

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

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■ INTRODUCTION

This Budget Paper provides supplementary information on Manitoba's special accounts – the Fiscal Stabilization, Debt Retirement and the Pension Assets funds – and on Capital Investment, Loan Requirements, and Borrowing Requirements.

■ SPECIAL ACCOUNTS

Fiscal Stabilization

The fund is projected to have a total balance of \$683 million as at March 31, 2008, after a draw of \$37 million for wait-times reduction and other health-related programming, with no draw required for general requirements. The health programs component balance will be \$144 million, while the general programs component will end 2007/08 with a \$539 million balance.

The budgeted draw in 2008/09 is \$47 million for wait-times reduction and other health-related programming, and \$13 million for general requirements related to ecoTrust funds advanced by Canada in 2007/08. The health programs component balance as at March 31, 2009 is projected to be \$101 million. The general programs component is projected to end 2008/09 with a \$542 million balance.

Fiscal Stabilization Revenue, Expenditure and Balance

Projection as at March 31, 2009 and March 31, 2008

Millions of Dollars

	<u>2008/09</u> <u>Budget</u>	<u>2007/08</u> <u>Forecast</u>
Total Balance, Beginning of Year	<u>683</u>	<u>663</u>
Health Programs		
Balance, Beginning of Year	144	175
Interest Earnings	4	6
Core Government Transfers		
Wait-Times Reduction and Other		
Health-Related Programming	<u>(47)</u>	<u>(37)</u>
Balance, End of Year	<u>101</u>	<u>144</u>
General Programs		
Balance, Beginning of Year	539	488
Interest Earnings	14	23
Core Government Transfers		
General	2	28
ecoTrust	<u>(13)</u>	<u>0</u>
Balance, End of Year	<u>542</u>	<u>539</u>
Total Balance, End of Year	<u><u>643</u></u>	<u><u>683</u></u>

Debt Retirement

In 2008/09, a deposit of \$110 million will be made for debt retirement.

As required by legislation, the fund was collapsed in 2004/05, leaving a nil balance at the beginning of 2005/06. The Allocation Committee has determined that \$85 million of the deposit will be transferred to the Pension Assets Fund, leaving a balance of \$78 million at March 31, 2008.

Interest earnings for 2008/09 are expected to be approximately \$2 million.

In 2008/09 it is anticipated that the allocation will be \$85 million to pension liability.

Debt Retirement

Revenue, Expenditure and Balance

Projection as at March 31, 2009 and March 31, 2008

Millions of Dollars

	<u>2008/09 Budget</u>	<u>2007/08 Forecast</u>
Balance, Beginning of Year	78	51
Revenue		
Core Government Transfer	110	110
Interest	2	2
	<u>112</u>	<u>112</u>
Expenditure		
Transfer to Pension Assets Fund	(85)	(85)
Balance, End of Year	<u><u>105</u></u>	<u><u>78</u></u>

Pension Assets

It is anticipated that \$85 million will be allocated to the Pension Assets Fund for 2008/09. The balance will increase for 2008/09 as a result of the Manitoba Government's commitment to set aside \$500 million to commence funding of the province's unfunded liability for the Civil Service Superannuation Fund (CSSF).

The fund will have net investment earnings of \$26 million in 2007/08. The Budget projects a return of \$170 million in 2008/09.

The fund is expected to have a balance of \$2,925 million by the end of the 2008/09 fiscal year.

