



Legislative Assembly of Alberta

The 31st Legislature  
First Session

Standing Committee  
on  
Public Accounts

Infrastructure

Tuesday, April 8, 2025  
8 a.m.

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**Legislative Assembly of Alberta  
The 31st Legislature  
First Session**

**Standing Committee on Public Accounts**

Sabir, Irfan, Calgary-Bhullar-McCall (NDP), Chair  
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UC), Deputy Chair

Armstrong-Homeniuk, Jackie, Fort Saskatchewan-Vegreville (UC)

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Dyck, Nolan B., Grande Prairie (UC)\*

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## **Standing Committee on Public Accounts**

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#### Ministry of Infrastructure

Ghassan El-Chazli, Assistant Deputy Minister, Capital Projects Delivery

Dale Fung, Assistant Deputy Minister, Finance

Cathy Maniego, Acting Deputy Minister

Leonid Oukrainski, Acting Assistant Deputy Minister, Properties

Brad Smid, Assistant Deputy Minister, Strategic Partnerships and Learning Facilities



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Tuesday, April 8, 2025

[Mr. Sabir in the chair]

**The Chair:** Good morning, everyone. I would like to call this meeting of the Public Accounts Committee to order and welcome everyone in attendance.

My name is Irfan Sabir, MLA for Calgary-Bhullar-McCall and chair of the committee. As we begin this morning, I would like to invite members, guests, and LAO staff at the table to introduce themselves. We will begin to my right.

**Ms Armstrong-Homeniuk:** I'm Jackie Armstrong-Homeniuk, MLA, Fort Saskatchewan-Vegreville. Good morning, everybody.

**Mr. Rowswell:** Hi. Garth Rowswell, MLA, Vermilion-Lloydminster-Wainwright.

**Mr. Dyck:** Nolan Dyck, MLA for Grande Prairie.

**Mrs. Johnson:** Jennifer Johnson, MLA, Lacombe-Ponoka.

**Ms de Jonge:** Chantelle de Jonge, MLA for Chestermere-Strathmore.

**Mr. McDougall:** Myles McDougall, MLA for Calgary-Fish Creek.

**Mr. El-Chazli:** Ghassan El-Chazli, ADM, capital projects delivery with Infrastructure.

**Mr. Oukrainski:** Leonid Oukrainski, acting assistant deputy minister of properties, Infrastructure.

**Ms Maniego:** Cathy Maniego, Acting Deputy Minister of Alberta Infrastructure.

**Mr. Fung:** Dale Fung, assistant deputy minister, financial services, Infrastructure.

**Mr. Ireland:** Brad Ireland, Assistant Auditor General.

**Mr. Schmidt:** Marlin Schmidt, Edmonton-Gold Bar.

**Ms Renaud:** Marie Renaud, St. Albert.

**Mr. Ellingson:** Court Ellingson, Calgary-Foothills.

**Ms Robert:** Good morning. Nancy Robert, clerk of *Journals* and committees.

**Mr. Huffman:** Warren Huffman, committee clerk.

**The Chair:** Thank you. I would note the following substitution for the record: Mr. Dyck for Mr. Lundy.

A few housekeeping items before we turn to the business at hand. Please note that microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of the meeting can be accessed at the Legislative Assembly website. Those participating by videoconference: there were none, so we'll leave that. Please set your cellphones and other devices to silent for the duration of the meeting, and comments should flow through the chair at all times.

Approval of agenda. Hon. members, are there any changes or additions to the agenda? If not, would a member like to move that the Standing Committee on Public Accounts approve the proposed agenda as distributed for its Tuesday, April 8, 2025, meeting? So moved. Any discussion on the motion? Seeing none, all in favour? Any opposed? Thank you. The motion is carried.

The draft minutes from our last meeting on February 25 are not yet ready for review. We will review them once they are ready at our next meeting.

I would now like to welcome our guests from the Ministry of Infrastructure, who are here to address the ministry's annual report 2023-24, responsibilities under their purview during that reporting period, and relevant reports of the Auditor General, if any. I invite officials from the ministry to provide opening remarks not exceeding 10 minutes.

**Ms Maniego:** Thank you, Chair, and good morning. For the record again my name is Cathy Maniego, and I'm the Acting Deputy Minister of Alberta Infrastructure. As I mentioned, at table with me are Ghassan, Leonid, and Dale, and I'd like to acknowledge the officials from the department that are sitting in the gallery.

The work Infrastructure does is essential for growing the economy, supporting jobs in Alberta, and attracting investment to the province and ensuring Albertans get the new, modernized, and well-maintained infrastructure they need. I am proud of the work Infrastructure does every day, and I'm pleased to have this opportunity to discuss the department's accomplishments for the 2023-24 fiscal year.

Infrastructure's spending portion of the government of Alberta's capital plan in 2023-24 was \$1.3 billion, or 21 per cent, of the government's \$6.3 billion total for that year. With a focus on ensuring the best use of these investment dollars, throughout 2023-24 department staff moved dozens of schools, health facilities, and government facilities forward through planning, design, or construction with the objective of delivering capital projects on time and on budget.

By March 31, 2024, we had completed 14 school projects, creating over 9,000 new or modernized school spaces in 12 Alberta communities, including Beaumont, Calgary with three projects, Condor, Drayton Valley, Grande Prairie, Morrin, Peace River, Red Deer, Smoky Lake, Stony Plain, Wabasca-Desmarais, and Whitecourt.

As of March 31, 2024, we had another 57 school projects under way in various stages of planning, design, or construction. By the end of the fiscal year we completed construction on four health facilities, including the Arthur J.E. Child comprehensive cancer centre McCaig link in Calgary; the Misericordia community hospital modernization program in Edmonton, featuring a new emergency department that can accommodate 60,000 visits per year; and two Alberta surgical initiative capital program renovation projects, with one in Edmonton and one in Rocky Mountain House. These renovations help increase provincial surgical capacity and reduce wait times.

We also completed one mental health and addiction facility in '23-24, the Lakeview Recovery Community, a 75-bed facility in Gunn, and we continued work on another 75-bed recovery community in Calgary, which is now close to completion.

Throughout the year we continued to move forward with four other mental health and addiction facility projects and over 40 major capital health projects, including the \$1.8 billion redevelopment of the Red Deer regional hospital centre, one of Infrastructure's largest projects ever. In addition to the significant work involved in advancing this project, department staff were instrumental in keeping the community apprised of its progress, including hosting in-person information sessions to share progress updates and future milestones. By March 31, 2024, the project was in the design stage, and I am pleased to note that construction has since begun on the new in-patient tower site.

Also, in 2023-24 we completed construction of three major government facility projects. These included the Brooks courthouse,

the Leduc Agrivalve Processing Business Incubator, and the new Red Deer Justice Centre. Another 12 key government facility projects continued in various stages of planning, design, and construction. These included the Canmore Nordic Centre, the Yellowhead Youth Centre in Edmonton, and court facilities located in Calgary, Edmonton, Grande Prairie, and Sherwood Park.

Our delivery of all capital projects begins with an open, transparent, and efficient procurement process. In 2023-24 the average number of calendar days to complete a procurement period was 19.8 days. This is a reduction of 20 per cent, or 3.5 days, over the average number of days it took us four years earlier, meaning we're now able to get shovels in the ground faster and projects completed sooner.

Making sure Albertans have continued access to the programs and services they need does not always mean building new. It also means taking good care of our existing buildings. Infrastructure invested more than \$363 million into shovel-ready capital maintenance and renewal projects in 2023-24. These projects employed hundreds of Albertans, stimulated local economies, and helped keep employees, Albertans, and visitors to our government buildings comfortable and safe.

The 2023-24 spending supported the completion of vital repairs or upgrades like replacing boilers, upgrading safety and security systems, and replacing aged roofs and windows on government-owned facilities, including courthouses, provincial buildings, health facilities, cultural facilities, and schools that were delivered by public-private partnership.

In addition to managing major multiyear capital projects as well as capital maintenance and renewal projects across the province, in 2023-24 Infrastructure department staff also continued to manage and maintain more than 1,500 government-owned or -leased facilities, provide real estate leasing and land sales and planning services, provide accommodation services for other government ministries, manage the Edmonton and Calgary transportation and utility corridors, develop policy and legislation, all while ensuring a focus on continuous improvement.

I'd like to briefly highlight some of these key achievements now. With the goal of being financially prudent in 2023-2024, the department achieved a reduction in government lease space of approximately 17,000 square metres, which translates to more than \$5 million in annual lease cost savings.

Also, as part of the Alberta government's commitment to providing best value for Albertans, in 2019 all ministries were mandated to reduce red tape by 33 per cent by March 31, 2024. I'm pleased to share that Infrastructure department staff worked with our industry partners to find significant reductions. By early 2023 we had exceeded the 33 per cent target, achieving a 37.3 per cent reduction of red tape regulations. By modernizing our operations, especially through digitization, we reduced thousands of redundant or unnecessary steps, creating efficiencies and enhancing the way we work with industry.

Of course, our efforts to reduce red tape did not end there. We continue to look for reduction opportunities and efficiencies in everything we do. One example of this is the department's work to modernize construction contracts and procurement documents for capital projects to reduce red tape and costs for vendors. I'm pleased to note that the modernized contracts and documents are now in use, and they are helping to define accountabilities, improve performance of capital project delivery, and enhance risk allocation, which ultimately helps ensure the quality and standards for public infrastructure projects.

In 2023-24 department staff developed the Real Property Governance Act, which was introduced to the Legislative Assembly as Bill 13 in March 2024 and subsequently received royal assent in

May 2024. The act creates a centralized, transparent approach to managing public land and buildings across government. By streamlining land and building transfers through the department, efficiencies are realized that help support priority projects across government, reduce red tape, and maximize asset value.

#### **8:10**

Infrastructure also worked closely with Service Alberta and Red Tape Reduction department staff to develop amendments to the Public Works Act, mandating a prompt payment framework and adjudication process for public infrastructure projects. This included connecting with our industry partners, who had been advocating for a similar set of rules for both public and private construction contracts. The Public Works Act amendments were introduced and passed during the fall 2024 legislative session.

As part of our commitment to provide value for Albertans, Infrastructure is always seeking to deliver projects in the most timely and cost-effective manner. This includes using alternative financing methods such as public-private partnerships, or P3s. In 2023-24 department staff moved a number of capital projects forward through the P3 process, including assessing a bundle of schools for P3 suitability and obtaining Treasury Board approval to enter procurement. I am pleased to share that this bundle of six schools has been contracted, and construction is expected to begin this June. We also wrapped up construction of our first-ever P3 bundle of just high schools. Construction of these five high schools was officially completed in May 2024, and the new schools, creating 6,375 new student spaces, opened on time and on budget in fall 2024.

