

**Budget Paper B**

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**SUPPLEMENTARY  
FINANCIAL INFORMATION**

Available in alternate  
formats upon request.

**Manitoba** 

# SUPPLEMENTARY FINANCIAL INFORMATION

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## ■ SPECIAL ACCOUNTS

### Fiscal Stabilization Account

The Fiscal Stabilization Account (FSA) is projected to have a balance of \$220 million as at March 31, 2015, after a draw of \$55 million in 2014/15, to retire a portion of the borrowings incurred during the period of recovery to support core government programs.

The budgeted draw in 2015/16 of \$105 million includes \$85 million to retire a portion of the borrowings of the core government and an additional \$20 million to offset the impact of investments in the capital infrastructure that supports programs such as health, education and housing.

### FISCAL STABILIZATION ACCOUNT Revenue, Expenditure and Balance

Projection to March 31, 2015

	<u>2015/16</u> <u>Budget</u>	<u>2014/15</u> <u>Forecast</u>
	(Millions of Dollars)	
<b>Balance, Beginning of Year</b>	220	275
Transfers to the Core Government		
Debt Repayment	(85)	(55)
Principal Repayment	(20)	-
<b>Balance, End of Year</b>	<u>115</u>	<u>220</u>

## Pension Assets Fund

The trust conditions of the funds held in the Pension Assets Fund 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 net investment earnings, contributions and the government's plan to set aside \$100 million in 2015/16 as we continue addressing the province's unfunded liability for Teachers' Retirement Allowances Fund (TRAF). This amount is in addition to \$1,502 million funded in 2007/08.

The Fund is expected to have a balance of \$4,195 million by the end of the 2015/16 fiscal year.

## Pension Assets Fund

Projection as at March 31, 2016 and March 31, 2015

	<u>2015/16 Budget</u>	(Millions of Dollars)	<u>2014/15 Forecast</u>
<b>Balance, Beginning of Year</b>	<u>3,999</u>		<u>3,856</u>
<b>Contributions and Revenue</b>			
New Investment	100		-
Net Investment Earnings	226		270
Departments and Crown Corporations	195		191
	<u>521</u>		<u>461</u>
<b>Transfers</b>			
Teachers' Retirement Allowances Fund (TRAF) and Civil Service Superannuation Fund (CSSF) payments	<u>(325)</u>		<u>(318)</u>
<b>Balance, End of Year</b>	<u><u>4,195</u></u>		<u><u>3,999</u></u>

**SUMMARY OF ACCOUNT/FUND ACTIVITY**

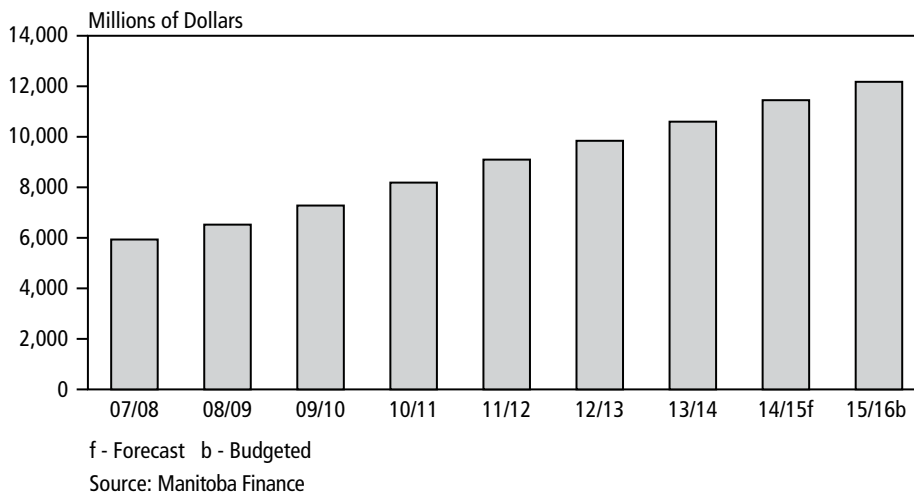
	15/16	14/15	13/14	12/13	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03	01/02	00/01	99/00
	Budget	Forecast	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	(Millions of Dollars)																
<b>Fiscal Stabilization Account</b>																	
Transfers to Account	-	-	-	-	-	-	-	30	128	110	31	405	13	4	63	40	11
Transfers from Account	(105)	(55)	(100)	(152)	(155)	(125)	(57)	-	-	-	-	-	(171)	(22)	(150)	-	(185)
Investment Revenue	-	-	-	-	-	-	-	16	27	21	15	2	1	7	14	15	12
Balance, End of Year	115	220	275	375	527	682	807	864	818	663	532	486	79	236	247	320	265
<b>Pension Assets Fund</b>																	
Transfers from Debt Retirement Account	-	-	-	-	-	-	10	55	85	85	85	79	75	48	75	21	-
Net Investment Earnings	226	270	502	291	40	100	160	41	16	67	61	31	38	(6)	2	-	-
Net Current Service Contributions	(130)	(127)	(129)	(132)	(130)	(114)	(100)	(80)	(60)	10	8	6	3	2	9	-	-
TRAF/CSSF Funding	100	-	-	-	240	180	330	350	1,502	-	-	-	-	-	-	-	-
Balance, End of Year	4,195	3,999	3,856	3,483	3,324	3,174	3,008	2,608	2,242	699	537	383	267	151	107	21	-

