



# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

## **Hansard Verbatim Report**

**No. 7 – June 27, 2016**



**Legislative Assembly of Saskatchewan**

**Twenty-Eighth Legislature**

## **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

Mr. Fred Bradshaw, Chair  
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Ms. Carla Beck, Deputy Chair  
Regina Lakeview

Mr. Greg Brkich  
Arm River

Mr. Terry Dennis  
Canora-Pelly

Mr. Warren Kaeding  
Melville-Saltcoats

Mr. Kevin Phillips  
Melfort

Ms. Colleen Young  
Lloydminster

[The committee met at 15:15.]

**The Chair:** — Welcome, members of the committee. We have myself, Fred Bradshaw, who's Chair. Substituting for Carla Beck, the Deputy Chair, is Cathy Sproule. We have Greg Brkich, Terry Dennis, Warren Kaeding, and substituting for Kevin Phillips we have Joe Hargrave, and Colleen Young.

This afternoon we'll be considering vote 152, the lending and investing activities for SaskPower.

**General Revenue Fund  
Lending and Investing Activities  
Saskatchewan Power Corporation  
Vote 152**

**Subvote (PW01)**

**The Chair:** — Minister Boyd, please introduce your officials and make any opening comments if you would.

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. Good afternoon, and good afternoon to the committee members. I'm joined here by officials from SaskPower: on my right, Guy Bruce, vice-president, planning environment and sustainable development. On my immediate left, Sandeep Kalra, vice-president, finance and chief financial officer. Next to him is Rachelle Verret Morphy, vice-president, land, law, and regulatory affairs. Behind us is . . . the young lady is Rhonda Smysniuk, director of government relations, and the gentleman is Troy King, director of corporate planning and controller.

Mr. Chair, we are pleased to be here today to discuss SaskPower's borrowing requirements. SaskPower is committed to providing reliable and sustainable cost-effective power to the people of Saskatchewan and the businesses of our province. SaskPower's borrowing limit was last increased in 2012 and under SaskPower's current business plan, expects to exceed the current limit by the end of 2018. That is why SaskPower has requested to have its temporary loans/borrowing authority limit raised to 10 billion. SaskPower's debt does not affect the province's credit rating. It is considered self-supporting by credit rating agencies because it is funded by taxpayers rather than . . . ratepayers, pardon me, rather than taxpayers.

SaskPower continues to make substantial capital expenditures to replace aging infrastructure and to meet the province's energy requirements in support of the province's growth. Increasing the borrowing limit to 10 billion should be sufficient for SaskPower's needs through 2021.

SaskPower has added an average of 9,500 customer accounts per year over the past five years, and that growth is expected to continue. The corporation now maintains \$10 billion in assets, nearly double the amount just five years ago. While demand for power grows, SaskPower also needs to take care of aging infrastructure. Much of the province's electrical system was built 30 to 50 years ago. Replacement and upgrade programs will take many years, and indeed will be a regular part of SaskPower's capital investment for the long term. In 2015 alone, SaskPower spent \$990 million on capital projects.

We know these challenges are being faced by many utilities across North America. The Conference Board of Canada estimated that from 2010 to 2030, Canada's electrical system will need an investment of about \$350 billion to meet the needs of a growing population here in Canada. SaskPower plans to invest about \$1 billion per year for the long term on the province's electrical system to ensure our customers have the power they need for today and for future generations.

Mr. Chair, with those brief opening remarks, we are prepared to take questions. Thank you.

**The Chair:** — Well thank you, Minister. Are there any questions? Ms. Sproule.

**Ms. Sproule:** — Thank you, Mr. Chair, and thanks to the minister and the officials for being here today to have a discussion around this particular vote.

I believe we're looking today at vote 152 which is described as a statutory amount. In '15-16 I believe it was 659 million, and this year it's 448 million. A couple questions around that to start off, and first is: where in the SaskPower Corporation Act does that statutory . . . or maybe it's not even in the SaskPower Act. Which statute requires this amount be provided, and why does it vary? How is that figure established under statute?

**Ms. Verret Morphy:** — Rachelle Verret Morphy, SaskPower. Are you referring to the borrowing limit?

**Ms. Sproule:** — No, today the vote that's under consideration right now in the budget is vote 152, and on page 144 of the Estimates it's indicated that this year's amount is \$448 million. So when it says statutory, I'm assuming that there is a statutory requirement for this amount to show up as a vote. And I'm just wondering, why that amount? Why is it less than the year before, which was also less than the year before? And what section of the Act, and which Act it comes from.

**Mr. Kalra:** — Sandeep Kalra. I can discuss the amounts, not which statute it is under. But I can maybe provide the explanation of that. The borrowing for any given year depends upon our investment plans and our refinancing plans. So for example in 2016-2017, we expect to have capital expenditures of roughly 900 million and a debt repayment of \$100 million. So that is the \$1 billion that we need to fund. A substantial part of that is funded from the operations itself. In 2016-17 we expect a net income of 181 million. Adding back the non-cash item of depreciation, 487 million, and then taking out some of the other non-cash gains and working capital changes of 117 million, it provides us with a cash flow, an operating cash flow, of 551 million. 448.5 is the shortfall of our investment and refinancing versus how much could be provided internally, which is cash from operations which is 551 million.

The amount varies year to year, because our investment expectations may be a little bit different. So for example in 2015-2016, we expected to invest 1.145 billion, instead of 900 million for this year. And also our net incomes estimates were lower, 30 million as against 181 million. So our cash flow from operations was a little bit lower, capex [capital expense] expectation was a little bit higher, so the borrowing amount was

at 659.6 as compared to 448.

So over the long to medium term, this amount kind of stabilizes, but year to year you can have variation as to how much we would need to fund.

**Ms. Sproule:** — If I look at '14-15, I believe the estimated amount was 676 but it actually . . . The forecast turned out to be 879.6. And I don't have that figure in the '16-17 Estimates. This is from '15-16 Estimates. What was the actual amount in '14-15, and if you have that number for '15-16? You might not have that yet. And why was it higher than the estimate, the forecast?

**Mr. Kalra:** — The information for our year-end 2014, this is not exactly the same year-end because the information that you would have would be for March year-end versus December. But this provides illustratively, you know, what went on in the year 2014.

**Ms. Sproule:** — Is that in your annual report? Can you refer the page?

**Mr. Kalra:** — Yes, it's the annual report. So it's the annual report page 91.

**Ms. Sproule:** — 91?

**Mr. Kalra:** — Page 91 for year 2014. That information would be available.

**Ms. Sproule:** — Okay.

**Mr. Kalra:** — Now we're off three months, so just keep that in mind. So numbers won't match exactly, but this will provide you with an estimation of what happened. So if you have it in front of you, the cash flow from operations for that year were 391 million. This year I said it's like 550; the year before it was 572. And the main reason for that is the first line, if you look up on that page, is only \$60 million. So we had a low net income. As a result, the cash flow from operations was 391 and not in the 500 range. But our capital investment was quite substantial that year, so that is going down in the next block of lines, which says investing activities. So the net investing activities that year was \$1.2 billion. So low operating cash flow, high capex in a given year means we had to fund the rest from borrowing. And that's as a result of borrowing for that here we're a little bit higher.

**Ms. Sproule:** — So that would be . . . 827 at the end of '14 is the borrowing that you required.

**Mr. Kalra:** — So if you look at the same page, 91, it shows in financing activities there are the first three lines: short term, 86 million; issues of long-term debt, 792; and then we repaid some long-term debt . . . [inaudible] . . . So those would be . . . if you added those three lines up it would be the change in our debt number.

**Ms. Sproule:** — So that was the end of 2014. I'm looking at estimates from last year, but you're saying those figures won't be available until the annual report is complete.

**Mr. Kalra:** — That's right.

**Ms. Sproule:** — All right. Just back to the question then about statutory loans, presumably the money that you're borrowing this year, half a billion dollars — or that you're estimating to borrow — that's a loan from the GRF [General Revenue Fund] then? Is that where that money comes from, or where does the government get that money?

**Mr. Kalra:** — The government borrows directly from the market and then it comes to us with the same terms and conditions at which the money has been borrowed. So I don't think it comes from GRF. It's direct market activity, and then the money is transferred to us.

**Ms. Sproule:** — Now you are entitled to borrow up to 8 billion at this point in time. Why wouldn't you just go to the direct market then?

**Mr. Kalra:** — Through the province, because we use the credit rating of the province, it's cheaper for us to do it. Some of the utilities in Canada use their own balance sheet. For example, Hydro One in Ontario, hydro Ontario utilities use their own balance sheet. It adds a cost of roughly 100 to 150 . . . [inaudible] . . . so 1 to 1.5 per cent, which is quite substantial if you look at how much, you know, we can borrow, and we borrow at roughly between 3 and three-and-a-half per cent. So that's a significant added cost if we were to use our own credit rating and our own balance sheet to do it, so that's why we do it this way.

**Ms. Sproule:** — In terms of the recent announcement today of the lowering of the rating of the province, what impact will that have on the amount of interest that you'll have to pay on this loan?

**Mr. Kalra:** — I don't know at this stage what impact it would have. The rates are at a historical low at this stage. Yesterday I checked — 30-year borrowings in Saskatchewan could be had at around 3 per cent. This would have minimal impact. It remains to be seen. I haven't checked the Bloomberg today to see what impact it has had on the spread between the Canadian and the . . . [inaudible] . . . bonds.

**Ms. Sproule:** — Is that something that you could share with the committee once you've determined the impact?

**Mr. Kalra:** — Sure, it'll be public information. The impact of this rate, or the rating changes would be public, and we'll be able to share it next time we're in front of you.

**Ms. Sproule:** — So when you borrow this year's amount of 448 million, is that advanced . . . How does the money flow? Is it just advanced directly to you from the government, and how do you make interest payments on that?

**Mr. Kalra:** — The money is borrowed by the Ministry of Finance and then it's transferred to us. I think there's an OIC [order in council] process somewhere in between as well. And then it's transferred to our account and the interest, not only on this borrowing, but all existing borrowing is paid to the ministry on an ongoing basis.

**Ms. Sproule:** — To the Ministry of Finance. All right, so your total borrowing for this year is identified in that figure, you know, and I suppose there'll be forecasts as you go along based on your revenues. That's all the borrowing SaskPower does?

**Mr. Kalra:** — That's all the borrowing we do. That's correct, yes. And we have short-term borrowing; we have long-term borrowing, but out of this, yes.

**Ms. Sproule:** — It's all represented in that 448 million?

**Mr. Kalra:** — Yes, that's right.

**Ms. Sproule:** — Okay. So in your annual report then it's all reflected on page . . . Well let's go back to end of '14, I guess, '13-14. No, that would be calendar year '14, correct? You used to be on the calendar year.

**Mr. Kalra:** — Yes, that's December 31st, 2014, yes.

**Ms. Sproule:** — I notice that there's a reference to note 21 when we talk about the proceeds of long-term debt and the repayment of long-term debt.

**Mr. Kalra:** — Yes.

**Ms. Sproule:** — I don't know if we have time today, but could you walk us through how that debt is reflected in, say, that annual report, the most recent annual report we have.

**Mr. Kalra:** — Okay. So I think the best place probably would be to start looking at the balance sheet, which is on page 89. In 89, the debt shows up in lots of different places. So if you look at the liabilities and equity section, in current liabilities, the first line is bank indebtedness and you have \$2 million over there. The next place where it shows up is in short-term advances, note 20, and that is \$890 million.

[15:30]

The next place that it shows up is the current portion of long-term debt, \$5 million. So this is what long-term debt that we expect to repay within the next 12 months.

So those three places, that's where this debt shows up. Then if you go down a little bit, it shows up in long-term debt, note 21, which is \$4.3 billion, four three five zero. So for accounting purposes, unfortunately it's split out in lots of different lines, but that's where the short-term debt and the long-term debt are, direct borrowing from the provinces .

**Ms. Sproule:** — Thank you. Just to the Chair, I'm having difficulty hearing when that work is happening. Is there any way we could . . .

**The Chair:** — I take it that they're doing some work. It sounds like a jackhammer actually. We're going to ask security to see if they can get it calmed down just a little bit.

**Ms. Sproule:** — Okay, thank you.

**Mr. Kalra:** — That's one place it shows up. The other place that it will show up would be in the cash flow statements on

page 91. So if you look at the section which shows financing activities that shows ins and outs of various types of debts — so when we borrow, when we repay — lots of ins and outs are there, but that's where it shows up again. And then it shows up in our notes to the financial statements, which is note 20 and 21. It should be . . . It starts on page 106 for short-term notes. And there's a, you know, very long disclosure on page 107 on long-term debts which shows ins and outs, but also shows what are the loans outstanding, at what rate we borrowed that amount, etc., etc., and what is the outstanding amount.

**Ms. Sproule:** — Just going back then to the vote. I would assume there is some section in *The Power Corporation Act* and if you could . . . Have you had an opportunity to . . . Yes. Thank you, Ms. Morphy.

**Ms. Verret Morphy:** — [Inaudible] . . . being SaskPower, so I believe the applicable section reference would be section 39 of *The Power Corporation Act*. That's the statutory provision that authorizes SaskPower to borrow monies through the Ministry of Finance.

**Ms. Sproule:** — Thank you. I have that here with me, so that's very helpful. All right. On page 139 of the '16-17 estimates, the government has indicated . . . It's a schedule of debt and it shows SaskPower Corporation there . . . That is really annoying. Anyways, hopefully it'll stop.

There's two types of debt that are identified on that schedule. One is estimated general gross debt and the other is estimated government business enterprise specific gross debt. Could you identify for the committee what the difference is between those two figures?

**Mr. Kalra:** — The 6.2 billion is the debt which was borrowed specifically for us from the market and then transferred on to us — 100 million was. The Ministry of Finance had enough cash on hand. They did not go to market and they lent that money on to us directly from their cash. That's my understanding.

**Ms. Sproule:** — And then I think the same figure, 100 million, was in the schedule of debt for '15-16. Do you know, is that the usual figure that they have for use for, like, cash on hand?

**Mr. Kalra:** — I think it's a one-time event. We wanted access to more funds and they were fortuitously sitting on some cash at that time, so that's what happened. But I think it was a one-time event rather than an ongoing thing.

**Ms. Sproule:** — In 20 . . . Sorry, 2016. It's two years in a row that it shows up.

**Mr. Kalra:** — It's the same. It was just kind of continued.

**Ms. Sproule:** — So they happen to be sitting on \$100 million. That seems like a lot of money.

**Mr. Kalra:** — Ministry of Finance. I can't answer that question. You know, they may have overborrowed for their purposes or why they were sitting on that.

**Ms. Sproule:** — Luckily I'm sitting in committee with them tonight, so I will ask them that question. All right. Thank you.

So the estimated sinking funds then for '16-17, that as well is indicated on page 139. And that \$606 million, is that invested by the government then? They control that and that's . . .

**Mr. Kalra:** — That's it exactly. So we contribute to that fund — I think it's 1 per cent of our borrowing that goes there, only borrowings — then that accumulates, and that's invested by Ministry of Finance.

**Ms. Sproule:** — In terms of debt repayment, has there been discussion about increasing that 1 per cent? Because your debt is going up quite a bit, so will your repayment also match? I mean it'd be somewhat behind, but are you going to increase that 1 per cent at any point?

**Mr. Kalra:** — There have been no discussions in that regard. In most circumstances, companies generally don't create cash sinking funds to be able to repay their debt. The reason for that is we have to borrow to be able to put that in sinking funds. So we're actually borrowing more. What we look at is our overall debt ratio, whether that's in an industry standard range or not, as long as we manage that, we believe we'll be able to repay that debt without any concern. So that's how we look at it, our repayment ability, not from a sinking fund point of view, but in terms of our overall debt exposure in terms of this side of the balance sheet. And that's how we manage it.

**Ms. Sproule:** — Now the debt ratio, if I understand, it's getting very close . . . What is it right now? Is it close to 75 per cent?

**Mr. Kalra:** — It is 75 per cent.

**Ms. Sproule:** — And when do you get concerned? Is it at 75 per cent where you start getting concerned?

**Mr. Kalra:** — Our range is 60 to 75 and we have deliberately written it from 60 to 75 because we have invested quite a lot over the last few years. So at this rate, 75, we would like to maintain it around this number. We're not concerned. There are other utilities in Canada, at least three utilities who have higher debt ratios than we have. So we're not concerned, but at the same time, we want to be prudent and manage it at this level, at 75 level, and not, you know, go substantially beyond that number.

**Ms. Sproule:** — A little flag goes off for me when you say you're not concerned because other people have a higher debt ratio. That's like saying your neighbour's mortgage is incredibly high so you're not worried. Like to me, it would be of some concern to know how you intend to manage the repayment of this.

**Mr. Kalra:** — That's a fair comment. That was just one point of comparison. But when we run our own models at 75 per cent, given our capex, given our revenue, you know, growth projection, and our ability to generate the cash flow, we believe that we can service this debt without any problem at this level.

**Ms. Sproule:** — When you establish that ratio, does it take into account the capital value, I guess, or the capital assets?

Like, the question I'm thinking is that we have created a one and a half billion dollar project, the carbon capture project

down in Boundary dam. It has a capital value but you can't sell it. Like, it's not something that can help you if you have to manage your debt. You couldn't turn around and put it on the market like a house. You know, it's not the same thing. So how do you use your capital assets like power plants and carbon capture projects and all those, you know, the transmission lines? They show up with a capital value, but they're really, there is no resale value to them.

**Mr. Kalra:** — That is correct. But there's a replacement value for these assets. We had done a study — it goes back a few years now — and that study had indicated that the replacement cost of our system is 40 to \$42 billion. What we have on our books is the historical value, the book value, accounting value, and not the replacement cost. So if you looked at our system from a replacement cost point of view, our debt ratio would be quite low. It is at 75 because we use the historical cost fee, and many assets which were built in '50s and '60s show up at their historical cost. Today their value would be five times more, or you know, even higher than that.