Before I close today, I'd like to acknowledge the office of the Auditor General's outstanding recommendations for Infrastructure. An audit was conducted on Infrastructure's procurement processes in June 2022 and resulted in four recommendations. More importantly, the audit concluded that the department has processes to ensure fair and competitive procurement of its construction tenders, noting that not all of the processes were effective and that improvements could be made. We appreciate this input as a valuable opportunity to improve on how we deliver public infrastructure, and I'm happy to report to you today that through our continued efforts we are nearing full implementation of the changes to address all of the recommendations and anticipate the follow-up audit to happen this year.

I'd like to express the department's thanks to our fellow government colleagues and industry partners and stakeholders like school jurisdictions and health authorities for their ongoing collaboration. On behalf of the department, thank you.

This concludes my presentation of Infrastructure's 2023-24 highlights. I'm now happy to answer any questions from the committee.

**The Chair:** Thank you.

I will now turn it over to the Assistant Auditor General for his comments. Mr. Ireland, you have five minutes.

**Mr. Ireland:** Good morning, committee members and those officials here from the Department of Infrastructure. Thank you for the opportunity to provide you with an overview of the work of the office of the Auditor General, specifically as it relates to the status of our outstanding recommendations to the department. I'll start with our financial statement audit work for fiscal '23-24. We audit select financial transactions at the Department of Infrastructure as part of our audit of the province's consolidated financial statements. We did not identify any material accounting differences during that audit work.

I'll now turn to the four outstanding recommendations issued in 2022 that are not yet ready for assessment. Our performance audit on procurement processes looked at whether the department had effective processes to ensure fair and competitive procurement of its construction tenders. Our performance audit found that the department competitively procured its construction contracts, included the necessary information in its solicitation documents, and followed its evaluation process. However, the department's processes did not always result in procurements that were compliant with the trade agreements, and it did not always follow its processes for receiving submissions. The department also had weaknesses in access controls to its procurements' information systems and did not always evaluate proponent submissions consistently.

Construction contracts are often in the tens of millions of dollars, and proponents rely on and expect fair and competitive procurement processes because they invest time and money to develop their submissions and bids. Albertans, too, should be confident that the department has effective processes to ensure the significant dollars it spends on construction contracts are procured fairly and competitively. To address these findings, we issued four recommendations: to improve controls for ensuring compliance with trade agreements, to improve controls for receiving submissions, to improve access controls for procurement information systems, and finally, to improve submission evaluation controls.

Thank you to the management group here today for their time and co-operation and assistance during our audits.

That concludes my opening remarks, Chair. Thank you.

**The Chair:** Thank you, Mr. Ireland.

We will now proceed to questions from the committee members. We will begin with the Official Opposition. You have 15 minutes.

**Mr. Schmidt:** Thank you very much, Mr. Chair. Learning facilities are discussed starting on page 23 of the annual report. The Blessed Carlo Acutis Catholic high school in Camrose began construction in 2023, but according to a recent news report, the local school board is uncertain about when it will open because the site doesn't have road access or power. What were Alberta Infrastructure's responsibilities with regard to building this school and ensuring that students could get to it, and when they do, that it would have light and heat?

**Ms Maniego:** As with all schools Alberta Infrastructure's responsibility is to build the school itself and ensure that it has permits from the municipality, has all of the connections for all of the power utilities that are needed. It is the municipality's responsibility to ensure that road access and that everything from the property line outwards is also functioning and ready for the school. We continue to work with the municipality to make sure that those remaining outstanding items are addressed, ideally before it opens this fall.

**Mr. Schmidt:** Right, but – okay. In a statement to the press, the Minister's press secretary said the following: the city of Camrose and the subdivision developer have not been able to agree on who is responsible for providing road and site servicing access; until access is in place, our government cannot secure the occupancy permit and, therefore, cannot hand over the school to the jurisdiction to prepare it for opening. Now, my question is: why did the Ministry of Infrastructure begin construction of this school before those agreements were in place to provide road access and site servicing?

**Ms Maniego:** At the time we were assured by the municipality that there was an agreement between themselves and the developer, and we proceeded on that basis.

**Mr. Schmidt:** You just took their word for it?

**Ms Maniego:** They did have some agreements, but, yes. Essentially.

**Mr. Schmidt:** Looking back is there something different that you would have done now that you've got a school that is unable to open for the foreseeable . . .

**Ms Maniego:** Absolutely, yes.

**Mr. Schmidt:** Okay. What would you have done differently to prevent this from happening?

**Ms Maniego:** Our new process now, in keeping with the real property governance process that we now have: we're looking to ensure that the ownership of the school site is properly documented and the correct owner owns the property. We are looking to ensure that all of the permits are in place, and we need documentation of all of those things before we start construction now.

**Mr. Schmidt:** What wasn't in place? There is a lot there in your answer that I want to dig into. You said something about making sure that the person that you think owns the site actually owns the site. What happened here with the ownership of this particular site?

**Ms Maniego:** There were still ongoing negotiations between the developer and the city, and that's partly where things got a little bit confusing on our part. We wrongly assumed that the city and the developer would come to those agreements and have all of that complete before we were anywhere near finished completion, and that didn't occur.

**Mr. Schmidt:** I'm floored here by the answer. You weren't even sure who owned the site before you began construction. How is that even possible?

**Ms Maniego:** I'm going to turn that over to my ADM.

**Mr. El-Chazli:** Just to clarify a little bit, the process at the time entailed that the school jurisdictions would sign off on a checklist that confirms that all the services to the site that's been selected have all the proper requirements. At the time Infrastructure adopted the process of just dealing with the school jurisdiction from that perspective because that's ultimately our stakeholder through the Ministry of Education. With that sign-off it was sufficient for many schools before then to actually pursue and start the construction process and deal with the permitting process. It was only revealed much later that that sign-off may not have been entirely accurate.

**Mr. Schmidt:** Was this a P3 project?

**Ms Maniego:** No, it was not.

**Mr. Schmidt:** No, it wasn't a P3 project. Okay.

If I understand the assistant deputy minister's answer correctly, Infrastructure started building based on what the school board told Infrastructure.

**Mr. El-Chazli:** Signed off on.

**Mr. Schmidt:** Signed off on.

**Ms Maniego:** It was a commitment. Yeah.

**Mr. Schmidt:** Okay. That's a little bit different than what the deputy minister said in that . . .

8:20

**Ms Maniego:** Yeah. I misspoke.

**Mr. El-Chazli:** No, that's fine.

What the deputy was referring to is the fact that we no longer just rely upon that document as we've done in the past. We've improved the process, and that entails that we actually need to see and confirm all the supporting documentation that would render that signature to be accurate.

**Mr. Schmidt:** Okay. So give me an example of something that wasn't received, in this case, that you will now receive in the future from the school board so that we can prevent something like this from happening again.

**Mr. El-Chazli:** It's precisely what you're referencing, which entails that the property's title is one thing. The actual agreement between the school jurisdiction and the concerned municipality: it's the supporting documentation on which the checklist itself was developed or that was signed off on. The justification of all that – sorry – meaning the supporting documentation related thereof.

**Ms Maniego:** I can add to that.

**Mr. El-Chazli:** Yeah. Go ahead.

**Ms Maniego:** The process now is to require that the documentation is complete; not that there's a commitment to making sure that it is complete. Site readiness is all encompassing of all of that documentation as well, so we don't proceed now until the site is ready and we have that documentation, not just a commitment to get it complete.

**Mr. Schmidt:** I find it interesting that the construction of faith-based schools was done on a faith-based agreement between the school board and the owners. This is blowing my mind here.

What tools does Infrastructure have to rectify the situation here in this particular case to make sure that the school can actually open on time?

**Ms Maniego:** We have options that we're now negotiating with the city.

Do you want to speak to that? This is Brad. Introduce yourself, please.

**Mr. Smid:** Good morning. I'm Brad Smid. I'm the assistant deputy minister for strategic partnerships and learning facilities.

Yeah. Just to clarify a little bit there. We did have the checklist from the school division saying that the site was ready; everything was good to go. Our team, the team at Infrastructure, also did insist at that time on a commitment from the city to have this road and service connections built by September 2024, which they did provide in writing. We did do due diligence. We proceeded on the basis of a commitment from those partners, and those partners did not deliver.

We are currently, as the deputy minister indicated, exploring options to get the school open, and we will get the school open this year. We have alternative locations that we can tie-in to services and we can ensure that we have access for school buses and fire trucks to get open this year, and we're still very much in active discussions with the city and the school division on all of these matters.

**Mr. Schmidt:** Help me understand exactly the options that you have. You said that you have some way of getting site service to the school and making sure that the buses can get there. If the city and the developer aren't going to do it, is Infrastructure going to do it, and are we going to pay for it and then recover the costs from

whoever is ultimately responsible? Like, just explain to us how this is going to work.

**Mr. Smid:** Yeah, that is one option. We're currently working with the city, really hoping that they'll step up and get the road and the servicing done at their cost, which is the way it should be. A second option, if that doesn't come through, is that we will finance the work and then look to recover that later.

**Mr. Schmidt:** Okay. So those are the two options that are available. One, hoping that so far an unreliable partner suddenly becomes reliable, which doesn't seem to me to be maybe the best choice.

What is the financial risk, then, to the department of going down this road of financing this and then cost recovery? How much of an additional cost to the project will that mean if you go down that road?

**Mr. Smid:** We're looking at approximately a million dollars to get the road and servicing in. In the order of magnitude it's about a \$40 million high school, so it is something that we can handle within our project contingencies. Then, of course, we will be looking to recover as much of that as possible because we do feel that those are city costs.

**Mr. Schmidt:** What is the commitment, then, from the department for getting the school open by September? Are you still on track for that?

**Mr. Smid:** Yes.

**Mr. Schmidt:** Yes. Okay. Thank you very much.

Planning and construction of recovery communities is discussed on pages 21 and 22 of the annual report. Infrastructure is responsible for procurement of those planning and constructions. Were recovery community projects procured through an open-source solicitation process, a limited-source solicitation process, or sole-source solicitation? Can you provide some details?

**Mr. El-Chazli:** Open procurement.

**Mr. Schmidt:** Completely open procurement.

**Mr. El-Chazli:** All projects by Infrastructure are open procurement.

**Mr. Schmidt:** Okay. Thank you very much for that.

Now, for the projects that were discussed on page 21 of the annual report, can the department tell the committee how many proposals the government got for the construction of those facilities?

**Ms Maniego:** Sorry. That was page 21?

**Mr. Schmidt:** I believe so. Red Deer, Lethbridge, and the Gunn site in particular.

**Ms Maniego:** Yeah. I don't have that information. Sorry.

**Mr. Schmidt:** Can the department commit to responding to the committee in writing to that question?

**Ms Maniego:** Yes.

**Mr. Schmidt:** Thank you very much.

I'm curious if any of the proponents disclosed a conflict of interest.

