

**PROVINCE OF MANITOBA  
NOTES TO THE QUARTERLY FINANCIAL REPORT  
FOR THE NINE MONTHS - APRIL TO DECEMBER 2000**

This report presents the unaudited financial results of the Province of Manitoba for the third quarter of the 2000/01 fiscal year. The comparative data provided for the 1999/2000 fiscal year has been restated to reflect the organizational structure of departments established in the 2000/01 Estimates as well as the change in government organization that was announced in January, 2001.

This report also incorporates the reporting changes announced in the 2000 Budget. As noted in the Budget, withdrawals from the Fiscal Stabilization Fund are identified separately and no longer included as revenue to the Operating Fund. Financing for health capital and Manitoba Lotteries Corporation have been brought under the provincial umbrella to reduce costs and increase transparency. As well, debt retirement provisions have been broadened to include pension liabilities as well as general purpose debt, thereby beginning to address the Province's outstanding pension liabilities for our employees and teachers.

THIRD QUARTER - ACTUAL TO ESTIMATE

The net expenditure for the nine months ended December 31, 2000 of \$89.7 million was \$17.7 million lower than the projection of \$107.4 million. Expenditures were \$44.5 million less than planned and revenue was \$26.8 million lower than expected. The variance is primarily attributable to differences in timing of the flow of receipts and disbursements.

THIRD QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

Third quarter net expenditure was \$213.3 million lower than for the same period last year. Revenue increases of \$414.4 million were offset by a \$201.1 million increase in expenditure. The increase in revenue reflects estimated revenue growth included in the 2000 Budget as well as improvements in corporation income tax, individual income tax and equalization transfers as discussed below. The increased expenditure primarily reflects the higher level of expenditure approved in the 2000 Budget for health, education, family services and justice programs as well as the in-year expenditure pressures noted below.

The \$75.0 million decrease in Interfund Transfers from last year results from a difference in timing of the debt retirement transfer which will occur later in 2000/01.

YEAR-END OPERATING FUND PROJECTION

The year-end positive balance for the operating fund is now forecast to be \$26.1 million, a \$16.2 million improvement from the \$9.9 million forecast in the 2000 Budget.

Revenues are projected to increase \$351.0, or 5.5%, from the budget. This increase results from revised estimates of the provincial share of equalization payments and revised projections of corporation and individual income tax revenue which, combined, are expected to result in over \$360 million in additional revenue. A significant portion of this improvement relates to adjustments for prior periods, including the positive impact of the federal government's decision to lift the ceiling on equalization entitlements for at least the 1999/2000 fiscal year. However, this improvement is offset by projected softening in some own-source revenues, particularly mining tax and retail sales tax.

Expenditures are projected to increase \$244.4 million, or 3.8%, in total from the 2000 Budget levels. The increase includes an additional \$52.2 million in support to Manitoba farmers. The \$52.2 million is comprised of \$38.0 million for the provincial contribution to the assistance program announced by the federal government in March 2001 and \$14.2 million more for Manitoba's share of the Canadian Farm Income Program; increasing that program from \$16.2 million to \$30.4 million for 2000/01.

The projected increase in expenditures also provides for an anticipated \$45.5 million increase in public debt servicing costs. This increase is primarily driven by continued weakness of the Canadian dollar. Other major program increases include an additional \$74.9 million to support price and volume increases in health care, particularly in the Pharmacare and Medical programs, and \$28.0 million in additional capital grants to support major capital upgrades at Manitoba's universities as previously committed by the Province.

The expenditure forecast includes all of the expenditure requirements that were recently approved by special warrant.

#### COMPLIANCE WITH BALANCED BUDGET LEGISLATION

The Balanced Budget, Debt Repayment and Taxpayer Protection Act includes a requirement for the Minister of Finance to report on compliance with the Act in the government's Third Quarter Financial Report (for the period ending December 31). Based on the year-end projection of a \$26.1 million surplus, the government will be in compliance with the requirements of this Act.

#### DEBT RETIREMENT

The 2000 Budget provided for a \$96.4 million contribution to the Debt Retirement Fund. As required by the amended balanced budget legislation, \$75.0 million will be deposited to the Debt Retirement Fund for general purpose debt retirement and \$21.4 million will be applied to pension obligations. The status of the Debt Retirement Fund is outlined on page 9.

