



STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Mr. Terry Jenson
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Mr. Dana Skoropad
Arm River

[The committee met at 15:00.]

The Chair: — All right. Well good afternoon, Mr. Minister, officials, committee members. Welcome. My name is Ken Cheveldayoff, and I'll serve as your Chair this afternoon. Other members of the committee are Steven Bonk, Fred Bradshaw, Noor Burki, Terry Jenson, Dana Skoropad, and Doyle Vermette. Today Trent Wotherspoon will be substituting in for Doyle Vermette, Daryl Harrison is here for Fred Bradshaw, and Matt Love is here for Noor Burki.

Today the committee will be considering the 2024-25 estimates and the 2023-24 supplementary estimates no. 2 for vote 13, SaskBuilds and Procurement, and the 2024-25 estimates for vote 86, SaskBuilds Corporation.

**General Revenue Fund
SaskBuilds and Procurement
Vote 13**

Subvote (SP01)

The Chair: — We will begin with vote 13, SaskBuilds and Procurement, central management and services, subvote (SP01). Minister Hargrave is here with his officials. I will remind officials to identify themselves before they speak and not to touch the microphones. The Hansard operator will turn them on for you.

Minister Hargrave, please make your opening comments and introduce your officials.

Hon. Mr. Hargrave: — Thank you very much, Mr. Chair. I'm pleased to be here to present the estimates for the Ministry of SaskBuilds and Procurement for the year '24-25. Joining me today are Deputy Minister Denise Macza; chief financial officer Mark Kleefeld; assistant deputy minister, infrastructure design and delivery Sara Nichols; assistant deputy minister of operations and service delivery Jill Zimmer; chief procurement officer Karen Cossitt; executive director of operations and infrastructure for the information technology division Blake Fleischhaker; executive director of corporate finance Hera Kang; executive director of information security Fuad Iddrisu; and last but certainly not least, my chief of staff Sean Wilson.

I think I got everybody, pretty much. Anybody else will have to identify themselves when they come to the microphone. And everybody'll get a chance.

This is my first year presenting the estimates for our ministry, and I want to thank them for joining me here today and also for the work they do throughout the year. SBP [SaskBuilds and Procurement] is where infrastructure and centralized services meet to support government advancing its growth agenda, which means it plays a unique role in supporting the investments made through this year's budget. The ministry provides central coordination and delivery of property management, information technology, procurement, project management, transportation, and other support services to government ministries and agencies.

In collaboration with SaskBuilds Corporation, the ministry

integrates, coordinates, and prioritizes infrastructure planning and delivery for the province of Saskatchewan and advances projects through contract oversight, innovative approaches, and alternative financing models as appropriate. Since becoming minister last August, I've learned how important it is to have a single organization in government that brings these functions together, for example, about one of the most important things any government can do — building infrastructure.

Every school, hospital, health centre, and long-term care centre that we fund requires planning, design, procurement, construction, and commissioning before it can open to serve the community it's built in. SaskBuilds and Procurement is involved at every stage, and that ensures continuity throughout each project's life cycle. And that's a very good thing indeed because this year's budget delivers the largest total capital budget in Saskatchewan history, the largest Crown corporation capital budget in Saskatchewan's history, and the largest executive government capital budget in Saskatchewan's history.

Budget '24-25 is investing an all-time-high \$4.4 billion in capital projects this fiscal year to support classrooms, care, and communities and meet the growing needs of our province and the families who call Saskatchewan home. This record capital funding is part of nearly \$18 billion that will be invested over the next four years. I'm happy to inform the committee that thanks to this year's record investments in infrastructure, we are on track to exceed our growth plan goal of investing \$30 billion in infrastructure by 2030.

I would also like to share that this year's capital plan funding means our government has now invested approximately 47.2 billion since 2008-2009 to meet the growing infrastructure needs of Saskatchewan families and communities. The '24-25 capital plan provides approximately \$2.6 billion in capital projects by Crown corporations and nearly 1.9 billion in capital projects across executive government.

I'd like to spend some time on the executive government portion of the capital plan today. That's because our ministry not only coordinates the capital planning for executive government, but the ministry also leads the planning and development of projects in several sectors in collaboration with other ministries and sector partners.

The first of these sectors is health. This year's capital plan includes the largest investment ever made in health capital in Saskatchewan's history, more than \$516.8 million. This represents an increase of nearly \$180 million compared to the previous year. This record investment will support a number of ongoing major projects, including \$180 million for construction of the Prince Albert Victoria Hospital redevelopment project; \$55 million for construction of the Weyburn General Hospital replacement project; \$27 million for construction of the La Ronge long-term care home project; 21.9 million to complete construction of the Regina General Hospital parkade project; \$20 million to support procurement and design activities on the Regina long-term care specialized beds project; 10 million for construction of the Grenfell long-term care home; \$3 million to continue work on Saskatoon urgent care centre; 2.8 million for the St. Paul's front entrance expansion project; 2.5 million to advance the Estevan long-term care redevelopment project;

1.5 million to advance the Watson long-term care project; 1 million for planning for the Yorkton regional health centre replacement project; and 750,000 to advance planning on various projects, including St. Anthony's Hospital in Esterhazy, Rosthern Hospital, and the Battleford District Care Centre

The Government of Saskatchewan has invested more than \$2.9 billion to support the maintenance and construction of new health care facilities since 2008-2009.

The next sector I would like to highlight for the committee is the education sector, where this year's budget is investing 216 million in school infrastructure. This includes 165.9 million to support ongoing projects, including 11 new or consolidated school projects and three major renovations in Lanigan, Carlyle, La Loche, Saskatoon, Moose Jaw, Regina, Prince Albert, Balgonie, and Wilcox; and 28.5 million for the relocatable classroom program to support enrolment growth.

8.8 million in funding to begin planning for nine new schools and two renovations, including Minahik Waskahigan High School replacement in Pinehouse, new Regina east joint-use facility for a public and Catholic elementary school, new Saskatoon east joint-use facility for a public and Catholic high school, South Corman Park renovations, Swift Current Comprehensive High School renovations, new Regina east joint-use facility for a public and Catholic high school preplanning, and new Saskatoon east joint-use facility for a public and Catholic elementary school preplanning; \$12.8 million for minor capital renewal projects that allow school divisions to address structural repairs and renovations to prolong the life of schools across the province.

