Morning issues summary

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Morning Minister,

Flagging that the London Free Press has released an article about the issue you spoke to in Question Period yesterday regarding executive compensation at Western University.

I have included the article in this email and highlighted the portions of it that you and MPP Sattler are mentioned in.

Issues Summary – Western University Executive Compensation

Faculty at Western University are opposing plans by the school to boost pay for 5 executives by a total of more than $400,000.

The faculty is arguing that executive compensation increases should be capped at 3% instead of the 5% allowed by our government.

But Western is justifying these proposed increases by comparing its executive salaries with those at national hospitals and universities with bigger budgets and higher international rankings.

Key messaging:

- Our government froze salaries across the broader public sector in 2012.
- Those salaries will remain frozen until organizations submit a compliant framework.
- As a government, we need to strike a balance between attracting great talent and setting fair and reasonable compensation packages for BPS executives.
- If that balance is not achieved, salaries will remain frozen until organizations submit a compliant framework.

· The government remains committed to ensuring fairness and accountability when it comes to executive compensation.

· That's why our framework enforces strict rules that prohibit executives from receiving unnecessary perks.

· To be clear – it is our expectation of the broader public sector that every dollar of public money should be spent with good intention and consideration

· We believe the people of Ontario have a right to know how their dollars are being spent and deserve a clear rationale for why executives are paid what they are.

· That's why we implemented the Broader Public Sector Executive Framework in September 2016.

· The framework requires enhanced transparency through the public posting of the executive compensation frameworks.

· So, Ontarians now have the opportunity to provide feedback on compliant frameworks.

Articles

Jonathan Sher, London Free Press - MPP Sattler rips Grits over Western execs' pay hikes
Andrew Coyne, London Free Press - Time to take the books away from the cooks; The public deserves to see honest numbers

MPP Sattler rips Grits over Western execs' pay hikes (London Free Press)

London Free Press
Thu May 3 2018
Page: A3
Section: News
Byline: Jonathan Sher
Source: London Free Press
Western University's plans to boost salaries of its top brass came under fire Wednesday in the Ontario legislature.
MPP Peggy Sattler (NDP -London West) hammered Premier Kathleen Wynne's government for green-lighting proposed pay hikes at Western that would add

more than $400,000 to the combined pay of its five most senior executives.
"Why has this Liberal government not put in meaningful controls?" Sattler said.
Wynne did not respond, instead directing Treasury Board Pres-ident Eleanor McMahon to reply.
McMahon defended her government, noting it had imposed a seven-year pay freeze on senior public executives. While the Liberals have lifted that freeze, they have restricted the sort of perks that can be given and required universities to post publicly their plans to boost executive pay.
The need to keep pay under control must be balanced by the need for universities to attract top talent, she said. "It's important to strike a balance," said McMahon.
But Sattler says that balance is skewed when the same Liberal government that has green-lighted executive salary hikes also provides the least funding per student of all Canadian provinces.
Interviewed later, Sattler said she wasn't satisfied with McMahon's response.
"She didn't address the concern that allowing boards of governors to select their own comparator institutions doesn't deal with the validity of those comparator institutions, so therefore can lead to unreasonable and inappropriate salary increases." Sattler was not alone in her opposition. This week, Western faculty said increases should be capped at three per cent, not the five per cent allowed by the province. The faculty association also objected to how Western justified proposed increases by comparing its executive salaries with those at national hospitals and universities with bigger budgets and higher international rankings.
Western should compare itself to similar Ontario schools, such as Queen's University and the University of Guelph, the faculty association said.
Western isn't the only school proposing increases after the province lifted the pay freeze. The University of Toronto has proposed benchmarking its salaries in part on pay at U.S. universities like UCLA.
In its proposed framework, Western chose six universities with which to compare itself: Alberta, Calgary, McGill, McMaster, Ottawa and Toronto.
Members of the school and broader communities have until May 25 to respond.
The full framework can be found at uwo.ca/univsec/exec_comp. Under its terms, pay for the school president could grow to $595,000 from $484,000.
The issue of pay for senior brass came under public scrutiny in 2015 after a former chair of the Western board agreed to let President Amit Chakma cash in unused administrative leave, which led to a doubling in his pay, a vote by the school senate that fell short of nonconfidence and a review by retired justice Stephen Goudge that recommended changes to the way the school uses administrative leave.
Western did not respond to a request for comment. With files from Free Press reporter Dale Carruthers.
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Time to take the books away from the cooks; The public deserves to see honest numbers (London Free Press)