## ■ CAPITAL INVESTMENT

Capital investment, both in core government and the Other Reporting Entities (OREs), continues to be a priority for the government. An investment made to construct or enhance capital assets is a major benefit to government in providing the services Manitobans need into the future.

The investment in tangible capital assets is projected to be \$20.6 billion as at March 31, 2016, with \$8.4 billion of related debt having been retired through accumulated amortization. Core government will have a total of \$8.8 billion in capital asset investments as at March 31, 2016 and \$3.0 billion of related debt will have been retired through accumulated amortization.

### Tangible Capital Assets - Net Book Value



## ■ CAPITAL INVESTMENT – CORE GOVERNMENT

Government-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 2015/16 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 \$485 million in 2015/16, an increase of \$45 million from 2014/15. In 2015/16, departmental appropriations include \$249 million for amortization and \$236 million for allocation of interest.

Authority for the annual cost to acquire government-owned assets is reflected as Part B – Capital Investment which totals \$751 million in 2015/16, an increase of \$9 million from 2014/15.

## Capital Investment, 2015/16

	2015/16 Budget	2014/15 Budget
	(Thousands of Dollars)	
<b>General Assets</b>		
Government Services Capital Projects	60,000	80,000
Transportation Equipment and Aircraft	16,610	16,310
Information Technology Projects		
Corporate Information Technology Projects	13,939	21,431
Education and Advanced Learning	100	100
Conservation and Water Stewardship	300	300
Family Services	100	500
Finance	1,500	500
Infrastructure and Transportation	600	100
Justice	100	200
Other Equipment and Buildings	8,916	17,015
	102,165	136,456
<b>Infrastructure Assets</b>		
Provincial Roads, Highways and Airport Infrastructure	590,510	550,510
Water Related Infrastructure	38,800	36,000
Parks, Cottage and Camping Projects	19,226	18,613
	648,536	605,123
<b>Total Capital Investment</b>	750,701	741,579

## ■ CAPITAL INVESTMENT – OTHER

Government continues to support capital assets held for public use within the OREs. These assets include hospitals, universities, colleges, public schools and housing, with an investment of \$810 million included in Budget 2015.

## ■ LOAN REQUIREMENTS

*The Loan Act, 2015* 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, 2015/16

(Thousands of Dollars)

#### *The Loan Act, 2015*

The Manitoba Hydro-Electric Board	\$2,337,000
Public Schools Finance Board	237,872
Post-Secondary Institutions	164,795
Manitoba Agricultural Services Corporation	145,353
Manitoba Housing and Renewal Corporation	39,987
Manitoba Student Aid Program	39,608
Manitoba Liquor and Lotteries Corporation	31,200
Special Operating Agencies Financing Authority - Vehicle and Equipment Management Agency	27,000
Manitoba Water Services Board	24,074
Communities Economic Development Fund	18,000
Northern Affairs Communities	16,039
Sport Manitoba Inc.	13,300
Diagnostic Services of Manitoba, Inc.	4,590
Co-operative Loans and Loan Guarantee Board	2,140
Leaf Rapids Town Properties Ltd.	2,000
Special Operating Agencies Financing Authority - Pineland Forest Nursery	830
	<u>\$3,103,788</u>