I'm happy to say that the Government of Saskatchewan has committed approximately \$2.6 billion towards school capital since 2008-09. This includes 69 new schools, 32 major renovation projects, and seven projects approved through the minor capital renewal program.

This year's budget also invests \$59 million in post-secondary infrastructure. This includes 24.6 million for maintenance upgrades to help meet the needs of students and staff; 8.7 million for an electrical and mechanical infrastructure upgrade at the U of S [University of Saskatchewan]; 7.8 million to support new domestic health care training programs, occupational therapy, speech language pathology, and physician assistant programs; 6.3 million for a cooling tower replacement at U of R [University of Regina]; 6 million for planning for work for Saskatchewan Polytech's new Saskatoon campus; 3.5 million for further expansion in health care training programs; and \$610,000 to expand the student health care centre at the University of Regina. This means that our government has now committed more than \$839.7 million in post-secondary infrastructure across the province since 2008-2009.

This budget also invests 301.9 million in government services infrastructure, including 78.9 million in various water-related infrastructure programs; 60.8 million for courts and correctional facilities and equipment, including continued construction of the remand expansion at the Saskatoon Correctional Centre; 21.7 million for the development of supportive housing spaces in Regina and Saskatoon and to repair and maintain, replace provincially owned housing units; and 13.1 million for capital projects through the park system to improve visitor experience,

including construction of the new service centre at Nut Point Campground in Lac La Ronge Provincial Park. Improvements and upgrades will also take place at Pike Lake, Narrow Hills, Moose Mountain, Rowan's Ravine, and Crooked Lake provincial parks, as well as Cypress Hills Interprovincial Park.

The '24-25 capital plan also includes 417.3 million in transportation infrastructure through the Ministry of Highways and 350.1 million in transfers to municipalities for infrastructure projects through several programs, including Investing in Canada Infrastructure Program, Canada Community-Building Fund, and the New Building Canada Fund.

And now I'd like to provide an overview of what this year's budget means for our ministry's operations overall. This is by and large a status quo budget for SaskBuilds and Procurement where we will continue to stay the course on our existing core activities in support of government priorities.

As a central agency, SaskBuilds and Procurement is funded in two ways. First we have an expense budget made up of funding appropriated directly to our ministry that is used to support our own operations. The second way we are funded is through revenues recovered from clients. This funding is appropriated through our client ministries which we then recover from them for some of our services.

Overall this year the ministry has budgeted to spend \$887.2 million and will recover 730.4 million from client ministries for services provided. The ministry expense budget is 73.5 million, an increase of \$6 million, of just under 9 per cent. The ministry's capital funding for '24-25 is 84.6 million, an increase of 23.7 million or 39 per cent. This year's total appropriated budget for the ministry is \$156.8 million. This is an increase of 21.64 million or 16 per cent.

As the committee will know, SaskBuilds and Procurement was created to oversee a new approach to the management of all infrastructure projects and assets, standardized government procurement and IT [information technology] infrastructure; as well as support several important long-term government commitments that are set out in Saskatchewan's Growth Plan, investing more than \$30 billion over the next decade to build the infrastructure to support a growing province, a stronger economy, and a better quality of life for Saskatchewan people; delivering a modern approach to IT service delivery and procurement and leveraging government procurement and supply chains to support the development and growth of Saskatchewan businesses.

As a central agency, SaskBuilds and Procurement also supports our clients and partners as they work to deliver their programs and services to achieve many of the other goals set out in the growth plan. Our procurement management division conducts all procurements above trade thresholds for the goods and services, business, and technology solutions and construction that our client ministries across government need to serve citizens and communities. They also maintain communication with industry and stakeholders to ensure that the Government of Saskatchewan procurements ensure best value for taxpayers and fair treatment for Saskatchewan suppliers.

During '23-24 the procurement management division was

involved in awarding over 750 procurements valued at approximately \$991 million. Approximately 89.6 per cent of those procurements, valued at 888 million, were awarded to Saskatchewan-based companies. Our procurement team also works hard to ensure that the Government of Saskatchewan's procurement comply with our province's obligation under the various treaty agreements Saskatchewan has signed onto, including the New West Partnership Trade Agreement, Canada free trade agreement, the Canada-European Union trade agreement, the comprehensive economic and trade agreement, and the World Trade Organization agreement.

[15:15]

Trade compliance is a key priority, because not only does it ensure our province isn't penalized in accordance with the provisions of these agreements, it also helps establish a more level playing field for Saskatchewan companies and suppliers to do business outside of our province.

Of course it's almost impossible to discuss procurement these days without acknowledging that the global supply chain continues to be subject to volatility due to geographical uncertainty and trade disruptions. This results in a lack of reliability and predictability on both production of goods and materials and the timeliness of delivery. This volatility and uncertainty in upstream material and component availability for certain items is leading to lengthy delays and budget pressures in project delivery.

Some factors driving the supply chain disruption resulting in cost increases are inability to source base materials, inability to source value-added components, significantly higher freight costs due to limited global freight carry availability to meet demand, delays in custom points, and domestic shipping and warehousing capacity.

Saskatchewan is not immune to these challenges, but neither are we alone in facing them. We know that other provinces and territories are facing similar challenges, and we continue to connect with our colleagues in other jurisdictions to share information, learn from each other's experiences, and seek solutions together where we can.

For example, new vehicle manufacturers have experienced significant production delays and supply shortages since the COVID-19 pandemic. Through the New West Partnership our ministry's central vehicle agency and colleagues in other participating provinces of Alberta, British Columbia, and Manitoba have reached out to manufacturers to discuss efficient ways to receive and procure vehicles based on manufacturers' bill schedules.

Levering the New West Partnership and working together has established a continuous supply of vehicles, however, that there have been overall supply shortages due to the shortage of key components, the supply shortage has resulted in increased vehicle prices over the last several years which may continue through 2024.

We are also seeing a high demand for construction services nationwide. While we are very excited that Saskatchewan continues to attract major private sector investments across

multiple sectors, I would be remiss if I didn't acknowledge that the demand for construction services may result in continued elevated prices due to limited labour capacity and high demand for construction materials.

