

**Budget Paper B**

---

**SUPPLEMENTARY  
FINANCIAL INFORMATION**

# SUPPLEMENTARY FINANCIAL INFORMATION

---

## Contents

<b>INTRODUCTION</b> .....	1
<b>SPECIAL FUNDS BALANCES</b> .....	2
Fiscal Stabilization Fund.....	2
Debt Retirement Fund .....	3
Pension Assets Fund.....	3
Summary of Funding Activity .....	4
<b>CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS</b> .....	6
<b>CAPITAL INVESTMENT – CORE GOVERNMENT</b> .....	7
<b>LOAN REQUIREMENTS</b> .....	9
<b>BORROWING REQUIREMENTS</b> .....	10
Statement of Provincial Borrowings, Guarantees and Obligations .....	11
Provincial Borrowings, Guarantees and Obligations .....	12
<b>INTERPROVINCIAL COMPARISONS</b> .....	13

## ■ INTRODUCTION

This Budget Paper provides supplementary information on Manitoba's Special Purpose Funds – the Fiscal Stabilization Fund, Debt Retirement Fund and the Pension Assets Fund – and on Capital Investment, Loan Requirements, and Borrowing Requirements.

## ■ SPECIAL FUNDS BALANCES

### Fiscal Stabilization Fund

The Fiscal Stabilization Fund is projected to have a total balance of \$477 million as at March 31, 2007, after a draw of \$26 million for general requirements and \$49 million for wait-times reduction and other health-related programming. For 2006/07, the health programs component balance is projected to be \$159 million, and \$318 million for the general programs.

The budgeted draw in 2007/08 is \$37 million for wait-times reduction and other health-related programming, with no draw required for general requirements. The health programs component balance as at March 31, 2008 is projected at \$127 million, the general programs at \$333 million for a total of \$460 million.

### Fiscal Stabilization Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08</u> <u>Budget</u>	<u>2006/07</u> <u>Forecast</u>
	(Millions of Dollars)	
<b>Total Fund Balance, Beginning of Year</b>	<u>477</u>	<u>532</u>
<b>Health Programs</b>		
Fund Balance, Beginning of Year	159	202
Interest Earnings	5	6
Wait-Times Reduction and Other Health Related Programming	<u>(37)</u>	<u>(49)</u>
Fund Balance, End of Year	<u>127</u>	<u>159</u>
<b>General Programs</b>		
Fund Balance, Beginning of Year	318	330
Interest Earnings	13	11
Year-end Core Government Balance	2	3
General Requirements	<u>-</u>	<u>(26)</u>
Fund Balance, End of Year	<u>333</u>	<u>318</u>
<b>Total Fund Balance, End of Year</b>	<u><u>460</u></u>	<u><u>477</u></u>

## Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, a \$110 million deposit to the Debt Retirement Fund is required in 2007/08. Interest earnings for 2007/08 are expected to be \$2 million. In 2007/08 it is assumed that the allocation will be \$85 million to pension liability.

## Debt Retirement Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08 Budget</u>	(Millions of Dollars)	<u>2006/07 Forecast</u>
<b>Fund Balance, Beginning of Year</b>	51		25
Contribution	110		110
Interest	2		1
Transfer to Pension Assets Fund	(85)		(85)
<b>Fund Balance, End of Year</b>	<u>78</u>		<u>51</u>

## Pension Assets Fund

It is anticipated that \$85 million will be allocated to the Pension Assets Fund for 2007/08. In addition, \$1,502 million will be contributed to fund 75% of the liability for the Teachers' Retirement Allowances Fund (TRAF). The Fund will have net investment earnings of \$69 million in 2006/07. The Budget projects a return of \$107 million in 2007/08.

The Fund is expected to have a balance of \$2,339 million by the end of the 2007/08 fiscal year.