**Ms Maniego:** Again, I'd have to respond back.



**Mr. Schmidt:** You'll respond in writing?

**Ms Maniego:** Yeah.

**Mr. Schmidt:** How many days was the solicitation open for?

**Mr. El-Chazli:** The typical number of days as per the process in itself is around 25 days.

**Ms Maniego:** I can confirm in writing that all were open for the 25 days. That is our standard.

**Mr. Schmidt:** Yeah. Thank you. Well, I know that's the standard, and the Auditor General has identified that the department doesn't always meet the standard. So I'm concerned that the standard was met here in these particular cases.

I'm also looking for the evaluation score sheets for the proposals that were received for recovery communities. Again, the Auditor General has identified that these projects are evaluated – wildly divergent. I'm wondering if the department can provide those in writing to the committee as well.

**Ms Maniego:** Yeah. We can provide that.

**Mr. Schmidt:** Thank you very much.

Who was ultimately awarded the contracts for planning and construction of the recovered communities discussed on pages 21 and 22 of the annual report?

**Mr. El-Chazli:** For Red Deer the construction company was Synergy Projects. For Lethbridge it was Synergy Projects as well. For Gunn it was Clark Builders. Those are the contractors.

**Mr. Schmidt:** Right. And the planning?

**Mr. El-Chazli:** The consulting itself?

**Mr. Schmidt:** Yeah.

**Mr. El-Chazli:** For the three of them – Red Deer, Lethbridge, and Gunn – it was MPE consulting.

**Mr. Schmidt:** Okay. Thank you very much for that.

Now, the planning stages for Edmonton, Calgary, the Edmonton young offender centre, who were the consultants on those projects?

**Ms Maniego:** We'll have to get back to you in writing on that one.

**Mr. Schmidt:** Yeah. All right.

Well, I've got 16 seconds, so if you could find it in 16 seconds, 10 seconds. Thank you very much.

**The Chair:** Thank you.

We will now proceed to questions from committee members from the government side. MLA de Jonge.

**8:30**

**Ms de Jonge:** Thank you, Chair. Good morning, everybody. I want to thank the ministry officials for being here today to answer the questions of the committee. For my series of questions I'm going to be focusing on health projects and facilities around Alberta. These facilities are incredibly important to Albertans, my constituents, and all others across the province.

On page 19 of the annual report, it states that in '23-24 the ministry budgeted \$602.8 million for the construction of health facilities, yet only \$288.7 million was spent in total, so my question to the assistant deputy minister is: can you provide an explanation for this significant underexpenditure in '23-24?

**Ms Maniego:** Large capital projects often spend several years. Approved funding will be spent as individual project schedules progress over time as it's required. Overall budgets are determined through progressive cost estimation processes that assess all phases of the project life cycle and which, in turn, include the various planning stages, including functional planning through the three stages of design, which include schematic and detailed design, and the various stages of construction, which includes phasing and activity sequencing.

Generally, cash flows developed based on those budgets are assessed at a high level during the early planning phases of a project and move from cost estimates based on high-level parameters, such as the overall cost per square footage, to other estimation models as planning and design details are progressively developed. Cost estimates then progress in line with the project development progress and shift towards unit costs and detailed quantity deliverables.

While maintaining the overall budget total to be the same, cash flows often shift as a result of gaining a more detailed view or resolution into the timing of required expenditures. Cash flows are also impacted by the various sequencing optimization processes that the project schedules undergo at each phase of the project life cycle. In particular, when a contractor is retained for the construction phase, they perform their own schedule optimization process and result in further shifts to those cash flows. These processes are typical in the engineering and construction industry.

The \$314.1 million underexpenditure is not an indication that the budget is progressing slowly or that all project completions are delayed. Budget adjustments are sometimes necessary to match the timing and funding availability as the actual progress of the project can be attributed to several factors.

**Ms de Jonge:** Thank you to the assistant deputy minister. I'm interested to know, like, what role does Infrastructure play in prioritizing and planning for health projects?

**Ms Maniego:** Infrastructure works with many partners, including Health, Mental Health and Addiction, provincial health agencies, and health service providers, as well as other community stakeholders to provide the best facilities for Albertans. Health care facility types are determined by Health and Mental Health and Addiction based upon the needs and programming requirements. Facilities could range from a primary clinic providing general care with lower complexity to specialized facilities offering high complex services.

As the complexity of health care facilities increases, building codes become more stringent, resulting in higher costs to ensure the safety, functionality, and efficiency of the infrastructure. Successful execution of health care projects requires various stakeholders, effective project management, and a strategic approach to addressing the various needs of diverse communities. Infrastructure provides a comprehensive and broad range of services consisting of robust planning, procurement, legal, design, construction, and commissioning.

Through its planning processes, which include the development of business cases and functional programs, Infrastructure supports Alberta Health in assessing their contemplated capital investments by clearly articulating needs, outcomes, and strategic alignment. This planning output provides the evidence and analysis required to help assess options, manage risk, and allocate resources effectively across competing priorities and align proposed projects with strategic initiatives using evidence-based rationale.

So although Alberta Health is responsible for identifying and submitting health capital projects to Treasury Board and Finance as part of the budget process, Infrastructure's work is a supporting role

which brings fiscal discipline, ensures crossministry co-ordination, and provides a responsible basis for the eventual investment decisions that are made, anchored in transparency and accountability.

**Ms de Jonge:** Thank you. I'm just turning my attention to Edmonton. Specifically on page 20 of the annual report, next to the Edmonton hospital project, it states that the ministry is resetting the capital planning priorities for the Edmonton region. Can the assistant deputy minister please share more details on why the Edmonton hospital project was put on hold and how much was spent on the project in '23-24?

**Ms Maniego:** The new Edmonton hospital had significant budget pressure resulting from expanded space requirements and consolidating program areas that were not originally envisioned in the scope and differing spatial requirements. The scope of health services being planned for the Edmonton hospital project caused the project budget to balloon to \$4.9 billion, which would make it one of the most expensive hospitals ever built in Canada. The project was put on hold to align scope to budget. As part of Health's announcement to put the project on hold was a commitment to complete a systems plan for Alberta and to identify how needs could be better met holistically. The project costs incurred on the project in '23-24 were \$14.6 million.

**Ms de Jonge:** What happened to the funding that was previously allocated for the Edmonton hospital, that's mentioned on page 20 of the annual report?

**Ms Maniego:** As part of Budget 2024 funding previously allocated to the Edmonton hospital was moved to be used for integrated health and social planning in the capital plan while we worked to refine the scope and estimated costs of other potential projects. Government is looking at other options, that include building smaller purpose-built facilities like surgical centres, continuing care facilities, and family care centres, that are less costly, less complex, and can provide services to Albertans sooner.

Expanding on existing facilities, shelled and vacant space, will allow us to deliver faster, achieve operating efficiencies, and save money. This integrated approach to infrastructure can inform future construction projects and provide health care services similar to that of a hospital but through smaller, easier to build facilities. Infrastructure will continue to work with our partner ministries to find opportunities to accelerate construction timelines and reduce costs in our planning to deliver public health infrastructure for Albertans.

**Ms de Jonge:** Thank you. Through the chair, can the assistant deputy minister explain to the committee how the Ministry of Infrastructure is learning from the critical planning failures of the NDP to ensure that the Edmonton hospital project moves forward during the reporting period?

**Mr. Schmidt:** Point of order.

Thank you. Under 23(h), (i), and (j). I think the member said "critical planning failures." I don't think that that is conducive to maintaining decorum here in the committee meeting this morning. Of course, it imputes false motives as well. I ask that the member apologize for her comment, withdraw the statement, and rephrase the question so that it doesn't cause this kind of disorder.

**Ms de Jonge:** Mr. Chair, this is clearly not a point of order. Page 20 of the annual report clearly mentions the Edmonton hospital project, and that's a project that members opposite couldn't finish when they were in government. Because of their lack of planning, it took years longer to provide a much-needed facility in the

Edmonton region. Just mentioning one of the many failures of the members opposite to give background on a question does not constitute a point of order.

**The Chair:** Thank you. I don't think that at this point it's a point of order. I agree with you. But I would suggest that we keep comments to the report at hand. I think giving that kind of partisan background doesn't really help with decorum, so keep your questions to the report and the ministry's business at hand for 2023-24.

Thank you.

**Ms Maniego:** All right. Budget 2017's capital plan announced the project requirements for 350 to 500 beds, with a budget of \$400 million over four years. The approved budget as part of Budget 2017 was not based on a needs assessment, clinical service plan, business case, or functional programming. A draft needs assessment was completed by Alberta Health Services in 2017, but it was rejected by Alberta Health. Eventually, a functional program was completed in December 2022, but it was not approved due to the budget pressure that it identified.

The last project estimate on April 25, 2023, was \$4.9 billion, creating a significant budget pressure. This led to reallocating the funding. The overall size of the hospital was the main driver of the high cost estimation for the facility due to the large areas allocated to each program. This resulted in a total area of approximately 300,000 square metres for the hospital, with a scope that was not defined through a business case at the commencement of the project.

Government instead decided to look at other options, that included building smaller purpose-built facilities like surgical centres and family centres, that are less costly, less complex, and provide services to Albertans sooner. Expanding on existing facilities and making use of vacant space also allows us to deliver faster and achieve operating efficiencies.

**8:40**

As part of Budget 2025 the \$88 million in funding that was allocated to integrated planning in Budget 2024 has been reallocated to other approved health and mental health planning projects. I should point out, as noted on page 20 of the annual report, that several planning projects were under way in Edmonton and surrounding areas, including the redevelopment of the Royal Alexandra hospital and expansion of the Strathcona community hospital, as well as for a new stand-alone Stollery children's hospital in Edmonton that was announced as part of Budget 2024.

**Ms de Jonge:** Thank you to the assistant deputy minister.

I'm going to cede the remainder of my time to my colleague.

**Mr. Dyck:** Excellent. Thank you so very much. We greatly appreciate all of you being here today. Thank you for your time so far.

I'm going to jump to page 22 of the annual report. I would love to talk a little bit about the Red Deer regional hospital centre redevelopment that will take place through a phased approach, specifically for the ambulatory building and new in-patient tower. Now, connecting this on page 13, it also notes that the ambulatory building obtained approval to proceed with a public-private partnership, or P3 procurement. In the words of MLA Stephan, this is just super-duper news for Red Deer. Can the deputy minister please share what work was done during the reporting period in regard to both the ambulatory and in-patient tower components of this very significant health care complex?

**Ms Maniego:** Thank you for that. The Red Deer regional hospital centre redevelopment is one of the largest hospital projects that the

Alberta government has ever undertaken. Alberta's government is committed to ensuring residents of the Red Deer region can access the care they need when and where they need it.

There are two major components to this redevelopment. Project one is the construction of a new patient tower and centralized power plant along with expansion and renovation of the existing hospital's main building. Project two is construction of an ambulatory building.

In 2023-24 \$19.6 million was spent on the project. As of March 31, 2024, the new in-patient tower was in the design stage, and the ambulatory building was in the procurement stage. The completed project will add up to 200 new beds, for a total of 570, and will upgrade or enable several services throughout the hospital site, including an additional patient tower, a new centralized power plant, six new operating rooms, a new medical device reprocessing department, two cardiac catheterization labs, renovations to various areas within the main building, a newly renovated and expanded emergency department, and a new ambulatory building located adjacent to the surface parkade.