Pension Assets

Contributions, Transfers and Balance

Projection as at March 31, 2009 and March 31, 2008

Millions of Dollars

	<u>2008/09 Budget</u>	<u>2007/08 Forecast</u>
Balance, Beginning of Year	2,258	699
Contributions		
New Investment	500	1,502
Debt Retirement Fund	85	85
Net Investment Earnings	170	26
Departments and Crown Corporations	16	13
	<u>771</u>	<u>1,626</u>
Transfers		
TRAF and CSSF payments	(104)	(67)
Balance, End of Year	<u>2,925</u>	<u>2,258</u>

SUMMARY OF ACCOUNT ACTIVITY

	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
	<u>Budget</u>	<u>Forecast</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
	(Millions of Dollars)						
Fiscal Stabilization							
Transfers to Fund	0	0	110	31	405	13	4
Transfers from Fund	(58)	(9)	0	0	0	(171)	(22)
Redemption of Repap Preferred Shares							
Transfer re: Manitoba Telephone System							
Investment Revenue	18	29	21	15	2	1	7
Balance, End of Year	643	683	663	532	486	79	236
Debt Retirement							
Contribution	110	110	110	110	99	96	96
Interest Earnings	2	2	1	0	2	7	3
Transfers to Pension Assets Fund	(85)	(85)	(85)	(85)	(79)	(75)	(48)
Transfer for General Purpose Debt Reduction					(202)		
Balance, End of Year	105	78	51	25	0	180	152
Pension Assets							
Transfers from Debt Retirement Fund	85	85	85	85	79	75	48
Net Investment Earnings	170	26	67	61	31	38	(6)
Net Current Service Contributions	(88)	(54)	10	8	6	3	2
TRAF/CSSF Funding	500	1,502					
Balance, End of Year	2,925	2,258	699	537	383	267	151

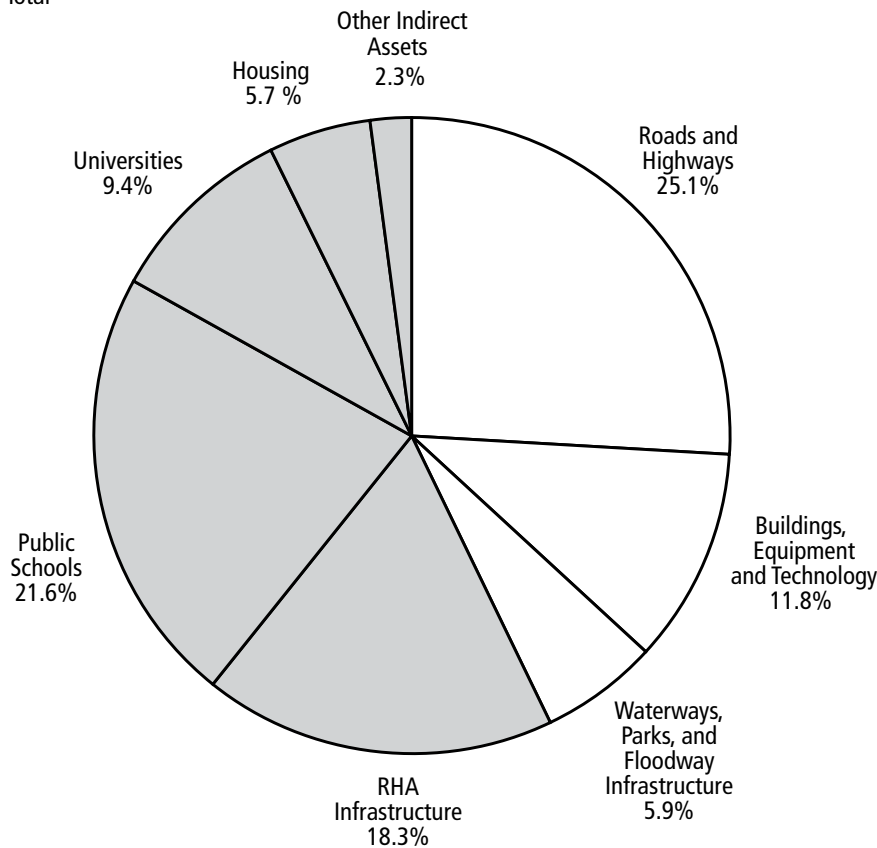
2001/02	2000/01	1999/00	1998/99	1997/98	1996/97	1995/96	
<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	
(Millions of Dollars)							
Fiscal Stabilization							
63	40	11	31	76	91	157	Transfers to Fund
(150)	0	(185)	(186)	(100)	0	0	Transfers from Fund
						20	Redemption of Repap Preferred Shares
					265		Transfer re: Manitoba Telephone System
14	15	12	17	11	11	3	Investment Revenue
247	320	265	427	565	577	210	Balance, End of Year
Debt Retirement							
96	96	75	150	75	0	0	Contribution
5	0	0	4	1			Interest Earnings
(75)	(21)	0	0	0			Transfers to Pension Assets Fund
		(305)					Transfer for General Purpose Debt Reduction
101	75	0	230	76			Balance, End of Year
Pension Assets							
75	21						Transfers from Debt Retirement Fund
2	0						Net Investment Earnings
9	0						Net Current Service Contributions
							TRAF/CSSF Funding
107	21						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. To meet the needs of today’s and future generations it is necessary to invest in renewal of the current assets. 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 \$31 billion.