## Pension Assets Fund

Projection as at March 31, 2008 and March 31, 2007

	<u>2007/08 Budget</u>	(Millions of Dollars)	<u>2006/07 Forecast</u>
<b>Fund Balance, Beginning of Year</b>	701		537
<b>Contributions</b>			
TRAF Funding	1,502		0
Debt Retirement Fund	85		85
Net Investment Earnings	107		69
Current Service Contributions	78		10
<b>Transfers</b>			
TRAF Pension Payments	(134)		0
<b>Fund Balance, End of Year</b>	<u>2,339</u>		<u>701</u>

## SUMMARY OF FUNDING ACTIVITY

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03	2001/02
	<u>Budget</u>	<u>Forecast</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(Millions of Dollars)						
<b>Fiscal Stabilization Fund</b>							
Year-End Core Government Balance	2	3	31	405	13	4	63
Transfers to Core Government	(37)	(75)	0	0	(171)	(22)	(150)
Investment Revenue	18	17	15	2	1	7	14
Transfer re: Manitoba Telephone System							
Redemption of Repap Preferred Shares							
Fund Balance, End of Year	460	477	532	486	79	236	247
<b>Debt Retirement Fund</b>							
Contribution	110	110	110	99	96	96	96
Transfer to Pension Assets Fund	(85)	(85)	(85)	(79)	(75)	(48)	(75)
Transfer for General Purpose Debt Reduction				(202)			
Investment Earnings	2	1	0	2	7	3	5
Fund Balance, End of Year	78	51	25	0	180	152	101
<b>Pension Assets Fund</b>							
Transfers from Debt Retirement Fund	85	85	85	79	75	48	75
TRAF Funding	1,502						
Net Investment Earnings	107	69	61	31	38	(6)	2
Net Current Service Contributions	(56)	10	8	6	3	2	9
Fund Balance, End of Year	2,339	701	537	383	267	151	107

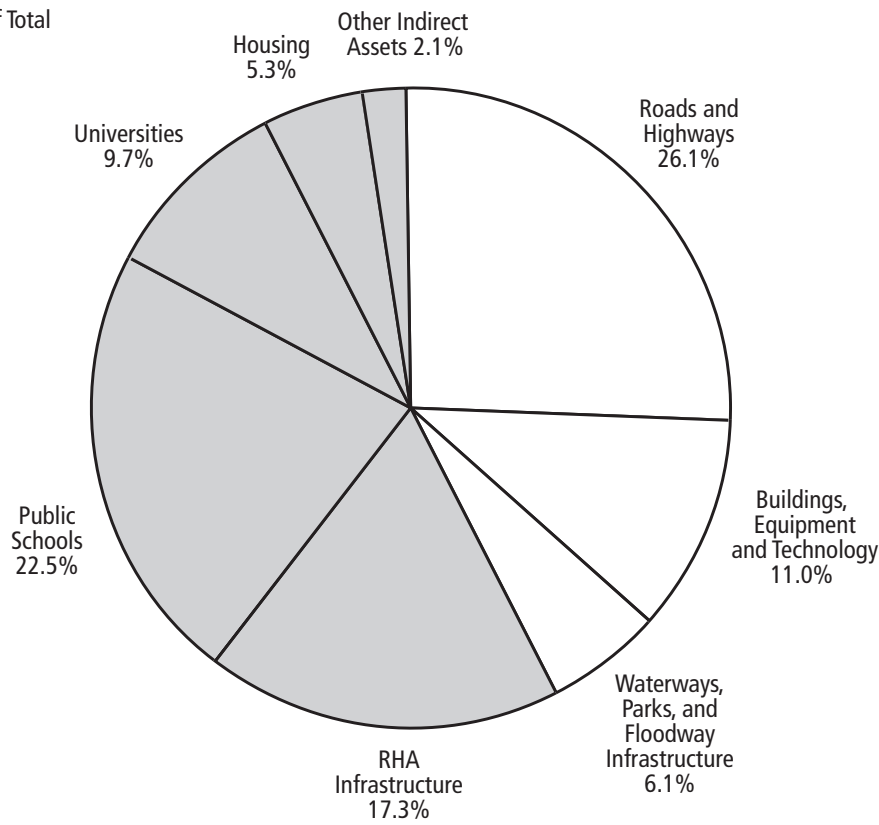
<u>2000/01</u> <u>Actual</u>	<u>1999/00</u> <u>Actual</u>	<u>1998/99</u> <u>Actual</u>	<u>1997/98</u> <u>Actual</u>	<u>1996/97</u> <u>Actual</u>	<u>1995/96</u> <u>Actual</u>	
(Millions of Dollars)						
						<b>Fiscal Stabilization Fund</b>
40	11	31	76	91	157	Year-End Core Government Balance
0	(185)	(186)	(100)	0	0	Transfers to Core Government
15	12	17	11	11	3	Investment Revenue
				265		Transfer re: Manitoba Telephone System
					20	Redemption of Repap Preferred Shares
320	265	427	565	577	210	Fund Balance, End of Year
						<b>Debt Retirement Fund</b>
96	75	150	75	0	0	Contribution
(21)	0	0	0			Transfer to Pension Assets Fund
	(305)					Transfer for General Purpose Debt Reduction
0	0	4	1			Investment Earnings
75	0	230	76			Fund Balance, End of Year
						<b>Pension Assets Fund</b>
21						Transfers from Debt Retirement Fund
						TRAF Funding
0						Net Investment Earnings
0						Net Current Service Contributions
21						Fund Balance, End of Year

