

REPORT OF THE PUBLIC BOARD MEETING DECEMBER 2009

The Alberta Health Services Board met on December 3, 2009 at University of Alberta Hospital in Edmonton. The following is an account of the motions that were passed at the meeting. A summary is released following each Board meeting and posted on the AHS external and internal websites. The meeting can also be viewed in its entirety from a link on the www.albertahealthservices.ca website. If you have any questions regarding these reports, please do not hesitate to contact the Board Office at ahsb.admin@albertahealthservices.ca or at 1-866-943-1120.

MAIN ITEMS OF DISCUSSION

Human Resources Strategy

The Alberta Health Services Board approved Alberta Health Services' first Human Resources Strategy.

AHS committed to the creation of a Board-endorsed Human Resources management plan by December 31, 2009. A transparent and stakeholder-endorsed Human Resources strategy, with supporting initiatives and measures, is foundational to AHS's ability to achieve its goals and reflect its values.

A draft HR Strategy document was presented to the AHS senior leadership team on September 17, 2009. Input was received and incorporated into the plan. The revised document was subsequently presented to all members of the HR team in "town hall" meetings to gain input and commitment. A final version of the document was posted on the AHS website for input by internal and external stakeholders and was presented to the HR Committee for endorsement and recommendation to the Board. The organizational structure of the Human Resources portfolio has been defined by the approved Human Resources Strategy.

This Strategy has a short time horizon of 12 to 18 months to reflect the importance of developing a strong foundation to support leaders and staff in achieving our goals and values, and forms the basis for our long-term Human Resources strategic plan. It will support our ability to integrate research and evidence into new ways of practice; develop innovative career ladder opportunities; support multidisciplinary team care delivery; and support continuous learning opportunities and a constant quest for improvement.

Compensation Structure and Employment Contracts

A standard employment contract has now been developed for Senior Executives and is based on the proposed compensation structure and the standardized approach to areas such as severance obligations. As part of the recruitment process, the President and CEO should have the authority to negotiate and approve employment contracts if they fall within the Senior Executive compensation structure and the standard contract template. All contracts for Senior Executives are subject to approval by the Minister of Health and Wellness.

The Alberta Health Services Board:

- Approved the compensation structure for the President and Chief Executive Officer's direct reports ; and
- Noted that the President and Chief Executive Officer has the authority to negotiate and approve employment contracts within the approved compensation structure using the standard employment contract template for the President and Chief Executive Officer's direct reports.

Enterprise Risk Management

The Alberta Health Services Board approved the Enterprise Risk Management (“ERM”) Policy, to support the adoption of ERM processes to systematically assess and manage strategic risk as part of an effective governance program, as espoused by Alberta’s Office of the Auditor General, the Agency Governance Secretariat, and the Conference Board of Canada.

An Enterprise Risk Management Policy, Framework and Implementation plan has been developed. The mission of the ERM function is to ensure the timely mitigation of risk or adverse events that may impact AHS and to provide reasonable reassurance to management and the Board on process controls.

An effective risk management program generates a comprehensive list of risks based on events and circumstances that might affect the achievement of strategic objectives. The risk management process will help guide decisions regarding planning, allocating resources, and internal auditing.

2009/2010 Modified Audit Plan/Budget

The Alberta Health Services Board approved a Modified 2009/2010 Audit Plan/Budget which will be implemented by Management.

Due to resource constraints, a modified internal audit plan was presented to the Audit and Finance Committee in September 2009. The Audit and Finance Committee requested that the new Vice President, Internal Audit review the modified plan.

The modified plan has been reviewed and changes made to the plan include:

- a shift from transactional testing to the assessment of implementation of key financial policies;
- the inclusion of more tightly focused advisory projects;
- the deferral of some projects (e.g. network security) to align with planning and rollout of strategies;
- the consideration of current resources;
- the addition of timelines as requested by the Audit and Finance Committee; and
- the addition of a Pandemic (H1N1) Response review to reflect risks identified through ERM processes.