We will continue to work with the industry to ensure that the coming public sector investments do not result in adding increased supply change pressures, potential labour shortages, and extended project timelines. This includes taking a collaborative approach and leveraging industry expertise to identify potential short- and long-term solutions including sharing more robust information regarding project timelines and procurement, releasing dates with Saskatchewan industry, working with industry to source or allow alternative materials or processes where possible to alleviate supply challenges, monitoring inflationary pressures and changes to cost of materials and labour availability, and working with client and partner ministries and industry stakeholders to identify opportunities for flexibility with our procurement and delivery approaches.

As far as the annual capital plan development process, SaskBuilds and Procurement also works with ministries, agencies, treasury Crown board partners, and the SaskBuilds board to identify options for strategic public sector projects in construction in the coming years to ensure economic recovery is sustained into the future.

Sadly there's another equally important challenge that Saskatchewan is not immune from — cyber threats and attacks. Cyber attacks are constantly evolving, becoming more intense, more frequent, and more sophisticated. As the IT provider for the Government of Saskatchewan, it is our ministry's responsibility to do everything we can to protect government systems, information data, as well as the information entrusted to us by the public.

The Ministry of SaskBuilds and Procurement is leading a one-government approach to cyber security by collaborating with government agencies, boards, and Crowns to improve information sharing, coordinate responses, enhance protection, and improve public trust in government's ability to address cyber risks and security.

In '24-25 SaskBuilds and Procurement will continue to invest 3.2 million into cyber security initiatives. As cyber threats continue to increase in quantity and complexity, SaskBuilds and Procurement is committed to a proactive approach to protect information and manage risk. As the number of cybercriminals and the nature of their attacks continue to grow and evolve, our ministry will continue to learn and improve ourselves to meet this challenge as part of our commitment to our clients across government and to the public.

Another key way we support both our government, clients, and members of the public is through the safe, reliable, professional management of government buildings, facilities, properties through our operations and service delivery division. Our ministry operates and maintains hundreds of government-owned and -leased properties in dozens of communities across Saskatchewan and are used by client ministries to provide programs and services to citizens.

This division includes the Saskatchewan air ambulance service, which provides province-wide emergency medical evacuation 24 hours a day, 365 days a year. SaskBuilds and Procurement owns and operates a fleet of four King Air 200 aircraft. While the medical service is administered by Saskatchewan Health Authority, the air ambulance service conducts approximately 1,500 patient transfers per year and flies approximately 1 million kilometres each year. This division also provides transportation services through the CVA [central vehicle agency] as well as mail and telecommunication services.

Our ministry also provides funding for the Provincial Archives of Saskatchewan — 4.3 million is included in the budget to protect and preserve Saskatchewan's rich history through funding of Provincial Archives of Saskatchewan this year.

Mr. Chair, I would now be happy to take questions about the ministry's estimates for '24-25. Thank you very much.

The Chair: — Thank you very much, Mr. Minister. Mr. Wotherspoon, the floor is yours.

Mr. Wotherspoon: — Thanks, Mr. Chair. Thank you, Minister, for your brief remarks here this afternoon. I want to thank all the officials that have joined us here today, all the leadership for SaskBuilds, and all those that are involved in the work that we'll be discussing here this afternoon.

Can you list, Minister, the Crowns and ministries you're responsible for providing the tendering and procurement services for? And it might be easier, just which ministries and Crowns you're not responsible for.

Hon. Mr. Hargrave: — Yes. Yeah, we'll say the ones that we don't provide service for and that would be any of the Crown Investments Corporation Crowns and the treasury board Crowns. If asked, we would provide advice, but we don't patrol it.

Mr. Wotherspoon: — And that list includes the SHA [Saskatchewan Health Authority], correct?

Hon. Mr. Hargrave: — Correct.

Mr. Wotherspoon: — Are there any exceptions, any instances where the ministries and Crowns provide the tendering and procurement services on an exception basis, or where you provide them on an exception basis for Crowns?

Hon. Mr. Hargrave: — As far as the Crowns go, no, we don't. Now we have on occasion — or I think on one occasion — provided advice to the Water Security Agency. But really only if asked, we provide advice. But we don't provide a service for them.

Mr. Wotherspoon: — What about with the ministries that you're providing this, that you provide this service for, right across the ministries? Are there exceptions where they would, or instances where they would deliver those services themselves?

Ms. Cossitt: — Good afternoon. My name's Karen Cossitt. I'm the chief procurement officer. And in response to that question, I think that . . . Sorry, just one moment.

Hon. Mr. Hargrave: — Repeat the question.

Mr. Wotherspoon: — Sure. So the question is, are there exceptions where a ministry delivers or, instances where they procure those services, handle tendering themselves? And if there are, could you provide a list of the specific procurement pieces where the ministry delivered that themselves?

Ms. Cossitt: — Oh sure. Thank you. So the ministries, executive government ministries can do their own procurements on under-trade-threshold amounts. And so that's for goods under 10,000, for services under 75,000, and for construction under 100,000, they are allowed to do their own procurements. Everything that has to be publicly procured has to come through the Ministry of SaskBuilds and Procurement.

Mr. Wotherspoon: — Thank you. Minister, could you explain why the property management subvote financing charges are down by \$8 million this year compared to last year's budget?

Mr. Kleefeld: — Mark Kleefeld, chief financial officer. So the reduction you're seeing is attributable entirely to just an accounting entry. So it's the PSAB [Public Sector Accounting Board] section 3160 that I think folks will have heard a fair bit about this year and last with respect to prior year P3 [public-private partnership] obligations.

And so what had happened here was we are obligated to provide basically a financing expense against our P3 obligations. When the new PSAB regulations took place last year, we were required to book the expense actually at government's weighted average cost of capital as opposed to the cost of capital at the time that the liability was taken on.

And so you would have to speak with Finance officials to better understand the whole portfolio of debt. But given that that debt is, you know, of any number of years, there's a wide variety of interest rates in there. So the weighted average cost of capital is in fact higher than government's cost of capital when those liabilities were taken on. So when PSAB effected new principles on how to account for this, basically we had to do a retroactive increase to cover expense in prior years.