#### FISCAL STABILIZATION FUND

The status of the Fiscal Stabilization Fund is provided on page 8. As a result of the projected improvement in 2000/01 revenue, the budgeted transfer from the Fiscal Stabilization Fund will not be required for 2000/01. As a result, the \$96.4 million contribution to the Debt Retirement Fund will be achieved without the requirement of a draw from the Fiscal Stabilization Fund.

#### BORROWING ACTIVITY

The original estimate of borrowing requirements identified in the 2000 Budget was \$2,402.8 million, including all refinancing and funding for health capital. This requirement has decreased to \$2,291.7 million as a result of financing in support of the Manitoba Lotteries Corporation offset by financing for Manitoba Hydro and health capital being moved to next fiscal year. The revised estimate includes \$1,730.2 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro, and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt.

For the period April 1, 2000 to December 31, 2000, \$1,868.6 million has been borrowed; \$432.6 million was raised through the issue of Builder Bonds Series 6 (the second highest amount ever raised through this financing method) with the remainder raised in the public market.

**PROVINCE OF MANITOBA  
OPERATING FUND  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000  
(with comparative figures for December 31, 1999)  
(UNAUDITED)**

1999/2000 ACTUAL (thousands of dollars)	2000/01 ACTUAL (thousands of dollars)	INCREASE (DECREASE)		2000/01 ACTUAL	ESTIMATE	VARIANCE
				(thousands of dollars)		
<b>Revenue</b>						
2,939,138	3,150,313	211,175	Own Source Revenue	3,150,313	3,176,457	(26,144)
1,280,444	1,483,619	203,175	Government of Canada	1,483,619	1,484,312	(693)
<u>4,219,582</u>	<u>4,633,932</u>	<u>414,350</u>	<b>Total Revenue</b>	<u>4,633,932</u>	<u>4,660,769</u>	<u>(26,837)</u>
<b>Expenditure</b>						
4,109,645	4,346,261	236,616	Program Expenditure	4,346,261	4,378,606	(32,345)
412,970	377,413	(35,557)	Debt Servicing	377,413	389,590	(12,177)
<u>4,522,615</u>	<u>4,723,674</u>	<u>201,059</u>	<b>Total Expenditure</b>	<u>4,723,674</u>	<u>4,768,196</u>	<u>(44,522)</u>
(303,033)	(89,742)	(213,291)	<b>Net Revenue/(Expenditure)</b>	(89,742)	(107,427)	(17,685)
<b>Interfund Transfers</b>						
(75,000)	-	75,000	Debt/Pension Repayment	-	-	-
-	-	-	Fiscal Stabilization Fund	-	-	-
<u>(378,033)</u>	<u>(89,742)</u>	<u>(288,291)</u>	<b>Balance Under Balanced Budget Legislation</b>	<u>(89,742)</u>	<u>(107,427)</u>	<u>(17,685)</u>

**PROVINCE OF MANITOBA  
OPERATING FUND  
STATEMENT OF REVENUE  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000  
(with comparative figures for December 31, 1999)  
(UNAUDITED)**