So we go strictly by the accounting standards and use historical value and not replacement cost. So we can't sell the asset, but what we do is we sell the product which comes out of these plants and sell that to the customers and over time recover the cost and repay down the debt.

**Ms. Sproule:** — So when you say, using historical value is the accounting standard, no one would use replacement cost in those circumstances?

**Mr. Kalra:** — No one does. That's not part of the accounting standards. No.

**Ms. Sproule:** — Just wondering if the Clerk had any success at all with security . . .

**The Chair:** — They spoke to the security people, and I suggest for the time being maybe just use your headset.

**Ms. Sproule:** — Okay. I have to think here for a second. Just to talk a little bit more about the debt ratio, I do have your PowerPoint presentation for the rate application that you shared with government officials, and on page 7 of that, you talked a little bit about the debt ratio benchmark. I think you indicated this earlier. There is only three power companies in Canada that are showed to have a higher debt ratio, but quite a large number of them are actually below 60 per cent. And within the range, SaskPower is certainly the highest within the range of four between 60 and 75 per cent. How long do you anticipate that you will be at 75 per cent and what's your goals to get it into a more comfortable range within there?

**Mr. Kalra:** — Okay. Let me talk about the comparison with the different utilities. We have provided this information because this is the published information. There is a slight problem with comparability between us and various other entities. Some of these entities use rate-regulated accounting and regulators. If you can't, you know, collect the money from the customers in a given year, regulators allow you to keep them on the balance sheet and recover it in the later year. For example, BC [British Columbia] Hydro has \$4 billion of regulated assets and as a result, you know, their debt ratio looks favourable because they

have that asset on the balance sheet.

We use IFRS [international financial reporting standards] and we don't have any of those assets, so when we compare one with the other, you know, you have to keep that in mind. Also if we compare ourselves with the Ontario utilities like OPG [Ontario Power Generation] for example, a lot of their debt was taken from the balance sheet and put in a separate entity and that relates to the nuclear refurbishment. So there is a lot behind these numbers, so the comparisons are not straightforward.

Having said that, our long-term range is 60 to 75. We believe that we would be around 75 over the next couple of years, and over the next 10 years, I think our ratio drops to around 70 per cent. So we will be within our, you know, comfort zone within that 60 to 75. We expect that once this build — rapid build — is done, we would start looking at, you know, in the high 60s as our ratio on an ongoing basis, but it will take us, you know, a little while to get there before this kind of rebuild cycle is done. But we'll try and maintain this ratio very close to this range or within this range for the next few years.

**Ms. Sproule:** — I'm just wondering if the plans for expenditures — capital expenditures — in the next four years would include the plan for Boundary dam 4 and 5 and how they're going to come within the regulatory limits that have been set. Are those amounts included in this plan?

**Mr. Kalra:** — This is a short-term rate plan so those plans, the BD4 [Boundary dam 4] and 5 are not included in there. Maybe I'll ask Guy to kind of speak to it because there are lots of options for us and lots of paths that we can take in the future with respect to BD4 [Boundary dam 4] and 5.

**Mr. Bruce:** — Okay, it's Guy Bruce. Just with respect to the long-term supply plan, we have a lot of options going forward. Obviously one of the main features of our plan right now is our goal to reduce emissions 40 per cent by 2030, and one of the ways that we're doing that is in incorporating the 50 per cent, going to 50 per cent renewables.

The coal fleet, so Boundary dam 1 and 2, have already retired. Boundary dam 3 has been converted to carbon capture. Units 4 and 5, according to federal regulations, would retire at the end of 2019, and we do have plans in place to replace that capacity should that happen. We've got a number of ways we can go there. Carbon capture and storage is still an option that we're considering for those units.

The other work that we're doing is there's work under way with a potential for an equivalency agreement. The federal regulations allow for coal-fire generation to be regulated under provincial regulations. So there's a number of options, and we're just looking at all of those options to get through the period 2020 to 2025.

[15:45]

**Ms. Sproule:** — You indicated CCS [carbon capture and storage] was an option for 4 and 5 and that there are other options. Could you explain what the other options are? I know you mentioned these equivalency agreements, but are there other things that are being considered?

**Mr. Bruce:** — There's potentially options for . . . other than fitting CCS on units 4 and 5, and it would depend on how the equivalency agreement comes out. But there's, according to the federal regulations right now, we would have until 2025 to comply with the emissions performance standard under the federal regulation.

**Ms. Sproule:** — Can you share a little bit more with the committee about these equivalency agreements and how that would look if you were successful making those negotiations? You indicated something about provincial regulations would replace the federal regulations. How would that help with Boundary dam 4 and 5?

**Mr. Bruce:** — The concept really is similar to what's been done in Nova Scotia where Nova Scotia has an equivalency agreement. And what they're able to do is potentially run a coal plant at reduced output. So they would not necessarily . . . so they would reduce the emissions without necessarily closing the plant. So that would be one way to do it. So there's a variety of things that could be done, but I think that's the main opportunity. And the other thing it would do for us of course is if we can have a bit more time to evaluate carbon capture and make sure we're making the optimum recommendation on that.

**Ms. Sproule:** — Thank you. In terms of running it at a reduced output, can you share — I know these numbers are available publicly — how many megawatts 4 and 5 are producing right now and sort of what reduced capacity would you be looking at?

**Mr. Bruce:** — Well we would be looking at, through equivalency, we would be looking at output from the fleet, from the coal fleet, so not just necessarily focusing in on those units. At present time, they're operated at what we would call baseload, so they operate pretty much all hours that they're available, which is in the 80 to 85 per cent range.

**Ms. Sproule:** — And under a provincial equivalency agreement, what would their output be then?

**Mr. Bruce:** — That's yet to be determined. It would depend on how the agreement turns out. It would depend on the condition of the equipment. It would depend on other factors.

**Ms. Sproule:** — I guess in order to meet the requirement in the federal regulations, what would the target be then if you were going to use this option?

**Mr. Bruce:** — The goal would be the equivalent outcomes, equivalent emissions, outcomes to what's in the federal regulations. So that work's being, it's under development now.

**Ms. Sproule:** — You don't have a figure in terms of megawatts or a baseload that you can share at this point?

**Mr. Bruce:** — No.

**Ms. Sproule:** — Okay we'll stay tuned for that. In the budget document — I think it was the budget document, yes — there's a reference to net income from government business enterprises. It's on page 46 of budget document, yes, and there's an indication there of what the income the government's

expecting from SaskPower Corporation. In '14-15 the actual was close to 60 million and in '15-16 we're looking at a forecast of about 80 million. In '16-17 that over doubles to 181 million. So could you explain for the committee what that figure represents, first of all, that 181 million? Is that a dividend or how is that provided to the government?

**Mr. Kalra:** — That is the projected net income for SaskPower. It's the, you know, all our revenues including our projected rate increases, the volume increase that we expect, and all the expenses that we have OM & A [operating, maintenance, and administration], depreciation, finance, etc. This is just the net income and that number is included in the government's books. So this does not include any dividend, just our net income number.

**Ms. Sproule:** — So what portion of that 181 million would the rate increase represent?

**Mr. Kalra:** — 112 million out of 181 is because of rate increase.

**Ms. Sproule:** — So the 112 rate increase is actually more than your entire revenues in '15-16. Is that correct?

**Mr. Kalra:** — That's not correct. Our revenues are in the \$2 billion range. You're probably referring to the net income number.

**Ms. Sproule:** — Yes. The number on this page, net income, sorry.

**Mr. Kalra:** — Net income number. See, over the last few years, we have invested substantially. We have not obtained our regulatory return, which is 8.5 per cent, over the past few years. And as a result of that, our debt ratio has increased, as I mentioned earlier on, from 60 to 75. So we are at a point now where we would like to maintain that ratio because we have used up that leverage for investing in the infrastructure. So we would like to, you know, get close to our regulatory return, which is 8.5 per cent over the next few years, and that's why this number is at 181.

Over the last . . . To go back a little bit, over the last few years, I think our ROE [return on equity] was, you know, 2 per cent, 4 per cent, within that range for the last few years. So it can be done for two, three, four years, but it cannot be done indefinitely. And if you compare our 8.5 ROE with the rest for the past three years, it's in the same . . . I think our presentation that we had made to the rate panel, there is one on ROE as well, as to how our ROE compares with the rest of the industry, and it was actually the lowest in Canada.

So we have lowered our net income over the last few years to be able to minimize the rate increase, but we're getting to a point where, you know, given our debt impact, we need to get close to our regulated return. That's why the number seems a little bit higher compared to the last few years.

**Ms. Sproule:** — In terms of that 8.5 per cent rate of investment, rate of return, is that something you hope to maintain then, over the projected next few years, or do you want to get back down to 2 per cent? What's the plan for that, or what's your target

beyond '17-18?

**Mr. Kalra:** — Our long-term target is to get 8.5 per cent. It's driven more by what our, you know, debt ratio is. So if the debt ratio remains, you know, around 70, 75, we would like to get close to that number so we can maintain our, manage our debt a little bit better. In case our debt starts dropping in the future and it starts getting within the 60 range, it gives us more flexibility to have a few years where we can accept a lower return and let the debt run up a bit.

**Ms. Sproule:** — Right, obviously. Now if interest rates were to go up, that would significantly impact this ratio. So in terms of long-term planning again, let's say another drop in the credit rating, would that mean future rate increases? Is that how you would deal with it?

**Mr. Kalra:** — In terms of our debt which we already have, it's already fixed, because we already borrowed. So there would be no impact on that. For the future borrowings in our business plan assumptions, we have assumed that the rates would go up because they are at a historically low level, and I don't think these levels are sustainable in the long run. So that is already factored in the business plan. We don't expect, you know, this to have a significant impact on our business plan or the rate requirements.

**Ms. Sproule:** — So could you share with the committee what the highest assumption you made in terms of interest rates would be? Is that somewhere in your documents?

**Mr. Kalra:** — This is just for the next three years. Our assumption for long-term interest rates was 3.1, 3.9, and 4.2 for the next three fiscal years. I think it's quite conservative, and it reflects any risk from rising interest rates.

**Ms. Sproule:** — And in terms of rate increases, we have the one that was been applied for here this year. Are there projected rate increase applications that would have to be made as well?

**Mr. Kalra:** — We don't expect to have any more rate increase applications for the next . . . 2017-2018, so that's been kind of factored in.

**Ms. Sproule:** — '17-18 there are no projected rate increases. In '18-19 you will have to evaluate at the time?

**Mr. Kalra:** — [Inaudible] . . . I can look at the numbers, yes.

**Ms. Sproule:** — Sorry, could you repeat that.

**Mr. Kalra:** — We'll have to look at what the circumstances are then; what our business looks like.

**Ms. Sproule:** — I just want to take a look at the changes to *The Power Corporation Act* that are being . . . I forget the bill number. I don't actually have the bill number itself. Raising the borrowing limit from 8 billion to 10 billion, in the explanatory notes that are provided to the Assembly and to the public when bills are introduced . . . I believe this is clause 17 of the bill and it's amending section 43, is what Ms. Verret Morphy referred to earlier in the SaskPower Act. Sorry, 43. You said 39; 43 is the one that has the \$8 billion in it. Right.



I'm just kind of wondering about the final statement that they put in that explanatory note. It said, "It is therefore prudent to raise SaskPower's borrowing limit before it may be exceeded." And I'm just wondering about the use of the word prudent here, because it's kind of like when Capital One sends me a letter saying, you know, you can have an extension to your credit limit, but that's not prudent. So why was the word . . . Who wrote this? Was this Justice that put that word in, or is that a choice word of SaskPower?

**Mr. Kalra:** — I'm not sure where it comes from. I can provide, kind of, my view on this one. The size of the business has been growing. Over the last five, six years the size of the balance sheet has grown from \$5 billion to \$10 billion. So as a result, as the business grows, as we invest more, this borrowing is funding partially . . . [inaudible] . . . and part of the cash comes from operating cash flow.

It is partially funding that infrastructure, so it's going in income-producing assets. It's going in productive assets. So as the business grows, we need to be able to kind of borrow more to be able to invest more. That's where this limit change from 8 billion to 10 billion comes from.

So it prepares us when we need the money, you know, that's available for us to borrow. I think that's where probably the prudence word comes from, so we're prepared when we need it. Probably that's how I would read it.

**Ms. Sproule:** — And you will exceed the 8 billion in the '16-17.

**Mr. Kalra:** — [Inaudible] . . . three years to go for that. These are based on various business projections. Things change, but that's . . . We expect it to be, exceed around 18 or so.

**Ms. Sproule:** — Now, Mr. Bruce, you referred to your 40 per cent target a couple minutes ago, and the goal to reach 50 per cent renewables, which will help that number. Can you provide to the committee . . . I know in this year's budget there's an indication — I have to find out where your notes are — that there will be additional wind brought on stream from the First Nations Power Authority. And I believe it was an additional 40 megawatts.

What's the plan going forward from here? I think we have 13 years now to get to that target. Do you have achievable percentages that you hope to reach within those 13 years? Is it 2 per cent a year or . . . I mean right now I think the renewables is 26 per cent of your mix. So the 24 per cent is sort of what we need to achieve in the next 13 years. This year's budget, I believe, with the First Nations Power Authority was 40 megawatts.

**Mr. Bruce:** — I believe what was announced was the . . . There's two programs that we're working on. One is we've indicated we're going to . . . we have approval to move forward with 60 megawatts of solar by 2021, I believe. That's the first step in looking at solar. And so the first step would be to do a request for proposal for a utility-scale solar of 10 megawatts. That would allow us to test the market and see what the price is for solar. And then we have an agreement with First Nations Power Authority to do a 10 megawatt . . . they would bring

forward a 10 megawatt project. We would do another RFP for 10 megawatts and then do another 10 megawatts with First Nations Power Authority. That gets to the . . . First Nations Power Authority then gets 20 megawatts of solar.

And the second thing we're working with First Nations Power Authority on is 20 megawatts of flare gas generation. So this would be partnering with developers that would take the associated gas from oil production, take that gas and convert into electricity. And we would buy the power from that developer. The details of that are not yet worked out.

[16:00]

**Ms. Sproule:** — Just to be clear, the 20 per cent for flare gas generation, that's not on First Nations reserves though? That would be in the general oil field?

**Mr. Bruce:** — Yes. It would be wherever the oil production is. It's 20 megawatts, not 20 per cent.

**Ms. Sproule:** — So I have 20 megawatts solar, 60 megawatts solar, and 20 megawatts flare gas is what you've indicated so far. I think that's about 100 megawatts.

**Mr. Bruce:** — Sixty megawatts total for solar.

**Ms. Sproule:** — Oh I see.

**Mr. Bruce:** — Yes. And of that, 20 would be earmarked for First Nations Power Authority.

**Ms. Sproule:** — So in order to reach the 50 per cent target by 2030, how many megawatts renewables are you looking at?

**Mr. Bruce:** — So we need to get to . . . Our current projection is if the load demand for power continues to grow as we're expecting it to grow. So we'll be adding more gas-fired generation. We'll be adding other sources of power, for example, hydro, biomass, potentially geothermal. And the total installed capacity we're saying would be in the order of 7000 megawatts by 2030. And of that 7000, we expect about 30 per cent or roughly 2100 megawatts to be wind and about 15 per cent to be hydro, and then the rest is going to be made up of the other options — the biomass, geothermal, solar.

So we're still looking at solar as being a relatively small part of the mix until we have a better idea of how prices are coming down. If prices come down faster than we expect, we might add more solar and less wind, so it's to be determined.

**Ms. Sproule:** — Sorry, there's a lot of numbers there and I'm not sure I caught it all. So of the 7000 projected megawatts you'll be producing in 2030, your target is 3500 of those megawatts would be renewables.

**Mr. Bruce:** — Yes, exactly.

**Ms. Sproule:** — So that 30 per cent, 2100 megawatts of wind, that's 30 per cent of the 3500 . . . or no, of the total.

**Mr. Bruce:** — Thirty per cent of the total.

**Ms. Sproule:** — Of the total. So the mix would be 30 per cent wind, 15 per cent hydro, and then obviously 50 per cent non-renewables. So what are we left? That's 80, 95 . . . So the additional 5 per cent is what you refer to as potential solar, biomass, and others.

**Mr. Bruce:** — Yes, other to be determined, yes. And that all depends on how the technology matures and how, you know, demonstration projects come through.

**Ms. Sproule:** — So the 2100 megawatts of wind, we've got 10 for this year. Is that right?

**Mr. Bruce:** — For wind?

**Ms. Sproule:** — Wind. Like how much is 10 from the First Nations Power Authority project?

**Mr. Bruce:** — Yes, so that would be . . . The notion there is that we would agree on a 10 megawatt project for solar.

**Ms. Sproule:** — Oh, for solar.

**Mr. Bruce:** — That 10 megawatt is for solar. The in-service date hasn't been decided yet.

**Ms. Sproule:** — So the 2100 megawatts of wind, how much of that is currently being produced now in wind?

**Mr. Bruce:** — We're right now, we're about 230 . . . 230, 240, yes.

**Ms. Sproule:** — So if I take that from 2100 — I just want to do some math here — that's 1870 to be created in the next 13 years.

**Mr. Bruce:** — Yes.

**Ms. Sproule:** — So are you looking at . . . In terms of that 1870 megawatts, how much is coming on stream with the Chaplin project?

**Mr. Bruce:** — That project's 177.

**Ms. Sproule:** — 177. So we probably need at least 10 more of those types of projects in the next 13 years? Like, what's your feel in terms of how . . .