## ■ CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS

Over the years, Manitoba’s communities and the economy have benefited from many investments in general assets such as schools, health facilities and public service buildings as well as infrastructure assets such as roads, water control structures and parks. These assets have contributed to vital public services, including learning, health, physical access and electronic access to other government programs as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable; however, it is estimated that the insured or replacement value of these investments exceeds \$30 billion.

### Replacement Value of Public Assets<sup>1</sup>

Per cent of Total



Total Value: \$30.3 billion

Note 1: excludes municipal assets and government enterprises such as Manitoba Hydro

■ Indirect Assets: 56.8%

□ Direct Assets: 43.2%

Totals may not add due to rounding.



## ■ 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 2007/08 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. Capital grants are also provided to third parties such as municipalities, schools and universities as contributions toward capital projects. In total, costs related to capital assets are estimated at \$488 million in 2007/08, an increase of \$39 million from 2006/07.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$595 million in 2007/08, an increase of \$160 million from 2006/07, largely due to \$110 million for increased investment in provincial roads and highways and \$48 million for investment in provincially owned buildings and equipment.

### Capital Grants and Costs Related to Capital Assets, Core Government, 2007/08

(Thousands of Dollars)

	<u>2007/08</u> <u>Budget</u>	<u>2006/07</u> <u>Budget*</u>
Capital Grants .....	262,935	247,367
Infrastructure Assets .....	156,096	139,607
General Assets .....	69,316	62,004
	<u>488,347</u>	<u>448,978</u>

\* The 2006/07 Budget has been restated to be consistent with the 2007/08 Estimates structure.

## Capital Investment, Core Government, 2007/08

(Thousands of Dollars)

	<u>2007/08</u> <u>Budget</u>	<u>2006/07</u> <u>Budget*</u>
<b>General Assets</b>		
Government Services Capital Projects.....	73,098	23,443
Transportation Equipment and Other Capital.....	14,463	21,026
Information Technology Projects		
Corporate Information Technology Projects .....	12,676	14,462
Justice .....	3,608	1,364
Family Services and Housing .....	2,708	2,481
Competitiveness, Training and Trade .....	2,421	1,845
Infrastructure and Transportation.....	905	2,895
Finance.....	571	3,279
Other Projects .....	787	3,011
Other Equipment and Buildings .....	10,733	2,974
	<u>121,969</u>	<u>76,779</u>
<b>Infrastructure Assets</b>		
Provincial Roads, Highways and Airport Infrastructure.....	239,655	129,693
Manitoba Floodway Expansion .....	213,792	207,435
Water Control Infrastructure .....	10,183	10,425
Parks, Cottage and Camping Projects.....	9,711	10,790
	<u>473,340</u>	<u>358,343</u>
<b>Total Capital Investment</b>	<u>595,309</u>	<u>435,122</u>

\* The 2006/07 Budget has been restated to be consistent with the 2007/08 Estimates structure.

