

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

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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 \$275 million as at March 31, 2014, after a draw of \$100 million to retire a portion of the borrowings incurred during the period of recovery to support core government programs.

The budgeted draw in 2014/15 of \$55 million is to retire a portion of the borrowings of the core government.

Fiscal Stabilization Account Revenue, Expenditure and Balance

Projection to March 31, 2014

	<u>2014/15 Budget</u>	(Millions of Dollars)	<u>2013/14 Forecast</u>
Balance, Beginning of Year	275		375
Transfers to the Core Government			
Debt Repayment	(55)		(100)
Balance, End of Year	<u>220</u>		<u>275</u>

Pension Asset Fund

The trust conditions of the funds held in the Pension Asset 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 \$3,705 million by the end of the 2014/15 fiscal year.

Pension Asset Fund

Projection as at March 31, 2015 and March 31, 2014

	<u>2014/15 Budget</u>	(Millions of Dollars)	<u>2013/14 Forecast</u>
Balance, Beginning of Year	<u>3,606</u>		<u>3,485</u>
Contributions and Revenue			
Net Investment Earnings	226		258
Departments and Crown Corporations	<u>191</u>		<u>174</u>
	<u>417</u>		<u>432</u>
Transfers			
Teachers' Retirement Allowances Fund (TRAF) and Civil Service Superannuation Fund (CSSF) payments	<u>(318)</u>		<u>(311)</u>
Balance, End of Year	<u><u>3,705</u></u>		<u><u>3,606</u></u>

SUMMARY OF ACCOUNT/FUND ACTIVITY

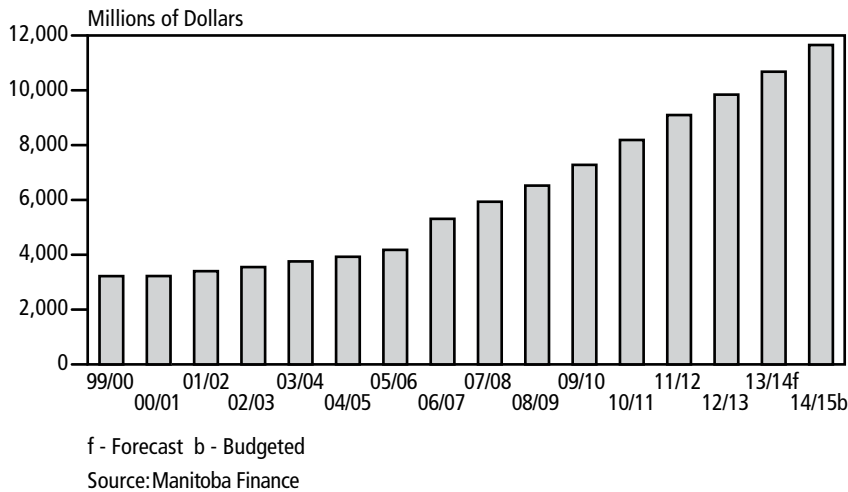
	14/15	13/14	12/13	11/12	10/11	09/10	08/09	07/08	06/07	05/06	04/05	03/04	02/03	01/02	00/01	99/00
	<u>Budget Forecast</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<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	(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	220	275	375	527	682	807	864	818	663	532	486	79	236	247	320	265
Pension Asset Fund																
Transfers from Debt Retirement Account	-	-	-	-	-	10	55	85	85	85	79	75	48	75	21	-
Net Investment Earnings	226	258	295	40	100	160	41	16	67	61	31	38	(6)	2	-	-
Net Current Service Contributions	(127)	(137)	(134)	(130)	(114)	(100)	(80)	(60)	10	8	6	3	2	9	-	-
TRAF/CSSF Funding	-	-	-	240	180	330	350	1,502	-	-	-	-	-	-	-	-
Balance, End of Year	3,705	3,606	3,485	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 \$19.7 billion as at March 31, 2015, with \$8.0 billion of related debt having been retired through accumulated amortization. Core government will have a total of \$8.1 billion in capital asset investments as at March 31, 2015 and \$2.7 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 2014/15 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 \$437 million in 2014/15, an increase of \$24 million from 2013/14. In 2014/15, departmental appropriations include \$225 million for amortization and \$212 million for allocation of interest.

Authority for the annual cost to acquire government-owned assets is reflected as Part B – Capital Investment which totals \$742 million in 2014/15, an increase of \$46 million from 2013/14.