Functional programming began in April 2022 and was finished in March 2023. Design began in June 2023 and was completed in October 2024. In August 2024 Clark Builders was awarded the construction manager contract. Early site works are complete, including demolishing the previous annex building and surface parking lot, and construction of the new patient tower is now under way. The new patient tower is anticipated to be built in 2030.

The new ambulatory building will be constructed as a stand-alone project. The ambulatory building is a multistorey facility of approximately 19,500 square metres, with over 295 parking stalls below ground over three levels. It will provide medical and clinical support services, including addiction, mental health, ambulatory procedures, and diagnostic imaging to the Red Deer community.

There are efforts under way to tighten timelines while recognizing that work is being conducted in an active acute-care facility. Infrastructure is closely tracking progress to ensure delivery is as early as possible. With work happening on the existing site, the current hospital needs to stay fully operational, requiring the mitigation of noise, dust, vibration, and other construction-related impacts.

**Mr. Dyck:** Thank you for that.

The annual report also states that there was an expected completion date of 2029 for both buildings. Now, you just mentioned in your statement, I believe it was, that the in-patient tower wasn't going to now be expected to be completed until 2030. Can you just expand on why there's a year delay? We're still several years out, but we're still looking at a year delay at this point.

**Ms Maniego:** The in-patient tower completion depends on programs and services from the current hospital to be moved to the new ambulatory building in order to ensure completion. Sequencing and phasing of both of these project components are being reviewed to ensure that Infrastructure can complete required work as soon as practical while ensuring no interruptions to ongoing hospital operations and services. The revised schedule will also allow for ambulatory building completion.

**Mr. Dyck:** Excellent. Thank you.

I want to, in the last little bit here, just talk about recovery communities. They play a significant role and they will continue to in supporting Albertans who are struggling with addiction and mental health challenges. As you know, they're significant to the north and across Alberta. I'm very happy we're doing it. Now, on page 21 of the report, there are three recovery communities that have been completed to date: Red Deer, Lakeview in Gunn, and Lethbridge. Could you just share some information on the chosen

locations of the recovery communities that are under way as of March 31, 2024?

**Ms Maniego:** Alberta's government is continuing to strengthen recovery-oriented systems of addiction and mental health care. To help address the crisis we're committed to building the infrastructure necessary to accommodate new facilities for this type of programming across the province. Funding in 2023-24 supported the recovery communities program, with several facilities under way, supporting hundreds of jobs related to their construction. These recovery community facilities will provide holistic, long-term treatment for Albertans pursuing recovery and are an important part of the Alberta model of recovery-oriented care.

Infrastructure has been responsible for delivering six of the 11 mandated recovery community projects, which we will own and maintain. Of these, as mentioned, there were three recently completed at the end of '23-24 fiscal year. That's Red Deer, a 75-bed facility completed in 2022; Lethbridge, a 50-bed facility completed in 2023; and the Lakeview Recovery Community in Gunn, a 100-bed facility was completed in 2024.

**Mr. Dyck:** Well, thank you so very much for that.

**The Chair:** Thank you.

We will now move back to the Official Opposition members for 10 minutes.

**Mr. Schmidt:** Thank you, Mr. Chair. I just want to follow up on the deputy minister's last answer. She told the committee that six of the 11 planned recovery communities will be constructed and owned by Infrastructure. Who will construct and own the other five?

**Ms Maniego:** They're grants, but – yeah. Go ahead.

**Mr. El-Chazli:** Sorry. The rest of the recovery communities are actually on Indigenous land, and MHA, the Ministry of Mental Health and Addiction, has granted the First Nations and the Indigenous groups to complete the construction on those.

**Mr. Schmidt:** I see. Thank you for that answer.

Just for clarity, I want to circle back. You're going to provide in writing answers to the committee about who was involved in the consulting projects of the design facilities. Thank you very much for that.

Infrastructure will maintain ownership of the six? Okay. Thank you. Thank you very much for that.

One final question on recovery communities. Did the ministry ever receive direction to approve or provide contracts to recovery communities from the Minister of Mental Health and Addiction, his staff, the Premier, or her staff?

**Mr. El-Chazli:** Can you repeat that question please?

**Mr. Schmidt:** Did the ministry ever receive direction to offer a contract for the construction or planning of a recovery community from the Minister of Mental Health and Addiction or his staff or the Premier or her staff?

**Ms Maniego:** No.

**Mr. Schmidt:** Thank you very much for that.

I'll pass it over to my colleague.

**Ms Renaud:** Thank you. I'm going to focus my questions on the outstanding recommendations made by the Auditor General. I know

that there are four outstanding recommendations and all four were first noted in 2022 and not one is reported to be ready.

I think that we can all agree that fair and transparent procurement principles result in transactions made from a place of integrity, not ideology. I think we can all agree further that given the current state of geopolitics, it's pretty vital that our procurement processes comply with the Canadian and international trade agreements, which also promote principles of openness, nondiscrimination, and so on.

The first recommendation that is outstanding is to "improve controls for ensuring compliance with trade agreements... [improving] controls to ensure solicitation documents and posting periods comply with [those] trade agreements." I note the department has established a plan to develop new procedural documents, processes, and staff training materials. I mean, I'm sorry, but it sounds like another plan to develop a plan. How many of these documents and processes are complete right now?

**Mr. Fung:** I can answer that.

**Ms Maniego:** I'm going to turn that over to my SFO. Thank you.

8:50

**Mr. Fung:** Thank you. Thanks for the question. To answer your original question, the follow-up audit is completed, and we're expecting the OAG to come back in 2025 to follow up in terms of what we've implemented. For each of the recommendations – the one you're referring to, which is the trade agreement – the ministry has implemented documents and started auditing process improvements where procurement specialists and management check trade agreement requirements for solicited documentation. This checkpoint is supported by a decision matrix that assists in identifying the correct posting period. So we've implemented it, and we are waiting for the OAG to come back to follow up, to confirm that those recommendations are indeed complete.

**Ms Renaud:** So the new procedural documents and the staff training materials are ready? They are good to go and ready to be assessed by the Auditor General?

**Mr. Fung:** That's correct.

**Ms Renaud:** That is great.

Okay. I'm going to move on to the next one. Outstanding recommendation 2, so as to ensure that

the Department of Infrastructure ensure its controls for verifying that it receives electronic submissions on or before the procurement close are operating appropriately.

I understand that the department has established a plan to enhance existing controls, and that includes training documents also. Other than implementation in 2025, no details and no risk mitigation plans. When will that fully be implemented?

**Mr. Fung:** Thanks for the question. That is also implemented. The ministry has created a new submission form to log submissions received and verify submission compliance along with process improvements to ensure the form is used for all procurement. Procurement staff have been trained on use of the new form. A May 2023 audit of procurement noted a hundred per cent compliance in using the form correctly.

**Ms Renaud:** So the forms and the plans are in place, and is it fully implemented right now?

**Mr. Fung:** Yes, in the department, and we are . . .

**Ms Renaud:** So just waiting for the Auditor General?

**Mr. Fung:** Correct.

**Ms Renaud:** Okay. Excellent.

I'm going to move on to the next recommendation. Outstanding recommendation 3 is to "improve access controls for procurement information systems." I note the department has been working on a plan "to incorporate semi-annual checks on procurement system access." How long has the department been working on this plan?

**Mr. Fung:** The ministry has implemented an audit control to regularly review systems user access to the integrated contracting and procurement system and Alberta Purchasing Connection to system network folders and starting mailbox. That is implemented and waiting for the OAG's follow-up audit.

**Ms Renaud:** Okay. Could you tell me who the consultant was that was engaged to recommend other mitigating measures to address potential risks? That was in the ministry's response, I believe, that there was a consultant hired to do some of this work. No?

**Ms Maniego:** Sorry; where was the statement from?

**Ms Renaud:** This is actually – I'll come back to that. I'll get you a page reference and come back to that.

**Ms Maniego:** Okay. Thank you.

**Ms Renaud:** Let me just check.

Okay. Let's move on. We've got four minutes. Let's move on to the fourth outstanding recommendation. It's to "improve submission evaluation controls" for

- verifying compliance with request for proposal requirements,
- identifying potential conflicts of interest, [and]
- ensuring evaluation comments are adequately documented.

The Auditor General could not conclusively determine whether the ministry inappropriately accepted or disqualified electronic submission forms due to control deficiencies. Has the ministry completed a review since the AG recommendation to determine if it appropriately disqualified or accepted submission forms?

**Mr. Fung:** The ministry has implemented this recommendation. The ministry has implemented, documented, and started auditing process improvements to help the evaluation team identify possible conflicts of interest amongst evaluators.

**Ms Renaud:** Okay. Sorry; I just got a little distracted here. Can you repeat that last part of your answer? I didn't catch that.

**Mr. Fung:** The ministry has implemented, documented, and started auditing process improvements to help evaluation teams identify possible conflicts of interest amongst evaluators.

**Ms Renaud:** Okay. Has the ministry completed a review since the recommendation? Was it a complete, fulsome review?

**Mr. Fung:** Yes, the ministry has completed it, and it is ready for the OAG to come up and follow up on it.

**Ms Renaud:** Are there results, like, compiled results from this review, with recommendations?

**Mr. Fung:** I don't think there is a review or a report coming out of this.

**Ms Renaud:** Okay. So my question was: did the ministry complete a review since the AG recommendations to determine if it appropriately disqualified or accepted submission forms?

**Mr. Fung:** I believe the recommendation was to improve submission evaluation controls, and the department has completed that.

**Ms Renaud:** The department completed the review. Were there recommendations, or just a statement about the review, or things to learn from the review? Anything like that?

**Ms Maniego:** Yes. The team is tracking all of the different recommendations that came out of the review. There's a spreadsheet, I guess.

**Ms Renaud:** A spreadsheet. Okay. How many recommendations came out of that review?

**Ms Maniego:** I can't recall off the top of my head.

**Ms Renaud:** Just approximately. I'm just curious. Under 10? More than 10?

**Ms Maniego:** Under 10.

**Ms Renaud:** Is that something you can share with the committee?

**Ms Maniego:** Yes. I believe so. We can respond in writing.

**Ms Renaud:** Okay.

The Auditor General found that the ministry did not consistently identify conflicts of interest in submissions it received and did not disqualify proponents based on potential conflict of interest. Can the ministry explain how it assesses conflict of interest during procurement processes?

**Ms Maniego:** Conflicts of interest are self-disclosed. We have no way of really knowing without them volunteering the information. If it's something that we do know, that our project teams do know, then we obviously will highlight those and they'll get flagged during procurement. For the most part they are self-disclosed, and we have increased the sign-off on that by our procurement bidders.

**Ms Renaud:** So you're saying that the only process in place to identify or investigate any kind of conflict of interest is if they just self-disclose.