Parkade Borrowing

The Alberta Health Services Board authorized the Chief Executive Officer (or delegate) to:

- 1) Borrow up to \$255M to fund the costs of parkade projects from Alberta Capital Finance Authority;
- 2) Pledge as security for such borrowing all of the revenue generated from AHS' parking services in order to meet covenants;
- 3) Repay ACFA for these project costs from the revenue generated from AHS' parking revenues;
- 4) Where interest cost can be reduced in the short term, enter into a short term bridge / construction financing facility with Royal Bank of Canada (RBC) secured by proceeds from Alberta Capital Finance Authority; and
- 5) Obtain such approvals from the Minister as may be required to complete items 1 to 4 above.

AHS is seeking debt financing for the building / completion of five parkade projects. Further, current estimated total additional financing required for these parkades is approximately \$230M, however both the Lethbridge and Red Deer structures have yet to be finalized or approved. Additional capacity of \$25M has been included for a total borrowing capacity of \$255M. Approval to build / complete these parkades is subject to obtaining such financing and AHS Board approval. Once financing is approved, the Ministerial approval process will commence with a review of this business case.

Budget Reclassification

The Alberta Health Services Board approved a minor Budget Reclassification for the 2009/2010 Financial Plan:

- Total Revenue changed from \$9,762M to \$9,787M;
- Total Expense changed from \$10,647M to \$10,672M; and
- No change in the Deficit.

The initial preparation of the budget was a top-down approach using high level assumptions for inclusion in the Financial Plan. Because the Financial Plan is high level, the ability to drill down and explain variances is limited.

The financial reporting includes the detailed budget instead of the Financial Plan for the annual budget. Approval by the AHS Board of the aggregated detailed budget allows continued use of the detailed budget and better variance explanations in the quarterly financial reports to Alberta Health and Wellness and in the annual report regarding the year end audited financial statements.

Second Quarter Financial Reports

The Alberta Health Services Board approved the Second Quarter Financial Report.

This is the first quarterly financial report since AHS was created in April 2009, and reflects Alberta Health Services' commitment to transparency and accountability.

The actual operating deficit for the six months ending September 30, 2009, was \$301M, compared to the year-to-date budgeted deficit of \$356M.

Total revenues of \$4,733M and total expenses of \$5,034M were both slightly ahead of budget, primarily due to administrative savings initiatives, including vacancy management and changes and improvements in procurement.

The operating deficit projected for this fiscal year is \$812M, compared to the projected budgeted deficit of \$885M. The forecasted operating deficit may change, depending on, among other things, the severity of the H1N1 pandemic and associated costs.

The accumulated deficit at September 30, 2009, was \$682M, compared to \$343M at the beginning of the year. The budgeted accumulated deficit at March 31, 2010, was \$1,273M; the forecast accumulated deficit is \$1,238M.

Alberta Health Services is managing operational and financial risks while continuing to balance access, quality and sustainability. The financial statements are available on our website at www.albertahealthservices.ca/205.asp.

Summary: Second quarter results compared to budget on September 30, 2009

- Current operating deficit is \$301 million (\$55 million compared to budgeted \$356 million)
- Total current revenues of \$4,733 million (\$33 million compared to budgeted \$4,700 million)
- Total current expenses of \$5,034 million (\$22 million compared to budgeted \$5,056 million)

Year-end forecast compared to budget

- Current forecasted operating deficit for the fiscal year is \$812 million (\$73 million better than projected \$885 million)

Alberta Health and Wellness Leaseback Michener Bend Red Deer

The Alberta Health Services Board approved a request for Ministerial approval for a nominal sum lease for 2.41 acres of land and buildings at 43 Michener Bend from Alberta Health Services to Alberta Infrastructure for use by Persons with Developmental Disabilities (PDD), a division of Seniors and Community Supports.

In 2005, the former David Thompson Health Region responded to an Expression of Interest and Request For Proposals to re-establish the former South Administration Building at Michener Services in Red Deer Alberta. The building had been partially destroyed by a lightning strike and fire in 2003. Lease-back of some of these properties to government were a condition of the EOI and RFP issued by Alberta Infrastructure. One of the buildings on the site is a clinic building for Persons with Developmental Disabilities clients and the other is the former fire hall now used as an education centre.

Ministerial approval to transfer the 13.27 acres of land at Corporate Centre – Michener Hill from the Province of Alberta to Alberta Health Services was granted in January 2009.