So that happened in the prior year budget. It falls off this year because these are expenses that happened in the old year. It reflects nothing with respect to the actual operating budget for operations moving forward.

Mr. Wotherspoon: — Thanks so much. I'll focus a few questions here on procurement. Can you please advise on the rough percentage and dollar breakdown on a dollar basis procurements that are through public tenders, sole-source contracts, and other special arrangements in '23-24? So breaking down by way of dollar value and percentage.

[15:30]

Mr. Kleefeld: — Sure. Thank you. So we don't have the hard numbers with us. What I would say is it's in limited cases. And there's two situations in which this would happen: just under trade thresholds and then emergency situations.

Mr. Wotherspoon: — Would you be able to provide back to us

those amounts, Minister, back to this committee if it's not available here today, to break down the dollar values for those that were procured through public tenders as opposed to sole-source tenders or other special arrangements?

Mr. Kleefeld: — Yeah, so we don't have that record now. We'll take that under advisement. Thank you.

Mr. Wotherspoon: — So as opposed to the percentages, so breaking down those tranches, are you able to share the total value of sole-sourced contracts then to be more specific about one tranche of procurement there, Minister?

Mr. Kleefeld: — Yeah, thank you again for the question. Again that's not information I have. One of the things to make clear, I guess, on this is that the very large majority of any of these would be sole-sourced because they're under trade thresholds, which means that the ministries are not operating through our process necessarily, right. So it would be a ministry-by-ministry question to answer.

Mr. Wotherspoon: — Right. Okay. So then for SaskBuilds itself, could you detail for SaskBuilds how much was sole-sourced?

Mr. Kleefeld: — Thank you. We don't have that number with us today but we'll take that under advisement.

Mr. Wotherspoon: — Okay. And, Minister, is this information that you can commit to getting back to the committee?

Mr. Kleefeld: — Oh for sure.

Mr. Wotherspoon: — Thanks so much. With respect to that tranche of sole-source contracts, can you list all and any sole-source contracts over \$20 million that occurred in '23-24, including the name of the company or the individual that won the contract? Or that was awarded the contract, I should say.

Hon. Mr. Hargrave: — We're not aware of any. We don't believe there's any. But that said, we'll look through our records and we'll get back to you. But far as I know, there's nothing. As far as we know, there is none.

Mr. Wotherspoon: — Thanks so much. Same question, but for threshold of 1 million to 20 million.

Hon. Mr. Hargrave: — No, under the Ministry of SaskBuilds there's none that we know of. But again, like the other one, we'll check our records again. But nobody knows of any but we'll look.

Mr. Wotherspoon: — And under 1 million then? Anything under 1 million for SaskBuilds?

Hon. Mr. Hargrave: — Sure.

Mr. Kleefeld: — Thanks. And thanks for the time to discuss. Again it's just not an item I have records with me on. For us it's . . . I would say there's some possibility that we have, you know, particularly like emergency kind of procurements under that 1 million. So I think of things like sort of our aviation services and that sort of thing. But you know, we certainly are taking it

under advisement that this would be a good record for us to maintain.

Mr. Wotherspoon: — Sounds good. So it's a similar process, if the minister is able to make sure this information is brought back to . . . provided to the Table again as well. What about if we're looking at the year ahead? Any budgeted plans on sole-source contracts in the year ahead?

Hon. Mr. Hargrave: — Short answer is no.

Mr. Wotherspoon: — Would the minister describe a sole-source contract as a commercial transaction I guess if there was no market or no competition for the work being performed? So I guess the question . . . What I'm trying to get at here is, would you describe the sole-source contract as a commercial transaction if there's perceived to be no market for the work being performed? Maybe that's the justification for going with the one vendor.

Mr. Kleefeld: — Sorry. And just to clarify the question, is it around the criteria by which an organization might end up sole-sourcing, or about the definition of sole-sourcing itself?

Mr. Wotherspoon: — A little bit more of the definition of what you would perceive as a commercial transaction. Maybe it would just flow into a second question here. And it would be, would you allow a company to place a confidentiality clause into a sole-source contract when there's no other competition for that work or it's suggested there's not other competition for that work? And the challenge of course is then, if you have these clauses in something, it reduces the public accountability.

[15:45]

Mr. Kleefeld: — So thanks for the question. I think when we're thinking about this, the key distinction that we feel is really critical to make, that a sole-source is not the same thing as when we have a competition and there's one bidder, right. And so we would have to carefully distinguish between those two things to kind of better dig into the question.

Mr. Wotherspoon: — So in a sole-sourced environment then, would you allow a company to place a confidentiality clause into a sole-source contract?

Mr. Kleefeld: — I won't be able to provide, you know, a firm answer on that, and the reason being is that we would think that that's very context dependent and would really call for speculation. I think if we were faced with that situation, you know, there's a lot of agreement on our side that we would look basically to the FOI [freedom of information] guidelines for guidance on this. You know, typically things are excluded where there's commercially sensitive information, where there's proprietary information where it could prejudice the economic interests of the province. Something like that.

So I do not have a hard and fast answer. We would make that judgment call at the moment, and we would look mostly, not exclusively I think, but mostly at the FOI guidelines for how we would do that.

Mr. Wotherspoon: — Who has the final say on the award of a

tender, the client ministry or SaskBuilds and Procurement?

Ms. Cossitt: — Karen Cossitt again. So it's the chief procurement officer — myself — and my division that review each procurement that is publicly procured, and we have the final say on the evaluation and the selection of that proponent. And then it would be the client ministry that actually awards the contract that would have to look at their budget, and so they do have an approval process to play of course.

Mr. Wotherspoon: — Thanks for that. Who has to approve a sole-source contract? The client ministry or SaskBuilds and Procurement?

Ms. Macza: — Good afternoon. Denise Macza, deputy minister of SaskBuilds and Procurement. So with regard to your question, each ministry is responsible for determining the authority they need to sole-source a contract.

Mr. Wotherspoon: — Who at SaskBuilds has the authority to approve a sole-source contract?

