

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

Available in alternate
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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 \$375 million as at March 31, 2013, after a draw of \$8 million for wait-time reduction and other health-related programming, \$4 million related to ecoTrust and \$140 million to retire a portion of the borrowings incurred during the period of economic recovery to support core government programs.

The budgeted draw in 2013/14 of \$100 million is to retire a portion of the borrowings for core government.

Fiscal Stabilization Account Revenue, Expenditure and Balance

Projection as at March 31, 2014 and March 31, 2013

	<u>2013/14</u> <u>Budget</u>	(Millions of Dollars)	<u>2012/13</u> <u>Forecast</u>
Total Account Balance, Beginning of Year	375		527
Health Programs			
Balance, Beginning of Year	-		8
Transfers to the Core Government			
Wait-Time Reduction Programming and Other Health-Related Programming	-		(8)
Balance, End of Year	-		-
General Programs			
Balance, Beginning of Year	375		519
Transfers to the Core Government			
Debt Repayment	(100)		(140)
ecoTrust	-		(4)
Balance, End of Year	275		375
Total Account Balance, End of Year	<u>275</u>		<u>375</u>

Pension Assets Fund

The government continues its commitment to fund its unfunded pension liabilities. As part of this commitment, the government has changed the trust conditions of the funds held in the Pension Assets 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 have a balance of \$3,439 million by the end of the 2013/14 fiscal year.

Pension Assets Fund

Projection as at March 31, 2014 and March 31, 2013

	2013/14 Budget	(Millions of Dollars)	2012/13 Forecast
Balance, Beginning of Year	<u>3,347</u>		<u>3,324</u>
Contributions and Revenue			
Net Investment Earnings	209		152
Departments and Crown Corporations	172		153
	<u>381</u>		<u>305</u>
Transfers			
TRAF and CSSP Payments	<u>(289)</u>		<u>(282)</u>
Balance, End of Year	<u><u>3,439</u></u>		<u><u>3,347</u></u>

SUMMARY OF ACCOUNT/FUND ACTIVITY

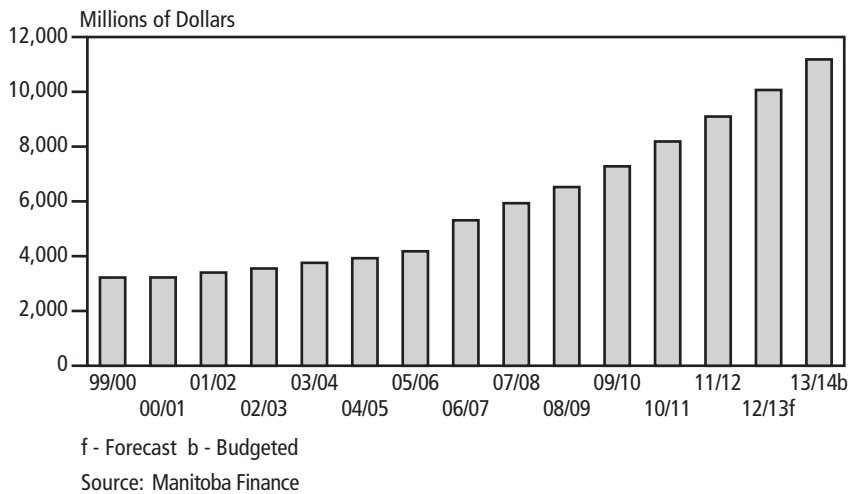
	13/14	12/13	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03	01/02	00/01	99/00
	<u>Budget</u>	<u>Forecast</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(Millions of Dollars)														
Fiscal Stabilization Account															
Transfers to Account	-	-	-	-	-	30	128	110	31	405	13	4	63	40	11
Transfers from Account	(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	275	375	527	682	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	2	1	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	209	152	40	100	160	41	16	67	61	31	38	(6)	2	-	-
Net Current Service Contributions	(117)	(129)	(130)	(114)	(100)	(80)	(60)	10	8	6	3	2	9	-	-
TRAF/CSSP Funding	-	-	240	180	330	350	1,502	-	-	-	-	-	-	-	-
Balance, End of Year	3,439	3,347	3,324	3,174	3,008	2,608	2,242	699	537	383	267	151	107	21	-

■ CAPITAL INVESTMENT

Capital investment continues to be a priority for the 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 more than tripled since 1999/2000 and is a major asset of the government in providing services to Manitobans into the future.

The investment in tangible capital assets is projected to be \$18.7 billion as at March 31, 2014, with \$7.5 billion of related debt having been retired through accumulated amortization. Core government will have a total of \$7.6 billion in capital asset investments as at March 31, 2014 and \$2.6 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 2013/14 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 \$413 million in 2013/14, an increase of \$31 million from 2012/13. In 2013/14, departmental appropriations include \$214 million for amortization and \$199 million for allocation of interest.