Replacement Value of Public Assets¹

Per cent of Total



Total Value: \$31.5 billion

Note 1: Excludes municipal assets and assets of government business enterprises such as Manitoba Hydro.

■ Indirect Assets: 57.3%

□ Direct Assets: 42.7%

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 2008/09 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 \$524 million in 2008/09, an increase of \$37 million from 2007/08.

**Capital Grants and Costs Related to Capital Assets,
Core Government 2008/09**

(Thousands of Dollars)

	2008/09	2007/08
	<u>Budget</u>	<u>Budget</u>
Capital Grants	282,304	262,331
Infrastructure Assets	170,747	156,096
General Assets	71,308	69,316
	<u><u>524,359</u></u>	<u><u>487,742</u></u>

Authority for the annual cost to acquire provincially-owned assets is reflected as Part B – Capital Investment which totals \$579 million in 2008/09, a decrease of \$16 million from 2007/08, largely due to reduced activity related to the Manitoba Floodway Expansion; offset by \$15 million for increased investment in provincially-owned buildings and more than \$10 million for increased investment in provincial roads and highways.

Capital Investment, Core Government 2008/09

(Thousands of Dollars)

	<u>2008/09</u> <u>Budget</u>	<u>2007/08</u> <u>Budget</u>
General Assets		
Government Services Capital Projects.....	88,000	73,098
Transportation Equipment and Other Capital.....	23,719	14,463
Information Technology Projects	23,719	14,463
Corporate Information Technology Projects	13,969	12,676
Competitiveness, Training and Trade	1,030	2,421
Family Services and Housing.....	900	2,708
Health and Healthy Living.....	1,500	100
Infrastructure and Transportation.....	392	905
Justice	1,364	3,608
Other Projects	650	1,258
Other Equipment and Buildings	4,553	10,733
	<u>136,077</u>	<u>121,969</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure.....	249,883	239,655
Manitoba Floodway Expansion	172,009	213,792
Water Control Infrastructure	11,400	10,183
Parks, Cottage and Camping Projects.....	9,711	9,711
	<u>443,003</u>	<u>473,340</u>
Total Capital Investment	<u><u>579,080</u></u>	<u><u>595,309</u></u>

■ LOAN REQUIREMENTS

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2008/09

(Thousands of Dollars)

The Loan Act, 2008

The Manitoba Hydro-Electric Board	786,000
Manitoba Agricultural Services Corporation.....	132,949
Health Capital Program.....	118,109
Manitoba Opportunities Fund.....	104,719
Manitoba Housing and Renewal Corporation	62,647
Post-Secondary Institutions.....	53,200
The Manitoba Lotteries Corporation	46,750
Special Operating Agencies Financing Authority – Fleet Vehicles Agency.....	18,900
The Manitoba Water Services Board.....	13,048
Manitoba Student Aid Program.....	10,110
Rural Economic Development Initiatives	5,844
Communities Economic Development Fund.....	5,150
Special Operating Agencies Financing Authority – The Property Registry.....	4,000
Travel Manitoba	1,500
Diagnostic Services Manitoba	1,189
Special Operating Agencies Financing Authority – Pineland Nursery	1,137
Leaf Rapids Town Properties Inc.	1,000
Special Operating Agencies Financing Authority – Companies Office	450
Manitoba Film Guarantee Program.....	197
	1,366,899