**Ms Maniego:** Self-disclosure is part of the process, but, obviously, if there's anything that our teams are aware of, they get flagged through the procurement process.

**Ms Renaud:** So if there is something that somebody might be aware of, or if they self-disclose, that's the only way that this department or this ministry is investigating: is there a potential conflict of interest?

**Ms Maniego:** We don't proactively investigate for potential, no.

**Ms Renaud:** So there is no risk mitigation in any kind of – before you enter into a contract, there is no mitigating a risk to check for conflict of interest?

**The Chair:** Thank you.

We will now proceed to questions from the government side. MLA McDougall.

**Mr. McDougall:** Thank you. Thank you very much for coming here today. We've talked a little bit earlier about school

infrastructure. As we all know, investing in school infrastructure is essential to providing a high-quality education for Alberta's ever-growing population. According to page 23 of the annual report Infrastructure invested \$533.8 million in the construction of school facilities and modulars. In addition, it also states that 14 school capital projects were completed in the '23-24 reporting period. Could the deputy minister provide additional details for these completed projects? How many of these school projects were completed on time and on budget during the reporting period, including that information?

**Ms Maniego:** Sure. Thank you. As stated in the annual report, there were 14 school projects completed in '23-24 in 12 communities across the province. We had l'école Quatre-Saisons, K to 12, in Beaumont; North high school in Calgary; North Trail High school in Calgary; Prairie Sky school, K to 9, in Calgary; Charlotte elementary in Condor, and David Thompson high school in Leslieville, covering grades K to 12; H.W. Pickup junior high school in Drayton Valley; Saint Patrick Catholic junior high school in Grande Prairie; Morrin school, K to 12, in Morrin; l'école Quatre-Vents, K to 12, in Peace River; St. Lorenzo Ruiz middle school, 6 to 9, in Red Deer; H. A. Kostash K to 12 replacement school in Smoky Lake; Westview school, K to 9, in Stony Plain; Mistassiny school – sorry; pardon my pronunciation – 7 to 12, in Wabasca-Desmarais; and École St. Anne Catholic school, K to 3, in Whitecourt.

These projects represented a total investment of over \$450 million and the creation of approximately 9,000 new or renovated spaces. Twelve of these 14 schools were completed on schedule, and all of the schools were completed within budget, which reflects the extensive efforts taken to ensure fiscal management of our entire school portfolio.

**Mr. McDougall:** Thank you. Well, it's comforting to know that there have been school plans constructed over this time period.

To the deputy minister: were any of the school projects cancelled or delayed during the '23-24 fiscal year? If so, could the deputy minister point to the reason why that might have been?

**Ms Maniego:** No projects were cancelled during that fiscal year. There were three school projects that had delays; one was put on hold and two that were delayed. Both of those were part of the total of 14 schools that were completed in '23-24. The solution for Valleyview replacement school was put on hold. This project will provide a replacement K to 12 school in Valleyview for the Northern Gateway school division. This project was put on hold as the jurisdiction requested more time to explore partnership opportunities for the project.

**9:00**

The north high school in Calgary, which was formerly called the Montgomery school, completed in '23-24, was delayed. Infrastructure managed the project, which provided a 10 to 12 replacement school in Calgary for the future charter academy school society. A notice of default was issued to the contractor in December 2023 due to some supply chain issues and challenges assigning labour to the project. Occupancy was planned for December 1, 2023. However, due to those delays, the interim acceptance didn't happen until early 2024.

The one I have trouble pronouncing, Mistassiny school, which was completed in 2023, was also delayed. The project provided a 5 to 8 replacement school in Wabasca-Desmarais for the Northland school division. A notice of default was issued to the contractor in November 2023 due to some supply chain issues. Occupancy was planned for October 31, 2023, but due to those delays, the interim acceptance didn't happen until February 2024.

**Mr. McDougall:** The supply chain issues: is that something that is abnormal or – I don't know – related to hangover from the COVID period, or is this something that one sees normally, these types of challenges?

**Ms Maniego:** I'll let Ghassan address that one if he's okay.

**Mr. El-Chazli:** Yes. During that period the majority of the delays on any of the infrastructure projects were actually related to supply chain issues emanating from post-COVID and other events worldwide.

**Mr. McDougall:** Thank you.

On page 23 of the '23-24 annual report it states that Infrastructure works with the Minister of Education and school jurisdictions across the province to design, build, and modernize school facilities for the good of all Albertans. Can the deputy minister elaborate on the role that Infrastructure plays in prioritizing and planning the delivery of the school projects across the province?

**Ms Maniego:** Sure. Alberta Education receives, reviews, and prioritizes school jurisdictions for the three-year capital priority submissions. The Ministry of Infrastructure assists in reviewing and developing cost estimates for funding consideration as part of the annual capital planning process.

We're also accountable for the implementation of Infrastructure-delivered projects and fiscal oversight of jurisdiction-delivered projects once funding is approved in the capital plan, and we work with Education and the school jurisdictions to verify site readiness at the commencement of each project. Ensuring site readiness mitigates the risks of delays to design and the construction of school projects.

Infrastructure delivery includes design, procurement, construction, commissioning, warranty, and closeout. School jurisdiction delivery through a grant from Infrastructure results in the school jurisdiction managing these same items with fiscal oversight by Alberta Infrastructure. Postoccupancy the school jurisdiction is responsible for the maintenance and renewal of the facility through separate funding through Alberta Education.

**Mr. McDougall:** Thank you.

The report of the Auditor General from November '24 lists four outstanding recommendations for the Ministry of Infrastructure regarding Infrastructure's procurement processes. Those recommendations are for Infrastructure to improve its procurement of construction by strengthening its process, improving documentation and controls for receiving and evaluating submissions as well as improvements to access controls for procurement information systems. To the deputy minister: what is the Ministry of Infrastructure doing to address these recommendations laid out in the report, and what are the benefits that are expected to be gained as a result of any actions taken during the reporting period?

**Ms Maniego:** Thank you for that. The Auditor examined the procurement of construction contracts over \$100,000 that the department awarded from January 2016 to December 2020 for the capital projects delivery division. Four recommendations were made related to procurement processes, all of which were accepted, and an implementation plan was developed. The audit's overall conclusion was that Alberta Infrastructure had processes to conduct procurements of its construction tenders fairly and competitively but not all processes were effective, and improvements could be made.

Since the audit significant progress has been achieved in implementing changes to address the recommendations. Several of

the key audit findings can be addressed by implementing monitoring controls along with improved and increased training of procurement and project delivery staff. For example, ministry internal audits found that between January 1 and January 31, 2024, 98 per cent of construction procurements were compliant with trade agreement posting requirements. Also, procurement documents and processes have been updated to assist evaluation teams in identifying conflicts of interest in procurements, improving on our ability to ensure procurement fairness.

Several findings are no longer applicable due to the process changes eliminating the issue such as receiving hard copies of submissions or having solutions being evaluated as control methods.

The ministry is ready to have our follow-up audit done in 2025, and the implementation of recommendations will further ensure Infrastructure procurement activities are conducted in a fair, open, and transparent manner.

**Mr. McDougall:** Thank you for that.

To the deputy minister: in regard to procurements could you please explain to this committee how many of your contracts during the '23-24 period were Alberta companies? Kind of a relevant issue these days given what's going on in discussions about that. I don't know if you would have it, but, you know, perhaps can we assume that if they're not Alberta companies, they're Canadian companies?

**Ms Maniego:** Yeah. The ministry awards the vast majority of its contracts to Alberta-based companies. In '23-24 345 out of 365 firms that were awarded contracts were Alberta based. That's 94.5 per cent. The proportional spend that went to those Alberta-based vendors was 97.2 per cent, or \$828 million out of \$851 million, in spending through contracts. So the vast majority go to Alberta companies. The rest, for the most part, are Canadian companies.

**Mr. McDougall:** Thank you.

Page 31 of the annual report states that in '23-24 the ministry budgeted \$521.4 million to manage owned and leased space, yet only \$506.9 million in total was spent in this area. Can the deputy minister please explain in 20 seconds if these lower costs were due to any specific initiative during the reporting period, and if so, can we expect them to continue?

**Ms Maniego:** I wonder if I can do this in 14 seconds. We manage our asset and space portfolio in accordance with the asset management plan, which guides facilities' strategic planning and management throughout the facility life cycle.

**The Chair:** Thank you, DM.

We'll move back to the Official Opposition for 10 minutes of questions.

**Ms Renaud:** Thank you, Mr. Chair. Just a quick question to the Auditor General. I'm just curious when in 2025 the follow-up audit will be, if there's a timeline.

**Mr. Ireland:** I don't have a timeline yet . . .

**Ms Renaud:** Okay.

**Mr. Ireland:** . . . but I think it most likely will be in the fall.

**Ms Renaud:** In the fall.

**Mr. Ireland:** Fall of this year. Yeah.

**Ms Renaud:** Okay. Thank you.

The Auditor General found that the ministry did not consistently identify conflict of interest in submissions it received and did not disqualify proponents based on potential conflict of interest. Can the ministry explain how it assesses conflict of interest during the procurement process?

**Ms Maniego:** Our process now requires through the bidding process that they disclose whether or not they have a conflict of interest. From there we can make a determination on how that is addressed or if that is still a compliant bid.

**Ms Renaud:** Okay. So if I'm understanding this correctly, Infrastructure's process to assess conflict of interest with submissions is to wait for a disclosure?

**Ms Maniego:** That's correct.

**Ms Renaud:** That's it. What specific controls does the ministry use to determine whether or not conflicts of interest exist during the procurement process? There has to be something. There are no controls in place?

**Ms Maniego:** I'm not sure, without them disclosing, how we would know.

**Ms Renaud:** So there is no checklist whatsoever to do any kind of research or background checks or anything for these submissions?

**Ms Maniego:** No.

**Ms Renaud:** Nothing. Just a disclosure. Okay.

The ministry did not consistently evaluate the RFP submissions and found significant differences in scores that were given without explanation. The Auditor lists three examples of 88, 76, and 50. Could the ministry explain why there are such significant differences in scores when procurement projects were quite similar?

**Ms Maniego:** Evaluations are done by project teams, so you have different people on the different teams. As long as each project – the way we considered it prior to the audit: as long as each team was measuring consistently within that project, it was deemed to be fair. Comparing between different projects wasn't necessarily considered, I guess, as part of how previous evaluations were done. It was just strictly within that team. As long as each bidder was evaluated similarly, we felt that was a fair result. We've now since looked at that to look for more balanced evaluations across . . .

**9:10**

**Ms Renaud:** So are these teams getting the same training?

**Ms Maniego:** Yes, they do.

**Ms Renaud:** Okay.

Maybe I can go back to my earlier question and ask the Auditor General. I noted that the AG found that the ministry did not consistently identify conflicts of interest in submissions it received and didn't disqualify proponents. I'm wondering if the Auditor General could maybe give us some examples of that.