**Mr. Bruce:** — Well normally what we've been telling the wind community, the development community, is projects of . . . a request for proposal coming out every one to two years for 100 to 200 megawatts. So it could be, that could be eight projects of 200 megawatts each. It could be, you know, 16 projects of 100 megawatts each. So the exact science hasn't been determined. But we think that's about the right size to get the right economics.

**Ms. Sproule:** — So the average are 100 to 200 megawatts.

**Mr. Bruce:** — Yes.

**Ms. Sproule:** — Okay. And Chaplin is 177, you said.

**Mr. Bruce:** — Yes.

**Ms. Sproule:** — All right. I just want to check my notes. I have one further question. Thank you. In terms of the change from a 12-month reporting period to this year's 15-month reporting period and then presumably a 9-month reporting period, how does that affect these borrowing amounts? Like will it be quite a bit smaller? '15-16 was a 15-month period, so would your borrowing amounts be significantly higher? Or is that '16-17?

**Mr. Kalra:** — The estimates here are based on 12-month period ending in 31st of March, 2017. So it's not based on a 9-month period; it's based on 12. The borrowing estimates are based on that.

**Ms. Sproule:** — So for this year's estimates, that's a 12-month period, April 1 to March 31st? '16-17, 12 months?

**Mr. Kalra:** — I think that all these numbers are 12 months. The start period is not in here. These are 12 months because even though our fiscal change to match the government's fiscal of 31st March, these estimates are always based on year ending 31st of March. So no change has been made to these estimates. So they stay, you know, the way they were before and for this year as well.

**Ms. Sproule:** — So the estimates haven't changed at all because it's always based on the government's time frame.

**Mr. Kalra:** — Yes, that's right. Yes.

**Ms. Sproule:** — In terms of then the financial reports, can you give the committee a sense . . . Normally we would get your annual reports, I think, in June. So are we now looking at September for this year's annual report and from here on in?

**Mr. Kalra:** — I'm thinking July the annual reports will be ready.

**Ms. Sproule:** — Okay. Late in July or . . .

**Mr. Kalra:** — Yes.

**Ms. Sproule:** — Okay. All right, Mr. Chair. At this point I would turn it over to other members of the committee if they have other questions they care to ask.

**The Chair:** — Mr. Brkich.

**Mr. Brkich:** — I have just one question here. Can you give an update on CCS . . . [inaudible] . . . since startup?

**Mr. Bruce:** — I can take that. So the plant, since start-up I believe we're over 800 000 tonnes of CO<sub>2</sub> captured. I think 889 000 is the number at the end of May, and we're on target to meet our goal of 800 000 for 2016.

**Mr. Phillips:** — What I would like to ask is, obviously with the province growing the way it has, what does that mean as far as hookups? How many more hookups have we got now than what we had, say, in 2007-2008? Or what kind of percentage are we gaining because of the growth? Is it pretty much in . . .

**Mr. Bruce:** — So the demand for power grew. I know over the two-year period 2013-2014 we grew a combined total of 10 per cent in sales volume. Last year we added 8,000 customers. I believe the minister mentioned a number for the last five years, a number of customers. I can't remember what the exact number was, but you know it's in the 50 to 60,000 customers.

And our plan for the next five years is demand for power will increase about 13 per cent in total over the five years. So yes, we're still seeing continued growth. We're also definitely doing all we can to encourage customers to conserve. We've got demand-side management programs, conservation programs to help customers, you know, reduce their bill.

**The Chair:** — Ms. Young.

**Ms. Young:** — This is a bit of a follow-up on that. With the increased customer service and needs . . . And I know that there's some infrastructure projects going on to upgrade power lines and power in the province as well. Can you give an idea of where those projects are ongoing at this point in time, and what would be the overall total investment in capital this year alone?

**Mr. Bruce:** — Okay so what I've got in front of me here is capital investments by category, and what we have it broken down is by sustainment, growth, and compliance. So for example under transmission for 2017-2018, we have 97 million in sustainment capital, 72 million for distribution. And for the growth and compliance, we have 187 million for transmission and 41 million for distribution. Customer connects, we have 178 million, so the capital we're spending is for connecting new customers.

Just some examples of what we're spending money on: transmission wood pole replacement, 372 million over five years; circuit breaker and relay replacement, 60 million over five years; rural rebuild and improvements, 96 million over five years; distribution wood pole remediation program, 126 million over 5 years; E.B. Campbell life extension . . . So that's one of our older hydro facilities, so we're planning to life extend that, so it's you know part of our clean portfolio. And a number of transmission projects, really they're all over in areas where we want to make sure we keep reliability up.

**Ms. Young:** — Yes, can I just ask on the clean portfolio, could you expand on . . . [inaudible] . . . 126 million over five years and what was that investment for?

**Mr. Bruce:** — The 126 million, that was the distribution wood pole remediation program. There's over 1.2 million wood power poles in the province, and many of them are 50-60 years old. So we have a program to go and systematically replace the aging poles and in a proactive basis.

**The Chair:** — Are there any more questions? Seeing no more questions, Mr. Minister, do you have any closing comments?

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. I would thank committee members for their questions this afternoon. We appreciate them. And I want to thank the SaskPower officials for presenting well this afternoon. We appreciate the ongoing work of the officials, SaskPower officials, and their teams out there across Saskatchewan.

You know, this past weekend, I think, was pretty strong evidence of how committed they are to our province. There was wide-spread thunderstorms across our province, power being knocked out in a few different locations. In fact just down the road from our farm, a power pole was struck, on a three-phase line, struck by, I assume, lightning.

And I phoned it in myself and was met with a very courteous person on the other end that took the details down, and in short order they were out there to do some work on it. They asked who I was, and I indicated my name, and I don't think that had any bearing on things whatsoever. I can tell you, I think they were more concerned about making sure that the power was on in that area as quickly as possible. And like I say, within a very short period of time, I saw a SaskPower team of people, you know, moving quickly to restore power.

So thank you to the good people that I think sometimes people in Saskatchewan take a little bit for granted when it comes to those kinds of things. It wasn't a pleasant time, I'm sure, out in pouring rain dealing with something like that and the wind howling and all of those kinds of things under, I would assume, very dangerous conditions besides. So thank you to SaskPower, and I would ask that the officials pass on, I think, all of our thanks to the hard work and dedication of the teams of people that they have that do those kinds of work on a daily basis for us. Thank you, Mr. Chair.

**The Chair:** — Ms. Sproule.

**Ms. Sproule:** — Also I just want to add to the minister's comments with a note of thanks to all the officials this afternoon and certainly, as the minister indicated, all those many hundreds of people that are looking after our power needs. My brother-in-law was a lineman, just retired a year ago, and I know anytime that phone rang when he was on call, away he went and regardless of the weather. So good points made by the minister, I want to echo those and thank all of the officials for their hard work and appreciate the answers this afternoon.

**The Chair:** — Well thank you, committee and Minister and Ms. Sproule. And we will recess now until 7 o'clock this evening.

[The committee recessed from 16:15 until 18:59.]

**The Chair:** — Well good evening. I'd like to welcome the members to the committee. We have myself, Fred Bradshaw, sitting as Chair, or who is Chair. We have Cathy Sproule substituting for Carla Beck, Greg Brkich, Terry Dennis, Warren Kaeding, Kevin Phillips, and Colleen Young.

This evening the committee will be considering the estimates for the Ministry of Finance. Along with vote 18, Ministry of Finance, the committee will also be examining vote 195, change in advances to revolving funds; vote 175, debt redemption; vote 12, finance — debt servicing; vote 177, interest on gross debt — Crown enterprise share; vote 151, lending and investing activities for Municipal Financing Corporation of Saskatchewan; vote 176, sinking fund payments — government share.

**General Revenue Fund  
Finance  
Vote 18**

**Subvote (FI01)**

**The Chair:** — We will begin our consideration of vote 18, Finance, central management and services, subvote (FI01). Mr. Doherty, could you please introduce your officials and make your opening remarks.

**Hon. Mr. Doherty:** — I will. Thank you, Mr. Chair and committee members. A pleasure to be here with you this evening.

I'll begin by introducing Ministry of Finance officials joining me here today. I am seated with Clare Isman, the deputy minister of Finance; Denise Macza, associate deputy minister of treasury board branch and treasury management branch; Arun Srinivas beside me who is the executive director of taxation and intergovernmental affairs branch.

Seated behind me I have Dave Wild, associate deputy minister, Public Employees Benefits Agency; Karen Allen, assistant deputy minister, corporate services division; Terry Paton, the Provincial Comptroller; Brent Hebert, the assistant deputy minister, revenue division; and Hale Ramsey, director of economic policy and bureau statistics. And I have Dawn Popescul and Paul Hamnett from my office, Mr. Chair.

So I can make a few brief opening remarks, and then we could get into questions and answers. The Ministry of Finance estimates, vote 18, are found on pages 59 to 65 of the Estimates book. The 2016-17 expense budget for the ministry's operations is \$53 million, a decrease of \$470,000 from the previous year. When the funding requirement of 300.6 million for pensions and benefits is included, the total budget in Finance is \$353.6 million, a decrease of 3.8 million overall, or about 1.1 per cent from the previous year. Mr. Chair, the reduction is primarily due to a \$3.3 million reduction in pensions and benefits due to revised actuarial evaluation and lower overall salaries expected across government. In addition, some IT [information technology] spending was postponed, and there were reductions due to vacancy management within the ministry.

The ministry's 2016-17 budget includes \$7.45 million in government-owned capital for the third year of a five-year, 35.5 million initiative to replace our revenue management system. The project is on time and on budget. Investment over the first 3 years is approximately 20.6 million to replace the current system, which had an intended life cycle of 10 to 15 years and is now more than 35 years old. The current system was designed to manage roughly \$300 million in tax charges, and it now tracks more than 3.1 billion in revenue from several taxes, such as PST [provincial sales tax], fuel tax, and corporation capital tax. The new system will use software designed to fully administer and track the various tax categories and, most importantly, it will enhance services for taxpayers, farmers, and businesses.

Mr. Chair, the Ministry of Finance in 2016-17 will operate with a 325.4 FTE [full-time equivalent] complement, unchanged from the previous year. Beyond the ministry's budget, some of

Finance's operational highlights include the operation of government central financial management system, supporting 10,000 users and producing approximately 700,000 cheques and deposit notifications annually to suppliers, employees, and program recipients.

Ministry staff are responsible for the collection of tax revenue and to promote compliance with tax programs through risk-based audit and enforcement activities. Approximately 60,000 businesses are on the tax roll, and 32,000 farm fuel permits are renewed annually by Finance staff.

Finance staff conduct budget reviews, produce estimates and quarterly reports, manage the publication of ministry plans and annual reports, produce the provincial budget and its associated documents, and the public accounts, all within respective timelines.

Ministry staff, through the Public Employees Benefits Agency or PEBA, administer 26 pension and benefit plans for over 90,000 members, overseeing the investment of over \$11 billion in assets, and process 1.5 million transactions per year to support plan employers and members.

Advice is provided to the subcommittee on public sector bargaining on 39 collective bargaining agreements covering more than 62,500 FTEs. Ministry staff provide advice and policy direction to government on finance-related issues from a taxation and intergovernmental perspective, as well as from an economic and fiscal policy perspective. In keeping with the recommendations of the Provincial Auditor, the ministry continues to improve the development and presentation of the summary budget to enhance government's fiscal reporting to the people of Saskatchewan.

Government is repealing *The Growth and Financial Security Act* because it relates specifically to the General Revenue Fund and is no longer appropriate. And our government will introduce legislation related to its fiscal accountability after consulting with appropriate stakeholders to ensure new legislation is thorough and meaningful.

Mr. Chair, these are just a few examples of the many efforts, initiatives, and achievements of the roughly 325 people who work every day in the various divisions and branches of the ministry. To conclude, I'd like to thank the staff who work in the Ministry of Finance on behalf of the people of Saskatchewan for their efforts and excellent work. Thank you, Mr. Chair. I'd be happy to answer any questions.

**The Chair:** — Well thank you, Minister. Are there any questions? Ms. Sproule.

**Ms. Sproule:** — Yes, thank you, Mr. Chair, and thank you to the minister and the officials for being here tonight. I do have some questions, and I think I'm going to start with a series of questions I have on revenue. And I have a list here that I could actually table if that would be helpful. It's quite a long list of revenue questions. So is it okay with the Chair if I table this?

**The Chair:** — Yes.

**Ms. Sproule:** — Okay. I only have the one, sorry. Maybe while

we're waiting for copies, I could continue on with another line of questioning. All right. Where do we start, then? Here we are. Last year in June, I believe it was . . . Sorry, March 19th, 2015, there's an article from the *Leader-Post* about PotashCorp and the tax rule changes. And I just want to read in a brief part of the article and then perhaps get your update on this. It says:

Saskatchewan is preparing to review its byzantine potash royalty regime, and Premier Brad Wall thinks it is long overdue.

"Without the incentives that are overlaid on top of the royalty structure for brownfield and greenfield investment, we have the highest potash taxes on earth," he said in an interview. "Higher than Russia."

But in this week's budget, Mr. Wall introduced one interim tax change that has already drawn a furious response from the world's biggest fertilizer company.

The quote from Jochen Tilk says:

"Changing the rules midstream impacts the ability of our shareholders to earn a fair return on their capital and undermines Saskatchewan's relative competitiveness," chief executive Jochen Tilk said in an uncharacteristically harsh statement.

In response, Mr. Wall noted that potash companies have benefited from the province's generous capital spending incentives for many years. But he also extended an olive branch to the industry with his promise to address high potash taxes as part of the government's review of the royalty regime.

So I'll stop there. And I just wonder if you can give the committee an update on that review of the potash royalty regime.

**Hon. Mr. Doherty:** — Thank you, Mr. Chair, and thank you, Ms. Sproule, for the question. So as announced last year, the Government of Saskatchewan, through the Ministry of the Economy — led by the Ministry of the Economy, not the Ministry of Finance — would be leading a royalty review with the potash industry in particular. That process was under way, as I understand it, and consultations were being undertaken with the current players in the potash industry as well as future players in the potash industry, those constructing mines here in the province under the guise obviously of them coming on stream at some point in time.

More recently the Premier has asked the Minister of the Economy to put a pause on that royalty review, given the situation in the potash sector with the precipitous drop in the price of potash that those companies receive, and then the subsequent royalties that the province receives, that it was best felt that we allow some stability to come back to that industry, as I understand it, from the Premier to the Minister of the Economy, and pick up that royalty review at a future date.

**Ms. Sproule:** — Thank you. I believe that we've now circulated the document that I've tabled. And it's a number of, I guess, subsets of revenue data that we're looking for on all of

. . . I think it's listed on probably 13 of Public Accounts where you have high-level reporting of all the finance and revenues. So I don't know if you want to just sort of deal with this one by one, or if you want to take some time to have some officials look at it and maybe report back later on.

But basically under corporation income we're looking for the '15-16 budget estimates for taxable income. I don't want to have to read it all out because you have it in front of you, but there's a number of subsets under each category. I would also be happy to table this and have the ministry provide these answers at a later date, if that's possible.

**Hon. Mr. Doherty:** — So I'm advised that we have two-thirds of the information you're looking for here this evening, that being the 2015-16 budget estimates and the 2016-17 budget estimates. But the 2015-16 actuals are not complete yet, and we are in the process of compiling that information. That information will then be audited by the Provincial Auditor and released with the public accounts when the auditor completes her review.

So I'll defer to you, Ms. Sproule. If you want us to provide the information right now, Arun is certainly prepared to go through the '15-16 budget estimates and the '16-17 budget estimates for each of these categories and then get you the actuals when the audited financial statements are completed and we know what the actuals are.

**Ms. Sproule:** — My preference would be just to have it written down as we go along and then it would maybe be quicker. I don't know . . . Or if you have them really quickly accessible, you could just give them to me now. In terms of the unaudited actuals for this fiscal year, or '15-16, do you know when you are providing the final information to the auditor? Like when's the date that you will be . . . the unaudited financial statements will be complete?

**Hon. Mr. Doherty:** — So we continue to provide information to the auditor as the actuals become available, and some of these are incumbent upon the federal government and sharing information with the federal government, or the federal government sharing information with the province with respect to some of these revenue sources. So our best guess right now is that the audited financial statements should be completed sometime towards the end of July.

**Ms. Sproule:** — I'm just looking at '14-15, and they were completed in June of 2015. So it's now at least a month or two later this year. Is there a reason for that?

**Hon. Mr. Doherty:** — Yes, there is. There was the extension of the fiscal year for the Crowns. And so on a consolidated basis the Crowns have to report an additional three months in this fiscal year, and that's required some additional work. We have worked collaboratively with the Provincial Auditor. She completely understands. She just met with treasury board — last week, I think it was — last week to outline the audit plan, which is a formal process that the Provincial Auditor's office goes through with treasury board, and acknowledged that there was additional information coming because of the extended fiscal year, the additional three months for the Crowns, and indicated that her work won't be done until July sometime.

**Ms. Sproule:** — So in terms of the information she has been provided, it sounds like it's a flow and it's not . . . You just don't complete your work and hand it over to her. Is it a back and forth process, iterative?

**Hon. Mr. Doherty:** — So it is an iterative process. Ministry by ministry will be providing information as they close their books, and as I indicated, some of the revenue numbers are just not complete because we do have to get final numbers from the federal government. And I'm advised by the Provincial Comptroller that this goes back and forth, with the auditor asking additional questions of various ministries or of the Ministry of Finance with respect to statements that are being provided. And then it gets rolled up when all the information is available and the auditor completes her audit of volume 1 of Public Accounts and then they're released.

[19:15]

**Ms. Sproule:** — Thank you very much, Mr. Minister. Therefore, I will leave it to you to decide how you want to provide the numbers for A and C on this. Do you want to provide them verbally or would you provide them at the end of this session in a written format?