1999/2000 ACTUAL	2000/01 ACTUAL	INCREASE (DECREASE)		2000/01 ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
			<b>Taxation:</b>			
			Consumer and Corporate Affairs			
28,584	29,740	1,156	- Insurance Corporations Tax	29,740	29,760	(20)
10,063	10,145	82	- Land Transfer Tax	10,145	9,995	150
			Industry, Trade and Mines			
1,945	3,390	1,445	- Oil and Natural Gas Tax	3,390	3,707	(317)
			Finance			
1,167,778	1,243,870	76,092	- Individual Income Tax	1,243,870	1,243,877	(7)
163,996	249,084	85,088	- Corporation Income Tax	249,084	259,770	(10,686)
103,205	98,012	(5,193)	- Corporation Capital Tax	98,012	101,750	(3,738)
105,824	105,763	(61)	- Gasoline Tax	105,763	106,457	(694)
146,794	155,906	9,112	- Levy for Health and Education	155,906	153,705	2,201
8,194	6,352	(1,842)	- Mining Tax	6,352	6,352	-
42,847	43,839	992	- Motive Fuel Tax	43,839	44,258	(419)
618,953	638,622	19,669	- Retail Sales Tax	638,622	643,766	(5,144)
32,569	35,941	3,372	- Revenue Act, 1964, Part I	35,941	34,126	1,815
76,091	81,676	5,585	- Tobacco Tax	81,676	83,312	(1,636)
2,486	2,160	(326)	- Environmental Protection Tax	2,160	2,206	(46)
103	103	-	- Other Taxes	103	104	(1)
<u>2,509,432</u>	<u>2,704,603</u>	<u>195,171</u>		<u>2,704,603</u>	<u>2,723,145</u>	<u>(18,542)</u>
			<b>Other Revenue:</b>			
53,003	56,944	3,941	Conservation	56,944	57,701	(757)
1,549	4,268	2,719	Finance	4,268	4,089	179
168,000	174,000	6,000	Manitoba Lotteries Corporation	174,000	177,000	(3,000)
109,200	108,100	(1,100)	Liquor Control Commission	108,100	110,000	(1,900)
5,980	9,644	3,664	Special Operating Agencies	9,644	9,345	299
91,974	92,754	780	Other Departments	92,754	95,177	(2,423)
<u>429,706</u>	<u>445,710</u>	<u>16,004</u>		<u>445,710</u>	<u>453,312</u>	<u>(7,602)</u>
<u>2,939,138</u>	<u>3,150,313</u>	<u>211,175</u>	<b>Total Own Source Revenue</b>	<u>3,150,313</u>	<u>3,176,457</u>	<u>(26,144)</u>
			<b>Government of Canada:</b>			
727,964	934,749	206,785	Equalization	934,749	934,749	-
370,607	406,761	36,154	Canada Health and Social Transfer	406,761	406,892	(131)
130,595	92,207	(38,388)	Federal Health Supplement	92,207	92,207	-
			Other			
3,195	1,450	(1,745)	- Conservation	1,450	1,299	151
48,083	48,452	369	- Other Departments	48,452	49,165	(713)
<u>1,280,444</u>	<u>1,483,619</u>	<u>203,175</u>		<u>1,483,619</u>	<u>1,484,312</u>	<u>(693)</u>
<u>4,219,582</u>	<u>4,633,932</u>	<u>414,350</u>	<b>Total Revenue</b>	<u>4,633,932</u>	<u>4,660,769</u>	<u>(26,837)</u>

**PROVINCE OF MANITOBA  
OPERATING FUND  
STATEMENT OF PART A – OPERATING EXPENDITURE  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000  
(with comparative figures for December 31, 1999)  
(UNAUDITED)**

1999/2000 ACTUAL	2000/01 ACTUAL	INCREASE (DECREASE)		2000/01		
				ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
20,481	15,821	(4,660)	Legislative Assembly	15,821	16,726	(905)
2,688	2,327	(361)	Executive Council	2,327	2,382	(55)
14,889	16,564	1,675	Aboriginal and Northern Affairs	16,564	17,810	(1,246)
254,231	273,030	18,799	Advanced Education	273,030	274,204	(1,174)
68,566	67,726	(840)	Agriculture and Food	67,726	71,494	(3,768)
2,455	2,500	45	Civil Service Commission	2,500	2,564	(64)
5,505	5,239	(266)	Community Support Programs	5,239	5,319	(80)
101,814	106,932	5,118	Conservation	106,932	112,904	(5,972)
6,464	6,760	296	Consumer and Corporate Affairs	6,760	7,224	(464)
42,651	43,696	1,045	Culture, Heritage and Tourism	43,696	44,511	(815)
691,626	749,214	57,588	Education, Training and Youth	749,214	750,475	(1,261)
33,858	34,527	669	Employee Pensions and Other Costs	34,527	35,422	(895)
538,997	557,704	18,707	Family Services and Housing	557,704	560,217	(2,513)
495,193	464,156	(31,037)	Finance	464,156	476,878	(12,722)
1,584,369	1,822,010	237,641	Health	1,822,010	1,816,330	5,680
6,375	7,180	805	Healthy Child Initiative	7,180	7,949	(769)
25,106	26,181	1,075	Industry, Trade and Mines	26,181	30,381	(4,200)
114,972	106,324	(8,648)	Intergovernmental Affairs	106,324	111,075	(4,751)
142,009	152,762	10,753	Justice	152,762	155,336	(2,574)
15,290	17,174	1,884	Labour and Immigration	17,174	17,937	(763)
751	545	(206)	Seniors Directorate	545	572	(27)
7,869	7,750	(119)	Sport	7,750	7,808	(58)
842	776	(66)	Status of Women	776	848	(72)
234,473	216,825	(17,648)	Transportation and Government Services	216,825	217,210	(385)
1,091	234	(857)	Enabling Appropriations	234	1,280	(1,046)
110,050	19,717	(90,333)	Other Appropriations	19,717	23,340	(3,623)
<b>4,522,615</b>	<b>4,723,674</b>	<b>201,059</b>	<b>Total Expenditure</b>	<b>4,723,674</b>	<b>4,768,196</b>	<b>(44,522)</b>