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## Non-Budgetary Capital Program, 2015/16

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	\$2,833,000
Health Capital Program	380,440
Manitoba Housing and Renewal Corporation	277,013
Manitoba Agricultural Services Corporation	188,075
Post-Secondary Institutions	142,675
The Manitoba Water Services Board	92,656
Public Schools Finance Board	92,572
Manitoba Liquor and Lotteries Corporation	88,300
Business Support (including Manitoba Industrial Opportunities Program)	71,926
Special Operating Agencies Financing Authority - Vehicle and Equipment Management Agency	49,560
Manitoba Student Aid Program	36,644
Manitoba Opportunities Fund	24,959
Sport Manitoba Inc.	19,300
Communities Economic Development Fund	12,000
Northern Affairs Communities	10,220
Diagnostic Services of Manitoba, Inc.	6,833
Special Operating Agencies Financing Authority - Crown Lands and Property Agency	4,000
Miscellaneous Corporations, Agencies and Other Programs	9,038
	\$4,339,211

## ■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements with respect to both general and self-sustaining borrowings are estimated to total \$4.7 billion in 2015/16, of which \$2.0 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$2.7 billion, which includes requirements for general government purposes, capital investments by departments and The Manitoba Hydro-Electric Board. Estimated repayments are for capital investment assets, health facilities and lotteries. *The Loan Act, 2015*, will provide incremental capital authority of \$3.1 billion. To date, approximately \$0.3 billion of Manitoba's borrowing requirements have been funded.

### Borrowing Requirements 2015/16

	<u>Refinancing</u>	<u>New Cash Requirements</u>	<u>Estimated Repayments</u>	<u>Borrowing Requirements</u>
	(Thousands of Dollars)			
<b>Government Business Enterprises</b>				
The Manitoba Hydro-Electric Board	197,677	1,763,000	-	1,960,677
Manitoba Liquor and Lotteries Corporation	60,000	100,000	41,813	118,187
Subtotal	<u>257,677</u>	<u>1,863,000</u>	<u>41,813</u>	<u>2,078,864</u>
<b>Other Borrowings</b>				
General Purpose Borrowings	804,691	442,156	85,000	1,161,847
Capital Investment Assets	426,523	465,701	248,660	643,564
Health Facilities	-	125,000	88,113	36,887
Other Crowns and Organizations	553,800	150,000	-	703,800
Teachers' Retirement Allowances Fund	-	100,000	-	100,000
Subtotal	<u>1,785,014</u>	<u>1,282,857</u>	<u>421,773</u>	<u>2,646,098</u>
<b>Total Borrowing Requirements</b>	<u><u>2,042,691</u></u>	<u><u>3,145,857</u></u>	<u><u>463,586</u></u>	<u><u>4,724,962</u></u>

## ■ SUMMARY NET DEBT

### Changes in Summary Net Debt

(Millions of Dollars)

2014/15 Summary Net Debt (Forecast)	18,775
Changes in Equity of Government Business Enterprises <sup>1</sup>	502
<b>Net Investment in Tangible Capital Assets</b>	
Core Government	502
Other Reporting Entities	225
	<u>727</u>
<b>Plus: Projected (Income) Loss for the Year</b>	
Core Government	441
Other Reporting Entities	(19)
	<u>422</u>
<b>Change in Net Debt</b>	<u>1,651</u>
<b>2015/16 Summary Net Debt (Budget)</b>	<u><u>20,426</u></u>

In Budget 2015, the net debt to GDP ratio is forecast to be 30.9%. 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 less financial assets<sup>2</sup> – 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 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.

<sup>1</sup> Changes result from adoption of International Financial Reporting Standards by The Manitoba Hydro-Electric Board, effective April 1, 2015.

<sup>2</sup> Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