**Mr. Ireland:** Sure. I think the one we reference in the report is that there were individuals working as consultants for the Department of Infrastructure and it was identified that those individuals were also, I think, part of the bidding team as well or were going to be. Anyways, that would be a conflict.

**Ms Renaud:** Yeah.

**Mr. Schmidt:** Tell us more about that.

**Ms Renaud:** Go ahead.

**Mr. Schmidt:** Yeah. What happened in that case? How is it possible that somebody who is evaluating the bid can also be on the bidding team? Don't all rush to answer at once.

**Mr. El-Chazli:** I believe, if I'm not mistaken – I'll just jump in here. I believe the Auditor General is referencing a situation where we have a retained consultant who at the same time later on ended up being part of, lets say, a design/build situation whereby they are participating as part of the team of the design builder.

Is that the case?

**Mr. Ireland:** Yes.

**Mr. Schmidt:** That doesn't actually make it better. So you're hiring consultants to evaluate bids on behalf of the department . . .

**Mr. El-Chazli:** Not evaluate.

**Ms Maniego:** Not evaluate. They're bidding.

**Mr. El-Chazli:** They were consultants, our consultants, meaning they're providing architectural or engineering services, and then ended up showing up as part of the JV or whatever it is for the design builder. Since then our contracts are extremely clear and the RFP processes are extremely clear about the prohibition of such a situation taking place.

**Ms Renaud:** But there are still no processes in place to identify any conflicts of interest other than a disclosure?

**Mr. El-Chazli:** Just to address that a little bit more elaborately, Infrastructure is composed of 870 personnel. The government of Alberta is composed of 26,000 personnel or so. Companies are composed of . . .

**Ms Renaud:** It's pretty easy to do PeopleFind at the GOA.

**Mr. El-Chazli:** Pardon?

**Ms Renaud:** It's pretty easy to double-check if people are employed by the government.

But I'm going to move on from that. Oh, wait.

**Mr. El-Chazli:** No. I'm talking about relationships. Sorry.

**Ms Renaud:** Okay. Go ahead.

**Mr. El-Chazli:** As the deputy minister mentioned, when known conflicts are available to the review teams up the chain, they are either investigated or looked into and addressed. It is impossible, practically speaking, to identify conflicts of interest, whether on a personal basis or a business basis, between all employees within the government or Infrastructure and employees of other companies.

**Ms Renaud:** This is a bit shocking, honestly. So you're saying that there's just no way to check for conflict of interest? It's just too complex?

**Mr. El-Chazli:** It's not a matter of complexity. It's impractical.

**Ms Renaud:** It's impractical to check for conflicts of interest?

**Ms Maniego:** That's why we require the disclosure. All of our procurements say that all bidders must declare any real, perceived,

or potential conflicts of interest and disclose relationships, prior involvement, and personal interests that could compromise impartiality. For the most part they do, so that's how we know. I'm not aware of any times where they haven't, but we do occasionally know where there are conflicts, and they have always self-identified. They're professionals, and we treat them as such.

**Mr. Schmidt:** Well, except that the Auditor General has found that you didn't disqualify people who even disclosed a potential conflict of interest. I mean, this is a extremely concerning discussion that we're hearing from the department today, especially for a government that is up to its eyeballs in accusations of improper procurement. To hear the assistant deputy minister say that it's impractical . . .

**Ms de Jonge:** Point of order.

**The Chair:** A point of order has been noted.

**Mr. Schmidt:** . . . to even investigate conflicts of interest is astounding.

**The Chair:** Member Schmidt, a point of order has been noted.

**Ms de Jonge:** This is point of order 23(b). It's speaking to matters that are not under discussion, and this is a line of questioning that is well outside of the scope of this committee.

Mr. Chair, this is also point of order 23(h), making allegations against government members by saying we're up to our eyeballs in, I mean, whatever it was.

**Mr. Schmidt:** Corruption. You can say it. You're up to your eyeballs in corruption.

**Ms de Jonge:** Well, I don't remember the exact words, but the point is that it is a point of order, and he just said it again. He's leaning into this. He's leaning into these false accusations, and I would ask that the member apologize. I don't think this adds to the decorum of this committee, and he's really leaning into it here, and I think that's highly inappropriate.

**The Chair:** Member Schmidt.

**Mr. Schmidt:** Thank you, Mr. Chair. First of all, the member raised two points of order, one under 23(b), that this isn't a matter under discussion. The Auditor General has clearly identified some concerns with identifying conflicts of interest. We have a whole bunch of recommendations that the Auditor General has made. He's identified those concerns. The department has tried to explain themselves at length already. This is well within the scope of the committee's work this morning.

Now, with respect to the other point of order, making allegations against a member, I've done no such thing. I haven't identified any particular member who has been up to their eyeballs in corruption. If any of the members opposite want to identify what corruption they're involved with, I'm happy to hear from them, but I haven't made any of those allegations, Mr. Chair. It's well known that this government is up to its eyeballs in accusations of corruption, and that is purely what I said. I haven't made allegations against any individual member today. So neither of these points are points of order.

**The Chair:** Thank you.

I do agree with Member Schmidt that the discussion was about the Auditor General's recommendation. The question was even directed about conflicts to the Auditor General, who provided an

example, and the member was asking specifically about conflicts or potential conflicts. I do not find that the member was speaking to matters other than the question under discussion, so it's not a point of order.

And 23(h): I don't believe that member specifically had made any allegations against specific members of the government, so that's also not a point of order.

I guess Member Schmidt was asking questions.

**Mr. Schmidt:** Thank you, Mr. Chair. I'll save the department from digging themselves deeper into a hole here for a second and turn to the Auditor General. You identified in your report that there were contracts that should have been disqualified because of identified potential conflicts of interest but weren't. Can you provide us examples of those?

**Mr. Ireland:** Well, I guess they would be noncompliant bids if there were conflicts of interest, and those bids should have been disqualified from the process. I don't recall if they were or if those were the winning bids, but that would be the general process.

**Mr. Schmidt:** My question was, and feel free to jump in here at any time, Department of Infrastructure: what bids should have been disqualified but weren't? If I understand correctly, potential conflicts of interest were identified, but the department did not disqualify those bids. Is that what happened?

**Mr. El-Chazli:** For the particular case that's referenced by the OAG, we can definitely go back and in writing provide the entire explanation as to what specifically the OAG report was talking about.

As far as measures are concerned, like I was trying to say earlier, the measures have been put in place through the contractual agreements, and that's mainly the methodology used across all similar departments to ensure that conflicts of interest are dealt with when actually identified. That's number one. Number two, all measures and processes that have been implemented by Alberta Infrastructure coincide with similar jurisdictions, meaning that part and parcel of our process of implementing improvements has been to conduct a jurisdictional scan and put similar measures or more stringent measures in place in comparison to other public entities.

9:20

**Mr. Schmidt:** Help me understand here. What kinds of potential conflict of interest identification processes exist for the department?

**Mr. El-Chazli:** As the deputy has mentioned before, there are several types of conflict of interest, obviously. When we're talking about the situation that probably most likely the OAG report was referencing, it had to do with, like I said, a retained consulting firm who was engaged on a specific project, who then submitted a bid.

**The Chair:** Thank you.

We will move back to the government members for 10 minutes of questions. MLA Johnson.

**Mrs. Johnson:** Thank you, Mr. Chair and through you to the staff of Infrastructure. Thank you for being here this morning and for all the work that you've done in this past year and the time that we've got with you this morning. I'll start on page 27 of the 2023-2024 annual report. It references the delivery methods used by the Ministry of Infrastructure. When the ministry is preparing the construction of infrastructure projects across the province, different construction delivery models such as design/build or P3s or construction management are evaluated for their effectiveness in expediting project timelines. First, could the deputy minister please



tell this committee about the different types of delivery methods that Infrastructure employed during the reporting period to ensure that value for money was achieved?

**Ms Maniego:** Thank you. Yes. Alberta Infrastructure uses several delivery methods to successfully deliver the range of projects in the capital plan. This includes design/build, design/bid/build, construction management, and public-private partnership, or P3s. Infrastructure reviews the project attributes and objectives to determine the best delivery method for any project, with value for money to the province being a key determinant.

Design/bid/build, the DBB approach, is the traditional project delivery approach. Three distinct and sequential phases: procurement, design, and construction. Also known as stipulated sum, this method has design and construction follow a linear path. Infrastructure as the owner will hire a prime consultant to finalize the design, and then contractors are invited to bid on delivering the actual construction. Construction contracts are awarded based on preset criteria, which include bid price along with other technical evaluation parameters. High bid competition is likely as the scope is well defined, helping contractors create relatively precise bids. This helps with cost certainty prior to construction. However, there is limited ability to fast-track the schedule beyond the preset durations due to the linear completion of design and construction, and scope changes can result in increased costs. Design/bid/build is typically used for projects when the scope is very well defined and early budget certainty is needed.

For design/build, or DB, this approach is a type of delivery system where the design and construction services are provided by a single entity, the design builder, and where design and construction activities can overlap. With design and construction performed by one team, the risk of constructability issues is reduced, and fast-tracking of project timelines is possible through the overlapping execution of design and construction. Project costs are often more predictable as the design builder can provide a fixed price. However, if the statement of requirements is not specific enough, there's a risk that the project outcomes may not meet the requirements and expectations. Infrastructure has limited involvement in the project design with less control over the final project outcomes, which can impact quality and cost.

Construction management, or CM: this approach allows design and construction activities to overlap, thereby potentially reducing the overall project schedule again. In this method construction retains a construction manager who assumes two roles, as a consultant on our behalf, who collaborates with the prime consultant to provide constructability advice during the design, and as the contractor, who assembles a team of subcontractors to complete the construction of the project. Infrastructure uses a fixed fee in our construction manager contract agreements with a fixed construction budget. The construction manager assumes the risk of completing the project as per the guaranteed maximum price contract. Any budget overrun that is not approved is the liability of the contractor. This method supports schedule fast-tracking, allowing project work to commence before the full design packages are completed. However, there is less certainty of final project cost as it cannot be established until all the subcontracts are tendered. CM is typically used in projects involving redevelopment of existing facilities, particularly ones with high levels of complexity.

Then design/build/finance/maintain, or the P3 contracts. These are private-public partnerships, an alternative delivery method in which a private contractor provides some or all of the financing for the project, then designs and builds the project, often providing operations and maintenance for the project and then receiving payments over an extended period of time. By bundling the services, the public sector gets, in effect, an extended warranty as the

contractor is responsible for all aspects of the infrastructure over the agreement term. Value for money can be maximized by considering the total infrastructure life cycle costs. With this method there's a much longer procurement period with multiple stages of technical and functional aspects, which requires sufficient internal capacity, time, and expertise to plan. Capital projects with significant ongoing operation, maintenance, and/or service requirements are most appropriate for the Alberta P3 delivery model as a contractor is bound to those long-term operational contracts.