**PROVINCE OF MANITOBA  
OPERATING FUND  
STATEMENT OF PART B – CAPITAL INVESTMENT  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2000  
(with comparative figures for December 31, 1999)  
(UNAUDITED)**

1999/2000 ACTUAL	2000/01 ACTUAL	INCREASE (DECREASE)		2000/01		
(thousands of dollars)				ACTUAL	ESTIMATE	VARIANCE
				(thousands of dollars)		
-	29	29	Agriculture and Food	29	176	(147)
85	374	289	Conservation	374	308	66
-	89	89	Education, Training and Youth	89	89	-
8,708	-	(8,708)	Family Services and Housing	-	-	-
6,178	4,388	(1,790)	Finance	4,388	7,201	(2,813)
762	-	(762)	Health	-	-	-
-	56	56	Justice	56	56	-
35,072	12,873	(22,199)	Transportation and Government Services	12,873	14,517	(1,644)
20,059	12,356	(7,703)	Enabling Appropriations	12,356	12,400	(44)
<u>70,864</u>	<u>30,165</u>	<u>(40,699)</u>	<b>Total Capital Investment</b>	<u>30,165</u>	<u>34,747</u>	<u>(4,582)</u>

**PROVINCE OF MANITOBA  
OPERATING FUND  
STATEMENT OF VALUATION AND PURPOSE OF  
DIRECT AND GUARANTEED DEBT OUTSTANDING  
DECEMBER 31, 2000  
(with comparative figures for March 31, 2000)  
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue Dec. 31/2000  (thousands of dollars)	Canadian Dollar Equivalent at Date of Issue Mar 31/2000	Increase (Decrease) Dec. 31/2000 over Mar 31/2000		Canadian Dollar Valuation (Note 1) Dec. 31/2000  (thousands of dollars)	Canadian Dollar Valuation (Note 1) Mar 31/2000	Increase (Decrease) Dec. 31/2000 over Mar 31/2000
			<b>Direct Debt Payable in:</b>			
11,277,621	11,143,597	134,024	Canadian Dollars	11,249,821	11,115,797	134,024
2,390,670	2,695,495	(304,825)	Issues Swapped to Canadian Dollars	2,519,107	2,852,563	(333,456)
3,692,954	4,212,713	(519,759)	U.S. Dollars	4,575,610	5,087,250	(511,640)
881,092	510,273	370,819	Issues Swapped to U.S. Dollars	965,933	574,016	391,917
<u>18,242,337</u>	<u>18,562,078</u>	<u>(319,741)</u>	Total Direct Debt	<u>19,310,471</u>	<u>19,629,626</u>	<u>(319,155)</u>
			<b>Guaranteed Debt Payable in:</b>			
326,147	421,219	(95,072)	Canadian Dollars	326,147	421,219	(95,072)
		-	U.S. Dollars			-
<u>326,147</u>	<u>421,219</u>	<u>(95,072)</u>	Total Guaranteed Debt	<u>326,147</u>	<u>421,219</u>	<u>(95,072)</u>
18,568,484	18,983,297	(414,813)	<b>Total Direct and Guaranteed Debt</b> (Note 2)	19,636,618	20,050,845	(414,227)
6,000,454	6,591,620	(591,166)	Less: Sinking Fund Investments	6,000,454	6,591,620	(591,166)
		-	Less: Debt Retirement Fund			-
<u>12,568,030</u>	<u>12,391,677</u>	<u>176,353</u>	<b>Net Direct and Guaranteed Debt</b> (Note 3)	<u>13,636,164</u>	<u>13,459,225</u>	<u>176,939</u>

