

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

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■ SPECIAL ACCOUNTS

Fiscal Stabilization Account

The Fiscal Stabilization Account (FSA) is projected to have a balance of \$667 million as at March 31, 2011, after a draw of \$25 million for wait-time reduction programming and other health-related programming, a draw of \$8 million related to ecoTrust and \$11 million related to 2011 spring flood planning and preparation activities. As budgeted in 2010/11, \$96 million will be utilized to retire a portion of the borrowings and incremental interest costs incurred during the period of recovery to support core government programs.

The budgeted draw in 2011/12 includes \$25 million for health-related programming and \$8 million for ecoTrust projects, funds prepaid by Canada in previous years and \$124 million to retire a portion of the borrowings (\$110 million) and incremental interest costs (\$14 million) for Core Government in 2011/12. Also included is a net expenditure of \$3 million for the 2011 spring flood contingency. The amount is made up of \$30 million in expenditures offset by \$27 million in recoveries from Canada for disaster financial assistance.

Fiscal Stabilization Account Revenue, Expenditure and Balance

Projection as at March 31, 2012 and March 31, 2011
(Millions of Dollars)

	<u>2011/12</u> <u>Budget</u>	<u>2010/11</u> <u>Forecast</u>
Total Account Balance, Beginning of Year	<u>667</u>	<u>807</u>
Health Programs		
Balance, Beginning of Year	33	58
Core Government Transfers		
Health-related Programming	<u>(25)</u>	<u>(25)</u>
Balance, End of Year	<u>8</u>	<u>33</u>
General Programs		
Balance, Beginning of Year	634	749
Core Government Transfers		
2011 Spring Flood	(3)	(11)
Debt Repayment and Incremental Debt Servicing Costs	(124)	(96)
ecoTrust	<u>(8)</u>	<u>(8)</u>
Balance, End of Year	<u>499</u>	<u>634</u>
Total Account Balance, End of Year	<u><u>507</u></u>	<u><u>667</u></u>

Debt Retirement Account

In 2010/11 the entire balance of \$145 million of the debt retirement account was utilized to repay general purpose debt as part of Manitoba's five-year plan.

Pension Assets Fund

The government continues its commitment to fund the province's unfunded pension liabilities. As part of this commitment, the province has changed the trust conditions of the funds held in the Pension Asset Fund to clarify that these funds are irrevocably restricted for pension purposes only. Net investment earnings of pension assets include the expected rate of return during the year as well as adjustments to market related value. Market fluctuations of pension assets are not recorded in the year in which they occur, but are recognized over the employee average remaining service life.

The fund is expected to increase as a result of the government's plan to set aside \$240 million in 2011/12 as we continue addressing the province's unfunded liability for the Civil Service Superannuation Fund. This amount is in addition to the amount funded in 2009/10 and 2010/11, of \$330 million and \$180 million respectively.

The fund is expected to have a balance of \$3,539 million by the end of the 2011/12 fiscal year.

Pension Assets Fund

Projection as at March 31, 2012 and March 31, 2011

(Millions of Dollars)

	<u>2011/12 Budget</u>	<u>2010/11 Forecast</u>
Balance, Beginning of Year	<u>3,236</u>	<u>3,008</u>
Contributions and Revenue		
New Investment	240	180
Net Investment Earnings	164	153
Departments and Crown Corporations	145	139
	<u>549</u>	<u>472</u>
Transfers		
TRAF and CSSF Payments	<u>(246)</u>	<u>(244)</u>
Balance, End of Year	<u><u>3,539</u></u>	<u><u>3,236</u></u>

