.0% above target)	CPI + 4.5%		
1.c Investment returns in excess of the benchmark through active management, for the endowment and pension funds, annualized over a five-year period	0.9%	1%	1%	1%

Performance Measures	Last Actual 2016-17	Target 2018-19	Target 2019-20	Target 2020-21
1.d Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency) ³	9.2:1	9:1	9:1	9:1
1.e Interprovincial Tax Comparison: Alberta's ranking	#1	#1	#1	#1
1.f Interprovincial tax comparison for employment Income up to \$75,000: Alberta ranking (One Income Couple with Two Children)	#1	#1	#1	#1
1.g Interprovincial government financial wealth comparison – Alberta ranking ⁴	#1	#1	#1	#1

Notes:

- ¹ CPI stands for Consumer Price Index which is a measure of inflation.
- ² This measure is used to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions. It is measured by comparing the return on the policy benchmark to the real return target.
- ³ The new ratio no longer includes principal recoveries made on behalf of the Canada Revenue Agency.
- ⁴ The total value of government's financial assets minus the total value of outstanding liabilities, compared with all provinces on per capita basis.

Linking Performance Measures to Outcomes:

- 1.a The combined rate of growth in population plus inflation is considered a measure regarding the potential rate of growth in government operating expense.
- 1.b The Alberta Heritage Saving Trust Fund is the province's primary long-term savings vehicle. The fund provides an alternative source of income which can potentially provide a partial offset to resource revenue.
- 1.c AIMCo's primary goal is to provide returns through active management over and above what the market returns.
- 1.d Demonstrates efficient tax and revenue administration. For every dollar spent on administering tax and revenue programs, our government is targeting to recover 9 dollars in revenue. Revisions to the TRA performance measure ratio of amounts added to net tax revenue to costs of administration require a new target to be established. Changing this ratio simply reflects an adjustment in methodology, and there is no change to the efficiency of how government administers tax and revenue. The new ratio no longer includes principal recoveries made on behalf of the Canada Revenue Agency. This better demonstrates the value Albertans receive by having corporate taxes administered by the province.
- 1.e Alberta's Tax Advantage: Interprovincial tax comparison ranking among provinces.
- 1.f Alberta's Tax Advantage: Interprovincial tax comparison ranking among provinces – employment income up to \$75,000.
- 1.g Balance sheet measure that shows Government of Alberta's ability, comparing to other provinces, to meet its debt obligations. It measures Alberta government's financial resilience.

Outcome Two: Policy and regulatory oversight for the liquor, gaming, cannabis, financial, securities, insurance and pensions sectors that is effective, fair and in the interests of Albertans

The Ministry of Treasury Board and Finance influences the livelihood of Albertans and Alberta-based businesses by setting effective policies and regulations around the province’s liquor, gaming, cannabis, financial, securities, insurance and pensions sectors. We continue to update legislation to make life better for Albertans. The goal is to ensure these policy and regulatory systems are fair, transparent and in the interest of all Albertans.

Key Strategies:

- 2.1 Continuously scan the environment for best practices and risks to monitor the current and emerging issues and trends that may have significant impacts on Alberta’s liquor, gaming, cannabis, financial, securities, insurance and pensions sectors.
- 2.2 Lead and implement changes to keep the legislation, regulation and policy of Alberta’s liquor, gaming, cannabis, financial, securities, insurance and pensions sectors current, based on best practices, and focused on making life better for Albertans.
- 2.3 Continue to work cooperatively with other jurisdictions to improve securities regulation in Canada and ensure a provincially-led regulatory system that meets the needs of Alberta market participants and investors.
- 2.4 Support Alberta businesses by encouraging investments and improving access to capital for small and medium-sized enterprises.
- 2.5 Promote responsible growth of gaming, liquor and cannabis industries for the benefit of Albertans through regulatory innovation and continuous improvement supported by a culture of moderation.
- 2.6 Implement a cannabis framework according to the recommendations developed through consultation with the public as well as federal stakeholders that best serves the interest of Albertans.