Capital Investment, 2014/15

(Thousands of Dollars)

	2014/15 Budget	2013/14 Budget
General Assets		
Government Services Capital Projects	80,000	112,000
Transportation Equipment and Aircraft	16,310	16,920
Information Technology Projects		
Corporate Information Technology Projects	21,431	21,904
Education and Advanced Learning	100	100
Conservation and Water Stewardship	300	405
Family Services	500	-
Finance	500	500
Health	-	665
Infrastructure and Transportation	100	-
Justice	200	325
Other Equipment and Buildings	17,015	19,427
	<u>136,456</u>	<u>172,246</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	550,510	470,510
Water Related Infrastructure	36,000	37,100
Parks, Cottage and Camping Projects	18,613	15,839
	<u>605,123</u>	<u>523,449</u>
Total Capital Investment	<u><u>741,579</u></u>	<u><u>695,695</u></u>

■ 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 \$751 million included in Budget 2014.

■ LOAN REQUIREMENTS

The Loan Act, 2014 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, 2014/15

(Thousands of Dollars)

The Loan Act, 2014

The Manitoba Hydro-Electric Board	\$1,287,000
Manitoba Liquor and Lotteries Corporation	57,700
Communities Economic Development Fund	9,800
Health Capital Program	290,973
Manitoba Housing and Renewal Corporation	266,199
Manitoba Agricultural Services Corporation	99,116
Manitoba Opportunities Fund	71,167
Manitoba Student Aid Program	35,036
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	24,000
Manitoba Water Services Board	22,195
Post-Secondary Institutions	14,825
Sport Manitoba Inc.	6,000
Business Support	5,383
Diagnostic Services Manitoba	1,993
Leaf Rapids Town Properties Ltd.	500
Manitoba Film Guarantee Program	360
	\$2,192,247

Non-Budgetary Capital Program, 2014/15

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	\$2,237,000
Manitoba Liquor and Lotteries Corporation	182,000
Communities Economic Development Fund	9,000
Health Capital Program	420,924
Manitoba Housing and Renewal Corporation	295,315
Manitoba Agricultural Services Corporation	192,330
Business Support (including Manitoba Industrial Opportunities Program)	62,650
Manitoba Opportunities Fund	58,848
The Manitoba Water Services Board	53,026
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	39,350
Manitoba Student Aid Program	36,512
Post-Secondary Institutions	33,515
Diagnostic Services Manitoba	20,901
Northern Affairs Communities	8,934
Cottage Lots Development	6,971
Special Operating Agencies Financing Authority - Crown Lands and Property Agency	4,500
Miscellaneous Corporations, Agencies and Other Programs	11,480
	<u>\$3,673,256</u>

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements with respect to both general and self-sustaining borrowings is estimated to total \$4.8 billion in 2014/15, of which \$2.4 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$2.4 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, 2014*, will provide incremental capital authority of \$2.2 billion.

Borrowing Requirements 2014/15

(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	900,000	1,500,000	-	2,400,000
Manitoba Liquor and Lotteries Corporation	-	50,000	24,313	25,687
Subtotal	<u>900,000</u>	<u>1,550,000</u>	<u>24,313</u>	<u>2,425,687</u>
Other Borrowings				
General Purpose Borrowings	926,158	324,000	-	1,250,158
Capital Investment Assets	475,856	639,579	221,902	893,533
Health Facilities	-	120,000	119,287	713
Other Crowns and Organizations	95,600	100,000	-	195,600
Subtotal	<u>1,497,614</u>	<u>1,183,579</u>	<u>341,189</u>	<u>2,340,004</u>
Total Borrowing Requirements	<u><u>2,397,614</u></u>	<u><u>2,733,579</u></u>	<u><u>365,502</u></u>	<u><u>4,765,691</u></u>

■ SUMMARY NET DEBT

Changes in Summary Net Debt

(Millions of Dollars)

2013/14 Summary Net Debt (Forecast)	17,288
Net Investment in Tangible Capital Assets	
Core Government	516
Other Reporting Entities	457
	<u>973</u>
Plus: Projected (Income) Loss for the Year	
Core Government	324
Other Reporting Entities	33
	<u>357</u>
Change in Net Debt	<u>1,330</u>
2014/15 Summary Net Debt (Budget)	<u><u>18,618</u></u>

In Budget 2014, the net debt to GDP ratio is forecast to be 29.8%. 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 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.