Ms. Macza: — Denise Macza, deputy minister, SaskBuilds and Procurement again. So in respect to SaskBuilds the ultimate authority rests with me, the deputy minister. But depending on the situation, depending on the contract and the particulars, authority can be delegated downwards to other levels of the ministry. Ultimately the delegation of authority is set out along the guidelines of the FAM [financial administration manual] manual.

Mr. Wotherspoon: — Thanks for that. Does the Minister of SaskBuilds and Procurement have to approve sole-source or special-arrangement contracts or contract processes?

Ms. Macza: — The minister does not grant approval for procurements.

Mr. Wotherspoon: — What about the ministry? Is the ministry . . . Is the approval of the Ministry of SaskBuilds required?

Ms. Macza: — For the granting of procurements of other ministries, or the Ministry of SaskBuilds?

Mr. Wotherspoon: — For any sole-source contracts of other ministries as well.

Ms. Cossitt: — Oh, I don't have to hit that. Sorry. I will stop touching buttons. It's Karen Cossitt. And sorry, the answer is no, we really don't.

Mr. Wotherspoon: — So a ministry could proceed with a sole-source contract. You may have been involved with the process, but SaskBuilds itself doesn't have to grant approval for them to proceed?

Ms. Cossitt: — So for sole-sources for other ministries we can provide advice and assistance. And so SaskBuilds, the ministry, can provide that advice but ultimately the sole-source contract and decision is with the ministry.

Mr. Wotherspoon: — Has SaskBuilds and Procurement been involved in any processes regarding contracts in '23-24 that have

specific requirements with respect to northern or Indigenous ownership? And if so, can you please list them, including the ministry involved and the specific requirement?

Hon. Mr. Hargrave: — These are, though, the estimates for '24-25. You've missed it by a year. '23-24 is not up for debate on the estimates for '24-25.

Mr. Wotherspoon: — Fair enough. Can you just apply that same question to the current budget year? Has SaskBuilds and Procurement been involved or will you be involved in processes that you're aware of for contracts that have specific requirements with respect to northern Indigenous ownership? And then if so, just specify the ministry in the contract.

[16:00]

The Chair: — I'll just maybe jump in here. I just want to remind the minister and the opposition member and all members and officials. So we're dealing specifically with the supplementary estimates for '23-24. Supplementary estimates are very, very specific to the topics — office equipment and information technology; remediation of contaminated sites; land, buildings, and improvements. And I think the minister and the member have worked it out themselves, but I just wanted to reiterate. And '24-25 estimates are a wider scope as well. So very good. Continue, Minister.

Ms. Macza: — So we have a number of projects in northern Saskatchewan that have an impact on the Indigenous community. You know, there are a number of schools that are happening in northern Saskatchewan. There's a number of projects in La Ronge like the La Ronge LTC [long-term care], the La Ronge health care centre.

Mr. Wotherspoon: — And what more specifically are requirements with respect to northern or Indigenous ownership as part of a requirement for procurement?

Ms. Macza: — Thank you. At this time we're not aware of any procurements that require Indigenous ownership as part of that process. But having said that, there are a number of instances that we could probably point to that have Indigenous aspect to the subcontracts they would use to carry out their procurement obligations.

Mr. Wotherspoon: — Could you list those? So I guess ownership or labour, kind of a northern or Indigenous ownership or labour . . . Do you want to list those procurements?

Ms. Nichols: — Hi. Sara Nichols, assistant deputy minister of infrastructure design and delivery. As part of the answer to your question, I wanted to speak to some of the efforts we make on our major project deliveries.

So in terms of our major projects, while we work typically as government with the general contractors, we work to encourage that engagement between the general contractors and the local communities that they serve, including with Indigenous and northern communities like in our projects in La Ronge. And so we encourage that and facilitate that by hosting, you know, community sessions as we're working with the general contractors. And we look at value-added benefits to a project,

including community engagement. It's not a scored item but it is an item that we encourage in all of our major infrastructure projects.

Mr. Wotherspoon: — Okay. So are you aware of any contracts that have specific requirements for Indigenous labour or ownership?

Ms. Nichols: — Sara Nichols. We would encourage that. It's not a minimum criteria in the performance of the contract, but it's something that we have asked to get information on as we're launching some of our major projects.

Mr. Wotherspoon: — Move along a bit to the . . . I don't know if it's referred to as the EBMP [enterprise business modernization project]. Is it EBMP or EBMP? What's the proper way to talk? Would EBMP or . . .

Ms. Macza: — EBMP.

Mr. Wotherspoon: — EBMP. That's what I thought, yeah. I felt funny if I was maybe calling it Can you explain what the EBMP system is and including the functions that it provides and which parts of government will be using the system? And also which ministry is responsible for the EBMP system?

Ms. Csada: — Good afternoon. Brittany Csada, the assistant deputy minister and executive project sponsor for the enterprise business modernization project, or EBMP. So a bit about what EBMP is. EBMP will implement a new government-wide, cloud-based IT solution for an integrated financial, human resource, and supply chain management system. It will provide better services, including increased automation and efficiency for users of financial, human resource, and supply chain services.

The new system will replace more than 60 systems that we use today to provide those back office services. Many of these are reaching their end of life and will require millions of dollars in investment to maintain. Having these numerous business systems means that significant manual processes are being used to support those human resource, finance, and procurement areas.

So while this is an enterprise project that will impact all of government, the most impacted are the five partner ministries. So SaskBuilds and Procurement provides the central coordination for the project, and the other partner ministries are Corrections, Policing and Public Safety; Finance; Highways; and the Public Service Commission.

Mr. Wotherspoon: — When was the EBMP system approved for development? And is the EBMP project now completed, you know, with the exception of future development to it?

Ms. Csada: — So the project was originally approved in October of 2020. And currently the core system build is complete, and we are currently testing in the project right now.

Mr. Wotherspoon: — How much capital funding has been spent on the EBMP system, including software and specialized hardware, to date?

[16:15]

Ms. Csada: — So thanks for the question. As of February, we spent 42.7 million on the project in '23-24.

Mr. Wotherspoon: — And what's the total to date on the project? And then what funding is budgeted for the year ahead?

Ms. Csada: — So as of February the capital spend to date for the project to design and implement the system is 76.4 million. And for '24-25 the capital budget for EBMP is 64.35 million.