Performance Measures	Last Actual 2016-17	Target 2018-19	Target 2019-20	Target 2020-21
2.a ATB Financial return on average risk weighted assets	0.45%	0.80%	0.94%	1.10%
2.b Employment pensions funded ratio ¹	102.7%	100%	100%	100%
2.c Alberta incorporated insurance companies rated as stable by the Superintendent of Insurance	100%	100%	100%	100%

Note:

¹ Funded ratio indicates the degree to which assets cover liabilities. Plans must be at least 100 per cent funded on an ongoing basis.

Linking Performance Measures to Outcomes:

- 2.a The return on average risk weighted assets measures regulatory oversight of the financial sector. It is an industry standard to measure efficient use of capital.
- 2.b Oversight of private sector pension plans helps ensure that Alberta pension plan members receive retirement income that the plans intend to provide.
- 2.c Monitoring capital levels helps to ensure insurers remain solvent and have funds to pay claims to Albertans when they come due.

Outcome Three: Excellence in government accountability and transparency

Our government is accountable to Albertans. Maintaining financial integrity and information transparency, and excellence in the use and distribution of information enhances public confidence in our government. TBF sets policies and standards to ensure responsible financial practices. The Public Agency Secretariat leads government-wide initiatives to enhance the governance of Alberta's agencies.

Key Strategies:

- 3.1 Provide timely, reliable and relevant accounting, budgeting and policy advice to ensure Alberta's finances are presented in a clear format that reflects public sector financial reporting standards.
- 3.2 Report on government's performance and progress on priorities in a transparent and balanced manner.
- 3.3 Ensure government programs and services meet the purposes intended and achieve efficiencies through internal audit and risk management.
- 3.4 Develop policies and provide assistance, tools and advice to government departments and public agencies to support best practices in public agency governance, reporting, accountability and evaluation.
- 3.5 Provide support and guidance in ensuring an effective and transparent process for recruitment and appointment of a diverse range of qualified candidates to public agencies.

Performance Measure	Last Actual 2015-16	Target 2017-18	Target 2018-19	Target 2019-20
3.a Financial reporting: • Auditor General opinion on Government of Alberta Consolidated Financial Statements	Unqualified	Unqualified	Unqualified	Unqualified
3.b Meet statutory deadlines for financial reporting	Yes	Yes	Yes	Yes

Linking Performance Measures to Outcomes:

- 3.a The opinion of the independent auditor's report issued by the Auditor General for our government's consolidated financial statements is a measure of government's accountability and transparency. It testifies to the public that the consolidated financial statements are presented fairly and in accordance with the Canada Public Sector Accounting standards.
- 3.b Financial reporting statutory deadlines ensure timely reporting of information. Meeting the statutory deadlines demonstrates to the public that government has responsible financial practices and is compliant with its legislation.

Outcome Four: A strong and inclusive public service working together for Albertans

The Public Service Commission supports the Alberta Public Service with policies, services and programs that equip public servants to best serve Albertans and ensure they have a professional, non-partisan, diverse and inclusive public service. The Public Service Commission provides expert leadership, advice and guidance to employees.

Key Strategies:

- 4.1 Strengthen policies and programs to ensure a diverse and inclusive workforce.
- 4.2 Continue improving employee engagement across the Alberta Public Service.
- 4.3 Modernize policies, processes and structures to improve the efficiency and functionality of the government's human resource systems.

Performance Measure	Last Actual 2015-16	Target 2018-19	Target 2019-20	Target 2020-21
4.a Alberta Public Service employee engagement index (biennial survey) ¹	60%	65%	n/a ²	70%

Notes:

¹ Index consists of seven questions that measure outcomes of employee engagement in the Alberta Public Service.

² As the Employee Engagement Survey takes place once every two years, targets are not applicable for 2019-20.

Linking Performance Measures to Outcomes:

- 4.a Stronger employee engagement is correlated with greater staff retention, productivity and enhanced service to the public.