SUMMARY OF ACCOUNT/FUND ACTIVITY

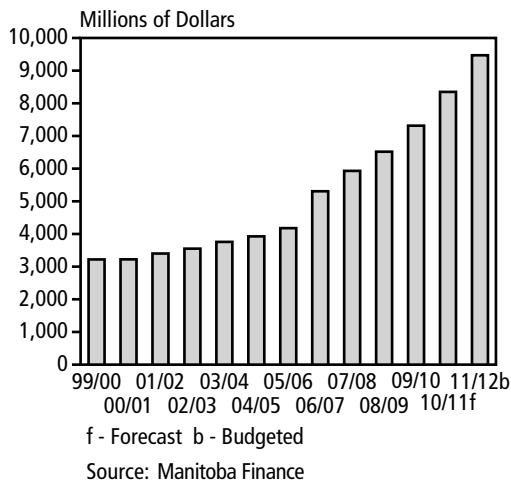
	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03	01/02	00/01	99/00
	Budget	Forecast	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	(Millions of Dollars)												
Fiscal Stabilization Account													
Transfers to Account	-	-	-	30	128	110	31	405	13	4	63	40	11
Transfers from Account	(160)	(140)	(57)	-	-	-	-	-	(171)	(22)	(150)	-	(185)
Investment Revenue	-	-	-	16	27	21	15	2	1	7	14	15	12
Balance, End of Year	507	667	807	864	818	663	532	486	79	236	247	320	265
Debt Retirement Account													
Contribution	-	-	20	110	110	110	110	99	96	96	96	96	75
Interest Earnings	-	-	1	1	2	1	-	2	7	3	5	-	-
Transfers to Pension Assets Fund	-	-	(10)	(55)	(85)	(85)	(85)	(79)	(75)	(48)	(75)	(21)	-
Transfers for General Purpose Debt Reduction	-	(145)	-	-	-	-	-	(202)	-	-	-	-	(305)
Balance, End of Year	-	-	145	134	78	51	25	-	180	152	101	75	-
Pension Assets Fund													
Transfers from Debt Retirement Account	-	-	10	55	85	85	85	79	75	48	75	21	-
Net Investment Earnings	164	153	160	41	16	67	61	31	38	(6)	2	-	-
Net Current Service Contributions	(101)	(105)	(100)	(80)	(60)	10	8	6	3	2	9	-	-
TRAF/CSSF Funding	240	180	330	350	1,502								
Balance, End of Year	3,539	3,236	3,008	2,608	2,242	699	537	383	267	151	107	21	-

■ CAPITAL INVESTMENT

Capital investment continues to be a priority for government, with the cost of these assets amortized over a set period that represents the useful life of the asset as required by GAAP. These set periods result in regular repayment of debt. The end result is increased infrastructure investment for Manitobans while spreading the cost of those assets over their useful life, a strategy which includes a plan to pay the debt. The net book value of these assets (cost less accumulated amortization) has almost tripled since 1999/2000 and is a major asset of the province in providing services to Manitobans into the future.

The investment in tangible capital assets is projected to be \$15.9 billion as of March 31, 2012 and with \$6.4 billion of related debt having been retired through accumulated amortization. Core government will have a total of \$6.5 billion in capital asset investments as of March 31, 2012 and \$2.1 billion of related debt will have been retired through accumulated amortization.

Tangible Capital Assets - Net Book Value



■ CAPITAL INVESTMENT – CORE GOVERNMENT

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2011/12 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. In total, costs related to capital assets are estimated at \$319 million in 2011/12, an increase of \$39 million from 2010/11. In 2011/12, departmental appropriations include \$171 million for amortization and \$148 million for allocation of interest.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$808 million in 2011/12, an increase of \$11 million from 2010/11.

Capital Investment, 2011/12

(Thousands of Dollars)

	<u>2011/12</u> <u>Budget</u>	<u>2010/11</u> <u>Budget*</u>
General Assets		
Government Services Capital Projects	147,336	160,482
Transportation Equipment and Aircraft	76,403	58,814
Information Technology Projects		
Corporate Information Technology Projects	23,297	10,638
Advanced Education and Literacy	1,132	6,162
Entrepreneurship, Training and Trade	2,829	3,146
Family Services and Consumer Affairs	360	613
Health	175	1,200
Justice	300	1,422
Other Equipment and Buildings	14,178	6,722
	<u>266,010</u>	<u>249,199</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	368,000	367,075
Floodway Expansion and East Side Road Authority	133,133	153,565
Water Control Infrastructure	24,150	10,600
Parks, Cottage and Camping Projects	16,757	16,757
	<u>542,040</u>	<u>547,997</u>
Total Capital Investment	<u>808,050</u>	<u>797,196</u>

*The 2010/11 Budget has been restated to be consistent with the 2011/12 Budget presentation.