**Mrs. Johnson:** Well, through you, Mr. Chair, to the deputy minister, thank you for that very detailed answer. That actually answers my next question as well, so I'll move on to another line here.

Effective management of government assets is critical to ensuring Albertans receive the best value from their representatives, especially for a fiscally responsible government. According to page 33 of the annual report \$49.1 million in proceeds was generated from the sale of 43 surplus properties during the 2023-24 period. Through you, Mr. Chair, to the deputy minister: what kind of analysis was conducted during the reporting period before declaring these properties as surplus and then putting them up for sale? How can Albertans be sure that Infrastructure is getting maximum value when these assets are sold?

**Ms Maniego:** Real estate is considered surplus when it's no longer required for program delivery or any other government use. In accordance with Infrastructure's acquisitions, disposal, and surplus property policy government ministries and their associated agencies identify property no longer required for program delivery and transfer the property to Alberta Infrastructure for disposition. The analysis prior to disposition includes environmental site assessments, building condition reports, determination of value, and title research to ensure that there are no encumbrances that could impact the disposition. There are also occurrences where land planning work such as subdivision consolidation or rezoning may occur. Surplus lands are offered to municipalities first, and if the municipality declines the offer, the asset is disposed of on the open market at fair market value.

Infrastructure also regularly reviews the boundaries of the transportation/utility corridors in both Edmonton and Calgary to assess if there are excess lands that are no longer required for the TUC program and may be declared surplus. Infrastructure is legislatively required to complete two appraisals, at least one of which is external, to determine estimated market value before a property is sold. The appraised value provides the range of fair market value for the property. The listing real estate agents also provide information on market demand for the particular type of property being sold. This information is used to determine if a listing price that is higher than the appraised value can be realized when the market demand is high.

**Mrs. Johnson:** Excellent. Through you, Mr. Chair, to the deputy minister, thank you for that answer.

On page 31 of the annual report I'd like to highlight key objective 2.1, and this is to "manage government assets through effective decision-making related to facilities, land and leasing to aid in cost-effective delivery of public services." Through you, Mr. Chair, to the deputy minister: could she please explain to this committee how the Ministry of Infrastructure reduced costs and better utilized government assets and space during the 2023-24 reporting period? Then, as well, could the deputy minister please highlight some specific projects, facilities, or services that showcased the effective decision-making of this ministry during that reporting period?

**Ms Maniego:** Yes. Thank you. Infrastructure manages its asset and space portfolio in accordance with its asset management plan, which guides facility strategic planning and management throughout the facility life cycle. The plan includes the principles of rightsizing the real estate portfolio by considering current and future needs while optimizing the utilization of assets. It focuses on specific asset types and provides a framework for the effective management of Infrastructure-owned and -leased buildings and land.

9:30

In fiscal 2023-24 Infrastructure continued to enhance its asset management approach by developing short- and long-term strategies and outlooks for government-owned and -leased real property, including for accommodations and land strategies. Infrastructure invests in core assets over the long term; seeks to dispose of assets that are obsolete, inefficient, or no longer required for program delivery; and plans for future repurpose, disposal, and redesign with consideration for long-term sustainability and flexibility.

Efforts to rightsize the portfolio have resulted in a 6.1 per cent decrease in the total cost per occupant in government space over three years, going from \$8,520 per square metre in 2020-21 to \$8,002 per square metre in 2024. Lower total cost per occupant targets are also being achieved by improving density, reducing reliance on costlier leased office space, and consolidating offices. To make more efficient use of space and improve utilization, Infrastructure has a long-term goal to achieve a density of 18 usable square metres per occupant.

**The Chair:** Thank you.

We will move back to the Official Opposition for 10 minutes of questions. MLA Ellingson.

**Mr. Ellingson:** Thank you, Mr. Chair. Through you to the deputy minister, on page 12 I want to follow up a little bit on that objective 2.1. In 2023-24 Infrastructure reduced its leased space by 17,000 square metres, resulting in \$6.4 million in savings. I am curious about the balance between reducing leased space and purchasing. In any cases did we reduce the leased space by purchasing land or buildings?

**Mr. Oukrainski:** Basically, the leased space is mostly office space – not mostly. It is office space. In the said period, to my belief, we did not purchase any office space, so the reduction was done due to densification in major areas such as Red Deer, Edmonton, Calgary, and so on and so forth. As stated by the deputy minister previously, our goal is 18 square metres per person. Again, in Edmonton and Calgary our aim is even to go lower. The reduction of that is due to the densification.

**Mr. Ellingson:** Yeah. Thanks for that.

We do know that in 2024 the parking lot that was leased adjacent to an AHS facility was purchased by Infrastructure, so we know there are examples where, like, nonbuildings that were leased were purchased. I'm just curious if there were any others.

**Mr. Oukrainski:** Not to my knowledge. Basically, the leased space is mostly, as I said, office space. When we purchased the leased parking lots, that was based on the business case created, and it was mostly the land purchase and building on land.

**Mr. Ellingson:** So that included the purchase of the building and the parking lot. Okay.

I guess I'll ask the question: with respect to the business case for that, if we were previously leasing – I guess, talk me through that business case. Is there, like, a present value assessment of the present value of a long-term lease versus the purchase? Talk me through that business case that justifies the purchase.

**Mr. Oukrainski:** In this situation we have a slightly different environment where with the new ownership we couldn't predict what their decision would be on the site, and that site was required to provide operational need during emergency response. When the province goes into an emergency response, we require additional parking space; that was the premise. If that lease agreement would be terminated, basically first responders wouldn't be able to go anywhere – nowhere to park – in the neighbourhood.

We didn't lease the building, just for the record. We only leased the section of the land where we built the parking lot.

**Mr. Ellingson:** Okay. So it was the parking lot that was leased and then purchased. Curious that for all of the time that it was being leased before, you weren't worried about the termination of the lease.

Is there any investigation into, like, the previous land value or changes in land value? You mentioned earlier in responding to a question from the members opposite that in selling, there are two appraisals done to ensure that you're getting market value. In purchasing, are there also – talk to me about, like, an assessment of change in value of that space or suggested purpose over a period of time and other comparable value, even though you can't use another parking lot somewhere else.

**Mr. Oukrainski:** Multiple assessments were done for the facility, and also we used city assessment value during the business case development. At the end of the day, all of what we purchase is purchased based on market condition.

**Mr. Ellingson:** For the property in question, could the ministry provide that information?

**Mr. Oukrainski:** I believe we already had as part of the Committee of Supply, but we can provide it again.

**Mr. Ellingson:** Great. Thank you for that. I do think that Albertans do want to know that we're paying fair market value.

On page 32 we talk about, like, that we have a 10-year strategic outlook for all owned and leased property within Infrastructure's portfolio. This is going to be a pretty sizable spreadsheet for all of the properties in your portfolio for a 10-year outlook. I'm curious. When you're looking to purchase, is that information made public before an offer to purchase is made?

**Ms Maniego:** Typically no because we don't want to tip our hand if we are going to be negotiating on a property. So, no, it is not typically announced publicly that we're looking to purchase a property.

**Mr. Ellingson:** Not typically. Is that the same as, like, there's a rule that applies that it would never be made public?

**Ms Maniego:** I wouldn't say that it would never be made public.

**Mr. Ellingson:** In what instances would it be made public?

**Ms Maniego:** There are times where we've been talking to people in the area, we're looking at options, there have been announcements of what a new facility might be, so it's just common knowledge sometimes that we are looking for properties.

**Mr. Ellingson:** Okay. Thank you for that.

Now, when talking about Bill 13 and centralizing that process for land disposal, is the information regarding who we sold the land to publicly available?

**Mr. Oukrainski:** I don't believe so because it's done through the realtors, realty agents, and it has sensitive information, but I can come back in writing and follow up.

**Ms Maniego:** Ownership, at the end of the day, would be public, because it's land titles.

**Mr. Ellingson:** And we could look it up through land titles and see who that was. But if it is a numbered company, that becomes complicated, right?

Do we ever have examples of land that has been disposed, sold and then leased back by the government?

**Ms Maniego:** Not that we're aware of. I'm trying to think if that's ever happened. I don't think so.

**Mr. Oukrainski:** I cannot recall. Sorry.

**Mr. Ellingson:** Okay. Thank you.

I think you answered already a little bit earlier on a question from the members opposite about the guidelines that are in place for surplus land. That goes to the municipality first. I know with respect to schools that there was a pretty intensive process that involves both the municipality and the respective school boards that were previously in ownership of that land. Is that process still largely in place? When you say that it's the city's choice first, it's the city and that school board, their decision, first before it gets wholly handed over to Infrastructure?

**Ms Maniego:** Sorry. What do you mean, "wholly handed over to Infrastructure"?

**Mr. Ellingson:** Well, I mean, like, you said that the municipality gets first dibs, and if they don't want it, then it goes to the open market. I guess that's what I mean by handed over to Infrastructure to sell.

**Ms Maniego:** Yes.

**Mr. Ellingson:** Is that process with school boards and the municipality still largely in place before any previous school property will go to open market?

**Ms Maniego:** Yes.

**Mr. Ellingson:** Thank you for that.

I do want to ask a little bit about P3s and schools on page 24. We talked about seven schools that were evaluated for P3 delivery, that they were open for RFP in the summer of 2024. My question is: we have a lot of experience evaluating schools and whether or not they could potentially be P3, so with these schools why did it take a year to evaluate whether or not they were viable for P3?

9:40

**Ms Maniego:** I'm going to ask Brad to step in on that one.

**Mr. Smid:** Thank you. Brad Smid, assistant deputy minister for strategic partnerships and learning facilities.

The P3 assessment process: under the government of Alberta P3 framework any project over \$100 million gets assessed as a P3. In order to get to that \$100 million threshold, we do bundle schools together based on similar scope, similar geography to try to get

economies of scale and value for money to deliver those projects. That assessment process itself starts with a very high-level qualitative assessment: "Does it make sense? Does it make sense to bundle the operation and maintenance in? Does it make sense to bundle private financing?" [Mr. Smid's speaking time expired] Sorry.

**The Chair:** Thank you.

We will now move back to the government for 10 minutes of questions.

**Ms Armstrong-Homeniuk:** Thank you, Chair. Through you to the ministry there, I would like to thank you for being here this morning and for all of your hard work. Thank you again.

On page 32 of the annual report it states that the Real Property Governance Act received royal assent in May of 2024. This act will work to modernize how our government manages public property in order to improve accountability and transparency. Chair, through you to the deputy minister: can you please share how the implementation of the Real Property Governance Act during the reporting period will go on to improve asset management, enhance transparency and accountability, and create savings for our government?

**Ms Maniego:** Thank you. Yes, it's our responsibility to ensure that all government buildings, facilities, and lands are effectively and transparently managed for the benefit of Albertans. The Real Property Governance Act modernizes governance to enhance accountability and transparency to taxpayers and ensures consistent handling of public property across government. This legislation requires that all departments and consolidated agencies give first right of refusal to Infrastructure to take back any real property that's no longer needed for program use before they can be sold. This will ensure that Infrastructure has the option to hold on to property that has strategic value to government.