Mr. Wotherspoon: — Do you know the capital requirements beyond that to get it to completion?

Ms. Csada: — So thanks for the question. We cannot speculate on the future year budgets, and the amount of capital will be dependent on the activities and deliverables of the project this year.

Mr. Wotherspoon: — Which companies were involved in the development of the EBMP system from proposal or concept development to the purchase of software to the development of the system and integration with other government systems and software?

And then I guess to that, how were the services of each company procured? Sole-source, public tender, or some type of special procurement process? Just please explain the special procurement that was used, if that's the case.

Ms. Csada: — So the Government of Saskatchewan procured Deloitte, whose consortium includes Paradigm and Plato Sask Testing to provide business transformation and system integrator services for the project.

Mr. Wotherspoon: — Thanks so much. And do you know how much each company's been paid to date for their work on EBMP?

Ms. Csada: — So as of February, the amount paid to Deloitte to date for the project to design and implement the system has been 64.9 million. We're not privy to what amount of that would be to their consortium partners. And I know you asked a question about kind of the procurement of that, so I'd invite Karen up to speak more specifically to that.

Ms. Cossitt: — Karen Cossitt again. So my division, the procurement management division, was involved in the business transformation, advisory, and systems integrator services procurement, called EBMP. It was procured . . . Originally we put it out for public procurement in June of 2020. We went through proponent conferences in July. In July we also had a deadline for questions, and addendums were issued.

We closed the competition in August and went into evaluations, and the proponent, Deloitte, was selected in September of 2020. We had an independent, third-party fairness advisor throughout the process to make sure that it was fair and transparent. We had five proponents that provided submissions, and it was Deloitte that was the best valued procurement proponent at that time.

Mr. Wotherspoon: — Okay. Thanks for that information. I don't have a great tech background. I'm pretty good with the Commodore 64, and PowerPoint is still . . . But I was wondering,

does the EBMP system use a similar or same software as the AIMS [administrative information management system] system in Health?

Ms. Csada: — Thanks. I would defer any of the questions about AIMS to the Ministry of Health.

Mr. Wotherspoon: — Okay. Do you know if they . . . You don't know whether there's similar software?

Ms. Csada: — Yeah. I defer to them to speak to their technology.

Mr. Wotherspoon: — Okay. You know, again I'm no tech expert over here either, so I'm not sure that I could assess the answers coming in.

Maybe shifting along a bit to health. Of course there's been some discussion about recently government's awarded a contract, \$6 million, with a private surgery clinic in Calgary called Surgical Centres Inc., a division of Clearpoint Health Network, regarding hips and knees. I guess, could you describe the procurement process for that sole-source contract? And then if you could describe how you determined fair value.

[16:30]

Ms. Cossitt: — Karen Cossitt again. So the Ministry of Health consulted with myself, my division, in January of 2023 regarding the strategy to send Saskatchewan patients to Calgary for a limited temporary program, which is set to expire in September of 2024, as per *The Relief for Long-waiting Joint Replacement Patients Regulations*. At that time we looked at their business plan and what they had done.

We advised that they were actually exempt from trade agreements. And so health services, if you look up New West Trade Partnership Agreement, is an exemption. And you can find that on SaskTenders. We have a knowledge warehouse and our trade policy unit actually provides that information. So that was some of our advice that we had provided. Even though we provided that, we wanted to make sure that it's a fair and transparent process. That is why we do a lot of health procurement services, even though it is exempt. So we looked to see what, you know, what their business plan was.

Due to the interim and urgent nature of the agreement, we felt like it supported the rationale. Emergency purchases are also exempt, so if an act or nature causes, you know, an immediate acquisition for the service. So there was a need for that.

As well the Ministry of Health let us know that they had contacted private surgical providers across western Canada to gauge interest, capability, and capacity to provide that. And there was no Saskatchewan respondents. So of the firms that responded, it was only Clearpoint Health that indicated that they were capable. They had also let us know that they had publicly announced that they were going out for out-of-province surgery.

So given all of that information that it was their intention to proceed with hip and knee surgery replacements, and the urgency to proceed due to a significant backlog of patients waiting for surgery as a result of COVID slowdown, COVID-19 slowdown and long wait times, as well as the interim nature, we had advised

that we thought that that was acceptable. But again, I would just reiterate that it was our advice.

Mr. Wotherspoon: — How did the price compare to the price of the same surgery within the Saskatchewan health care system?

Ms. Cossitt: — So the Ministry of Health would have conducted that evaluation, and I don't actually have that information. So that would have to be an ask of the Ministry of Health.

Mr. Wotherspoon: — How many surgeries does this contract allow for or provide for?

Ms. Cossitt: — So I would just say that we provided advice on the procurement and we don't actually have the numbers for that.

Mr. Wotherspoon: — Could you commit to providing that back to the committee?

Ms. Cossitt: — That would have to be from Health, the Ministry of Health.

Mr. Wotherspoon: — Would you be able to play a role in communicating with Health to report back on that procurement?

Hon. Mr. Hargrave: — We don't have that mandate to be able to do that from Health, and so I can't provide that assessment. But they would have the numbers on that contract. We just give them the advice on the contract's ability.

Mr. Wotherspoon: — Okay. We'll follow up there. With respect to . . .

The Chair: — I'll just jump in there too. And the member knows he could arrange for a written question to be asked. I think Health has finished their time allotted. But yeah, it's up to you.

Mr. Wotherspoon: — Thank you. With respect to highways, were all contracts awarded in '23-24 awarded through a regular process of advertising the work to be completed with a full set of work specs, inviting bids, qualifying the bidders, and then awarding the contract to the low bidder?

Hon. Mr. Hargrave: — Of course that's in relation again to '23-24, not '24-25.

Mr. Wotherspoon: — Is the minister — with respect to highways for budgets that will flow from this fiscal year — is he aware or could he speak to contracts that were awarded that through a . . . Were they all awarded through a regular process of advertising the work to be completed? Same question — work specs, inviting bids, qualifying the bidders, and then awarding the contract to the low bidder?