London Free Press
Thu May 3 2018
Page: NP4
Section: Canada
Byline: Andrew Coyne
Source: National Post

Last week's blast from the Ontario Auditor General, accusing the Wynne government of misrepresenting the true state of the province's finances to the tune of billions of dollars a year, was dismissed by the government as an "accounting dispute." This is true, in the sense that it is a dispute with the accountants, i.e. the people with the authority to decide these things. In the same way, an accusation of tax fraud may be described as a "tax dispute," or a theft as a dispute over property. If a corporation were found to have misstated its books the way the Wynne government has, its CEO would not be able to shrug it off quite so insouciantly. Only it's the government, so as usual the normal rules don't apply.

At any rate, now the province's Financial Accountability Office has weighed in. Where the government's 2018 budget projects deficits of roughly $6.5 billion a year over the next three years, the FAO, like the Auditor General, puts the true figure at more than $12 billion.

As for that "accounting dispute," it's true that not everyone agrees with the Auditor General on the question of whether surpluses in the province's two largest public pension plans should be recorded as assets on the government's books. That does not entitle the government to simply ignore her.

First, it's not clear the government has access to those surpluses in any meaningful sense. Certainly it could not do so by unilaterally reducing its contributions to the plans, which are co-managed with its employees.

And second, it's not clear the surpluses even exist. As the C. D. Howe Institute has noted, public pension plans tend to discount their liabilities at higher rates than is either usual or prudent - and the province discounts them at a higher rate still.

"Using a more appropriate discount rate," the Institute argues, "would show not pension surpluses, but deficits - and likely big ones." Neither is the pension issue the only count on which the Wynne government stands indicted. There is also the "Fair Hydro Plan," under which it suppressed the soaring electricity rates that were killing its chances of re-election, borrowed the difference, then understated the debt by recording a phantom asset against it - the higher revenues it will supposedly collect years hence when it jacks up rates again. The AG calls this attempt to book revenues that may or may not materialize in future as if they were earned in the present "bogus" accounting. Another "dispute"? But then, these are just the most obvious dodges the Ontario Liberals have employed to obscure their fiscal record. The budget deficit, in particular, has ceased to mean much of anything, as the government has moved more and more of its borrowing off-budget. So even as recent budgets showed the deficit declining to near zero, the debt was growing by tens of billions.

As indeed it will continue to do. Over the next three years, the FAO projects the province will add another $70 billion to its net debt.

While the government forecasts a balanced budget by 2024-25, that's based on a sudden and hitherto-undetected commitment to restraint: after growing for three years at 4.2 per cent per year, spending later slows to just half that pace.

On more realistic assumptions, the FAO finds, deficits would grow steadily worse. The debt-to-GDP ratio, already at nearly 40 per cent, would exceed 45 per cent - roughly twice what it was when Bob Rae's NDP government was freaking everyone out.

Understated expenses.

Overstated revenues. Hidden debts. Conveniently optimistic assumptions. One wishes this were unusual. But in fact, as a new C. D.

Howe report finds, Ontario is not even the worst offender among Canada's governments (PEI is worse). Generally, provincial financial statements can charitably be described as inconsistent - inconsistent with each other; inconsistent between budgets, estimates, and public accounts; inconsistent with generally accepted accounting practices.

This is, needless to say, unacceptable. It is our money governments are spending; those in temporary charge of their finances are our employees. Their responsibility is to tell us clearly how much of our money they are spending, and on what; instead, they seem to do their level best to be as obscure and misleading as possible.

Which raises the question, again, of why we entrust the public accounts to people with a proven record of lying to us? It is time, surely, to take the books away from the cooks: to hand formal responsibility for recording and stating the government's financial position to an independent and impartial body, at arms' length from ministers and their staff. Governments would have access to these figures on the same basis as anyone else, without the ability to spin or manipulate them to their advantage.

Watchdogs like the Parliamentary Budget Officer or the Auditor General can only do so much: they can present their findings, but they are not binding on governments, who are free to pretend they are mere matters of opinion, or "accounting disputes." Neither are opposition parties much use. As politicians, they have as much of an interest as those in government in pretending resources are more plentiful than they are. Ontario's current opposition leaders are typical: puffed up with pretended rage at the government's "fraud," while quietly basing their own election promises on the same discredited numbers.

That's not good enough.

There's no reason why everyone - government, opposition, and public - should not be working off the same set of honest numbers. Governments are entitled to their own policies. They are not entitled to their own figures.

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