**The Chair:** — I'm just going to cut in here for a second. Ms. Sproule has asked us to table her list of questions. It is CCA 29-28, questions regarding revenue data tabled by Ms. Sproule. It will be available online later, later tonight or tomorrow.

**Hon. Mr. Doherty:** — So again, I'm going to ask Arun to go through them and provide as much information as we have available here tonight. On corporation income and individual income, those are again reliant upon the federal government. So we can provide the prior year tax, prior year adjustments for the prior years on those two categories and then have to do follow-up with you, Ms. Sproule, to provide that information. But on the other ones, I think Arun can give you the '15-16 budget estimates and the '16-17 budget estimates.

**Ms. Sproule:** — Thank you.

**Mr. Srinivas:** — Okay, thank you. Arun Srinivas with the Ministry of Finance. I'll start with corporation income tax. So I don't have the taxable income figures with me here tonight. I can provide those to you by later this week, but I can provide you with the prior year adjustments that were part of each of these three years.

So for the 2015-16 budget estimate, the prior year adjustment was estimated to be negative \$105.7 million. And for the prior year adjustment in the Q3 [third quarter] revised forecast for 2015-16, the prior year adjustment was re-estimated to a positive \$81.1 million. And for the 2016-17 budget estimate, the prior year adjustment is estimated to be \$31.8 million.

For fuel tax, revenue from gasoline is estimated to be \$257.3 million. Revenue from diesel fuel is estimated to be \$201.0 million. Revenue from locomotive fuel is estimated to be \$40.2 million. Revenue from other fuels, which are liquid propane gas and aviation and jet fuel, is \$8.9 million. The gasoline competition assistance program . . . Sorry, these figures were all the 2016-17 budget figures. Sorry. I'll continue on with

2016-17 budget and then go back to the previous years. Gasoline competition assistance program for 2016-17 is estimated to be \$0.6 million. The First Nations rebates for tobacco are estimated to be \$15.6 million. And those are the categories that you'd requested for fuel.

So if we go back to the '15-16 budget estimates, gasoline was 268.7 million. Diesel was 240.9 million. Locomotive was 43.5 million. Other fuels were 15.1 million. Gasoline competition assistance was 1.8 million. The First Nations tobacco refund program was 16.4 million. And for the revised Q3 forecast for 2015-16, gasoline is 256.6 million. Diesel is 193.0 million. Locomotive is 39.7 million, and other fuels are 8.7 million. The gasoline competition assistance program is 0.6 million and the First Nations fuel refunds are 15.4 million.

**Ms. Sproule:** — Just one quick question on that. In terms of the First Nations fuel and tobacco tax refund program, the number you gave, is that for both fuel and tobacco?

**Mr. Srinivas:** — No, that's just for tobacco . . . Sorry, just for fuel. And I can get to the tobacco number, or I could answer it when I'm giving you the tobacco figures.

**Ms. Sproule:** — Sure.

**Mr. Srinivas:** — Okay. So moving to individual income tax, again I don't have the taxable income data with me here today but I can provide that to you. What I do have is the prior year adjustments. So in the 2015-16 budget estimate, the prior year adjustment was forecast to be negative \$88.3 million, and in the 2015-16 Q3 revised forecast it is a negative \$83.8 million, and the 2016-17 budget estimate has the prior year adjustment forecast at zero.

For property tax . . . Just give me a second to find it. Property tax is . . . The 2015-16 budget property tax revenue is \$647.3 million. The 2015-16 revised Q3 forecast is \$659.9 million, and the 2016-17 budget forecast is \$666.9 million. And I'm not sure what you mean by other property revenue.

**Ms. Sproule:** — No, that's good. You can just leave that one out. Thank you.

**Mr. Srinivas:** — Okay. So moving to provincial sales tax. All right. I've got gross provincial sales tax revenue, and then that is reduced by the Saskatchewan low-income tax credit, which is a reduction in gross sales tax revenue. So I can give you those figures first.

The 2015-16 budget estimate for gross sales tax revenue is 1 billion, 509.3 million. The low-income tax credit is a reduction of 88.5 million, for a net PST revenue of 1.4208 billion. The 2015-16 Q3 revised forecast, gross PST revenue is 1 billion, 387.9 million. The low-income tax credit deduction is 88.5 million, for a net PST revenue of 1 billion, 299.4 million. Okay, and then the 2016-17 budget estimate gross PST revenues is forecast to be 1 billion, 402.1 million. The low-income tax credit deduction is estimated to be 90 million, and net PST revenue is therefore 1 billion, 312.1 million.

The commissions paid for collection of sales tax is actually expensed, and it'll be on page 61 of the Estimates under

vote (FI05).

**Ms. Sproule:** — Okay. You don't have to share those, then.

**Mr. Srinivas:** — You had asked about liquor consumption tax. So liquor consumption tax in the 15-16 budget estimate is \$93 million. In the 2015-16 Q3 revised forecast it is also \$93 million. And in the 2016-17 budget estimate it is \$98.2 million.

For tobacco tax, cigarettes were estimated in the 2015-16 budget at 283.7 million. Cigars were estimated at 13.2 million. Other tobacco revenue was \$28.3 million, and the First Nations refunds for tobacco was 54.9 million. In the 2015-16 Q3 revision, cigarettes were estimated at 277.5 million, cigars at 12.1 million, other tobacco at 27.5 million, and the First Nations refunds at 55.8 million. And for the 2016-17 budget estimate, cigarettes are estimated at 277.5 million, cigars at 12.1 million, other tobacco at 27.5 million, and First Nations refunds at 55.8 million, so unchanged from the Q3 forecast.

With respect to corporation capital tax, the 2015-16 budget estimate, estimated revenue from financial institutions at 57.5 million and revenue from Crown corporations at 64.4 million. In the '15-16 Q3 revision, financial institutions were estimated at 57.5 million again and Crown corporations again at 64.4 million. And for the 2016-17 budget estimate, financial institutions are estimated at 58.6 million and Crown corporations at 70.6 million.

Insurance premiums, tax revenue in the 2015-16 budget was estimated at 124.3 million. In the Q3 revised forecast, it stayed the same at 124.3 million, and in the 2016-17 budget it is at 135.7 million. The fire prevention tax revenue at 2015-16 budget was estimated at 6.9 million. At the Q3 forecast, it stayed at 6.9 million, and in the 2016-17 budget estimate, it is forecast at 7.7 million.

[19:30]

The motor vehicles insurance premiums tax was estimated at 11 million in the 2015-16 budget. It remained at 11 million for the Q3 forecast, and is increased to 11.7 million in the 2016-17 budget estimate. The only other tax revenue in the other taxes category is the mineral rights tax. And in all three estimates, all three forecasts, it is estimated at 8.5 million.

Moving to the resource surcharge, resource surcharge attributed to the oil and gas industry in the 2015-16 budget was \$166.2 million. In the Q3 revision, it remained at 166.2 million, and in the 16-17 budget, it is forecast at 116.4 million.

Resource surcharge revenue from the potash industry was estimated in the 2015-16 budget at \$172.4 million. It remained at 172.4 in the Q3 forecast, and for the 2016-17 budget estimate, it is at \$158 million. Resource surcharge revenue from all other resource corporations, or other resource industries, in the 2015-16 budget was estimated at \$48.1 million, and remained at \$48.1 million in the Q3 forecast. In the 2016-17 budget it was at \$65.3 million.

So moving to motor vehicle registration fees, I guess I have a breakdown here, but it's not quite the way you've asked for it. You've got registration fees; permits, licences, and other

service fees; commissions paid to SGI [Saskatchewan Government Insurance] for the collection of fees; and the cost to SGI for the collection of fees. And what I have is a breakdown of motor vehicle registration fees and respective commercial and non-commercial vehicles, driver's licences, and other miscellaneous fees.

**Ms. Sproule:** — You put commercial, non-commercial all in . . . is that registration fees?

**Mr. Srinivas:** — That would be correct.

**Ms. Sproule:** — And then the rest could be under permits, licences, and other service fees?

**Mr. Srinivas:** — Yes. I have drivers' licences, and then I have miscellaneous.

**Ms. Sproule:** — And then miscellaneous. Well then that would be best if you provide it in that format because that's the one you have.

**Mr. Srinivas:** — So for the 2015-16 budget the registration fees totalled \$170.4 million. It was 154.3 in the Q3 forecast, and the 2016-17 budget was at 166 . . . 167. Driver's licences were estimated at the 2015-16 budget to be \$23.8 million. In the Q3 revision, the forecast was revised to \$21.3 million, and for the 2016-17 budget the estimate is \$21.1 million.

And other miscellaneous fees such as permits are . . . In the 2015-16 budget the estimate was \$13.3 million. The revised forecast at Q3 for 2015-16 was \$11.7 million, and the estimate for 2016-17 budget is \$12.6 million.

And then you've asked about transfers from the federal government.

**Hon. Mr. Doherty:** — Mr. Chair, before we move to that, there is a footnote associated with one of the items at the bottom of the page. I'm just wondering if the member who tabled the document might explain the footnote then.

**Ms. Sproule:** — Yes, I think that's referring to the two bullets at the bottom of part (i), motor vehicle registration fees. The question was whether or not SGI is actually collecting commissions . . . Or, sorry, what is the cost to SGI for the collection of the fees and the commissions that are paid to SGI? We weren't aware whether that was happening or not, and the question is, is it now happening? Because that would be the recommendation, but it sounds like it's not happening. So that's what the footnote's about.

The point being made there is that drivers are subsidizing taxpayers because Finance isn't paying appropriate compensation to SGI for the collection of those fees. For example, for provincial sales tax there are commissions paid for collection of that, but Finance doesn't pay collection fees for the collection of the SGI registration fees. And the note goes on to say that the rate review panel should insist that Finance cover the costs. But I don't think it's happening right now, if I understand correctly.

**Hon. Mr. Doherty:** — I'm advised that there is a PST account

with SGI that provides some revenues to SGI. But I think it's important to note that on a consolidated basis under summary financial statements it's a wash, because anything that goes out from Finance to SGI is recorded as an expense with Finance and a revenue for SGI, and then it gets consolidated back in to the bottom line for SGI that contributes to the bottom line of the summary financial statements.

**Ms. Sproule:** — It's just a matter of proper accounting, that's all, and making sure it's in the right area. So it's just a recommendation based on ... This is the advice of an economist. So just questioning. Thank you.

**Hon. Mr. Doherty:** — I just want to clarify that, and I'll let Arun finish off the transfers from the federal government.

**Mr. Srinivas:** — Thank you. So the two major federal transfers of course are Canada Health Transfer and Canada Social Transfer, and I believe those amounts are provided in the budget book.

**Ms. Sproule:** — Yes, they are. Yes.

**Mr. Srinivas:** — The budget, the revised forecast and the new budget. Right.

So as far as other federal transfers equal to or greater than \$30 million, I kind of have them broken down by ministry. So with the Ministry of Agriculture, we've got Growing Forward 2, which is at \$40.2 million in each of the 2015-16 budget, the revised forecast, and the 2016-17 budget.

We've got with the Ministry of the Economy, the Labour Market Development Agreement at \$37.625 million in the 2015-16 budget and the 2015-16 revised forecast. And for the 2016-17 budget, it is estimated at 40.218 million.

Under the Ministry of Government Relations, we have the gas tax fund transfer, which was estimated in the 2015-16 budget at \$56.29 million. In the Q3 revised forecast it is 56.29 million again, and in the 2016-17 budget it is estimated at 59.104 million. And I think that's all of them that are ... No, sorry, we've got one other one.

We have wildfire assistance, in the 2015-16 budget was estimated at zero. In the 2015-16 Q3 forecast it was estimated as \$67 million, and in the 2016-17 budget it is estimated at \$67 million again.

**Ms. Sproule:** — All right. That was a piece of work. Thank you very much. Yes, I think going forward the hope is to start presenting this as a spreadsheet so that we can track it, but we're starting at this point and we'll go from there. Thank you very much for that.

Next up is just the credit rating. Today in the news we hear from Standard & Poor that there was a downgrade for the first time that I know of since 1992. I'm just wondering, are you anticipating any further downgrades in this fiscal year?

**Hon. Mr. Doherty:** — With this particular agency or any of the agencies?

**Ms. Sproule:** — Let's start with Standard & Poor and then go to the other ones after that.

**Hon. Mr. Doherty:** — With respect to Standard & Poor's, we're not anticipating anything further this year. But these are independent agencies, as you well know, and if fiscal circumstances change, either good or bad, I'm sure that they always will ask the province for our response to those kinds of conditions. But we don't anticipate anything further with S & P [Standard & Poor's].

With respect to the other two agencies, Moody's and DBRS [Dominion Bond Rating Service Ltd.], I'm advised that reviews are ongoing with those two agencies. And we're not sure when, but we'll ... They will be bringing out their recommendations some point in time over the next two or three months, I think it's fair to say. And it would just be guessing on our part at this point in time to determine what they would do with respect to their ratings.

**Ms. Sproule:** — Yes, I don't think it was a surprise that this downgrade was coming, considering the drop in resource revenues as you indicated today. They are also saying that in the next two years there's a one-in-three chance the province will not be able to meet its budget targets. In terms of that, I think you're anticipating — and the Premier had suggested — that you would be back to budget, balanced budget next year. Do you think that they've got it ... somehow misunderstood that, or are you still confident that you will be able to do that next year?

**Hon. Mr. Doherty:** — So officials have discussed that with S & P, and the idea being that there's a one-in-three chance that we will not hit our targets. On the flip side of that, there's a two out of three chance that we will hit our targets. And so what they're ... you know, closing off a \$434 million deficit and with rising costs in various ministries for fiscal '17-18, it will be a challenge. There's no question about that. And particularly if resource revenues continue to stay low or go lower, that will be a challenge.

So I think they're just kind of covering their bases and providing the odds on, if you will, about the province hitting its targets for getting back to balance in '17-18. But that is still our goal; that's not changed.

[19:45]

**Ms. Sproule:** — Thank you very much. Kind of a random question, but one of the questions that was posed was in relation to Internet sales and the fact that we're not collecting PST on them. For example, Amazon; you don't have to pay PST if you purchase through Amazon. Is the ministry looking at ways to perhaps be able to protect small businesses here who have to charge ... like a bookseller who would have to charge PST as opposed to buying online. Are there any initiatives under way in that respect?

**Hon. Mr. Doherty:** — So I am advised that we do have accounts with a number of the large entities that are on the Internet, without getting into any specifics as individual taxpayers. The difficulty we have is being able to audit them because they're not a jurisdiction here in the province of



Saskatchewan or in the country of Canada in a lot of cases.

So I'm advised that there is work going on at the federal-provincial-territorial level with the federal government and other provinces because it's not a problem just germane to Saskatchewan. It happens right across the country and indeed, other countries. If, you know, if you're an American-based Amazon.com for example — and I'm just using them as an example — it's difficult for any other jurisdiction to go in and audit their books to determine how much they might have collected from an individual consumer in Saskatchewan.

So I suppose it's quite a bit on the trust factor. But it is a problem. It's been recognized, and we've raised it with the federal government as have other provinces. And we'll continue to work to try to find a way to mitigate that.

**Ms. Sproule:** — Thank you very much. Next question is on transparency and disclosure. I believe in BC there is legislation where, first of all, the auditor must approve the forecasts that the finance department used. That's the first piece. And secondly, there are some jurisdictions, if I'm correct, that require a disclosure of travel and expense accounts for deputy ministers and CEOs [chief executive officer]. Is that something that this ministry is looking at at this point in time?

**Hon. Mr. Doherty:** — So I'm advised that in . . . I think you mentioned British Columbia. I think there's three provinces — BC, Nova Scotia, and Ontario — who involve their provincial auditors' offices. I'm not sure if they have to approve their budget. We'll clarify that. But I do recall reading in some of the research I've been doing on transparency and accountability that they have to . . . They weigh in on the reasonableness of the assumptions in those documents so that if, you know, if a government made a crazy assumption with respect to revenues to try to balance their budget, I think the Provincial Auditor would weigh in on something like that.

That's not something we've contemplated here to this point. And you know, as I indicated, I think when we were together last week and dealing with the legislation, that we are undertaking a review of what other provinces are doing in consulting with the Provincial Auditor to determine what is the most transparent and accountable method by which we can share the financial statements of the government with the people of Saskatchewan. We'll certainly take that under advisement.

With respect to divulging the travel of the deputy ministers and the CEOs, that's again not something that we've contemplated. We certainly do that with ministers and I think all MLA [Member of the Legislative Assembly] travel now. Any individual can come in to an MLA's office, including yours and mine, and look at what expenses we've incurred during the course of the year. So again, I appreciate you raising that and we'll take that under advisement.

**Ms. Sproule:** — Thank you very much. Moving on then to the Canada Health Transfer. Apparently, and you will know much more about this than I will, but the former prime minister changed the calculation of the Canada Health Transfer, which actually hurt Saskatchewan, because he changed it to a per capita adjustment. And we're wondering whether you are

actually working with the federal government to provide for an age adjustment?

**Hon. Mr. Doherty:** — We are. It is a multi-pronged discussion, if you will, the Minister of Health is raising — this Minister of Health, Minister Duncan — is raising at his FPT [federal-provincial-territorial] table. I can tell you that it was raised, led by the province of Quebec last week at our FPT in Vancouver with the Finance ministers. And I believe the Premier is, if he has not already, is trying to get it on the agenda for the COF meeting, the Council of the Federation coming up in July, I believe it is, later in July, when the Premiers and the first ministers get together to discuss that. So it is an issue that we are engaged with the federal government on.

**Ms. Sproule:** — Thank you.

Another question about reporting, or perhaps possible improvements to reporting would be, have you considered publishing the monthly comptroller reports of revenues and expenses?