Authority for the annual cost to acquire government owned assets is reflected as Part B – Capital Investment which totals \$696 million in 2013/14, a decrease of \$55 million from 2012/13.

Capital Investment, 2013/14

(Thousands of Dollars)

	2013/14	2012/13
	Budget	Budget
General Assets		
Government Services Capital Projects	112,000	128,346
Transportation Equipment and Aircraft	16,920	42,164
Information Technology Projects		
Corporate Information Technology Projects	21,904	21,558
Advanced Education and Literacy	100	500
Conservation and Water Stewardship	405	-
Finance	500	500
Health	665	928
Justice	325	413
Other Equipment and Buildings	19,427	51,056
	<u>172,246</u>	<u>245,465</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	470,510	427,045
Water Related Infrastructure	37,100	52,800
Parks, Cottage and Camping Projects	15,839	25,600
	<u>523,449</u>	<u>505,445</u>
Total Capital Investment	<u><u>695,695</u></u>	<u><u>750,910</u></u>

■ LOAN REQUIREMENTS

The Loan Act 2013 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, 2013/14

(Thousands of Dollars)

The Loan Act, 2013

The Manitoba Hydro-Electric Board.....	\$2,070,000
Manitoba Housing and Renewal Corporation	408,733
Manitoba Agricultural Services Corporation	173,130
Manitoba Liquor and Lotteries Corporation	108,000
Health Capital Program	92,800
Business Support.....	32,238
Manitoba Student Aid Program	29,476
Diagnostic Services Manitoba.....	14,683
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency.....	8,000
Communities Economic Development Fund	6,800
Special Operating Agencies Financing Authority - Crown Lands and Property Agency	5,000
Post-Secondary Institutions	2,678
Leaf Rapids Town Properties Ltd.	500
Manitoba Film Guarantee Program	257
Special Operating Agencies Financing Authority - Vital Statistics.....	200
	\$2,952,495

Non-Budgetary Capital Program, 2013/14

(Thousands of Dollars)

The Manitoba Hydro-Electric Board.....	\$2,158,000
Manitoba Housing and Renewal Corporation	341,743
Manitoba Agricultural Services Corporation	240,895
Manitoba Liquor and Lotteries Corporation	215,400
Health Capital Program	167,478
Post-Secondary Institutions	82,802
Business Support (including Manitoba Industrial Opportunities Program)	76,871
Manitoba Opportunities Fund	58,848
Manitoba Student Aid Program.....	36,796
Diagnostic Services Manitoba.....	34,641
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	30,400
The Manitoba Water Services Board.....	27,876
Northern Affairs Communities.....	11,880
Communities Economic Development Fund	9,000
Cottage Lots Development	6,971
Special Operating Agencies Financing Authority - Crown Lands and Property Agency	5,000
Miscellaneous Corporations, Agencies and Other Programs	9,322
	\$3,513,923

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements with respect to both general and self sustaining borrowings is estimated to total \$4.8 billion in 2013/14, of which \$2.2 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$2.6 billion, which includes requirements for general government purposes, capital investments by departments and The Manitoba Hydro-Electric Board. Estimated repayments are for general purpose borrowings, capital investment assets and health facilities. *The Loan Act, 2013*, will provide incremental capital authority of \$3 billion. To date, approximately \$0.6 billion of Manitoba's borrowing requirements have been funded.

Borrowing Requirements 2013/14

(Thousands of Dollars)

	<u>Refinancing</u>	<u>New Cash Requirements</u>	<u>Estimated Repayments</u>	<u>Borrowing Requirements</u>
Government Business Enterprises				
The Manitoba Hydro-Electric Board	728,800	1,584,800	-	2,313,600
Manitoba Liquor and Lotteries Corporation	-	75,000	24,786	50,214
Subtotal	<u>728,800</u>	<u>1,659,800</u>	<u>24,786</u>	<u>2,363,814</u>
Other Borrowings				
General Purpose Borrowings	760,208	505,053	100,000	1,165,261
Capital Investment Assets	158,567	635,001	214,862	578,706
Health Facilities	384,000	100,000	88,600	395,400
Other Crowns and Organizations	150,000	100,000	-	250,000
Subtotal	<u>1,452,775</u>	<u>1,340,054</u>	<u>403,462</u>	<u>2,389,367</u>
Total Borrowing Requirements	<u><u>2,181,575</u></u>	<u><u>2,999,854</u></u>	<u><u>428,248</u></u>	<u><u>4,753,181</u></u>

SUMMARY NET DEBT

Changes in Summary Net Debt

(Millions of Dollars)