■ LOAN REQUIREMENTS

The Loan Act, 2011 provides borrowing and expenditure authority and, in some cases, guarantee authority for the government and its agencies to undertake self-sustaining programs, where self-sustaining means having the ability for repayment. This authority is in addition to that voted in the printed estimates review.

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2011/12

(Thousands of Dollars)

The Loan Act, 2011

The Manitoba Hydro-Electric Board.....	\$595,000
Health Capital Program	212,161
Manitoba Housing and Renewal Corporation	140,000
Post-secondary Institutions.....	121,017
Manitoba Opportunities Fund Ltd.	111,656
Manitoba Agricultural Services Corporation	95,539
The Manitoba Lotteries Corporation.....	70,700
Manitoba Student Aid Program	23,356
The Manitoba Water Services Board.....	12,335
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency.....	11,000
Diagnostic Services Manitoba.....	10,380
Northern Affairs Communities.....	8,784
Communities Economic Development Fund	6,800
Manitoba Film Guarantee Program	300
	\$1,419,028

Non-Budgetary Capital Programs, 2011/12

(Thousands of Dollars)

The Manitoba Hydro-Electric Board.....	\$1,168,000
Manitoba Housing and Renewal Corporation	403,190
Health Capital Program	335,446
Post-secondary Institutions.....	184,088
Manitoba Agricultural Services Corporation	116,225
The Manitoba Lotteries Corporation.....	84,100
Manitoba Opportunities Fund	84,480
Business Support (including Manitoba Industrial Opportunities Program)	61,745
The Manitoba Water Services Board.....	45,992
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	34,104
Manitoba Student Aid Program	32,370
Diagnostic Services Manitoba.....	16,130
Northern Affairs Communities.....	13,706
Communities Economic Development Fund	9,000
Miscellaneous Corporations, Agencies and Other Programs	12,515
	<u>\$2,601,091</u>

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements in respect of both general and self-sustaining borrowings is estimated to total \$3.8 billion in 2011/12, of which \$2 billion is required for refinancing purposes. New cash requirements of \$2.7 billion are required for general government purposes, capital investments by departments, Manitoba Hydro and for the funding of the unfunded pension liability for the Civil Service Superannuation Plan. Estimated repayments are for general purpose borrowings, capital investment assets and health facilities. *The Loan Act, 2011*, provides incremental capital authority of \$1.4 billion.

Borrowing Requirements 2011/12

(Thousands of Dollars)

	<u>New Cash Requirements</u>	<u>Refinancing</u>	<u>Prefunding</u>	<u>Estimated Repayments</u>	<u>Borrowing Requirements</u>
Government Business Enterprises					
Manitoba Hydro	683,000	485,000	100,000	–	1,068,000
Manitoba Lotteries	50,000	–	–	–	50,000
Subtotal	<u>733,000</u>	<u>485,000</u>	<u>100,000</u>	<u>–</u>	<u>1,118,000</u>
Other Borrowings					
General Purpose Borrowings	514,000	1,142,547	288,812	160,000	1,207,735
Capital Investment Assets	808,050	330,753	100,000	171,376	867,427
Civil Service Superannuation Plan	240,000	–	–	–	240,000
Health Facilities	240,000	–	–	80,662	159,338
Post-Secondary Institutions	125,000	–	–	–	125,000
Other Crowns and Organizations	50,000	–	–	–	50,000
Subtotal	<u>1,977,050</u>	<u>1,473,300</u>	<u>388,812</u>	<u>412,038</u>	<u>2,649,500</u>
Total Borrowing Requirements	<u>2,710,050</u>	<u>1,958,300</u>	<u>488,812</u>	<u>412,038</u>	<u>3,767,500</u>