**Hon. Mr. Doherty:** — The short answer is no, we've not contemplated that. It would be an immense task, I'm advised, to . . . And that's primarily on the General Revenue Fund, and we don't do General Revenue Fund any longer. It is completely on the summaries, but we do provide obviously, the quarterly updates on a summary financial basis.

**Ms. Sproule:** — Thank you. So you're of the view that they don't need to be published then? It's too much?

**Hon. Mr. Doherty:** — Well we don't . . . [inaudible] . . . so there would be nothing to publish at this point in time. But again, with the different entities that report into the summaries, it is a Herculean task to consolidate all the different numbers even on a quarterly basis, which is why it takes usually two months after the end of the quarter to get that information out to the public. And we've not contemplated, I've certainly not contemplated doing anything different. Moving to the summaries now for the last couple of years has proven to be, you know, quite a bit of work. And we're kind of getting used to that now, and to change it again I think would be . . . I'm not sure what use it would provide, considering the fact that we don't do GRF anymore.

**Ms. Sproule:** — I'm just thinking though that there is still some government service organization reporting at a GRF level. So perhaps that would be a place to start. But I understand there's lots of shifting and changing that still is being absorbed and probably, you know, evaluated as you go. This is just a recommendation in terms of transparency, is that these kinds of comptroller reports, even at a ministerial level, that they could be published.

All right. A question here on the new health accord. Is this something you're involved in or is that something only the Minister of Health is involved in?

**Hon. Mr. Doherty:** — You're referring to the Canadian Health Transfers from the federal government?

**Ms. Sproule:** — This says health accord, so I don't know if

that's related to the health transfers or not but . . .

**Hon. Mr. Doherty:** — I believe that's the thing we just talked about at the FPT level.

**Ms. Sproule:** — Thank you very much. I have a number of questions about pension liabilities, but I think what I'll do is turn to some of the auditor's reports now. Just hang on a second. Just looking at the Provincial Auditor's report of 2013 December, so that's volume 2, chapter 1. What's the title of this chapter: "Public Accounts — General Revenue Fund." I know this is before the changes were made recently, but one of the things that they talked about was accounting for pension costs on a cash basis. Now I'm going to need to take some time to go through some of this to make sure I understand it, but the concern there was that the pension costs were only being expensed, I guess, when the actual payment was being made. And if I understand correctly, the auditor's concern was that there was no public discussion about — at that point — 6.56 billion pension and disability benefit liability, which would have been 2013.

So I guess my first question is, is this now information available in the budget? Or where would I find that number? It would be the pension costs, I guess, in terms of the liabilities, pension liabilities.

**Hon. Mr. Doherty:** — Yes. Thank you, Mr. Chair, and I appreciate the question. I will ask for forgiveness ahead of time if we don't have all the information here this evening that you're asking about because you are going back to 2013, and fair enough. But Terry Paton, the Provincial Comptroller here, will endeavour to answer all your questions as much as possible.

**Mr. Paton:** — Thank you. I think the first statement I would make is that I believe most of the recommendations as they related to pension liabilities, if you go back to 2013, both in terms of the liabilities and the expense, I believe we have adopted all of those recommendations. So when you look at the financial statements, and I've brought the 2015 statements with me . . . Do you have the Public Accounts volume 1?

**Ms. Sproule:** — Yes, I do. Thank you.

**Mr. Paton:** — So if you turn first of all to page 39 of the Public Accounts, you'll see under the liabilities, the second last line, pension liabilities in the amount of 7.077 billion. So that's the full amount of the pension liability that the auditor would have been referred to. And in fact we've recorded that number, the pension liability, in the summary statements for quite some time.

The other part that the auditor is referring to is whether or not we record our expenses on a cash basis or an accrual basis. And the statements that we now prepare are on a full accrual basis, so all pension expenses are now being recorded.

There is a fair amount of details as we relate to the pension liabilities themselves, and if you go back to . . . I think maybe page 49 is one of the, may be one of the best pages to look at. These notes do go on for three or four pages, but at the bottom of page 49 you'll see the pension expense. The total pension

expense for the year 2015 was \$704 million, and that includes both the cash payments to the old plans, the defined benefit plans, and the defined contribution plans.

**Ms. Sproule:** — Okay, thank you. So these notes, these retirement benefits . . . I see you're looking at this year's budget now, I think. I'm sorry. I just thought you were going to make further comment.

[20:00]

**Mr. Paton:** — Yes, there's a little bit more information that we have as it relates to our current budget document. And there's two pages that I would refer you to. One is on page 68, and there it records the pension liabilities from a current basis. So you can see our budget for the pension liabilities for this year will be \$7.781 million. And you'll see that we expect that liability to actually be reduced in the current year.

The other thing that I'll point out is that from a budget presentation on page 67, you'll see that we report the deficit or surplus prior to our accounting for the pension liability change, and then subsequent we add or subtract the amount of the change in the pension liability that moves it to accrual accounting. That's the top table.

**Ms. Sproule:** — And that was going to be one of my other questions is, would you ever do it the other way around and don't . . . Before the adjustment to account for pensions on an accrual basis, would you ever report it including those figures, or why wouldn't you?

**Mr. Paton:** — Pension liabilities are a little bit unique in that they rely on a number of estimates that are made by actuaries. One of the biggest factors, influences is the change in the interest rates. And as we discussed the other day, a 1 per cent drop in the interest rates costs the province approximately \$1 billion in the liability change. Those payments are probably being paid out over the next 30 to 35 years, and those fluctuations are going to change over the years quite dramatically, as they have in the past.

The way the budget is presented currently, I think it gives a fairly clear picture of the cost of operating government on a more current basis. So the numbers that you see prior to the pension liability are the numbers that are going to be I guess closer to the amounts that we're actually paying out in the coming year, whereas the pension liabilities are estimates of costs well into the future, in many cases 30 years.

**Ms. Sproule:** — Yes. I can understand how it's difficult to get a reliably accurate number. Although you do have that seven point seven eight one point one billion figure. It's there on page 68, as you point out. Now why is that pension liability number . . . It doesn't seem to show up in the schedule of public debt. Why would that be?

**Mr. Paton:** — It's just a matter of classification, and again, if you want to, if we turn back to the actual financial statements, on page 39 you'll see in the liabilities there's a number of different amounts that are payable. And about the third line down is public debt in the amount of \$4.41 million, so that's the amount of debentures that are payable.

Pension liabilities are a different classification of liabilities. So they both appear on the same statement in the same categories.

**Ms. Sproule:** — That's in your summary statement. But in your budget, do they appear anywhere in the budget in the same sort of, as liabilities, grouping of liabilities?

**Mr. Paton:** — No, you won't see that. There's not a financial statement or a statement of financial position for all of government in this document, but it provides the full details on the liabilities. But you do not see a summary statement that gives all the categories of all the liabilities and all the expenses.

**Ms. Sproule:** — And what would the reason be for that? Where you're doing it in volume 1, you're . . . I like the way you can see it all listed there, and when you're looking at the budget, you kind of have to put it together.

**Mr. Paton:** — It comes down to estimating what the changes in those assets and liabilities are going to be into the future. When you look at something quite specific as pension liabilities, we could make a fairly good estimate because of the manner in which the liability is calculated. So we have a fairly good idea of where that liability is going to be at the end of the coming year.

We can do the same thing with the public debt. We've got a pretty good idea of how much we're borrowing and how much we're repaying. If we tried to predict what's happening to our cash or accounts receivable, our accounts payable, those numbers fluctuate so drastically I don't think anyone could ever begin to forecast that.

**Ms. Sproule:** — Thank you for that. This may come up in a few other contexts as we go through because it weaves its way through a lot of these documents. So thank you for that.

One other item in the 2013 report, and I don't . . . I'm sure you can let me know very quickly whether this is happening or not. The recommendation was that "the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds." Is that something that you are now doing? Public reports?

**Mr. Paton:** — We do have some reporting on the activity in the sinking funds and their performance, and being the accountant I always like to refer back to the Public Accounts. And on page 63 of the Public Accounts, you can see the activity within the sinking funds. It shows the opening balances, the amount of contributions during the year, redemptions, the earnings that are earned on those sinking funds, as well as any currency adjustments, because we do have some foreign currency transactions, and then showing the closing balance at the end of the year. So that's the schedule at the top of page 63.

**Ms. Sproule:** — Thank you for that. In the 2014 report of the auditor, she indicated that you had made some changes to that. It was partially implemented, this one recommendation. Anyways, she said, "In 2013-14, public information on the performance of the Government's investments . . . was limited to information included in the Government's Summary Financial Statements." So I believe that's what you just referred me to. What she had gone on to say though was:

Not making public an analysis of rate of returns on sinking fund investments increases the risk that legislators and the public will not understand Finance's performance in managing the Government's investments in sinking funds.

So is that something you're considering as making public, the analysis of the rate of returns on these investments?

**Mr. Paton:** — Unfortunately I may not be the best person to answer this. Our manager that's responsible for the sinking funds isn't with us tonight. But I do know that we've got a little bit more information than what might have been available back in 2013. Like there's some additional information on the bottom of that schedule in the notes where we talk about the gains on sale of investments, the 55.4 million and the market value of the sinking funds as it exists now. So I'm not sure how much information we had two years ago and whether or not this might be a bit of an expansion of that information. I'm also not aware whether or not there's public reports on these sinking funds and other entities. It's something that would be interesting to look at but I'm really not sure that that type of information is really publicly available in other jurisdictions either.

**Ms. Sproule:** — All right, thank you. Perhaps in the next 12 months we can take a further look at it and see what information is there. So that's good for that. 2015, just going to the auditor's report in 2015, one of the comments made there in the chapter relating to Finance, in chapter 8, was surcharge revenues. "Finance needs to complete its development and implementation of a more accurate reporting model for these revenues." Is that something you can update the committee on?

**Mr. Srinivas:** — Yes, we are aware of that recommendation. We've been working on that recommendation since the auditor made it. The difficulty is in attempting to accurately estimate an amount to accrue because of the volatility from year to year in the payments that we receive from the different resource sectors. What we've been trying to do more recently is to see if we can accrue an amount in respect of certain sectors. If there's less volatility in respect of some of the sectors, then we can make an accrual in respect of those amounts as opposed to the entire resource surcharge base.

**Ms. Sproule:** — Do you think you could explain that in more of a layman's terms?

**Mr. Srinivas:** — Okay, I'll try. So right now we receive resource surcharge payments from resource companies. They file their tax return for the surcharge, typically at the end of June, which is after the end of the fiscal year in which the payments that we're counting.

So what the auditor would like us to do is make an accrual estimate for the amounts that we think companies will record on their tax returns to adjust their cash payments, the instalment payments that they've made over the course of the year. And our difficulty to date has been in attempting to accurately estimate what that accrual adjustment should be.

**Ms. Sproule:** — Thank you. That helps. All right. Make sure I've got them all here . . . 2016, a few questions on the 2016 report. Tax, key tax expenditure programs, I guess that's what we went through earlier today when I asked you to sort of give

more detail on the revenues.

So on page 81 of the 2016 report, the auditor is recommending better reporting to the Legislative Assembly and the public. And I just wondered if you could provide a comment on the fifth recommendation. On page 81, it says:

We recommend that the Ministry of Finance annually give the Legislative Assembly the following additional information on key tax expenditure programs:

Measurable program objectives . . .  
Key assumptions used to estimate tax expenditures  
[and the]  
Actual value of tax expenditures based on available information.

So I think one of them was the fuel tax that she was talking about.

[20:15]

**Mr. Srinivas:** — Okay. So we annually report our tax expenditures in the budget document. This year's document, it's on pages 53 to 56 of the budget document. We began this year to make adjustments to that reporting in response to the auditor's recommendations. This first year is sort of a first step towards that, where we've provided a little bit more information on the objectives of tax expenditures in the text of the paper, and we've added a couple of columns of information.

Not only do we provide . . . In the past we've always provided an estimate of the tax expenditure for the current year. This year we've added, we're republishing what the estimate was last year as well as a revision for the estimate from last year where we have updates. And that's kind of our first step into beginning to address the auditor's recommendations. This will evolve over the next couple of years. We are hoping each year to improve the quality of the reporting as we go.

**Ms. Sproule:** — Certainly that's obviously beginning to what she's looking for, but there seems to be a number of other items, so I'm assuming that that's something you're currently working on. It would be hard to turn it around because we just saw this last week or May 17th I guess, so you had already probably had this at the printer by then.

In terms of these tax expenditures and program objectives, is that something . . . I know you give some very high-level sort of information in this year's budget document, but will you be providing us with more information on program objectives as well? And I guess in some ways it ties into the transformational change and the review that you've indicated you're undertaking. How will you approach transformational change vis-à-vis tax expenditures? I'm assuming that's up for grabs as well.

**Hon. Mr. Doherty:** — It is, yes. As I indicated, until things come off the table and that's the . . . There will be things that we will take a look at and go, well we're not making changes there. Or for example, the potash royalty review, we're putting that on pause just because of the circumstances in that industry at this point in time that they really need stability and not

uncertainty.

The same holds true for the items you see on pages 55 and onwards. You know, some of these are untouchables if you will, I suppose is the best way to put it, in the sense that our government has no intention of removing those exemptions. Basic groceries I think would be an obvious one. We have no intention of taxing basic groceries. But we will be going through all of these. And the Provincial Auditor's identified I think the farm fuel tax exemption, and we will review the history of that particular item as well as a number of other ones to determine if it's still serving the purpose for which it was intended.

Like everything else on the expenditure side, on the revenue side we will be going through, as I said in the budget speech, our goal is to make our tax system as simple and as fair and as competitive as possible, and knowing full well that other provinces are making some changes. And that's not to say that they're . . . I just can't sit here tonight and tell you exactly where we're going to end up. That's part of the review that we're going to undertake. But these will be part and parcel of our review in the course of this year.

**Ms. Sproule:** — Thank you. You indicated some are untouchables. Has that already been determined, what is untouchable?

**Hon. Mr. Doherty:** — No. As by way of example, I think basic groceries stands out as something that government would not be interested in taxing. But to sit here tonight, without having the benefit of reviewing it with my colleagues, I'm not going to give you a full list.

**Ms. Sproule:** — Thank you. I thought it sounded like you'd already made the determination but you know, I can understand why you would single that one out for an obvious program that might be protected.

In terms of tax expenditures for the agriculture industry, I'm just trying to get a sense, because I had asked the Minister of Agriculture the other night to provide me a list with subsidies for farm activity. And he indicated that you, your ministry is more responsible for tax expenditures, of course. So I'm just seeing no. 4 on page 55 is \$83.8 million. That's for farm machinery and repair parts. And then there's 163.4 million for fertilizer, pesticide, and seed. And then further on we see the farm activity. And I'm just wondering — that's 120 — so is there any other tax exemption specifically directed to the farm industry or are those the three main ones?

**Hon. Mr. Doherty:** — I'm advised that those are . . . They're all listed I believe on pages 55 and 56, correct? So those would be the three that directly relate to farming activity.

**Ms. Sproule:** — Okay. I'm just going to . . . So it's about \$370 million right now for exemptions in that industry. Okay, thank you for that.

I'm going to go back to the 2016 auditor's report, chapter 18. I guess we went through that in quite a bit of detail the other night. And I tagged one today. I guess on page 232, back to the pension discussion, she indicates:

... the budget did not include all of the pension expense in the determination of the annual surplus. Rather, it showed the impact of the difference in accounting as an "Adjustment to Account for Pension Costs on an Accrual Basis" in the other statements, and the schedule of pension liabilities.

And then she goes on to say you published the reasons for that exemption, which is what you were talking about: "... volatile, long-term and non-cash nature of the pension accrual adjustment ..." The auditor went on to say on page 232:

While the Government has clearly identified this exception and explained its rationale, we encourage the Government to limit such exceptions to avoid misunderstandings and to facilitate easy comparisons of plans to actual results.

Is that something that you'll be able to achieve or accomplish, that further recommendation?

**Mr. Paton:** — That's currently the only exception that we have, where we draw up the pension liability for a specific purpose, and we have no plans or anticipation that there'll be any other ones.

**Ms. Sproule:** — Thank you. All right. Page 234, 235 of the 2016 report, chapter 18, there's talking about ... We talked a little bit about this the other day, about multi-year budget information, and she had said it's:

... less than that of some other provincial governments in some areas. For instance, it does not provide multi-year information for the following:

Detailed information on planned revenues and expenses for all years

Detailed information on planned financial assets ... liabilities ... non-financial assets ... and accumulated surplus

And so her comment on 235 is:

We encourage the Government to consider providing additional information as part of its Summary Budget. Giving legislators and the public additional information may lead to more informed public debate about the Government's plans.

So is there anything you can take from that recommendation? Are you going to consider providing that additional information or are you still looking at that?

**Hon. Mr. Doherty:** — I think that this goes back to a discussion we had last week around the repealing of *The Growth and Financial Security Act*. And currently, you know, it was our government that brought in the median forecast, the four-year forecast that we provide at budget time. We also provide the four-year capital plan that's in the budget. I'm not sure what page it's on in the budget document but we'll find that. Maybe it's the next, the actual breakdown of the capital builds plan. Right, so page 21 in the budget document shows a four-year capital plan forecast.

In answer to your question, you know, our position hasn't changed since last week with respect to taking a look at what some other provinces do and being mindful of the Provincial Auditor's recommendations. We'll take that into consideration.

**Ms. Sproule:** — Thank you. And I think we touched on this last week as well but the recommendation to publish a debt management plan, that's not in the current budget document, right? A debt management plan?

**Hon. Mr. Doherty:** — So again I think if you look on page 50 in the budget document, it is a section on borrowing debt, what our forecasted public debt is out to 2020. I'm not exactly sure what the Provincial Auditor meant by ... I think you said not publishing a debt management plan?

