

Budget Paper B

**SUPPLEMENTARY
FINANCIAL INFORMATION**

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■ SPECIAL ACCOUNTS

Fiscal Stabilization Account

The Fiscal Stabilization Account (FSA) is projected to have a balance of \$525 million as at March 31, 2012, after a draw of \$25 million for wait-time reduction and other health-related programming, \$8 million related to ecoTrust and \$124 million to retire a portion of the borrowings and incremental interest costs incurred during the period of recovery to support core government programs.

The budgeted draw in 2012/13 includes \$8 million for health-related programming and \$4 million for ecoTrust projects, funds prepaid by Canada in previous years, and \$184 million to retire a portion of the borrowings (\$140 million) and incremental interest costs (\$44 million) for core government in 2012/13.

Fiscal Stabilization Account Revenue, Expenditure and Balance

Projection as at March 31, 2013 and March 31, 2012

| | <u>2012/13</u> <u>Budget</u> | (Millions of Dollars) | <u>2011/12</u> <u>Forecast</u> |
|---|---------------------------------|-----------------------|-----------------------------------|
| Total Account Balance, Beginning of Year | <u>525</u> | | <u>682</u> |
| Health Programs | | | |
| Balance, Beginning of Year | 8 | | 33 |
| Transfers to the Core Government | | | |
| Wait-Time Reduction Programming and | | | |
| Other Health-Related Programming | <u>(8)</u> | | <u>(25)</u> |
| Balance, End of Year | <u>-</u> | | <u>8</u> |
| General Programs | | | |
| Balance, Beginning of Year | 517 | | 649 |
| Transfers to the Core Government | | | |
| Debt Repayment and Incremental Debt Servicing Costs | (184) | | (124) |
| ecoTrust | <u>(4)</u> | | <u>(8)</u> |
| Balance, End of Year | <u>329</u> | | <u>517</u> |
| Total Account Balance, End of Year | <u><u>329</u></u> | | <u><u>525</u></u> |

Debt Retirement Account

In 2010/11 the entire balance of \$145 million of the Debt Retirement Account was utilized to repay general purpose debt as part of Manitoba's five-year plan.

Pension Assets Fund

The province changed the trust conditions of the funds held in the Pension Asset 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 increased as a result of the government's new investment of \$240 million in 2011/12 to continue addressing the province's unfunded liability for the Civil Service Superannuation Fund. Since 2000, the government has provided \$4.0 billion to address the province's unfunded pension liabilities.

The Fund is expected to have a balance of \$3,485 million by the end of the 2012/13 fiscal year.

Pension Assets Fund

Projection as at March 31, 2013 and March 31, 2012

| | <u>2012/13 Budget</u> | (Millions of Dollars) | <u>2011/12 Forecast</u> |
|------------------------------------|---------------------------|-----------------------|-----------------------------|
| Balance, Beginning of Year | <u>3,383</u> | | <u>3,174</u> |
| Contributions and Revenue | | | |
| New Investment | - | | 240 |
| Net Investment Earnings | 212 | | 84 |
| Departments and Crown Corporations | 149 | | 139 |
| | <u>361</u> | | <u>463</u> |
| Transfers | | | |
| TRAF and CSSF Payments | (259) | | (254) |
| Balance, End of Year | <u><u>3,485</u></u> | | <u><u>3,383</u></u> |

SUMMARY OF ACCOUNT/FUND ACTIVITY

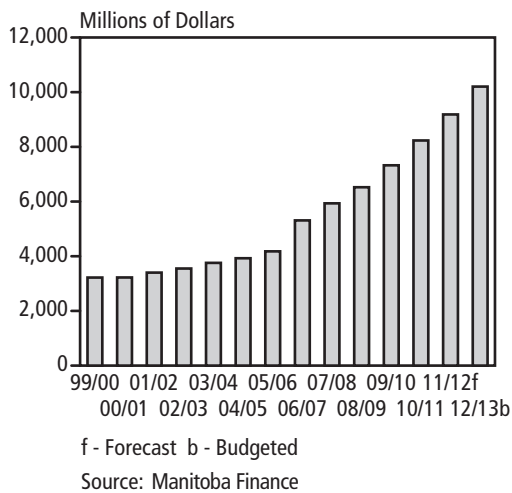
| | 12/13 | 11/12 | 10/11 | 09/10 | 08/09 | 07/08 | 06/07 | 05/06 | 04/05 | 03/04 | 02/03 | 01/02 | 00/01 | 99/00 |
|--|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Budget Forecast | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| (Millions of Dollars) | | | | | | | | | | | | | | |
| Fiscal Stabilization Account | | | | | | | | | | | | | | |
| Transfers to Account | - | - | - | - | 30 | 128 | 110 | 31 | 405 | 13 | 4 | 63 | 40 | 11 |
| Transfers from Account | (196) | (157) | (125) | (57) | - | - | - | - | - | (171) | (22) | (150) | - | (185) |
| Investment Revenue | - | - | - | - | 16 | 27 | 21 | 15 | 2 | 1 | 7 | 14 | 15 | 12 |
| Balance, End of Year | 329 | 525 | 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 | 1 | 2 | 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 | 212 | 84 | 100 | 160 | 41 | 16 | 67 | 61 | 31 | 38 | (6) | 2 | - | - |
| Net Current Service Contributions | (110) | (115) | (114) | (100) | (80) | (60) | 10 | 8 | 6 | 3 | 2 | 9 | - | - |
| TRAF/CSSF Funding | - | 240 | 180 | 330 | 350 | 1,502 | | | | | | | | |
| Balance, End of Year | 3,485 | 3,383 | 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 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 almost tripled since 1999/2000 and is a major asset of the province in providing services to Manitobans into the future.