Non-Budgetary Capital Programs 2008/09

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	1,056,000
Health Capital Program.....	249,181
Manitoba Agricultural Services Corporation.....	138,400
Manitoba Housing and Renewal Corporation	98,628
The Manitoba Lotteries Corporation	96,400
Manitoba Opportunities Fund.....	75,000
Post-Secondary Institutions.....	70,289
Business Support.....	34,320
Manitoba Student Aid Program.....	31,828
The Manitoba Water Services Board.....	31,416
Special Operating Agencies Financing Authority – Fleet Vehicles Agency.....	25,737
Diagnostic Services Manitoba	18,367
Communities Economic Development Fund.....	8,500
Rural Economic Development Initiatives	4,200
Miscellaneous Corporations, Agencies and Other Programs	13,666
	1,951,932

■ PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

Borrowing Requirements

Manitoba's long term borrowing requirements with respect to both general and self-sustaining borrowings is estimated to total \$2.8 billion in 2008/09, of which \$1.5 billion is required for refinancing purposes. New cash requirements of \$1.4 billion are required for capital investments including the Manitoba Floodway Expansion, Manitoba Hydro and for the initial funding of the unfunded pension liability for the Civil Service Superannuation Plan. *The Loan Act, 2008* provides incremental capital authority of \$1.4 billion.

Borrowing Requirements, 2008/09

(Thousands of Dollars)

	<u>Refinancing</u>	<u>New Cash Requirements</u>	<u>Estimated Repayments</u>	<u>Borrowing Requirements</u>
Government Business Enterprises				
Manitoba Hydro	606,746	600,000	-	1,206,746
Manitoba Lotteries	-	27,000	-	27,000
Subtotal	<u>606,746</u>	<u>627,000</u>	<u>-</u>	<u>1,233,746</u>
Other Borrowings				
General Purpose Borrowings	785,586	-	-	785,586
Capital Investments General Assets	96,580	-	-	96,580
Capital Investments Infrastructure Assets	-	334,600	-	334,600
Civil Service Superannuation Plan	-	250,000	-	250,000
Health Facilities	2,000	97,000	61,500	37,500
Business Start Programs	-	30,000	-	30,000
Other Crowns and Organizations	-	15,000	-	15,000
Subtotal	<u>884,166</u>	<u>726,600</u>	<u>61,500</u>	<u>1,549,266</u>
Total Borrowing Requirements	<u><u>1,490,912</u></u>	<u><u>1,353,600</u></u>	<u><u>61,500</u></u>	<u><u>2,783,012</u></u>

■ PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

The table below provides information on total provincial borrowings, guarantees and obligations that are forecast to be outstanding at the end of the 2007/08 fiscal year compared to the 2006/07 fiscal year.

The total of outstanding borrowings, guarantees and obligations reflects the Province's gross borrowing obligations, but as it does not take into consideration financial assets available to pay down those obligations, it does not represent net debt. According to the Canadian Institute of Chartered Accountants and their public sector arm, the Public Sector Accounting Standards Board, net debt is promoted as the national standard of a government's financial position. Net debt represents the difference between total liabilities and financial assets. Summary Net Debt to GDP continues to decline. It should also be noted that the total of outstanding provincial borrowings fluctuates during the fiscal year as a result of the timing of borrowing activities of the Province.