**Ms. Sproule:** — Yes, a debt management plan.

**Hon. Mr. Doherty:** — Right.

**Ms. Sproule:** — The debt management plan?

**Hon. Mr. Doherty:** — Right. And I think that was repealed as part of *The Growth and Financial Security Act*.

**Ms. Sproule:** — So I guess it's still under consideration in terms of what the new legislation will provide. Okay.

**Hon. Mr. Doherty:** — Correct.

**Ms. Sproule:** — Thank you. All right. I think now I would like to turn to some other matters. CIC [Crown Investments Corporation of Saskatchewan] dividends, I'm just looking at the total over the last 10 years from 2006 on. I have till 2014, I guess was the last available information we had, and I think the total of CIC dividends in the year ending March 31st, 2014 was \$206 million. Do you have any information you can provide us on 2015 dividends? That should be complete by now.

[20:30]

**Hon. Mr. Doherty:** — So I'm advised that the CIC dividend over to the GRF, if you will, is \$262.2 million in '15-16.

**Ms. Sproule:** — Is there a breakdown for that? Is that something else you could share?

**Hon. Mr. Doherty:** — So it's broken down ... Of the 262.2, it's \$150 million was the regular dividend from CIC. There was a \$6 million dividend in support of Saskatchewan's nuclear research and development strategy, and \$106.2 million special dividend that reflected the proceeds from the ISC [Information Services Corporation of Saskatchewan] sale in that year.

**Ms. Sproule:** — Okay. I was looking more in terms of which Crown provided which amount, like SaskTel's dividend, SaskEnergy's dividend.

**Hon. Mr. Doherty:** — So the way it works is that the Crowns feed into the holding company, which is CIC, and then the holding company transfers that over to the GRF if you will. So SaskPower was the only one that was not required to provide any monies with respect to a dividend.

**Ms. Sproule:** — Right. So the total amount in 2015 coming to the holdco [holding company] was 262.2 million, correct?

**Hon. Mr. Doherty:** — That was the amount from the holdco to GRF.

**Ms. Sproule:** — To GRF. And you don't have that information from CIC in terms of which portion of that was SaskTel and . . . No. Okay. I can get that from CIC. All right, and could you repeat for me again the three figures you gave, ISC revenues, 106.2.

**Hon. Mr. Doherty:** — So the regular dividend was 150 million. There was \$6 million in support of Saskatchewan's nuclear research development strategy, and then 106.2 million which reflected the proceeds from the ISC sale.

**Ms. Sproule:** — And could you share with us a little bit of information about the development strategy for the nuclear . . . I didn't even get the whole, the six million. What, where does that go to?

**Hon. Mr. Doherty:** — We'll try and find some information here. So since 2012 the province began its contribution towards the development of a centre for research, training, and innovation in nuclear technology. This includes development of the province's first cyclotron and radioisotope facility at the University of Saskatchewan.

**Ms. Sproule:** — Okay. Thank you. So I've actually been able to tour that facility. So when you receive that \$260.2 million from the holdco, CIC holdco, how do you determine where the money gets allocated? So you're saying there's 150, which is the regular amount. Where does that go? You said you've got 6 million that's carved out specifically for that research centre. And then the 106.2 million from the ISC proceeds, does that just get added into the General Revenue Fund and . . .

**Hon. Mr. Doherty:** — It's just part of the cash that government uses to pay its operations. It's not allocated . . . Aside from the \$6 million that we talked about for the nuclear strategy which was designed specifically for that, that \$6 million was allocated specifically for that. The rest of the dollars would go into the General Revenue Fund for the purposes of cash management to pay the bills.

**Ms. Sproule:** — Are you aware of any other times when a specific amount was carved out of this particular pot of revenue, like this nuclear research centre?

**Hon. Mr. Doherty:** — So I know of, we know of nothing else specific right now but I can tell you that the nuclear technology strategy again, since 2012, there's been a total of \$51.1 million total investment and 49 million of that has come from dividends from the Crown Investments Corporation that pay towards that particular initiative.

**Ms. Sproule:** — I guess I'm wondering . . . There's so many initiatives that this government undertakes and it just seems unusual to single that particular one out. And so just wondering if you knew the reasoning behind, because I can think of many projects and research funds and, you know, if you think of what's going on at Innovation Place in general at the University

of Saskatchewan, so it just seems to be an unusual move and it locks in that money. Was that because that was a commitment the government made and that's why it's being treated that way?

**Hon. Mr. Doherty:** — It was, again, just specifically to the nuclear strategy in conjunction with the University of Saskatchewan.

**Ms. Sproule:** — Okay, but why wouldn't you do that for other research programs?

**Hon. Mr. Doherty:** — Yes, I guess, you know, one could say that that \$6 million went into the pot from the CIC dividend, and then that was the allocation that was carved out. We specifically identified that for the nuclear strategy at the University of Saskatchewan, but, you know, I suppose one could take the 150 million regular dividend from CIC and say any number of these initiatives were funded by those specific dividends.

It's just there's no rhyme nor reason as to why we identified that \$6 million. It had to be paid for somehow, and that money's transferred to the General Revenue Fund, then reallocated back to the nuclear strategy at the University of Saskatchewan.

**Ms. Sproule:** — So when you say regular dividend of 150 million, over the years it's varied. From 2006 it was 167; 2007, 100 . . . or, sorry, 200. And then I have all the numbers here from 2006 onward. So the regular dividend was what you would have reported had you not had the ISC sale. Like that's why you separated ISC out. So it's . . . 150 is fairly low. In fact that would be the lowest dividend since 2006, but for the ISC sale. Could you maybe share with committee why the 150, and why that's such a low figure for 2015?

Just one additional thing is, I was wrong. The lowest actually was in 2011 at 120.5 million. So this would be second lowest.

**Hon. Mr. Doherty:** — So it's based on any given year, what the net income forecast of individual Crowns that have cash available, knowing full well what their borrowing programs and their capital investment programs might be, their cash needs, what might be available to transfer to the holdco that could be used for cash purposes in the General Revenue Fund. So it's done on an annual basis to determine what cash might be available from the individual Crowns that report into CIC.

**Ms. Sproule:** — Thank you. Again probably more a question for the Minister for CIC. Looking at debt charges now, and again I might bounce around a little bit when it comes to this topic but I have the numbers for debt charges since 2006 as well. And I'm just looking at the, page 52 of the budget document where you indicate that the debt charges are estimated this year for \$297.2 million and the forecasts . . . or I guess that would be the third quarter forecast for last year, was at 290.9.

Now I think the footnote there indicates that these are only GRF debt charges. Is that correct? Or what do you call them . . . government service organizations. And then it says that the footnote says, "Debt charges on Government Business

Enterprise Specific Debt are included in Net Income from Government Business Enterprises, so they are not reflected in Debt Charges in the Summary Financial Statements.” Has that always been the case? Because it looks like in 2015 we spent \$525 million on debt charges but I’m not sure why it’s only showing up as 290.9 on page 52.

**Hon. Mr. Doherty:** — I’ll ask the Provincial Comptroller to answer your question.

**Mr. Paton:** — I don’t have the specific numbers that you’re referring to now but what I’ll do is I’ll try to explain the principles behind this. Government is divided up into two main categories. We call them, one is government service organizations and that’s the General Revenue Fund plus a lot of other entities like health regions and so on. We treat our government business enterprises, SaskPower and SaskTel differently. And the difference between the two is, one is consolidated into our statement with the General Revenue Fund. The other one is treated in a manner that’s a little bit different. We do what’s called equity accounting for it.

So again if you look at your public accounts between page 56 and 57, you’ll see a full schedule of the activities of those government business enterprises.

**Ms. Sproule:** — Okay.

[20:45]

**Mr. Paton:** — So that’s all the operating expenses of those organizations. If you look down into the expense category, the third expense is the debt charges. So they actually for 2015 had \$355 million worth of debt charges. So when it comes to the main statements, that number doesn’t get added in. The only thing that gets accounted for here is the net income of all the government business enterprises. So one number comes forward instead of the full consolidation of those numbers.

**Ms. Sproule:** — So could you share with the committee then what the total debt charges were for the government in . . . or what, I guess what your estimate would be for debt charges totally for government service organizations plus government business enterprises?

**Hon. Mr. Doherty:** — For ’15-16?

**Ms. Sproule:** — Well for this budget.

**Hon. Mr. Doherty:** — So the total debt charges of the entirety of government would be \$649.52 million.

**Ms. Sproule:** — 649.52, is that what you said? All right. And is there anywhere in the budget where that figure is easily ascertainable or where did you . . . Like we have the GRF debt on page 52. And where is the . . . You said in the summary statements, it’s there, the government business enterprises. Is it in the budget?

**Mr. Paton:** — It’s actually in two different documents. So the one number that you have there on page 252 is the 297.2. And if you look at the estimates document, the ring bound document, on page 146, you’ll see the Crown . . .

**Ms. Sproule:** — Debt redemption?

**Mr. Paton:** — No, the interest on gross debt, Crown enterprise share.

**Hon. Mr. Doherty:** — Vote 177.

**Ms. Sproule:** — Vote 177.

**Mr. Paton:** — See that 352.

**Ms. Sproule:** — “Provides for interest costs on the Province’s debt borrowed specifically on behalf of government business enterprises . . .” Okay. Why does that show up as zero? Is it because they pay it back to you?

**Hon. Mr. Doherty:** — Because it nets out. So it’s taken off their income statements, the Crowns, so their net income is the only thing that’s reported over to the summary financial statements. That was the document or the chart on page 56 and 57 in the Public Accounts that Terry pointed to.

**Ms. Sproule:** — You’re making me work. That’s all I can say. Is there any thought to actually including total debt for the public in an easier fashion?

**Hon. Mr. Doherty:** — Now you want us to go back to GRF.

**Ms. Sproule:** — Well I think you were able to provide me the number. You gave me that number. We know now that the budgeted debt charges is \$649.5 million, but I had to work to get there.

**Mr. Paton:** — As far as the actual printed financial statements as you have before you, those numbers are in complete compliance with the public sector accounting standards. So that part won’t be changing. But the front part of that document is called the financial statement discussion and analysis. That’s where we have an opportunity to present a little clearer picture of debt and debt costs, and I believe we’re looking at providing a similar type of disclosure to what you’re asking for, for the current year.

**Ms. Sproule:** — That would be very helpful for me for sure. Thank you.

All right. Okay. Next up, I have a few questions on the ministry’s plan for 2016-17. I don’t have the page numbers because they get cut off on my printer. But I think we’ve already confirmed the Public Accounts volume 1 will be tabled with the legislature by August 1st. I think that’s what you’ve confirmed earlier. Once you’re back on track with the catching up with the 15-month period with Crowns and all that, do you think that next year you’d be back to a June presentation for Public Accounts volume 1?

**Hon. Mr. Doherty:** — Yes, that’s our goal.

**Ms. Sproule:** — All right. Thank you.

On the next page, there’s some key actions under the ministry goal of programs and services that meet client needs effectively and efficiently. The one I’d like to maybe talk about a little bit

is the notion of undertaking program reviews, implement recommendations, and monitor outcomes. And specifically . . . I have to find this. It's not jumping out at me. Maybe you could just share . . . I'm going to keep looking for that but while we're doing that, if you could just sort of identify how you decide what programs are reviewed at this current time. And I know the transformational change will play into that, but how do you assess which programs are actually reviewed every year?

**Ms. Isman:** — Thank you very much for the question. Clare Isman, deputy minister of Finance. So in terms of how we do it, we basically do it at our senior management table. And we do an outline of the various programs and services that the Ministry of Finance offers, both externally to the public as well as internally to ministry clients because we're a central agency. We develop a four-year plan with regard to the program reviews that we intend to do, which we then report to a deputy minister committee of program review and work that with the approval of the Minister of Finance. And every ministry basically follows the same process.

In terms of the nature of the reviews we do, often we look at them from the perspective of which reviews do we believe as a senior management committee will respond to potentially identified opportunities for improvement that we think could be more easily achieved, and we do those first. We also look at program reviews that other ministries are doing whereby some of the work that we do might fit with them, and then we try to align our program reviews to theirs. And then we also do it based on the capacity inside the ministry in terms of the work that needs to be done with regard to the program reviews.

So for example, in the last fiscal year, in '15-16, we undertook a review with regard to the accounting shared services that we provide as the Ministry of Finance to other ministries and whether or not we were meeting their needs as client ministries, and whether or not there were any efficiency improvements that could be done. We did a program review with regard to our payment production schedule in terms of how we produce payments and the initiatives and the steps that go through that review.

We actually did an interesting review on a program review on program review, which only within the bureaucracy would we call it that. But what we did was we really started to do program reviews in a more diligent fashion about three years ago across government. And as the central agency, we're responsible for the processes that we use to do program reviews, the templates, the assistance that we provide to ministries, and we actually wanted to do a review three years in and make sure that we were actually meeting the needs of the elected, as well as our ministry clients. So we did a thorough review on how those processes were working and what changes that we could make. We also did a review on our MIDAS [multi-informational database application system] financial systems in terms of the reporting that we do through the system. And then we did a program review on the propane program that we then also have reported on.

When we do program reviews, we bring together teams from across the ministry, individuals to not only look at the individuals that are actively engaged and involved in the program, but also to bring in other people that aren't actively

involved so that they can sort of ask questions from an outside perspective to be asked and answered.

Once the program reviews are done, our staff then present those to our senior management team in terms of the nature of the findings and their recommendations. We take them under advisement and then, as I say, we report those on to the deputy ministers committee. As well as if there are any that require decision making on part of the elected that aren't just process oriented, we would then bring those forward in our budget submissions to treasury board and on to cabinet.

And then for the next year upcoming in terms of some of things that we're doing reviews on, it's the same sort of thing. We're tentatively right now looking at, for example, doing a program review on internal audit, our investment services area, debt management, how we're doing internal communications inside the ministry, as well as on expense forecasting.

**Ms. Sproule:** — Thank you for that. I'm just looking at *The Growth and Financial Security Act*, part VI, and it's called "Efficient Service in Government: Program Reviews." Now that that section is gone in the legislation . . . Because there was a number of useful things identified in that section. The reviews were "to determine the adequacy of the programs and expenditures."

I'm just going to read this section:

32(1) In preparing the estimates for a fiscal year, Treasury Board shall review the existing and proposed programs and expenditures of ministries for the following purposes:

- (a) to determine the adequacy of those programs and expenditures;
- (b) to evaluate those programs and expenditures as to economy, efficiency and effectiveness and to determine the priorities amongst them;
- (c) to ensure that there is accountability by the ministries to the Legislative Assembly respecting those expenditures and programs; [and]
- (d) to achieve any other purposes that Treasury Board considers appropriate.

And I think what you've described is generally what's contained within this legislative clause.

But this applies beyond GRF financial reporting. So is this something that you would like to see in the new legislation? I know you don't know what's going to be in there but this, this could have been kept. You didn't need to repeal the whole Act because I think this still applies regardless of how the reporting is done. So would you say that what you just described to me in your process fulfills that section, or is that the goal?

**Ms. Isman:** — Yes, it certainly does. In fact, the program review on program review that we did, I think identified that very much, so that we believe it to be a very sound business practice and one that should continue. And the recommendation of that review was that we continue to do program reviews



across executive government. We've had some discussion with regard to expanding program review into third party organizations, and I think right now we're sort of the view that we want to make sure that we've got it working as best we can inside of executive government before we would then take it out.

But it clearly is fulfilling a good business practice in terms of looking at those reviews and providing good information back, and the level of consistency and due diligence on a very planned basis. So we have every intention right now of continuing the business practice that we've got. We've got good systems and processes set up. So even in the absence of the legislation, our recommendation, and I think how we're proceeding, is simply to continue to do program reviews the way we've always done it.

So as I said, Finance has got two roles here. One is to do our own program reviews that I've outlined, but also as the central agency responsible for program review and how we do program reviews, we will continue, through our planning, accountability, and reporting area, to support ministries, and through the deputies committee to continue to do program reviews into the future.

**Ms. Sproule:** — Was there any consideration when the discussion to repeal the Bill came up to actually keep this in the legislation and not repeal the entire Bill?

**Hon. Mr. Doherty:** — Again I think that that . . . You've raised this in the legislature and with the media that this, you know, that that's an ongoing, should be an ongoing tenet of government every year. So I would, I would suspect that that kind of directive will find its way into the new legislation as well.

**Ms. Sproule:** — I guess that leads me into transformational change, and the Minister of Agriculture referred to it as a deeper dive into the program reviews. So what sort of extra layers of review would a transformational change approach bring to what appears to already be a fairly rigorous process? I know you posed a number of questions in your budget document, but can you share with the committee sort of a vision of how that deeper dive might look and sort of, what sort of changes to what's existing now in program reviews?

[21:00]

**Hon. Mr. Doherty:** — So program review doesn't look at every program in every ministry and, you know, if you're the Ministry of Health there are a number of programs under way, the Ministry of Education. That's a common business term, a deeper dive, with respect to going into these ministries, and it's incumbent upon every minister to look at every line item expenditure in their budget. And in a lot of cases when government does the call for estimates, it's precipitated or it precipitates ministries coming forward with new initiatives. In a lot of cases we don't . . . And they'll provide some offsetting costs that they'll find internally if they don't get the dollars that they want from treasury board for these new initiatives. So they'll offer up certain things to reduce expenditures here or trim expenditures there.

I think what we're trying to accomplish inside the executive side of government is the look as to whether these programs are still serving the purpose for which they were intended. Are they still a core service of government, given our fiscal circumstances, and is there a possibility the program can be offered outside of government? So it's not just trimming around the edges, or certain programs able to . . . For a ministry to have additional dollars to do a new initiative which gets layered on top of everything else that we are doing, it may be the complete cessation of a program. It may be . . . You know, active families benefit, I think is an example in the Ministry of Parks, Culture and Sport.

