

Budget Paper B

SUPPLEMENTARY FINANCIAL INFORMATION

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SPECIAL ACCOUNTS

Fiscal Stabilization Account

The Fiscal Stabilization Account is projected to have a balance of \$115 million as at March 31, 2016, after a draw of \$85 million to retire a portion of the borrowings of the core government and an additional \$20 million to offset the impact of capital investments in the infrastructure that supports programs such as health, education and housing.

Draws from the Fiscal Stabilization Account are not anticipated for 2016/17; therefore, the balance is projected to remain unchanged at \$115 million at the end of the 2016/17 fiscal year.

Fiscal Stabilization Account

Projection as at March 31, 2017 and March 31, 2016

	<u>2016/17 Budget</u>	<u>2015/16 Forecast</u>
	(Millions of Dollars)	
Balance, Beginning of Year	115	220
Transfers to the Core Government		
Debt Repayment	-	(85)
Principal Repayment	-	(20)
Balance, End of Year	<u>115</u>	<u>115</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 have a balance of \$4,364 million by the end of the 2016/17 fiscal year.

Pension Assets Fund

Projection as at March 31, 2017 and March 31, 2016

	<u>2016/17 Budget</u>	<u>2015/16 Forecast</u>
	(Millions of Dollars)	
Balance, Beginning of Year	4,228	4,140
Contributions and Revenue		
New Investment	-	100
Net Investment Earnings	251	123
Departments and Crown Corporations	215	200
	<u>466</u>	<u>423</u>
Transfers		
Teachers' Retirement Allowances Fund and Civil Service Superannuation Fund payments	(330)	(335)
Balance, End of Year	<u>4,364</u>	<u>4,228</u>

CAPITAL INVESTMENT

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

The investment in tangible capital assets is projected to be \$13.1 billion as at March 31, 2017, with \$9.1 billion of related debt having been retired through accumulated amortization.

Tangible Capital Assets - Net Book Value

Projection as at March 31, 2017

2016/17 Budget

(Thousands of Dollars)

Cost of Assets, Beginning of Year	20,725
Additions	1,517
Cost, End of Year	<u>22,242</u>
Less:	
Accumulated Amortization, Beginning of Year	8,420
Amortization	674
Accumulated Amortization, End of Year	<u>9,094</u>
Net Book Value	<u><u>13,148</u></u>

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 2016/17 Estimates of Expenditure and Revenue). 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 \$508 million in 2016/17, an increase of \$22 million from 2015/16. In 2016/17, departmental appropriations include \$259 million for amortization and \$249 million for allocation of interest.

Authority for the annual cost to acquire government-owned assets, which is reflected as Part B – Capital Investment, totals \$704 million in 2016/17, a decrease of \$47 million from 2015/16.

Capital Investment, 2016/17

	2016/17 Budget	2015/16 Budget	Variance
General Assets		(Thousands of Dollars)	
Accommodation Services Capital Projects	60,000	60,000	-
Transportation Equipment and Aircraft	16,989	16,610	379
Information Technology Projects			
Corporate Information Technology Projects	14,456	13,939	517
Education and Training	2,173	100	2,073
Infrastructure	2,211	600	1,611
Sustainable Development	500	300	200
Families	100	100	-
Finance	-	1,500	(1,500)
Justice	100	100	-
Other Equipment and Buildings	7,973	8,916	(943)
	<u>104,502</u>	<u>102,165</u>	<u>2,337</u>
Infrastructure Assets			
Provincial Roads, Highways and Airport Infrastructure	542,000	590,510	(48,510)
Water-Related Infrastructure	45,000	38,800	6,200
Parks, Cottages and Camping	12,000	19,226	(7,226)
	<u>599,000</u>	<u>648,536</u>	<u>(49,536)</u>
Total Capital Investment	<u><u>703,502</u></u>	<u><u>750,701</u></u>	<u><u>(47,199)</u></u>

Capital Investment – Other

Government continues to support assets held for public use within the Other Reporting Entities with an investment of \$921 million included in Budget 2016.

These assets include hospitals, universities, colleges, public schools and housing.