- The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2000 and March 31, 2000 adjusted for any foreign currency contracts entered into for settlement after these dates.
- Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at December 31, 2000, total gross debt was payable 72% in Canadian dollars and 28% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 86% in Canadian dollars (85% at March 31, 2000) and 14% in U.S. dollars (15% at March 31, 2000) while Manitoba Hydro was payable 48% in Canadian dollars (47% at March 31, 2000) and 52% in U.S. dollars (53% at March 31, 2000)
- The above debt was issued for the following purposes:

	December 31, 2000		March 31, 2000	
	(in thousands)	(per capita) (Note 4)	(in thousands)	(per capita) (Note 4)
General Government Programs	6,333,453	5,514	6,473,434	5,647
The Manitoba Hydro-Electric Board	5,893,951	5,131	5,798,038	5,058
Capital Investments	244,900	213	244,900	214
Manitoba Hospital Facilities	123,000	107	-	-
Other	1,040,860	906	942,853	823
	<u>13,636,164</u>	<u>11,871</u>	<u>13,459,225</u>	<u>11,742</u>

- Per capita data is based upon population figures at October 1, 2000 and April 1, 2000 as reported by Statistics Canada.

**PROVINCE OF MANITOBA**  
**FISCAL STABILIZATION FUND**  
**PROJECTION FOR THE YEAR ENDING MARCH 31, 2001**  
**(with comparative figures for March 31, 2000)**  
**(UNAUDITED)**

	2000/01 Projection	1999/2000 Actual
	(thousands of dollars)	
<b>Fund Balance, Beginning of Year</b>	264,790	427,311
<b>Revenue:</b>		
Interest Earnings	14,600	11,313
<b>Interfund Transfers</b>		
Transfer from the Operating Fund	26,115	10,868
Transfer to the Operating Fund	-	(184,702)
	26,115	(173,834)
<b>Fund Balance, End of Year</b>	305,505	264,790



**PROVINCE OF MANITOBA  
DEBT RETIREMENT FUND  
PROJECTION FOR THE YEAR ENDING MARCH 31, 2001  
(with comparative figures for March 31, 2000)  
(UNAUDITED)**

	2000/01 Projection	1999/2000 Actual
	(thousands of dollars)	
<b>Fund Balance, Beginning of Year</b>	-	230,071
<b>Revenue:</b>		
Interest Earnings	-	32
Transfer from Operating Fund	96,357	75,000
	96,357	75,032
<b>Expenditure:</b>		
Transfer to Operating Fund for:		
- Debt Retirement	-	(305,103)
- Pension Obligation	(21,357)	-
	(21,357)	(305,103)
<b>Fund Balance, End of Year</b>	75,000 (1)	-

**Notes:**

1. The Debt Retirement Fund was fully depleted in 1999/2000 with retirement of \$305.1 million in debt. In accordance with the Province's balanced budget legislation, a \$96.4 million contribution is required in 2000/01 to the Debt Retirement Fund of which \$75.0 million is to be reserved for debt retirement and \$21.4 million is applied to pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Fund.

**PROVINCE OF MANITOBA  
OPERATING FUND  
PROJECTION FOR THE YEAR ENDING MARCH 31, 2001  
(UNAUDITED)**

	<u>Revised Projection</u>	<u>Budget Projection</u>
	(thousands of dollars)	
<b>Revenue</b>	6,765,264	6,414,304
<b>Expenditure</b>	6,642,792	6,398,405
<b>Net Revenue / (Expenditure)</b>	<u>122,472</u>	<u>15,899</u>
<b>Interfund Transfers</b>		
Debt/Pension Repayment	(96,357)	(96,000)
Fiscal Stabilization Fund	-	90,000
<b>Balance Under Balanced Budget Legislation</b>	<u><u>26,115</u></u>	<u><u>9,899</u></u>