The other more . . . not more important, but I think for me, as a member of treasury board for the last four or five years, is that we don't do that deep dive on our third parties. And we have some of them come before treasury board. We pick the odd school division — because we can't meet with them all; there're 28 of them — and several health regions and our post-secondary education institutions. It's to take a look at when taxpayers' dollars are going out the door the day after the budget is passed. And we get questions for it in this Chamber from you and your colleagues and questions from the media and have no say in how those dollars are being expended to a certain extent. We just think it's incumbent upon us to play a greater role in asking these third parties to do that deeper dive, as the Minister of Agriculture pointed out, but also to take a look at, are there things that they are doing that they no longer need to be doing or could be done elsewhere.

When dollars are, I'm not saying scarce, but when there's the kind of revenue challenges that we have, are we doing a good enough job prioritizing the delivery of services that the people of this province expect and deserve without having to borrow hundreds of millions of dollars on an annual basis to meet those objectives and running continual deficits? And as I've said in some of my post-budget talks with organizations and groups, if this is the new normal on the revenue side, our spending is not sustainable.

And so transformational change and the research I've been doing on it and the reading I've been doing on it, we're . . . And this is not something new for the Government of Saskatchewan. This has been going on . . . I mean when your party was in power back in the day, transformational change occurred in a variety of areas. Lots of different national governments have undertaken transformational change. And I'm already getting sick of that term myself, but the reality is answering those questions I posited in the budget, speech with respect to looking at every line item of expenditure across government, and in particular in the third parties.

You know, we look at something like the municipal sector, the revenue sharing has gone up in excess of 100 per cent since our government came to office because of the fact that the PST revenues have gone up and they share in one point of the five points of PST. So it's grown organically with respect to the growth in the economy.

There are a variety of other grants and one-off funding arrangements that we have with municipalities across the province that, you know . . . We've been criticized for the cessation of the urban parks program. I understand that, and

I've been to those communities and faced those individuals in those public gatherings where they're not happy about that. But if you take a look at all the different things that we provide through that, not even the Ministry of Government Relations but across several different ministries, it has become a very fragmented way of allocating dollars to the municipalities that we just continue doing because we did it last year.

And now we're arguing, is it 10 million this year or is it 9.5 million or is it 10.5 million? And so when we're dealing with the new normal, if this is the new normal on the revenue side, we need to take a look at are provincial taxpayers' dollars best served going to a municipality? And I'm just using this as an example. I'm not drawing any conclusions here, but are the provincial taxpayers' dollars best served in going into programs that should be the responsibility of the municipality and their tax base?

And so those are the kinds of things we're looking at across the executive side of government, across the Crown side. And the Crowns, you know, have started this process last year in finding efficiencies, vacancy management, overtime management, vacation liability management. These are all things that add up on the books that contribute to a deficit if we're in that situation that we need to do a better job of managing. And so we're putting a more profound lens on those kinds of things, if you will, through the treasury board process, through the cabinet and the caucus process. And program review will continue in the individual ministries, and this ministry is responsible for ensuring that it does continue. We're just, as the Minister of Agriculture I think aptly put it, we're taking a deeper dive on this, this year.

**Ms. Sproule:** — Back to the program reviews, is that something that is made public? Is that available to the public generally or would it be available through FOI [freedom of information] process?

**Hon. Mr. Doherty:** — So it would be difficult to publish ongoing activities in that sense that there may or may not be changes. There may or may not be dollar changes relative to the budget process in that given year that are being recommended by ministries. When changes are made, we certainly make that public. I think as much as possible, if external stakeholders are going to be impacted, we try to include in the discussions and consultation process with them.

And it's always been my view that we ought not to surprise people on budget day, as much as we possibly can, although that's not completely unavoidable given some of the changes we have to do in the course of a budget. But just because of the fact that there are dollars that are being considered that may or may not come to fruition, we don't publish that.

**Ms. Sproule:** — All right then, would it be possible to get a list of which programs were reviewed, just the name of the program? Is that something you could share?

**Hon. Mr. Doherty:** — That have been completed?

**Ms. Sproule:** — The ones . . . How many have been reviewed, yes, how many reviews have been completed over, you know . . . I'd like to even ask back to 2008, but I don't know if that's

possible or not.

**Hon. Mr. Doherty:** — Are you talking about, you're asking about my ministry specifically? This ministry?

**Ms. Sproule:** — Yes.

**Hon. Mr. Doherty:** — Yes. We have, I'm told we have the totals of all ministries. We don't have the specific programs, but you could ask those individual ministries. But we'll give you the ones in Finance and then the totals for all ministries.

**Ms. Sproule:** — Perfect. Thank you.

**Ms. Isman:** — Thank you, Mr. Chair. I've got the total of the number of reviews by all ministries. Ours would be included in this, and we're just tallying up our own because I didn't have it broken out. The total number from '12-13, for four years, up until '15-16, is 417 program reviews.

**Ms. Sproule:** — Carry on. I know it'll be on the record; I just don't have my pen handy.

**Ms. Isman:** — So it was, there were 61 done in '15-16, 61 in '15-16, 89 in '14-15, 151 in '13-14, and 116 in '12-13 for a total of 417.

**Ms. Sproule:** — That was government wide? . . . [inaudible interjection] . . . Correct, okay.

**Ms. Isman:** — Within the Ministry of Finance, the number of programs reviews that we've done as a ministry would be minimal relative to those numbers.

**Ms. Sproule:** — No, that's sufficient. Thank you. Program reviews. So in terms of the deeper dive, when you decide how to do the matrix . . . I'm thinking of what happened with Transform Us, and I think they had a very specific matrix at the University of Saskatchewan in terms of how to do that program evaluation.

And I think you're talking more about a values-based approach. I think what the deputy minister has described is more of a, you know, what was described in the fiscal stability Act — like are they efficient, are they operating efficiently, as he's talked about overtime and vacation management and all those sort of financial reviews. Do you see transformational changes as being more of values-based assessment, more so than what's happening now with program reviews?

**Hon. Mr. Doherty:** — I think that's, in certain ministries, that's an appropriate way to put it. I think in some other ministries, it may be just a matter of undertaking blowing the dust off the program review and determining whether it still is meeting the purpose it was intended for.

And I think about, in the health care sector, with new technologies and new advances in medicine, there are still some things on the books that are nice to have but not necessary to have, with respect to the delivery from the provincial government or the Ministry of Health or our regional health authorities. But you know, I think that the Minister of Education, the Minister of Advanced Education, the Minister of

Health have all made it clear that the Minister of Social Services and those big-spending areas . . . Because there are people involved and stakeholders involved, but a values-based approach I think is an appropriate way of putting it.

**Ms. Sproule:** — Thank you. Will you be speaking to the Speaker at all? I'm just thinking of some of the forms that we have to fill out in triplicate, with new technologies, could . . . When I worked with the federal government, it was all done online, so there could be some efficiencies for the Speaker as well.

**Hon. Mr. Doherty:** — It's an excellent suggestion. We'll mark that down. It's you who suggested it.

**Ms. Sproule:** — Thank you, Mr. Minister. Carrying on then to, going back to your plan for '16-17. You've identified that you're looking at performance measures relating to the number of farmers that apply for the fuel tax permit renewals online, and you identified . . . I guess your performance measure would be that 16,200 or more farmers will file their permit renewals online. Just a couple of questions around how many farmers are there that are filing these renewals, and how many are currently doing them online. What are you doing to encourage them?

**Mr. Hebert:** — Brent Hebert, ADM [assistant deputy minister], revenue division. We had 16,678 farmers file their renewals online, and there was a total of 32,380 permit renewals that were processed, so the other half filed on paper.

**Ms. Sproule:** — So for this year and your upcoming '16-17 year, you've only targeted 16,200, which would be less than what is currently applying. Is that a target or just sort of an estimate?

[21:15]

**Mr. Hebert:** — The target is lower because at the time we set the target, we don't know the actuals from the previous year, so we're basing our target on the previous fiscal year's filing numbers. So there are times where we achieve a higher amount than the current year, yet our target seems lower, but it's based on a full fiscal year's information prior to.

**Ms. Sproule:** — Okay. Thank you. It's always good to meet your goals before you even start. What are you doing to encourage more filing online?

**Mr. Hebert:** — With the renewals that are sent out each year, we send information out to all of our farmers on how to file online. And we certainly reach out with phone calls and information to promote them to file online. Having a 50 per cent filing rate is quite high. We feel that's really successful, but certainly we're always working to increase that number.

**Ms. Sproule:** — And what kind of savings would you achieve through the online filing?

**Mr. Hebert:** — The savings would certainly be I guess on the time and the efforts that we use to process those applications. The complete program is administered by about one and a half FTE. So certainly over time and using the program to promote online filing, we've certainly made huge strides to administer

that program as efficient as possible.

**Ms. Sproule:** — Thank you. I just want to go on to the next item there, which is purchase card usage in the government. The target identified for next year is 200,000 transactions totalling \$90 million will be processed through the use of purchase cards. So what percentage of all transactions does that represent?

**Mr. Paton:** — I don't have the current data on that, but that's something we can definitely get back to you on.

**Ms. Sproule:** — Thank you. And just another question. The next target I guess is direct deposit and electronic advice usage for supplier payments. Could you share with the committee what that means, electronic advice usage.

**Mr. Paton:** — That's providing the details of the payments to the recipient of the funds, but sending it to them electronically via email as opposed to mailing them the information as to what the payment was for.

**Ms. Sproule:** — Thank you very much. Moving on down the page there is, under the ministry goal of being an employer of choice, one of the key actions is to continue to implement the ministry's culture sustainment plan. Can you give us an update on how that's going and maybe a little bit of information about that plan?

**Ms. Isman:** — Sure. Thank you, Mr. Chair. The ministry's culture sustainment plan is something that is being actively utilized across executive government for all ministries in terms of our culture sustainment plans, in terms of overall being an employer of choice. At the Ministry of Finance, we actually have a culture committee that we've established that has got representation from all of our various branches that participate, and is led by one of our executive committee members. The plan itself is really about looking at what are those kinds of initiatives that can support the ministry overall in terms of achieving the organizational culture that aligns to our goals as well as our values.

Some of the things that are in our sustainment plan are specifically with regard to internal communications. It's one of the areas that across the ministry we continue to have opportunity for improvement in terms of our ability to communicate internally across all of the various branches. We're large and diverse — more diverse than large — as a ministry in terms of all the nature of the work that we do across the various groups. So employees have said to us, the more information we can provide to them easily and quickly, the better our organizational culture will be.

Last year one of the initiatives we undertook was we redid an intranet site called @Finance that is supported by all of the various branches and is updated regularly, messages from the deputy minister as well as from all of the branches as well as anything we're trying to communicate out to all staff, and it's kind of now the home page for all of our employees. We actually didn't have a very viable intranet site prior to that.

One of the other things that we did was the employees commented last year in terms of our strategic and our

operational plan that we traditionally hadn't sort of rolled it out to the whole ministry. So last year one of the recommendations of the committee was to actually roll out the plan. I met with all staff across the ministry in focus group kinds of sessions, with all staff, to talk about not only our strategic plan but as well our operational plan and the highlights as well as the overall budget.

Some of the other things that we're currently working on is a revised employee orientation program for the Ministry of Finance that is not only government-wide information but also ministry-specific information as well. And then it just allows us a forum. We also have a Finance day away that we have once a year that we've committed to. And we have various sessions, both as well as communicating ministry-wide things, but then learning and development opportunities that we've also embarked on, and that was some of the information that came back in terms of the ask of our staff at Finance.

So those are some of the things that we've included in the plan.

**Ms. Sproule:** — Thank you very much. Just to maybe go into now a little bit on the Saskatchewan Builds capital plan. We know that you made some changes in your accounting practices in the '15-16 budget by introducing this specific plan. And had you not done that in '15-16, you would have likely reported a summary deficit of 590 million, and instead you were able to report a surplus of 110 million.

There's been some critique of this change. It's cosmetic, but what happens is that when deficit is reported, it doesn't include this debt that is now being reported elsewhere. I know that this year I think it's even higher in terms of the capital plan deficit. So I guess just I'm asking is, do you have a response to the critique of using this as, you know, moving things around in the books so that the deficit appears smaller? Do you have any sort of response to that?

**Hon. Mr. Doherty:** — Well I guess my response would be is we're following public sector accounting standards. It's been accepted by the Provincial Auditor. It's been accepted by every province in Canada. The fact of the matter is that a deficit or surplus is revenue minus expenses. The interest cost on monies borrowed is included in the income statement, is included in the deficit figure this year.

Every province in Canada that I'm aware of has a separate capital plan, whether it's borrowed money . . . And for the most part it is borrowed money, regardless of which province you want to identify. Even the two provinces in Canada today that are — three provinces, I should say — two of them are forecasting surpluses and the province of Quebec is forecasting a balanced budget right at zero, all have capital plans that require borrowed dollars. Nobody else looks at those provinces and says, oh by the way, BC, you're not actually running — I can't remember the exact figure — a \$353 million surplus; you're actually running a couple of billion dollar deficit because you have a several billion dollar borrowing program.

So I understand the politics behind this and how some in the media interpret it. The fact of the matter is that we're following public sector accounting standards.

**Ms. Sproule:** — This reminded me that in March I guess it

was, the *Sask Trends Monitor* did a report on a new framework called the Canadian government finance system. And I can't remember if we talked about this last week or not, but it uses a common chart of accounts. I don't know if you're familiar with that and what happens if you apply this. It's a tool Statistics Canada is using now. The Canadian government finance system uses a common chart of accounts that allows comparisons over time and between provinces. It also removes that double counting can occur when funds flow from one level of government to another. And what happened when they applied this to Saskatchewan, I think the deficits, there would have been a number of more deficits reported — I want to find the exact reference here — than what was actually used when you used certainly the GRF accounting, but I think even the summary financial accounting. I'm trying to find the actual reference to it. But are you familiar with that work that Statistics Canada's doing, this Canadian government finance system?

**Hon. Mr. Doherty:** — Yes, you know, thank you for that. I'm not familiar with that. Neither are my officials at this point in time. You know, again we follow accounting standards that are recognized by the industry, written by the industry, that accountants recognize and the Provincial Auditor recognizes. Transfers from the federal government . . . I dare say in the province of Quebec, without equalization, would be running a substantial deficit. A little relative to that, you know, substantial no matter how you measure it, relative to the size of their economy and their budget. But I think it's 9 or \$10 billion they receive in equalization payments. And the province of Manitoba next door is forecasting a \$933 million deficit this year with I think 1.7 billion if memory serves or 1.9 billion. I stand to be corrected, but somewhere in that neighbourhood of equalization payments. So you know, without transfers from the federal government . . . We all receive Canada Health and Social Transfers that we use to pay the bills in our health and social services systems. So you know, we'd take a look at the report, if you have a copy of it and table it or can direct us to where we could find it. But I'm just not familiar with it.

I think the deputy minister would like to comment as well.

**Ms. Isman:** — Thank you. I just checked with our officials from the bureau of stats. So the system that Stats Canada is developing and is actually being identified by *Sask Trends Monitor* is about economic standards for comparative of economic measures, not to replace accounting standards and accounting transactions. So it would be in addition to and it would be additional kinds of information and different kinds of comparators rather than a replacement of accounting standards which are established by the Public Sector Accounting Board that also then allow for comparative purposes from an accounting perspective.

**Ms. Sproule:** — Yes. I think it's the comparative purpose from an accounting perspective that is addressed in this March 2016 volume of the *Sask Trends Monitor*. Without giving you the opportunity to look at the article, it's probably . . . I won't pursue this any further, just to say that there's strengths that they've identified. And one of the strengths identified by this system is that it enables us to compare revenues and expenditures over time even if governments change their organizational structures. So it provides a framework so you have consistent comparisons. It also enables a comparison

among the provinces, using a consistent definition of what constitutes government, government business enterprises, and the public sector. And then it uses a common chart of accounts. I mean it does talk about revenues and expenditures and the statement here is that:

Over the six years from 2009 . . . to 2014-15, spending by the provincial government has increased by an average of 3.4% per year. Revenues have grown by 3.2% per year. The provincial government has been running a small deficit in each of six fiscal years.

So that's the results that they show using that method. I don't know if you want to comment on that but that's sort of the reporting that . . .

**Hon. Mr. Doherty:** — Again, without having seen the document I'm not going to dispute those figures, not knowing what went into it. I would also make the argument that there are some in this Chamber that encourage us to spend more on a daily basis.

**Ms. Sproule:** — Thank you, Mr. Minister. Going back to the Saskatchewan Builds capital plan, just a few questions about the funding of the plan. What are the funding sources? I believe there's four funding sources. And maybe you could share with us what those four funding sources are and what the exact contribution of each one of those funding sources is in, I would say, '15-16 budget and '16-17 budget.

[21:30]

**Ms. Isman:** — Thank you very much, Mr. Chair. Basically the four sources to fund the capital program are government's own cash, borrowing, funding from the federal government for capital infrastructure payments, and P3s [public-private partnership].

**Ms. Sproule:** — So for the 700 million in last year's budget, how does that break down?

**Hon. Mr. Doherty:** — Sorry, how does it break down?

**Ms. Sproule:** — Sorry, 700 million, this is the borrowing.

**Hon. Mr. Doherty:** — Correct.

**Ms. Sproule:** — What is the contribution of the other funding sources?

**Ms. Isman:** — So in the '15-16 budget or '15-16 forecast, so the budget was \$1.3 billion in terms of the total; 700 million was planned to be borrowed, and then the rest would have been allocated across the others. And I don't have a breakdown as to which one goes to which. And in actual fact, the forecast is \$1.195 billion, so still greater than the 700 million. And the other sources would have been through the P3 payments, the federal government flow-through money, as well as the cash.