LOAN REQUIREMENTS

The Loan Act, 2016 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.

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2016/17

(Thousands of Dollars)

The Loan Act, 2016

Manitoba Hydro-Electric Board	2,578,000
Manitoba Agricultural Services Corporation	239,439
Manitoba Public Schools Finance Board	111,689
Manitoba Housing and Renewal Corporation	56,441
Manitoba Liquor and Lotteries Corporation	67,200
Post-Secondary Institutions	51,083
Manitoba Student Aid Program	40,500
Health Capital Program	37,476
Diagnostic Services Manitoba	31,954
Special Operating Agencies Financing Authority – Vehicle and Equipment Management Agency	29,000
Manitoba Water Services Board	19,511
Communities Economic Development Fund	8,700
Northern Affairs Communities	7,229
Leaf Rapids Town Properties Ltd.	4,175
The Cooperative Loans and Loans Guarantee Board	517
Sport Manitoba	424
Cottage Lots Program	415
	3,283,753

Non-Budgetary Capital Programs, 2016/17

(Thousands of Dollars)

Manitoba Hydro-Electric Board	3,736,000
Health Capital Program	437,550
Manitoba Housing and Renewal Corporation	279,371
Manitoba Public Schools Finance Board	194,561
Manitoba Agricultural Services Corporation	176,800
Manitoba Water Services Board	106,189
Manitoba Liquor and Lotteries Corporation	85,600
Post-Secondary Institutions	52,842
Special Operating Agencies Financing Authority – Vehicle and Equipment Management Agency	49,860
Manitoba Student Aid Program	36,500
Business Support (including Manitoba Industrial Opportunities Program)	32,555
Northern Affairs Communities	15,162
Communities Economic Development Fund	12,000
Manitoba Opportunities Fund	4,500
Diagnostic Services Manitoba	4,388
Special Operating Agencies Financing Authority – Crown Lands and Property Agency	3,000
Sport Manitoba	2,872
Miscellaneous Corporations, Agencies and Other Programs	9,323
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	5,239,073
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BORROWING REQUIREMENTS

Manitoba's borrowing requirements with respect to both general and self-sustaining borrowings is estimated to total \$6.5 billion in 2016/17, of which \$2.2 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$4.3 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, 2016*, will provide incremental capital authority of \$3.3 billion. To date, approximately \$0.9 billion of funding for 2016/17 has been completed.

Borrowing Requirements 2016/17

	Refinancing	New Cash Requirements	Estimated Repayments	Borrowing Requirements
(Thousands of Dollars)				
Government Business Enterprises				
Manitoba Hydro-Electric Board	733,837	3,097,296	-	3,831,133
Manitoba Liquor and Lotteries Corporation		70,000	48,759	21,241
Subtotal	733,837	3,167,296	48,759	3,852,374
Other Borrowings				
General Purpose Borrowings	587,113	649,388	-	1,236,501
Capital Investment Assets	154,800	365,688	249,120	271,368
Civil Service Superannuation Plan	80,000	-	-	80,000
Health Facilities	50,000	200,000	89,146	160,854
Other Crowns and Organizations	77,469	321,609	-	399,078
Teachers' Retirement Allowances Fund	500,000	-	-	500,000
Subtotal	1,449,382	1,536,686	338,266	2,647,801
Total Borrowing Requirements	2,183,218	4,703,982	387,025	6,500,175

SUMMARY NET DEBT

Changes in Summary Net Debt

(Millions of Dollars)

2015/16 Summary Net Debt (Forecast)	21,395
Net Investment in Tangible Capital Assets	
Core Government	445
Other Reporting Entities	398
	<u>843</u>
Plus: Projected (Income) Loss for the Year	
Core Government	890
Other Reporting Entities	21
	<u>911</u>
Change in Net Debt	<u>1,754</u>
2016/17 Summary Net Debt (Budget)	<u><u>23,149</u></u>

In Budget 2016, the net debt to GDP ratio is forecast to be 33.8%. Net debt is an important indicator of a government's financial position, as this highlights the affordability of future government services. Summary net debt represents the difference between the Government Reporting Entity's total liabilities less financial assets¹; 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.

¹ Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