The 2.41 acres and buildings have been continually occupied by Persons with Developmental Disabilities. Agreement for the lease of this property back to government must occur prior to the transfer of the overall 13.72 parcel to AHS. Ministerial approval is necessary prior to any AHS lease transaction.

Royal Bank of Canada (RBC) Credit Facilities

The Alberta Health Services Board authorized the Chief Executive Officer (or delegate) to:

- 1) Enter into a \$220M general operating line of credit / overdraft facility with RBC;
- 2) Enter into a letter of credit of up to \$40M/ letter of guarantee facility with RBC as required; and
- 3) Provide general security as may be required to enter into these credit facilities.

In response to the RFP process, RBC approved AHS' request for an overdraft / operating line of credit of \$220M for general operating requirements at a rate of Prime minus 0.5%, or 1.75% based on current rates, as well as a letter of credit / guarantee limit of \$40M at a cost of 50 basis points under Prime.

AHS is currently in discussions with RBC in regard to any general security / collateral required to enter into these credit facilities.

Committee of the Whole Terms of Reference

The Alberta Health Services Board formally ratified the establishment of the Committee of the Whole and approved and adopted the Committee of the Whole Terms of Reference.

Members of the Board have been meeting as a Committee of the Whole prior to holding public Board meetings in order to allow for a full and detailed debate on strategic issues or agenda items including those of a confidential nature, thereby permitting the Board to carry out its responsibilities in an effective and efficient manner. After a review of general governance principles, it was recommended that the Board formally ratify the establishment of the Committee of the Whole and approve and adopt the TOR.

In drafting the TOR, the current role of the Committee of the Whole was considered. Management also reviewed and considered Committee of the Whole Terms of Reference from some of the former regional health authorities, as well as other health authorities in the country.

Communications Strategic Plan

The Alberta Health Services Board approved the Communications Strategic Plan.

A draft AHS Communications Strategic Plan was presented for consideration and feedback at a special meeting of the Governance Committee on October 26, 2009. Feedback received at the special meeting of the Committee has been incorporated, including opportunities to help shape organizational culture, improve AHS' alignment with government and improved communications with physicians, nurses and other health care workers.

Code of Conduct

The Alberta Health Services Board approved the revised Code of Conduct.

The Code is based on AHS' philosophy, rather than outlining specific rules to follow. It emphasizes our values and principles and applies equally to all staff and AHS representatives. Through consultation on the new Code, comments were received from staff, physicians, volunteers, professional regulatory bodies, unions and academic centres. All were thanked for their input.

The new Code will be in effect as of January 1, 2010 and will replace the current Code.

The Code is posted on the AHS website at <http://www.albertahealthservices.ca/files/pub-2010-01-01-code-of-conduct.pdf>.

Health Advisory Council Membership Recommendations for Health Advisory Councils 1, 2, 3, 4, 5, 6, 7, 8, 9, 11 and 12

The Alberta Health Services Board:

- approved Health Advisory Councils Membership Recommendations for Health Advisory Councils 1, 2, 3, 4, 5, 6, 7, 8, 9, 11 and 12; and
- approved terms of appointment for members of Health Advisory Councils 7, 9 and 10.

Membership recommendations for Health Advisory Councils 1, 2, 3, 4, 5, 6, 7, 8, 9, 11 and 12 were made to the Alberta Health Services Board. Council members were sought who could represent the diversity of a geographic area; possess a broad spectrum of health care knowledge and related matters; and generally were well-connected to the opinions and perspectives of their local communities.

Members of Health Advisory Councils 7 (Edmonton and area), 9 (Red Deer and area) and 10 (Calgary and area) were appointed on October 29, 2009. Fourteen members were appointed to councils 7 and 9. It was recommended that an additional member be appointed to each of these councils.

Council members will be appointed for two or three-year terms. Varied term lengths will allow staged turnover of council members and help maintain experience. When appointments were made on October 29, 2009 to councils 7, 9 and 10, the term of appointment for each member was not determined. Recommended terms of appointment for members of these councils was included.

OTHER BOARD ACTIVITIES IN EDMONTON

In addition to the public meeting, the Board met as a Committee of the Whole.

The next Public Board Meeting is scheduled to be held in Calgary on January 21, 2010. Please check the Alberta Health Services website for further information.