The investment in tangible capital assets is projected to be \$17.2 billion as of March 31, 2013, with \$7.0 billion of related debt having been retired through accumulated amortization. Core government will have a total of \$7.2 billion in capital asset investments as of March 31, 2013 and \$2.4 billion of related debt will have been retired through accumulated amortization.

Tangible Capital Assets – Net Book Value



■ 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 2012/13 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 \$382 million in 2012/13, an increase of \$63 million from 2011/12. In 2012/13, departmental appropriations include \$196 million for amortization and \$186 million for allocation of interest.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$751 million in 2012/13, a decrease of \$57 million from 2011/12.

Capital Investment, 2012/13

(Thousands of Dollars)

| | <u>2012/13</u> <u>Budget</u> | <u>2011/12</u> <u>Budget*</u> |
|---|---------------------------------|----------------------------------|
| General Assets | | |
| Government Services Capital Projects | 128,346 | 147,336 |
| Transportation Equipment and Aircraft | 42,164 | 76,403 |
| Information Technology Projects | | |
| Corporate Information Technology Projects | 21,558 | 23,297 |
| Advanced Education and Literacy | 500 | 1,132 |
| Entrepreneurship, Training and Trade | - | 2,829 |
| Family Services and Labour | - | 360 |
| Finance | 500 | - |
| Health | 928 | 175 |
| Justice | 413 | 300 |
| Other Equipment and Buildings | 51,056 | 14,178 |
| | <u>245,465</u> | <u>266,010</u> |
| Infrastructure Assets | | |
| Provincial Roads, Highways and Airport Infrastructure | 432,045 | 426,133 |
| Water Related Infrastructure | 47,800 | 99,150 |
| Parks, Cottage and Camping Projects | 25,600 | 16,757 |
| | <u>505,445</u> | <u>542,040</u> |
| Total Capital Investment | <u>750,910</u> | <u>808,050</u> |

*The 2011/12 Budget has been restated to be consistent with the 2012/13 Budget presentation.

■ LOAN REQUIREMENTS

The Loan Act 2012 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, 2012/13

(Thousands of Dollars)

The Loan Act, 2012

| | |
|---|-------------|
| The Manitoba Hydro-Electric Board..... | \$1,490,000 |
| Manitoba Agricultural Services Corporation | 225,526 |
| The Manitoba Lotteries Corporation..... | 177,800 |
| Manitoba Housing and Renewal Corporation | 167,069 |
| Health Capital Program | 125,000 |
| Post-Secondary Institutions | 86,005 |
| Manitoba Opportunities Fund Ltd. | 38,726 |
| Business Support..... | 28,524 |
| Manitoba Student Aid Program | 19,098 |
| Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency | 19,000 |
| The Manitoba Water Services Board..... | 17,590 |
| Diagnostic Services Manitoba..... | 10,012 |
| Northern Affairs Communities..... | 9,659 |
| Cottage Lots Development | 6,971 |
| Communities Economic Development Fund | 6,800 |
| Special Operating Agencies Financing Authority - The Property Registry | 3,600 |
| Co-operative Loans and Loan Guarantee Board..... | 1,500 |
| Special Operating Agencies Financing Authority - Pineland Forest Nursery..... | 156 |
| Manitoba Film Guarantee Program | 29 |
| | \$2,433,065 |

Non-Budgetary Capital Program, 2012/13

(Thousands of Dollars)

| | |
|---|--------------------|
| The Manitoba Hydro-Electric Board..... | \$1,312,000 |
| Manitoba Housing and Renewal Corporation | 477,026 |
| The Manitoba Lotteries Corporation..... | 241,200 |
| Manitoba Agricultural Services Corporation | 226,450 |
| Health Capital Program | 197,609 |
| Post-Secondary Institutions | 193,264 |
| Manitoba Opportunities Fund Ltd. | 58,848 |
| Business Support (including Manitoba Industrial Opportunities Program) | 47,400 |
| Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency | 37,086 |
| Manitoba Student Aid Program..... | 36,820 |
| The Manitoba Water Services Board..... | 33,829 |
| Diagnostic Services Manitoba..... | 26,142 |
| Northern Affairs Communities..... | 20,293 |
| Miscellaneous Corporations, Agencies and Other Programs | 25,105 |
| | <u>\$2,933,072</u> |

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements in respect of both general and self-sustaining borrowings are estimated to total \$3.7 billion in 2012/13, of which \$2 billion is required for refinancing purposes. New cash requirements, net of estimated repayments, are \$1.7 billion, which includes requirements for general government purposes, capital investments by departments and Manitoba Hydro. Estimated repayments are for general purpose borrowings, capital investment assets and health facilities. *The Loan Act, 2012*, provides incremental capital authority of \$2.4 billion.