■ SUMMARY NET DEBT

Changes in Summary Net Debt

(Millions of Dollars)

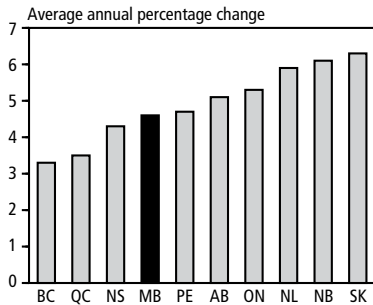
2010/11 Summary Net Debt (Forecast)	13,244
Net Investment in Tangible Capital Assets	
Core Government	637
Other Reporting Entities	485
	<u>1,122</u>
Plus: Projected (Income) Loss for the Year	
Core Government	464
Other Reporting Entities	(26)
	<u>438</u>
Change in Net Debt	<u>1,560</u>
2011/12 Summary Net Debt (Budget)	<u><u>14,804</u></u>

In Budget 2011, the net debt-to-GDP ratio is forecast to be 26.2%, fourth lowest among provinces. Net debt is an important indicator of a government's financial position as this highlights the affordability of future government service. Summary net debt represents the difference between the Government Reporting Entities' total liabilities, such as borrowing and financing, less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – like the Red River Floodway, highway infrastructure and economic stimulus investments – are made. These investments underpin and support Manitoba's economic performance. It is important to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

* Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

INTERPROVINCIAL COMPARISONS

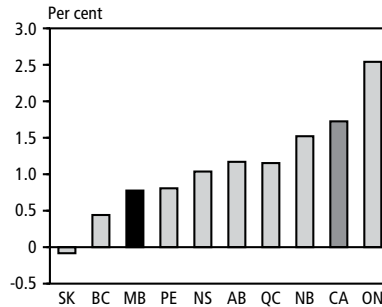
Provincial Expenditure Per Capita Increase, 2005/06 to 2010/11f



f - Forecast

Source: Provincial fiscal documents

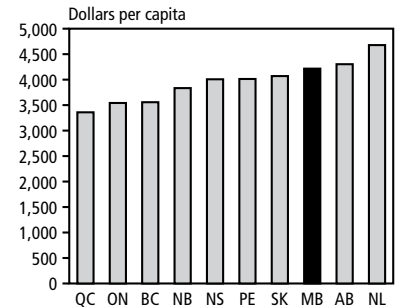
Deficit to GDP Ratio, 2011/12 Budgets



Source: Provincial fiscal documents

Note: NL has not yet released a 2011 budget

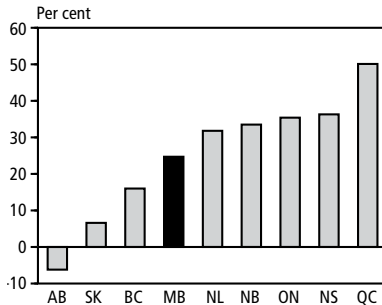
Provincial Government Expenditure on Health, 2010/11f



f - Forecast

Source: Canadian Institute for Health Information

Net Debt-to-GDP Ratio by Province, 2010/11f

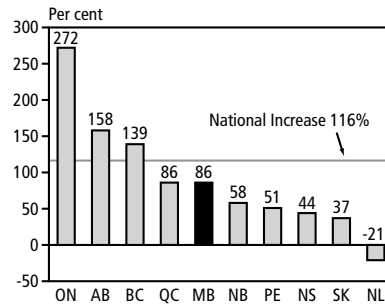


f - Forecast

Note: No projection from PE

Source: Provincial fiscal documents

Major Federal Cash Transfers Change from 1999/2000 to 2011/12



Note: Includes Offshore Accord payments to NL and NS as well as federal Total Transfer Protection (TTP) payments to provinces.

Source: Finance Canada