Provincial Borrowings, Guarantees and Obligations

	Forecast 2007/08		Actual 2006/07	
	\$ millions	\$ Per Capita ¹	\$ millions	\$ Per Capita ¹
Gross Borrowings	21,507	18,019	19,548	16,587
Guarantees and Obligations	680	570	1,407	1,194
Less: Sinking Fund and Debt Retirement Fund Investments	(4,203)	(3,521)	(4,787)	(4,062)
Total Outstanding Provincial Borrowings, Guarantees and Obligations	<u>17,984</u>	<u>15,067</u>	<u>16,168</u>	<u>13,719</u>

Outstanding borrowings, guarantees and obligations are for the following purposes:

	\$ millions	\$ Per Capita ¹	\$ millions	\$ Per Capita ¹
General Government Programs	6,376	5,342	6,564	5,570
Manitoba Hydro	6,810	5,705	6,636	5,631
Other Crown Organizations	1,261	1,056	1,279	1,085
Health Facilities	866	726	790	670
Government Enterprises and Other ²	91	76	150	127
Capital Investments	<u>1,080</u>	<u>905</u>	<u>749</u>	<u>636</u>
Subtotal	16,484	13,810	16,168	13,719
General Government Programs – Pensions ³	<u>1,500</u>	<u>1,257</u>	-	-
Total Outstanding Provincial Borrowings, Guarantees and Obligations ⁴	<u>17,984</u>	<u>15,067</u>	<u>16,168</u>	<u>13,719</u>

¹ Per Capita data is based upon population figures at January 1, 2008 for 2007/08, and at July 1, 2006 for 2006/07 as reported by Statistics Canada.

² Includes amounts owed to the federal government and long term loans payable to government enterprises.

³ In 2007/08, the Government made a contribution of \$1.5 billion to the Teachers' Retirement Allowances Fund (TRAF). This contribution reduced the Government's net pension liability for TRAF from \$2,164 million to \$651 million.

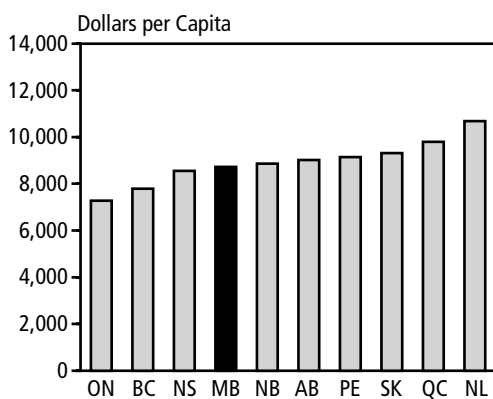
⁴ The increase is primarily due to the funding of the Province's contribution to its liability for TRAF, capital investments and health facilities borrowings. Manitoba Hydro's capital program borrowings were partially offset by the impact of a stronger Canadian dollar and its sinking fund contribution.

■ INTERPROVINCIAL COMPARISONS

FMS Total Expenditure

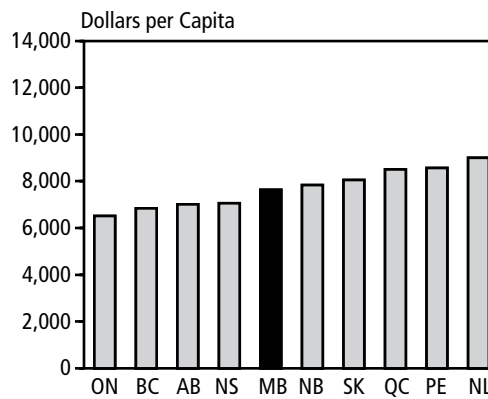
Statistics Canada prepares reports of government financial data using a standardized definition of government designed to facilitate comparability between jurisdictions, known as Financial Management Statistics (FMS). The FMS estimates of total expenditure are shown below.