**Ms. Sproule:** — And is that something you can provide us a breakdown of at a later date?

**Ms. Isman:** — Thank you for the question. It's hard to sort of

follow a dollar in terms of the funding coming in and which goes to which project. And the cash flow, as you can appreciate, is based on commitments at different points in time, at different points in time of the year depending on the nature of the projects. And on some of the capital projects, for example when you think about, you know, the Highways capital project, some of it might be funded by a federal dollar but it might be partially funded, or part of a program might be funded by capital money coming in but then is also matched by the province. And I don't think, we don't really keep track of things at that level of detail in terms of the cash specific for each one of those projects.

**Ms. Sproule:** — Last year Sask Builds capital plan was about 1.2 billion, you're saying, and we know that 700 of that was borrowings from the capital market. For this year, what is the total borrowings and the total funding of the plan? I know it's on one of these pages.

**Ms. Isman:** — The capital budget is \$1.755 billion and we're borrowing \$1 billion.

**Ms. Sproule:** — One billion of that, all right. One of the criticisms that I've received about the plan, the capital plan is that it lacks transparency, and the comment I have is that a transparent budget would ensure the details of the funding sources are made public. For example, the fiscal implications of the P3s by year should be shown. If the 2017 . . . I guess those amounts have not been identified in the 2016-17 budget. So is this something that we could request it be made public? Or is it there and I haven't seen it?

**Ms. Isman:** — If I could refer you to page 16 of the Estimates, which is the schedule of capital investments by project. And then I think we'll also be able to have a different level of detail in the actual financial statements with regard to the commitments under P3s. But in terms of the budget, so for example under Health, the Swift Current long-term care facility which is a P3 project, so the estimate in '16-17 is \$5 million. If you go down under Education, the joint-use school bundle is 310,536 and of course it increases each year. The estimate there is the amount of work in progress that is anticipated to be done in the current year on the joint-use schools.

With regard to the accounting treatment and the liabilities related to the P3s and the joint-use, those are specified on an actual basis once we know how far the projects have gone as well as the commitments on a P3 basis, which are then outlined in the schedules in the Public Accounts document. Maybe, Terry, you could just speak to . . .

**Mr. Paton:** — The disclosure, there's virtually very little right now for the 2015 financial statements, but the ones that are being released next month will be showing the other commitments under P3 liabilities as a liability on the statement of financial position.

**Ms. Sproule:** — I'm sorry, what page . . .

**Mr. Paton:** — So it'll . . . [inaudible] . . . the Public Accounts on page 39.

**Ms. Sproule:** — And, sorry, where would it show up?

**Mr. Paton:** — It'll show up under liabilities, similar to where you see the pension liabilities. There'll be a category there for P3 liabilities as well.

**Ms. Sproule:** — So in '14-15 there were no P3 liabilities yet?

**Mr. Paton:** — I'll just confirm that. There were no liabilities recorded in that year.

**Ms. Sproule:** — All right. I guess we'll . . . It's a kind of a moving target so we'll watch as these unfold and then see what criticisms there may be of the detail or the amount of detail that's available.

One question that was raised recently is regarding the tax, the dispute between the federal government and Cameco in terms of tax that's being withheld or not. And I'm not very articulate about it but one of the questions . . . The province has been very silent about this particular lawsuit. So what sort of, what is the province's participation in the lawsuit? Are you actively intervening? Or have you filed your own statements as an intervener?

**Mr. Paton:** — While we're doing some research on that, there is a P3 liability in the current year, in the 2015 financial statements.

**Ms. Sproule:** — What page?

**Mr. Paton:** — And the details . . . So on page 64 with the amount of \$37,308,000. And as I said earlier, that does appear on the balance sheet on page 39. It's the other obligations under long-term financial arrangements. So it's fairly immaterial for that first year. You see there's nothing for 2014; 37 million and then there'll be another amount being recorded in 2016.

**Ms. Sproule:** — Thank you for pointing that out.

**Hon. Mr. Doherty:** — In answer to your question about the tax dispute between Cameco and the federal government, it is in tax court now. And the federal government is responsible for collection of corporate taxes, and then allocates the province's share back to them. And CRA [Canada Revenue Agency] acts as the province's agent. So once it's in court, it is strictly a matter between the federal government and the corporate tax payer.

**Ms. Sproule:** — Can you share with the committee what the province's share of the disputed taxes would be if the federal government is successful?

**Hon. Mr. Doherty:** — I'm advised that we never release information on individual taxpayers.

**Ms. Sproule:** — I think that the total amount of taxes that is in dispute is public though, is it not?

**Hon. Mr. Doherty:** — So again I'm advised that there's been media speculation as to the amount potentially owing based on annual reports from the individual corporation, from Cameco, but that's never been confirmed by CRA.

**Ms. Sproule:** — In terms of the preparation of the arguments as

you indicated, CRA is acting as the Government of Saskatchewan's agent. Are there any directives that the Government of Saskatchewan has given to the agent, CRA, or any positions that have been taken?

**Mr. Srinivas:** — All right, I'll try to give you some information without going into the details of the taxpayer's confidential information. But based on the media reports and what is in court right now, the dispute involves a disagreement between the taxpayer and the Canada Revenue Agency on transfer pricing between the taxpayer's Canadian resident corporation and a foreign-based subsidiary. And in the taxpayer's perspective, the transfer-pricing arrangement is correct, and in Canada Revenue Agency's perspective, the transfer-pricing arrangement is incorrect resulting in, from Canada Revenue Agency's perspective, a higher taxable income to the Canadian corporation and higher taxes owing.

So under the tax collection agreement that the province of Saskatchewan has with the Government of Canada, the Canada Revenue Agency administers Saskatchewan's personal and corporate income taxes entirely. And as part of that administration, if CRA is disputing the taxable income of a particular corporation or a particular taxpayer, then that will automatically affect both federal and provincial income taxes owing.

**Ms. Sproule:** — Obviously there's a dispute interpretation here. Has Saskatchewan taken a position with respect to the dispute? Like would you agree with CRA's position or with the taxpayer's position?

**Mr. Srinivas:** — Under the tax collection agreement, we have assigned our responsibility with respect to the assessment of the taxpayer's tax liability to the Canada Revenue Agency. So we don't have the taxpayer's tax returns in order to make that type of assessment, so we have no perspective one way or the other. We're waiting to see what the courts decide.

**Ms. Sproule:** — I know the pleadings have already been filed, and I assume that you would have . . . A lot of the arguments, the legal arguments are publicly known regardless of what the details of the returns are. And I think that the actual legal argument is something that is public. Is that something that you would have referred to the Ministry of Justice for a review? And, you know, are you supportive of the CRA's position?

**Mr. Srinivas:** — Under the tax collection agreement, the province is not able to intervene in CRA's administrative handling of the administration of the provincial corporate tax system.

**Ms. Sproule:** — Thank you. I'm going to turn to the budget document again. On page 17, it talks about debt management. I knew I'd get to this eventually. We're running out of time. But it refers to . . . what is it called? Oh, that's the SaskBuilds part. But first of all, in terms of debt management, I just kind of wondered if you could share with the committee what the actual plan is for debt management. The chart that's there on page 17 identifies what the total debt . . . Oh no, sorry. That's the '15-16 total, that percentage of GDP [gross domestic product].

[21:45]

But in terms of reducing debt, I know, Minister, you've talked about reducing the GRF debt, although it seems to be holding at \$4.1 billion. What is the plan to reduce that part of the debt?

**Hon. Mr. Doherty:** — The operating debt?

**Ms. Sproule:** — Yes.

**Hon. Mr. Doherty:** — The 4.1 billion?

**Ms. Sproule:** — Yes. It's not on the page. I'm sorry, but I know it's referred to in other parts.

**Hon. Mr. Doherty:** — Page 50, I think, Ms. Sproule.

**Ms. Sproule:** — Okay. Thank you.

**Hon. Mr. Doherty:** — Thank you for the question. So I'll refer you to two charts, one on page 50 and the other one on page 51. But the 4.1 billion operating debt, that we like to refer to as credit card debt and what have you, you'll see in the medium-term forecast that's out to 2020 is not reduced at all over the course of the next four years. The bars above that is the debt of government business enterprises, primarily the Crown corporations. That's their capital needs out to 2020 forecast at this point in time. Then there's some small debt levels on top of that for the government service organizations that you'll actually see come down a little bit. It rises to 2.3 then comes back down to 2.1. So as it stands right now, in paying down debt over the course of the next four years, unless resource revenues turn around dramatically, it is not in the cards at this point in time, given our capital needs for the SaskBuilds capital plan and the capital needs of the Crown corporations.

I would refer you to page 51, and that is debt as a percentage of GDP that actually comes down a bit after it peaks in 2017, forecasted peaking in 2017, and comes down to about 18 per cent. Although the debt levels have not gone down, we anticipate the economy to continue to grow. And so one of the measures that we're looking at . . . And don't get me wrong, debt is still debt and has to be paid back at some point in time, either through sinking funds or when the province finds itself in a position to pay down debt, like we have done in other years. But as a percentage, as a measure, as a percentage of GDP, we think that's also a metric that one should take a look at to have that in a managed range, if you will. And we think that that's in a manageable range at this point in time.

**Ms. Sproule:** — Thank you for that. On page 18 there's a statement that says, "Repayment of capital debt upon maturity is a key principle of the government's capital financing plan." Is that plan something that is actually available or is basically what you just described? Page 18, sorry it's the first full paragraph, the first statement in the first full paragraph.

**Hon. Mr. Doherty:** — So that would refer to the sinking funds, that we ensure we put dollars away every year to offset that debt. So I think it's 2 per cent a year, Denise?

**A Member:** — For the capital plan.

**Hon. Mr. Doherty:** — For the capital plan, 2 per cent a year. So over a 30-year period, between the contributions made on an

annual basis and the returns on those sinking funds, allows that debt to be repaid in full at maturity.

**Ms. Sproule:** — If debt is increasing in the capital plan by more than 2 per cent per year, which I think — I don't know if that's fair to say or not — how will that . . . At what point do we eventually see a shrinking of that debt?

**Hon. Mr. Doherty:** — Well when we have additional dollars in excess of what we're borrowing to pay back. So we have interest costs that we provide on the income statement that you see, that we've debated here this evening whether the borrowing itself should be part of the surplus or deficit. And then you attach sinking funds to these dollars that have been borrowed, including the \$700 million this past year.

And when the province finds itself in a position with additional dollars — and I think we campaigned on one component of that, and that's if and when oil hits \$75 a barrel again — we want to rebuild the savings fund up to \$500 million as a minimum. And then any dollars above that we would pay down the operating debt first, and then continue to pay down capital debt as it comes to maturity.

**Ms. Sproule:** — All right. I had another question in relation to that, but I have to find it. I guess on page 27, there is more discussion on the capital plan financing, and on the first column of that page near the bottom it says, "A disciplined capital financing strategy will continue to be used . . ." Again I mean we've talked about it on very high levels. Is there an actual written strategy that you can share with the committee, or is this basically what's being described here?

**Hon. Mr. Doherty:** — Again that goes back to debt as a percentage of GDP that we want to keep it in a manageable range. We are forecasting, I think, it to be just over 19 per cent at March 31st, 2017. The credit rating agencies will have their own metrics, but typically anything below 25 per cent as a debt-to-GDP number is in an acceptable range. And that's what we're trying to manage towards as we build out over the next four years and start to see that capital builds plan come down. That doesn't include any new additional capital projects that will have to be evaluated by government as we move along, but again I think it's certainly my intention that, if we were to come into some additional resource revenues in particular, that we would try to pay off debt as quickly as possible.

**Ms. Sproule:** — All right. But for the time being, we're going to see the credit card debt just holding at 4.1 billion. I'm just looking at page 38 now, and this is where we talk about the GDP growth through the private sector forecasts. The average of the private sector forecasts for GDP growth for 2016 is point five per cent, and yet the budget is actually a negative point six per cent. And then we see in 2017, the average is bumped up to 2 per cent, but the '16-17 budget puts it at 2.5. Can you explain the discrepancy between those two forecasts?

**Hon. Mr. Doherty:** — Sure. So I think if you take a look at the dates, the release dates of the private sector forecasts, some of them go back to February with respect to what they were forecasting for 2016. So we actually revised our figures down in the budget for calendar . . . This is calendar 2016 now, and not the fiscal year, so calendar 2016.

I think if we were to update this document here today with the latest private sector forecasts, we're probably more in line with the . . . They are coming down, the reason being is that we have more current information than these private sector forecasts. They do them on a quarterly basis or half-year basis or what have you. Similarly with respect to 2017, when compiling this information, the latest information we have from the Ministry of the Economy and other ministries, that would be looking at GDP growth. Hence we forecast a 2.5.

I think Standard & Poor's confirmed that in their report today, or Friday when they released it, that whether they took us at that number or they did their own analysis of private sector forecasts. But the ones that we've seen of late aren't quite at 2.5. But I think as the year progresses for 2017 — depending on again where resource revenues or resource prices are going to be at, the value of the crop coming off this year — some of those forecasts will be revised higher.

**Ms. Sproule:** — Thank you for that. One of the concerns highlighted in the Standard & Poor commentary today was how cash management can't be replicated going forward because there's no more cash reserves. I guess I'm not sure what the question is there, but sort of now that the rainy day fund is gone, how are you going to address that concern as identified by Standard & Poor?

**Hon. Mr. Doherty:** — That again is an ongoing thing. And you know, I would make the argument that when you lose \$1 billion in non-renewable resource revenues, it's raining out, and you should access rainy day funds or you should use cash available to the Government of Saskatchewan. So cash available to us is also predicated on revenue forecasts coming to fruition.

I explained this to the media today when asked about the same thing, is that what Standard & Poor's is saying is that there's a one-third possibility that the budget will not be achieved, getting back to balance in 2016-17, which means there's still a two-third possibility.

So they're laying out some odds, I guess, based on what we've provided for them with respect to information, our forecasts. And it is always predicated on whether those revenue forecasts come to fruition or not. Some years you're going to have more; some years you're going to have less. Some years you're going to have a lot less. And hence we had to borrow an additional \$300 million this past year to cover operating costs because revenues were down that significantly. So we still feel confident at this point in time in that if our revenue projections come to fruition we'll have sufficient cash on hand to manage through.

**Ms. Sproule:** — All right, thank you. I just want to make sure I have one last look at this. Oh yes, page 49, the mid-term financial outlook. One of the concerns that was identified is that there's actually no contingency being planned for '16-17, '17-18, and that it only comes back in in '18-19 and '19-20. Can you comment on that?

**Hon. Mr. Doherty:** — Well again based on our forecasted revenues in '17-18, if you look at it, you know, we held the expense line to zero. If we go from '16-17 into next fiscal year for '17-18, it's the exact same expense line based on forecasted revenues in order for us to even achieve a very, very miniscule

surplus, and that being everything coming into alignment. And therefore with higher or a more robust recovery in 2017 and into 2018, revenues start to climb back to a normal trajectory, if you will — modest increases and expenditures and then building in a contingency line item that provides us some cushion for things like forest fires or whatever the case may be. But these are forecasts and, you know, holding that '17-18 line to \$14.4 billion is going to be a challenge that we're going to have to work very, very hard to accomplish.

**Ms. Sproule:** — I will agree with you on that. I think we're pretty much near the end of our time, Mr. Chair. I did want to ask just on what basis do you form the medium-term financial outlook? That would probably be my last question of the night. So how do you determine the mid-term financial outlook?

**Hon. Mr. Doherty:** — Again we go back and take a look at what types of revenue growth we are anticipating, and that's through conversations with the Ministry of Economy and the Crown corporations and the various entities that provide revenue to the government. These are very modest increases, so we forecast what we think the price of oil is going to be. We think the price of potash, all the different commodities, and that's how we, you know, it correlates with the GDP growth that we're forecasting back into 2017 — that's calendar 2017. So we'll have nine months of that fiscal year in calendar year 2017 beginning on April 1st. And then we have to adjust our expenditures accordingly. And that's where, you know, a lot of tough decisions have to be made, and it won't be easy. But again without . . . If this is the new normal, as I said earlier, that's what we have to manage to.

**Ms. Sproule:** — I would just like to say thank you very much to the minister and to all the officials tonight for a very informational and, I think, fruitful discussion. There's obviously lots to learn, and it's a very complex ministry. I appreciate the time that you all took tonight to provide those answers. Thanks to the Chair and our Clerk and the rest of the committee. So thank you very much.

**The Chair:** — Okay. Seeing that we've reached the agreed upon time to consider Finance, we'll now adjourn our consideration of estimates for the Ministry of Finance including vote no. 195, change to advances to revolving funds; vote 175, debt redemption; vote 12, finance — debt servicing; vote 177, interest on gross debt — Crown enterprise share; vote 151, lending and investing activities for Municipal Financing Corporation of Saskatchewan; vote 176, sinking fund payments — government share. Mr. Minister, would you like to make any final comments?

[22:00]

**Hon. Mr. Doherty:** — I would, Mr. Chair. I want to thank you and committee members. I want to thank the opposition critic, Ms. Sproule, for I think aptly described a fruitful discussion. It is a lot of moving parts in the Ministry of Finance as a central agency across government, and a lot to fill my head with in trying to even understand all the different things that I'm responsible for. But I am, and the people of Saskatchewan and the members of this legislature are well served by the officials you see sitting here with me tonight, and the hundreds of others that are back in the Ministry of Finance working on behalf of



the people of this province. So I just want to thank Clare, and all the officials for the great work that they do, not only in estimates like this but on a daily basis. Thank you very much, Mr. Chair.

**The Chair:** — Well thank you, Minister. Thank you, Ms. Sproule, and thank the rest of the committee members. I will now ask a member to move a motion of adjournment please.

**Mr. Phillips:** — So moved.

**The Chair:** — Mr. Phillips has moved the motion to adjourn. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. This committee stands adjourned until Tuesday, June 28th at 3 o'clock.

[The committee adjourned at 22:02.]