## ■ LOAN REQUIREMENTS

### Incremental Loan Act Authority for Non-Budgetary Capital Programs, 2007/08

(Thousands of Dollars)

#### The Loan Act, 2007

Manitoba Hydro .....	\$458,000
Manitoba Agricultural Services Corporation .....	73,614
Health Capital Program .....	61,379
Manitoba Housing and Renewal Corporation .....	41,314
Manitoba Water Services Board .....	36,626
Manitoba Lotteries Corporation .....	32,700
Diagnostic Services Manitoba .....	22,270
Manitoba Industrial Opportunities Program .....	22,052
University of Winnipeg .....	19,000
Special Operating Agencies Financing Authority - Fleet Vehicles Agency .....	8,000
Manitoba Student Aid Program .....	7,508
Communities Economic Development Fund .....	4,600
Special Operating Agencies Financing Authority - Companies Office .....	2,050
Rural Economic Development Initiatives .....	1,873
Special Operating Agencies Financing Authority - The Property Registry .....	1,000
	<u>791,987</u>

### Non-Budgetary Capital Program, 2007/08

(Thousands of Dollars)

Manitoba Hydro .....	\$817,000
Health Capital Program .....	200,501
Manitoba Agricultural Services Corporation .....	107,950
Manitoba Housing and Renewal Corporation .....	79,639
Manitoba Lotteries Corporation .....	69,500
Manitoba Student Aid Program .....	38,419
Manitoba Industrial Opportunities Program .....	35,145
Manitoba Water Services Board .....	31,952
Manitoba Opportunities Fund .....	30,000
University of Winnipeg .....	19,000
Special Operating Agencies Financing Authority - Fleet Vehicles Agency .....	12,941
Diagnostic Services Manitoba .....	10,725
Communities Economic Development Fund .....	10,000
Miscellaneous Corporations, Agencies and Other Programs .....	14,203
	<u>1,476,973</u>

## ■ BORROWING REQUIREMENTS

Manitoba's long-term borrowing requirements in respect of both general and self-sustaining borrowings is estimated to total \$2.94 billion in 2007/08, of which \$1.03 billion is required for refinancing purposes. New cash requirements are required for capital investments including the Manitoba Floodway Expansion, self-sustaining programs including Manitoba Hydro and the University of Winnipeg and for funding the Province's pension liability for the Teachers' Retirement Allowances Fund. Incremental capital authority requirements totalling \$792 million are provided by *The Loan Act, 2007*.

### Borrowing Requirements

(Thousands of Dollars)

	Refunding 2007/08	New Cash Requirements 2007/08	Estimated Repayments 2007/08	Borrowing Requirements 2007/08
General Purpose Borrowings	393,750	-	-	393,750
Capital Investment General Assets	-	83,500	-	83,500
Capital Investment Infrastructure Assets	-	292,800	-	292,800
Teachers' Retirement Allowances Fund	-	1,002,000	-	1,002,000
Manitoba Hydro	520,573	458,000	-	978,573
Health Facilities	121,000	98,000	58,355	160,645
Diagnostic Services Manitoba	-	22,270	-	22,270
University of Winnipeg	-	12,700	-	12,700
	<u>1,035,323</u>	<u>1,969,270</u>	<u>58,355</u>	<u>2,946,238</u>

## STATEMENT OF PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

(Thousands of Dollars) *Unaudited*

December 31, 2006 (with comparative figures for March 31, 2006)