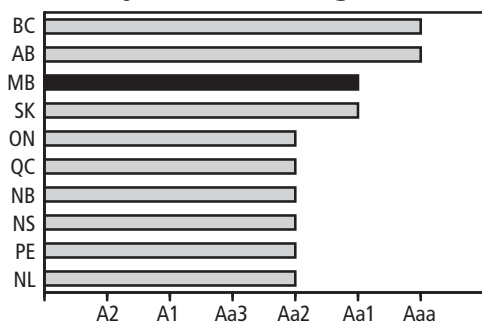
2012/13 Summary Net Debt (Forecast)	16,119
Net Investment in Tangible Capital Assets	
Core Government	481
Other Reporting Entities	636
	1,117
Plus: Projected (Income) Loss for the Year	
Core Government	505
Other Reporting Entities	13
	518
Change in Net Debt	1,635
2013/14 Summary Net Debt (Budget)	17,754

In Budget 2013, the net debt to GDP ratio is forecast to be 28.7%. 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 GREs' 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 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.

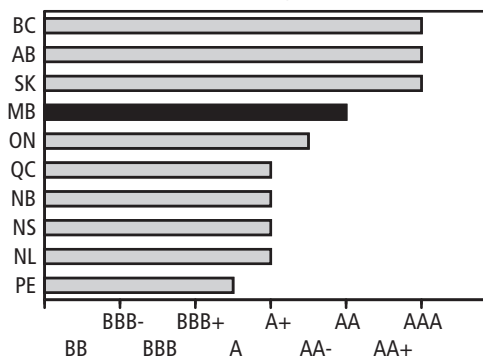
INTERPROVINCIAL COMPARISONS

Moody's Credit Ratings



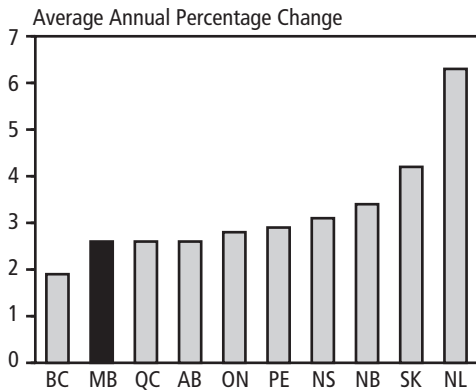
Source: Moody's Investors Service

S&P Credit Ratings



Source: Standard & Poor's Ratings Services

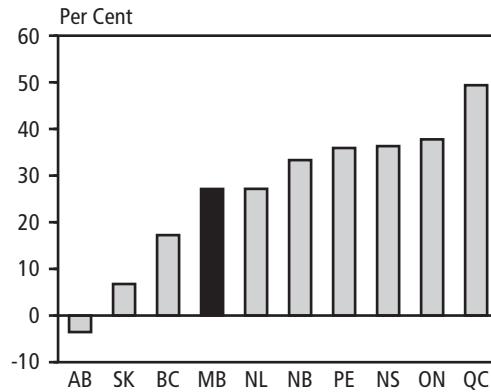
Provincial Expenditure Per Capita Increase, 2007/08 to 2012/13f



f - Forecast

Source: Provincial fiscal documents

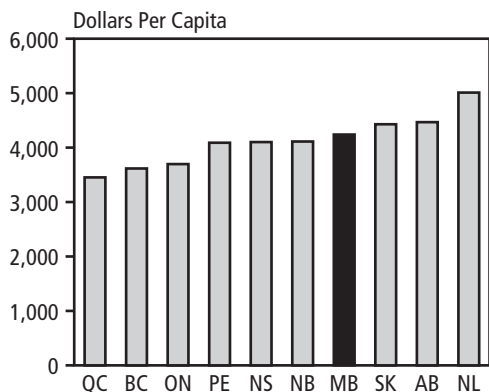
Net Debt to GDP Ratio, 2012/13f



f - Forecast

Source: Provincial fiscal documents

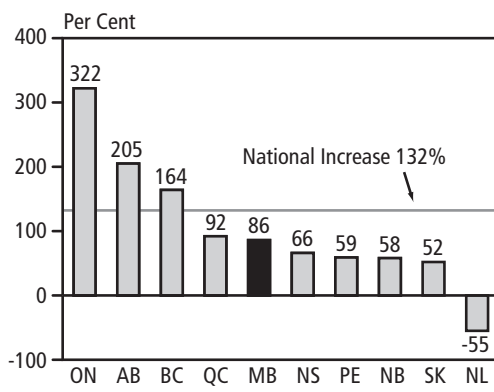
Provincial Government Expenditure on Health, 2011/12f



f - Forecast

Source: Canadian Institute for Health Information

Major Federal Cash Transfers, Change from 1999/00 to 2013/14



Note: Includes Total Transfer Protection, cumulative "Best-of-Guarantee" payments to NS, and Offshore Accords

Source: Finance Canada