Ms. Cossitt: — So this is Karen Cossitt, and I would say for the procurements that we're involved in on behalf of the Ministry of Highways, the procurements are awarded as per best value. So they use best value procurements, not just low bid. And that would be standard practice for how those are procured and awarded.

Mr. Wotherspoon: — Should we get a little bit of a sense of . . . Obviously the Prince Albert hospital is so important to the

community. We've long advocated for it, as the minister knows. I know the minister has long advocated for that hospital; he knows the community.

But the cost has just gone through the roof, right, in the procurement here. And you know, I think the original projection for the cost of the hospital, you know, was identified early on. The government spoke to it kind of back in 2020 — so just, you know, four years ago — to the tune of \$200 million. And you know, then I see in 2023 . . . I'd ask the minister just to maybe . . . Yeah, I guess the project then had increased at that point from 200 to 300, so it's sort of a 50 per cent increase in that period of time. But now we're talking \$200 million to a billion dollars, right. So five times or 500 per cent increase over just four years.

So I guess I'd like the minister to break out what sort of inflationary pressures we're dealing with on the procurement of that hospital. You know, and if you look at the construction industry, I think specific to that same period, 2017 to now, the increase has been a 41 per cent increase that I see from Stats Canada. So I guess my question is, how do you square this? Because 41 per cent's large for sure, but we're talking 500 per cent here. So what do you account for the other 460 per cent increase from the original budget?

Ms. Nichols: — Thank you. Sara Nichols. Thank you for your question about costs on the Prince Albert Victoria Hospital project. I'm going to answer with information about three important components related to that cost.

As you know, the Prince Albert Victoria Hospital project includes a new multi-level acute care tower connected to and directly north of the existing facility. The tower features a helipad on the roof; an expanded emergency department; larger modern operating rooms; adult intensive care; adult mental health; perioperative services; pediatrics; maternity services; neonatal intensive care; and medical imaging, including MRI [magnetic resonance imaging] and second CT [computerized tomography] scanner; as well as First Nations and Métis cultural space, among other key services. The new tower will have 168 new beds, while overall capacity in the facility will increase from 173 to 242.

[16:45]

Procurement competition, accurate cost estimating, and effective contract management are three areas of continued focus for SaskBuilds and Procurement, in particular on this project. First the competition process used by the Government of Saskatchewan aims to get best value for Saskatchewan while enhancing access, competition, and fairness. Second, cost estimating helps the government determine if a project is feasible and affordable. And finally SaskBuilds and Procurement's contract management approach extracts the value from each agreement. The three areas assist SaskBuilds and Procurement in providing the greatest benefit to Saskatchewan for each capital investment.

In relation to procurement competition, during the height of the COVID-19, contractors across Saskatchewan and Canada became very selective in which projects they were pursuing due to the amount of available work, unprecedented cost escalation, and labour shortages. Saskatchewan, like the rest of Canada, experienced changing attitudes from industry about risk

allocation in common models used to deliver infrastructure. Contractors became increasingly unwilling to own risks related to cost escalation and the supply chain. Very quickly the appetite to engage in fixed-price, fixed-state delivery models diminished.

In terms of the Prince Albert Victoria Hospital, request for qualifications was publicly issued in December 2021 to all parties interested in leading the design and construction of the Prince Albert Victoria Hospital. A single team demonstrated that they met the requirements and was short-listed to move on to the next stage of procurement.

Saskatchewan was not alone to receive lower than expected bidders on active major health care projects. Provinces such as British Columbia and Ontario also reacted to procurements with single bidders. SaskBuilds and Procurement utilized the lessons learned in processes utilized in British Columbia and Ontario in implementing a modified request for proposals competition for the Prince Albert Victoria Hospital in response to those market conditions.

A modified RFP [request for proposal] is a competitive process in which a short-listed proponent develops and submits a design and a series of proposals to demonstrate how it will meet the project's requirements. The short-listed proponent's bids are assessed against a shadow bid developed by an independent cost consultant to assess value and validate current market conditions. In the case of the Prince Albert Victoria Hospital project, the independent cost consultant reviewed PCL's financial submission and found that the cost was reasonable and appropriate.

In order to determine how SaskBuilds and Procurement delivers a project, we use a procurement options analysis methodology to identify the most appropriate procurement option. Think of this like picking the right tool for a job. The options analysis assesses the benefits and risks for a project and identifies a procurement option that is best positioned to achieve the desired outcomes and objectives.

In many cases, SaskBuilds and Procurement will deliver a project through design-bid-build, which is a widespread model in which a designer and builder are contracted independently and the project phases occur sequentially. In other cases, SaskBuilds and Procurement may utilize construction management. In this model, SaskBuilds and Procurement will hire a construction manager based on experience and qualifications to oversee a project from design to construction closeout.

Some projects are better suited to alternative delivery models such as design-build or progressive design-build as we used in the Prince Albert Victoria Hospital projects. In these projects, a designer and builder work together under a single contract to deliver the project.

Another key factor in this question is around cost estimating. Unprecedented times in the construction industry created affordability challenges for public infrastructure across Saskatchewan, Canada, and the world. Cost estimates produced prior to or throughout the global pandemic could not predict the inflation and cost escalation later experienced.

Construction costs have risen dramatically due to soaring

inflation and interest rates, COVID-19 delays, and supply chain disruptions and labour shortages. The record level of private investment in the province has also impacted construction costs. While it's good news that Saskatchewan ranks second amongst provinces for private capital investment in 2023 and is expected to rank first in 2024, the continued investment such as BHP's continued investment in the Jansen mine and expansions in canola crush across Saskatchewan are raising the demand for contractors, materials, and labour.

Increased costs underscore the need for accurate cost estimating. Although cost estimates forecast in the future, they reflect the economic realities at a point in time. Cost estimating occurs across multiple stages throughout a project's life cycle. In the beginning stages of a project, an order of magnitude estimate is developed based on assumptions, past projects, and historical information. As a project advances and detailed requirements become known, the level of detail and the accuracy of the forecast increases. At these stages, SaskBuilds and Procurement utilizes the expertise of professional cost estimators. These . . .

Mr. Wotherspoon: — Can I just . . . This is all good information. I'm just so cognizant, so we're talking about a big budget item and we have 10 minutes left in committee. You're providing such good information, so it's sort of how do we suss through, you know, getting a bit of the . . .