	Canadian Dollar Valuation (Note 1) December 31, 2006	Canadian Dollar Valuation (Note 1) March 31, 2006	Increase (Decrease) December 31, 2006 over March 31, 2006
<b>Provincial Borrowings Payable in:</b>			
Canadian Dollars	13,684,320	13,710,863	(26,543)
Issues Hedged to Canadian Dollars	2,519,100	2,834,264	(315,164)
U.S. Dollars	2,217,624	2,221,050	(3,426)
Issues Hedged to U.S. Dollars	616,388	617,340	(952)
<b>Subtotal Provincial Borrowings</b>	<b>19,037,432</b>	<b>19,383,517</b>	<b>(346,085)</b>
<b>Guarantees and Obligations Payable in:</b>			
Canadian Dollars	1,346,751	1,229,575	117,176
U.S. Dollars	0	0	0
<b>Subtotal Guarantees and Obligations (Note 2)</b>	<b>1,346,751</b>	<b>1,229,575</b>	<b>117,176</b>
Subtotal Provincial Borrowings, Guarantees and Obligations (Note 3)	20,384,183	20,613,092	(228,909)
Less: Sinking Fund Investments	(4,294,207)	(4,475,996)	(181,789)
Less: Debt Retirement Fund	(25,002)	(25,000)	2
<b>Total Provincial Borrowings, Guarantees and and Obligations Outstanding (Note 4)</b>	<b>16,064,974</b>	<b>16,112,096</b>	<b>(47,122)</b>

NOTE TO READER: Outstanding provincial borrowings will fluctuate during the fiscal year as a result of the timing of borrowing activities of the Province. While current accounting standards identify Net Debt as the best presentation of a government's financial position, certain valuations used in the calculation of Net Debt are only payable at year end (see Manitoba Summary Financial Statistics).

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2006 and at March 31, 2006. As at December 31, 2006, the U.S. dollar exchange rate was \$1.1653 (\$1.1671 at March 31, 2006).

Note 2: Includes borrowings of Manitoba Hydro which has been guaranteed by the Province, Government Enterprises and Other payables and third party debt of health care facilities.

Note 3: Provincial Borrowings and Guarantees are payable in Canadian and U.S. dollars. As at December 31, 2006, total provincial borrowings and guarantees were payable 86% in Canadian dollars and 14% in U.S. dollars. Of this total, General Government Program borrowing and Other Crown organizations borrowings was 100% payable in Canadian dollars. Manitoba Hydro borrowings was payable 61% in Canadian dollars (60% at March 31, 2006) and 39% in U.S. dollars (40% at March 31, 2006).

Note 4: The above borrowings, guarantees and obligations were outstanding for the following purposes:

	December 31, 2006		March 31, 2006	
	(\$ Thousands)	(\$ Per Capita) (Note 5)	(\$ Thousands)	(\$ Per Capita) (Note 5)
General Government Programs	6,355,330	5,393	6,582,745	5,598
Manitoba Hydro	6,630,254	5,626	6,524,289	5,548
Capital Investments	532,609	452	463,766	394
Health Facilities	734,834	624	766,834	652
Government Enterprises and Other (Note 6)	502,336	426	502,336	427
Other Crown Organizations	1,309,611	1,111	1,272,126	1,082
	<b>16,064,974 (Note 7)</b>	<b>13,633</b>	<b>16,112,096</b>	<b>13,701</b>

Note 5: Per capita data is based upon population figures at October 1, 2006 and April 1, 2006 as reported by Statistics Canada.

Note 6: In 2003/04, the Province, in accordance with PSAB GAAP, changed its accounting treatment for certain amounts owed to Canada and for debentures issued by certain school boards and hospitals, the debt service of which is paid with future grants from the Government. Amounts owed to the federal government over time, which were previously treated as accounts payable are now accounted for as loans payable. Debentures issued by school boards and hospitals, were previously recognized as an expense over the life of the debentures as grants for debt service were made and held by the Provincial Sinking Fund and Manitoba Public Insurance (MPI), (a Crown corporation). Now the obligation to fund debt principal payments is expensed in full at the time the debenture is issued. Any of these debentures held by MPI are recorded as "Loans Payable to Government Enterprises." The Government also recognized a loan payable in respect of the pension liability of the Manitoba Liquor Control Commission.

Note 7: Provincial borrowings, guarantees and obligations decreased by \$47.1 million. This decrease was primarily due to matured General Government Program and Health Facilities borrowings which have not yet been refinanced offset by new part B Capital requirements and funding of Manitoba Hydro's capital program. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar borrowings.