It also requires that a single online property inventory be created of all buildings and sites owned by the consolidated government to provide the public easy and transparent access to this information. This work was initiated to improve efficiency in real property management and ensure public properties are used in the best interest of Albertans. By creating a central inventory and standardizing governance, key projects can be better supported and prioritized, oversight is improved, and value to taxpayers can be maximized. Moving properties between consolidated entities in a uniform manner will also help reduce red tape.

Following the passage of the act, Infrastructure began working with departments and consolidated entities on offering to transfer surplus properties to Infrastructure. Infrastructure facilitated 50 meetings to address inventory collection questions and explain newly established assessment processes for offered properties. This proved to be very beneficial for capital plan projects managed by Infrastructure. Land must often be acquired for projects, and these transferred properties could instead be used for these approved government programs.

If a property has no use to government, then it would typically, as we discussed, be offered to the municipality at market value, and if there's no interest then, it would be disposed of through a public sale, all in accordance with established government policy. Going forward, Infrastructure will continue to analyze how land and property is owned across government, looking to improve our management of public assets.

**Ms Armstrong-Homeniuk:** Thank you.

Chair, through you again, supply chain challenges and cost escalation continued to be a significant challenge during the 2023-

2024 reporting period. Page 45 of the annual report suggests that the number and stages of capital projects significantly impact yearly ministry expenses. What factors like supply chain issues, weather-related construction delays, and scope changes affect progress?

Chair, through you again to the deputy minister: can you please explain how cost escalation impacted the delivery of infrastructure projects in 2023-2024? What has the ministry done to counter these impacts? Additionally, how does Infrastructure plan and account for construction escalation in their capital projects?

**Ms Maniego:** Thank you. In the 2023-24 fiscal year Alberta Infrastructure projects faced cost escalations due to factors such as inflation, supply chain disruptions, skilled labour shortages, and increased demand for construction materials. Although the supply disruptions were not as severe as in the previous few years, the situation had not yet returned to prepandemic normalcy. Labour rates also increased substantially during this period. Statistics Canada data shows that the year-over-year increases in union wage rates in Edmonton in May 2024 ranged from zero to 13 per cent for all types of trades. These challenges led to higher expenses in delivering infrastructure projects across the province. The actual cost escalation experienced in '23-24 was around 8 per cent.

To mitigate these impacts, Infrastructure implemented several strategies. The ministry adopted more robust budgeting techniques, incorporating comprehensive cost-escalation factors and tender results to better achieve and manage rising expenses. This approach aimed to improve financial planning and reduce the risk of budget overruns. Efforts were made to enhance operational efficiencies within government-owned and -operated facilities, impacting maintenance project costs. For instance, the ministry targeted a 1 per cent annual reduction in the total cost per occupant in these facilities, aiming to decrease costs from \$8,576 per occupant in '21-22 to \$8,490 in 2023-24.

Infrastructure is also moving forward on its mandate to modernize its building contracts and procurement documents used for capital projects delivery to reduce red tape and costs to vendors. The ministry is collaborating with Justice to modernize the suite of contracts and with Treasury Board and Finance to ensure there's an understanding and alignment on issues related to cost escalation, arbitration, risk management, and insurance. The modernized contracts clearly define the responsibilities of all parties involved in the process. It's expected that these updated contracts will improve project delivery efficiency, encourage vendors to complete work on time and within budget, and enhance risk allocation by assigning risks to the most appropriate parties. The ministry increased its evaluations and use of P3 models to leverage private-sector expertise and funding. This strategy aimed to distribute financial risks and improve cost efficiency in project delivery.

Infrastructure employs a comprehensive approach to plan and account for construction cost escalation in its capital projects. Key strategies include developing construction cost forecasts through the utilization of various industry indices. It conducts construction escalation studies and prepares annual escalation forecasting reports, which are informed by reviews of provincial, national, and international economic and geopolitical conditions, examination of trends in Alberta's construction sector, analysis of infrastructure bid results, and Statistics Canada published data, incorporating modern contract documents that use schedules that outline requirements for cost escalation and de-escalation. These provisions ensure that contracts remain fair and reflective of current market conditions throughout the project life cycle. Early development of contracting strategies, recognizing that inadequate front-end planning can lead to cost overruns: this proactive approach enhances cost predictability and mitigates potential financial risks as well as

ensuring alignment with project objectives, risk management, and market conditions, consulting with industry stakeholders, contractors, and suppliers early to assess market conditions, identify risks, and establish realistic cost and schedule expectations, and Infrastructure also evaluates and selects the most suitable delivery model based on project complexity, cost predictability, and risk allocation.

By integrating these practices, Infrastructure aims to effectively manage and account for construction cost escalation, ensuring the successful delivery of capital projects within budgetary constraints. Together these measures reflect the ministry's proactive approach to managing cost escalations and ensuring the sustainable delivery of infrastructure projects in Alberta.

**Ms Armstrong-Homeniuk:** Thank you.

Chair, through you again to the deputy minister, on page 17 of the annual report there is information on the Infrastructure Accountability Act and Building Forward: Alberta's 20-year Strategic Capital Plan. Both the act and the 20-year strategy continue to provide clarity on government investments, planning, construction, infrastructure, maintenance, and renewal. Could you please provide further details on the benefits of the Infrastructure Accountability Act and the 20-year strategic capital plan as outlined in the annual report?

Also, I'll just add another question for you. How did the Infrastructure Accountability Act and the 20-year strategic capital plan influence or affect the capital projects approved by the ministry in 2023-2024?

9:50

**Ms Maniego:** Thank you. Yes. The Infrastructure Accountability Act legislates aspects of how the annual capital plan is developed and increases transparency and accountability by laying out specific criteria that must be followed when evaluating capital submissions. Those criteria consider if projects decrease risk to health, safety, or security of Albertans; align with strategic objectives and priorities; provide positive economic impacts, including direct or indirect job creation; improve delivery of programs and services; and the extent to which community resiliency will be enhanced.

Regarding the 20-year strategic capital plan, it explores how infrastructure may be built in the future and how programs and services may impact how we plan, design, and deliver capital projects. It takes an Alberta-wide lens and is intended to help government navigate its way through the challenges and opportunities facing our province over the next two decades, ensuring we have the right infrastructure in place to support Alberta's future. The plan is designed around four major objectives: strong fiscal management, maintaining a healthy economy, encouraging job growth, and focusing on innovation. By examining and considering global trends that are likely to impact how Alberta will evolve over the next 20 years, this long-term plan helps to ensure . . .

**The Chair:** Thank you.

For the final round members may read questions into the record for a written response. We will start with the members of the Official Opposition.

**Mr. Ellingson:** Thank you. If you could describe the P3 viability assessment process and explain why it takes over a year for a school to be assessed for P3. What was learned from previous P3 viability assessments? Could this not help us move that process along a little bit faster?

The report mentions that there are 57 school projects under way. Where would we find the seven P3s bundled in that list of 57 school projects? Of those 57 school projects, are only seven of them P3s?

Are any of the others being assessed for P3 viability? What differentiates one school from another for being on the P3 list? Just for a disclosure, of those seven schools, one of them happens to be a Catholic school in Nolan Hill in Calgary-Foothills. What should I be saying to my constituents that it's taking so long to move through this process when they so desperately need a school?

Of the 57 school projects under way how many were included in Budget '23-24? How many from previous budget years? With the government now setting the ambitious agenda of 90 school projects, realistically, how long does it take for a school to move through planning, design, construction, P3 evaluation, tender, actual construction? How long are people actually going to be waiting for these schools?

Earlier in this meeting the department told us that all projects from Infrastructure are tendered, but on page 18 it clearly describes an unsolicited proposal process. How is it possible that all projects are tendered when you have an unsolicited proposal process?

**Ms Renaud:** On page 25 I note a complex needs residential build in Calgary is in the design phase, and that's for people that receive PDD funding. I'd like to know at its completion how many beds or how many people will be accommodated in this project, who will manage it once it's completed, who's involved now, which organizations, and the total cost of the project.

My next question is: has the Ministry of Seniors, Community and Social Services undertaken any consultation with the Ministry of Infrastructure around accessibility legislation?

Thank you.

**Mr. Schmidt:** Thank you. On page 22 the annual report discusses therapeutic living units. How much money was provided through Infrastructure to establish therapeutic living units? How many applications were there, and how many days was the process open? Of the 365 contractors which ones were foreign based, and how much money were they awarded?

**The Chair:** Thank you.

We will move to the members of the government for three minutes.

**Mr. Rowswell:** On page 44 of the Infrastructure annual report the statement of revenues and expenses has a line for leases, land and buildings, revenue. I see the actual has more than doubled, from \$12.1 million in 2023 to \$29 million in 2024. Can the deputy minister please explain how the revenue increased so significantly during this period?

The Alberta government has significant capital assets, and it is important for us to ensure that these assets are properly maintained so they can continue to be used into the future. On page 32 of the

annual report it states that \$363.5 million was spent on capital maintenance and renewal projects in '23-24. Could the deputy minister please explain what facilities were included in this line item on spending? How did capital maintenance and renewal projects benefit Albertans during the reporting period? How do these projects keep buildings functioning safely and efficiently? How did the Ministry of Infrastructure manage and prioritize capital maintenance and renewal projects during the reporting period? Are these jobs contracted out, or is the work directly managed and maintained by Infrastructure staff?

On page 32 of the Infrastructure annual report it states that in 2023-24 the ministry continued its implementation of the nongovernment user policy to ensure that leasing of surplus government-owned and -administered spaces occurs in an equitable and consistent manner. What is the status of the NGU policy implementation as of the end of '23-24 reporting period? Please explain to this committee how many nongovernment users occupied government spaces during the reporting period and at what rates. What measures did the Ministry of Infrastructure take during the '23-24 period to ensure space in government facilities being used by nonprofits with limited financial resources is being provided fairly and in a fiscally accountable manner?

Thank you.

**The Chair:** Thank you.

Anybody else?

Okay. I would like to thank the officials from the Ministry of Infrastructure and the office of the Auditor General for their participation in responding to committee members' questions. We ask that any outstanding questions, undertakings be provided in writing within 30 days and forwarded to the committee clerk.

Other business. A written response to a question asked at our February 25, 2025, meeting was received from the Ministry of Jobs, Economy and Trade and made available to the members on the committee's internal site. Following our usual practice, it will be made publicly available on the Assembly website.

Are there any other items for discussion under other business?

Seeing none, the next meeting of the committee will be on April 15, 2025, with the Ministry of Municipal Affairs.

At this point I will call for a motion to adjourn. Would a member move that the Tuesday, April 8, 2025, meeting of the Standing Committee on Public Accounts be adjourned? So moved. All in favour? Any opposed? Thank you.

The meeting is now adjourned.

[The committee adjourned at 9:58 a.m.]