2006/07



Source: Statistics Canada

2003/04

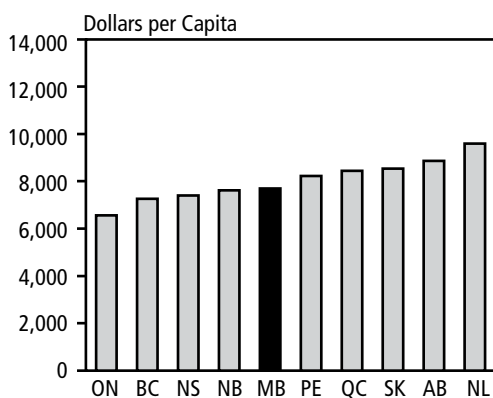


Source: Statistics Canada

FMS Program Expenditure

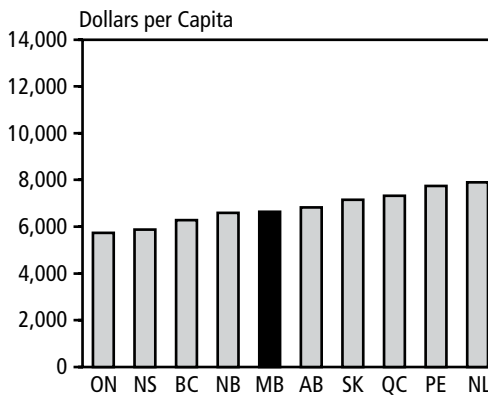
Statistics Canada's FMS data on program expenditure is defined as government spending excluding debt costs, primarily interest on the public debt. (Total expenditure minus debt costs equals program expenditure).

2006/07



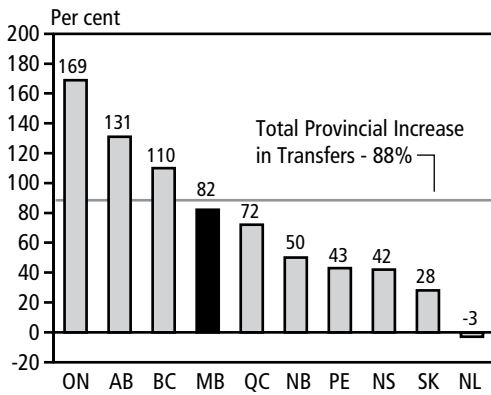
Source: Statistics Canada

2003/04



Source: Statistics Canada

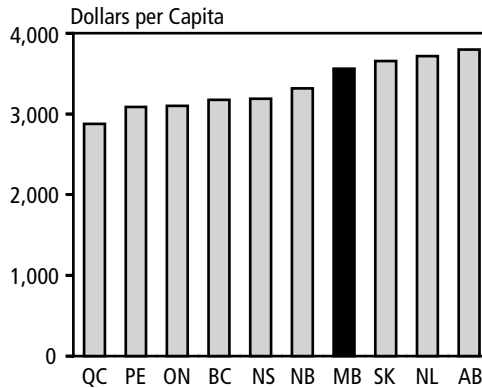
Major Federal Cash Transfers Change from 1999/2000 to 2008/09



Note: This presentation includes Offshore Accord payments to NL and NS

Source: Finance Canada

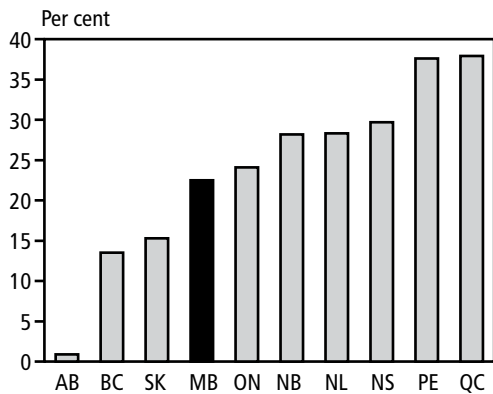
Provincial Health Expenditure by Province, 2007/08f



f - Forecast

Source: Canadian Institute for Health Information

Net Tax Supported Debt to GDP Ratio by Province, 2007



Source: Standard and Poor's