Performance Indicator	Actual 2013-14	Actual 2014-15	Actual 2015-16	Actual 2016-17
4.a Employee engagement index inter-jurisdictional average ¹	62%	59%	63%	64%

Note:

¹ Index consists of seven questions that measure outcomes of employee engagement for participating provinces and territories. The method of averaging inter-jurisdictional results was updated in 2016-17, resulting in a small change in the 2015-16 actual result.

Outcome Five: Effective, efficient communication of government priorities and initiatives

Communications and Public Engagement (CPE) is government's full-service communications, public relations and marketing office. Its mandate is to enhance communications between the Government of Alberta and Albertans. CPE does this by communicating government's key priorities to all Albertans. This is accomplished by providing a large array of communications activities and services, examples include: strategic advice provided to ministries to support submissions to Cabinet and its committees, public opinion survey results, social media reaction and traffic, news releases, announcements, etc.

Key Strategies:

- 5.1 Consolidate external communications and marketing units of government departments into the Office of Communications and Public Engagement to achieve savings.
- 5.2 Aggressively expand inclusive and alternate forms of communications for non-English speakers, literacy challenged, and vision or hearing impaired audiences.
- 5.3 Effectively, efficiently and consistently present government information across a spectrum of platforms including advertising, web, social media, text, email, signage, mail, print, video, graphics and audio, and media.
- 5.4 Provide crisis communications co-ordination and support in times of emergency.

Performance Measures	Last Actual 2016-17	Target 2018-19	Target 2019-20	Target 2020-21
5.a Alberta.ca sessions per capita ¹	0.94	n/a	1.2	1.4
5.b Proactive and reactive communication to Albertans via government channels ²	113m	n/a	115m	116m

Note:

- ¹ A session is a group of user interactions with a website – such as page views or ecommerce transactions – that take place within a given time frame. For this measure we consider only sessions originating in Alberta.
- ² Government interaction with the public, predominately through web and social media communications, measured in million impressions.

Linking Performance Measures to Outcomes:

- 5.a. Increasing use of our primary communications channel, the government of Alberta website, and expanding our reach via social media will reflect effective deployment of communications resources.
- 5.b. Increasing interactions with Albertans by expanding the mechanisms that allow frequent communications with Albertans, including twitter, media, news releases, correspondence, emails, etc.

Risks to Achieving Outcomes

TBF has identified and is working to manage the following strategic risks:

- **Manage the challenges of external economic, geopolitical, and financial uncertainties through thorough prudent and transparent planning and advice** – Price volatility in Alberta’s major commodities, unforeseen changes with interest rates and investments, and other external factors may impact the assumptions used for our financial and economic advice; therefore, strategic financial scenarios will continue to be carefully considered in our government’s budgeting, forecasts, and other key decisions.
- **Evolving Regulatory Space** – Innovative trends and emerging technological advancements are altering the products and services industry offers. Ensuring effective regulatory oversight, to protect consumers and ensure vibrant, well-functioning, markets, is essential. Government will work to increase its understanding of systematic change, and position itself to respond proactively to new and emerging issues.
- **Evolving workforce needs and work environment** – The demographics and diversity of the workforce in Alberta are changing. Expectations for flexible, responsive and engaging work environments have increased. The workforce is able to access global information and new technologies with more ease and speed. As a result, workplaces and workforces need to be modern and agile.

STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2018-19 Estimate	2019-20 Target	2020-21 Target
	2016-17 Actual	2017-18 Budget	2017-18 Forecast			
REVENUE						
Internal Government Transfers	-	3,970	3,848	635	50	-
Personal Income Tax	10,762,702	11,177,324	10,854,600	11,387,106	11,984,207	12,635,050
Corporate Income Tax	3,769,347	3,917,852	3,852,251	4,550,752	5,292,755	5,719,373
Other Taxes	3,179,301	4,131,174	3,984,530	4,428,460	4,583,054	4,831,615
Transfers from Government of Canada	1,562,847	1,618,345	1,635,160	1,661,708	1,718,094	1,777,080
Investment Income	3,355,968	1,903,589	2,779,410	2,592,630	2,852,009	3,024,209
Net Income from Commercial Operations	2,466,823	2,436,557	2,484,217	2,497,152	2,554,074	2,722,691
Premiums, Fees and Licences	151,117	130,673	169,451	178,212	191,271	208,141
Other Revenue	377,777	405,104	421,330	430,214	444,764	458,772
Ministry Total	25,625,882	25,724,588	26,184,797	27,726,869	29,620,278	31,376,931
Inter-Ministry Consolidations	(145,069)	(159,014)	(157,371)	(159,159)	(163,578)	(167,257)
Consolidated Total	25,480,813	25,565,574	26,027,426	27,567,710	29,456,700	31,209,674
EXPENSE						
Ministry Support Services	20,582	21,107	21,782	20,654	20,695	20,685
Budget Development and Reporting	4,467	4,979	4,777	5,143	5,143	5,143
Fiscal Planning and Economic Analysis	5,251	5,659	5,578	5,548	5,548	5,548
Investment, Treasury and Risk Management	666,595	686,809	709,919	724,481	716,484	724,181
Office of the Controller	2,381	2,658	2,519	2,880	2,880	2,880
Corporate Internal Audit Services	3,276	3,635	3,494	3,482	3,482	3,482
Tax and Revenue Management	51,842	39,680	50,069	47,035	45,035	42,535
Financial Sector and Pensions	175,268	193,554	185,082	190,882	193,172	195,739
Provincial Bargaining Coordination Office	1,338	2,212	2,179	2,381	2,381	2,381
Public Service Commission	25,979	30,650	28,823	29,458	29,452	29,451
Communications and Public Engagement	37,756	40,389	40,389	40,527	40,527	40,527
Gaming	42,827	43,400	41,600	43,800	45,800	47,800
Climate Leadership Plan - Consumer Rebates	152,060	410,000	310,439	525,000	515,000	505,000
Teachers' Pre-1992 Pensions - Payments	469,456	473,333	473,333	477,167	478,583	479,583
Alberta Family Employment Tax Credit	137,524	146,500	146,500	152,698	155,638	158,751
Scientific Research and Experimental Development Tax Credits	68,544	87,000	75,000	79,000	83,000	88,000
Corporate Income Tax Allowance Provision	(141,912)	15,000	15,000	15,000	15,000	15,000
General Debt Servicing	422,823	611,025	588,190	1,019,766	1,353,047	1,685,190
Capital Debt Servicing	467,029	656,000	638,000	775,000	956,000	1,122,000
Change in Unfunded Pension Obligation	(434,481)	(129,000)	(241,000)	(149,000)	(155,000)	(172,000)
Ministry Total	2,178,605	3,344,590	3,101,673	4,010,902	4,511,867	5,001,876
Inter-Ministry Consolidations	(321,234)	(335,784)	(339,160)	(342,974)	(325,366)	(328,878)
Consolidated Total	1,857,371	3,008,806	2,762,513	3,667,928	4,186,501	4,672,998
Net Operating Result	23,623,442	22,556,768	23,264,913	23,899,782	25,270,199	26,536,676

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STATEMENT OF OPERATIONS ... continued

(thousands of dollars)	Comparable			2018-19 Estimate	2019-20 Target	2020-21 Target
	2016-17 Actual	2017-18 Budget	2017-18 Forecast			
CAPITAL INVESTMENT						
Ministry Support Services	2,109	6,793	6,606	3,043	2,023	1,973
Investment, Treasury and Risk Management	6,851	11,272	11,272	14,468	8,000	8,000
Financial Sector and Pensions	6,054	3,901	2,770	3,317	2,843	2,969
Ministry Total	15,014	21,966	20,648	20,828	12,866	12,942
Inter-Ministry Consolidations	-	(3,970)	(3,970)	(770)	(50)	-
Consolidated Total	15,014	17,996	16,678	20,058	12,816	12,942