So 41 per cent is what Stats Canada says is the inflation over that same period for non-residential construction. You're identifying that there are extenuating circumstances for Saskatchewan that's driven that inflation rate higher. Is that supported by Stats Canada? What's the inflation rate in Saskatchewan through that same period of time? We've seen 41 per cent from Stats Canada. Do you have a different number? Of course, what we're looking at here is a 500 per cent increase.

The Chair: — I'll just remind committee members we've got about seven minutes left here as we're waiting for the answers.

Mr. Wotherspoon: — Thank you. Maybe just as part of that, you're coming with response, which I appreciate. You were reading from a document before. I'm just checking with the minister if it would be appropriate to, because there's substantive information I'm sure there, if it would be appropriate to table that document.

Hon. Mr. Hargrave: — No, it was just her personal notes.

Mr. Wotherspoon: — Okay, that's fair.

Hon. Mr. Hargrave: — She does have more concise answers. It won't take long.

Mr. Wotherspoon: — Okay.

Ms. Nichols: — Thank you. Sara Nichols. In terms of Statistics Canada comparisons that you spoke of, I also want to draw the attention that the cost of concrete alone has increased 30 per cent since 2020 and the cost of steel are really driving project at an increase of 80 per cent since 2020. And those are also Stats Canada results.

But I think it's important also to look at the estimate. And so that

\$300 million number that you spoke of, that was announced as government's commitment of at least 300 million to the project. That was an order of magnitude. Since the project was announced additional professional cost estimates have been completed as the requirements of the project were figured out.

In terms of getting value for Saskatchewan, which I think your question is, is how do we determine if our price is fair? We also look to other jurisdictions and what their price was. And so while health care facilities, in particular a large hospital, are very complex facilities and they differ in terms of the services that they deliver — so they're not a perfect comparison — we have compared against similar facilities recently announced in Manitoba, BC [British Columbia], and Ontario. The cost per square foot on the Prince Albert Victoria Hospital expansion is \$2,044 a square foot. Recent projects announced in Manitoba, BC, and Ontario are between 2,700 and \$3,800 a square foot.

The rising costs and the dramatic rising costs that we're speaking of are more pronounced in the more complex infrastructures. So a large hospital project is going to see more complexity than some of the other types of infrastructure, and so we wanted to do that analysis to compare to make sure that we could understand whether the price was fair.

I spoke earlier also of the independent cost consultant. An independent cost consultant has reviewed the entire submission and given the opinion that the price was fair and reasonable.

Mr. Wotherspoon: — I know with time . . . It's a fairly big subject here. We probably could have used a fair amount more time on it even to get a better understanding of what that complex infrastructure is specifically, like what are we are talking about in a hospital that's not there in a school, for example, because certainly steel and cement and things are used everywhere.

One last question before I turn it over to my colleague for a couple of questions on education. Who was the independent cost . . . Who provided that service?

Ms. Nichols: — Hi. The independent cost consultant was SSA Quantity Surveyors Ltd. It was retained as a professional quantity surveyor to benchmark construction costs and validate estimates on major capital projects while ensuring the Government of Saskatchewan maintains negotiating leverage throughout the progressive design phase.

Mr. Wotherspoon: — Thanks. Who are they and where are they located? We can do that research because I want to get a couple of education questions here.

The Chair: — Go ahead.

Mr. Love: — Yes. Minister, I have two questions. So for the sake of time, looking to see if you can table the answer to my first question. In your opening comments you mentioned \$8.8 million in this budget to support planning for nine new schools and two renos. Would you be willing to table how much of that 8.8 is designated for each of those projects as well as what the estimated start date is for work, and then the estimated timeline for opening of those projects?

Hon. Mr. Hargrave: — I'll give you what I can here.

Ms. Nichols: — The Ministry of Education would have to provide the breakdown of the budget numbers under the 8.8. But I can answer that from the initial announcement, typically a new school takes approximately four years: planning and land acquisition, design, construction takes 24 months, and then there's typically a move-in period.

Wednesday, April 24th at 3:30 p.m. Thanks, everyone.

[The committee adjourned at 17:04.]

Mr. Love: — Okay, I've got one final question. Minister, where you talked about the increase in costs for concrete and steel that's impacting announcements for hospital builds, of course that impacts education as well. I'm hearing from school boards that due to inflation the cost of new builds, the market value puts that somewhere between 4,700 to \$5,000 per square metre, but that school divisions have been asked to engage in designing buildings at \$4,100 per square metre.

In your estimation, can you explain the difference between the market value and what schools are asked to design at, and as well as how school boards are expected to make up that difference?

[17:00]

Ms. Nichols: — Our ministry recognizes that in some cases there have been affordability challenges leading to difficult decisions on major education projects. Through that we've maintained strong partnerships with the Ministry of Education and school divisions, allowing us to work collaboratively in managing and finding solutions to those pressures.

The Chair: — Thank you. Having reached our agreed-upon time for consideration of SaskBuilds, we will adjourn consideration of these estimates. I'd ask the minister if you have any closing comments.

Hon. Mr. Hargrave: — Yes, thank you, Mr. Chair. I want to thank the members of the committee on both sides of the aisles here and my team of people, of extremely valuable, talented people from SaskBuilds. Of course the people up in the booth up there, our Hansard, are always the best and we appreciate that. And you, Mr. Chair, thanks for doing your job.

The Chair: — Thank you, Mr. Minister. Mr. Wotherspoon?

Mr. Wotherspoon: — Thank you, Mr. Chair. I thought you were tough but fair and always dapper, looking sharp. I want to say thanks to the Table of course, and Hansard, but thanks to the minister for the time tonight.

Importantly, thanks to all the officials that have joined us here, all those that are involved in this important work across the province. We probably could have allocated a little more time for these considerations. Sorry if we rushed along a couple of the responses. Thanks to everyone, and thanks as well for the undertaking to provide information back on a few different fronts, but thanks for all the work everyone's involved in.

The Chair: — All right. That concludes our business for today. I would ask a member to move a motion of adjournment. Mr. Bonk has moved. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This committee stands adjourned until