## Provincial Borrowings, Guarantees and Obligations

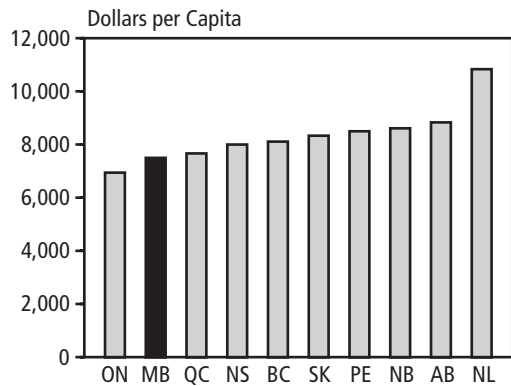
Net Maturities - December 31, 2006 to March 31, 2044

	Canadian Valuation Payable In		Net Maturities
	Canadian Dollars	U.S. Dollars	
		(Millions of Dollars)	
2006/07	70	-	70
2007/08	1,035	-	1,035
2008/09	1,858	-	1,858
2009/10	689	108	797
2010/11	880	291	1,171
2011/12	570	-	570
2012/13	216	-	216
2013/14	790	394	1,184
2015 - 19	3,149	1,049	4,198
2020 - 24	341	350	691
2025 - 29	593	-	593
2030 - 44	3,277	-	3,277
Treasury Bills and Promissory Notes	405	-	405
	<u>13,873</u>	<u>2,192</u>	<u>16,065</u>

The above table is based on foreign exchange rates at December 31, 2006.

## INTERPROVINCIAL COMPARISONS

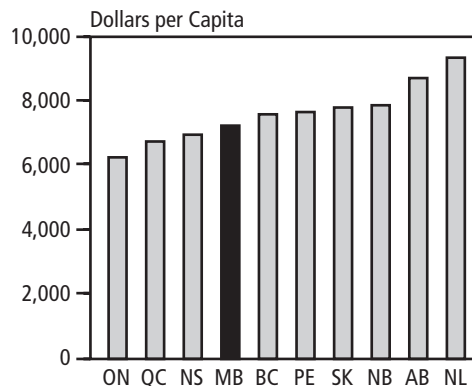
**Total Expenditure by Province, 2006/07(p)**



p - Preliminary

Sources: Provincial government financial reports and Statistics Canada

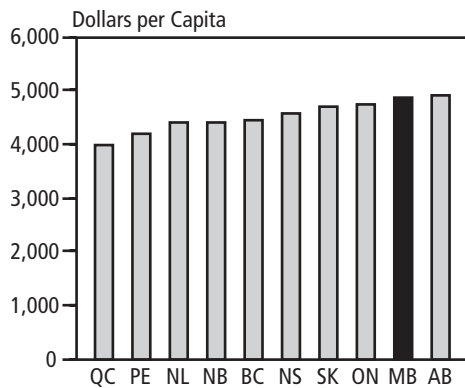
**Program Expenditure by Province, 2006/07(p)**



p - Preliminary

Sources: Provincial government financial reports and Statistics Canada

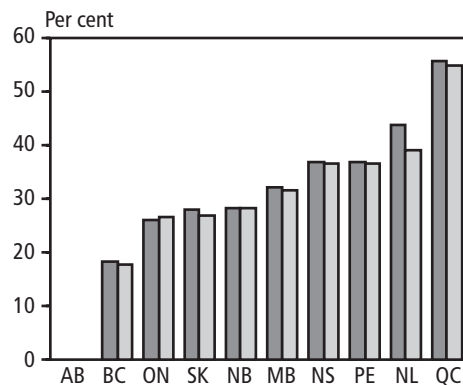
**Health Expenditure by Province, 2006(p)**



p - Preliminary

Source: Canadian Institute for Health Information

**Debt to GDP Ratio by Province, 2005/06 and 2006/07(b)**



b - Budget

Legend: 2005/06 (dark grey), 2006/07b (light grey)

Source: Dominion Bond Rating Service