Borrowing Requirements 2012/13

(Thousands of Dollars)

| | <u>Refinancing</u> | <u>New Cash Requirements</u> | <u>Estimated Repayments</u> | <u>Borrowing Requirements</u> |
|--|--------------------|------------------------------|-----------------------------|-------------------------------|
| Government Business Enterprises | | | | |
| Manitoba Hydro | 557,000 | 947,000 | - | 1,504,000 |
| Manitoba Lotteries Corporation | - | 75,000 | 7,000 | 68,000 |
| Subtotal | <u>557,000</u> | <u>1,022,000</u> | <u>7,000</u> | <u>1,572,000</u> |
| Other Borrowings | | | | |
| General Purpose Borrowings | 534,037 | 448,000 | 521,000 | 461,037 |
| Capital Investment Assets | 583,224 | 750,910 | 195,773 | 1,138,361 |
| Health Facilities | - | 180,000 | 88,499 | 91,501 |
| Post-Secondary Institutions | - | 60,000 | - | 60,000 |
| Other Crowns and Organizations | 273,373 | 75,000 | - | 348,373 |
| Subtotal | <u>1,390,634</u> | <u>1,513,910</u> | <u>805,272</u> | <u>2,099,272</u> |
| Total Borrowing Requirements | <u>1,947,634</u> | <u>2,535,910</u> | <u>812,272</u> | <u>3,671,272</u> |

■ SUMMARY NET DEBT

Changes in Summary Net Debt

(Millions of Dollars)

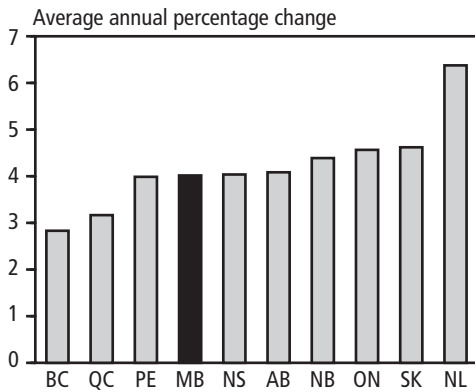
| | |
|---|----------------------|
| 2011/12 Summary Net Debt (Forecast) | 14,844 |
| Net Investment in Tangible Capital Assets | |
| Core Government | 555 |
| Other Reporting Entities | 464 |
| | <u>1,019</u> |
| Plus: Projected (Income) Loss for the Year | |
| Core Government | 448 |
| Other Reporting Entities | 12 |
| | <u>460</u> |
| Change in Net Debt | <u>1,479</u> |
| 2012/13 Summary Net Debt (Budget) | <u><u>16,323</u></u> |

In Budget 2012, the net debt to GDP ratio is forecast to be 27.4%. 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

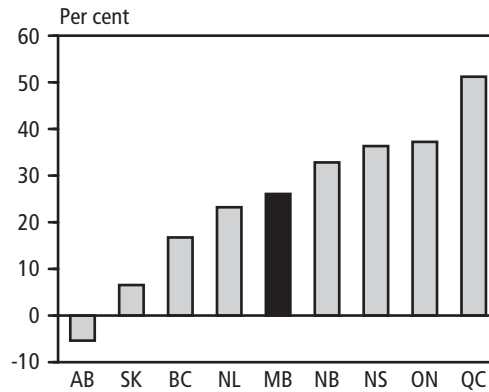
Provincial Expenditure Per Capita Increase, 2006/07 to 2011/12f



f - Forecast

Source: Provincial fiscal documents

Net Debt to GDP Ratio by Province, 2011/12f

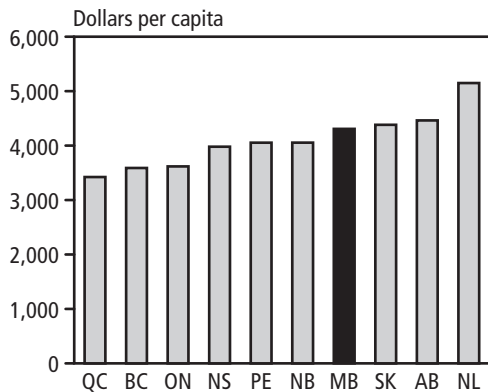


f - Forecast

Note: No projection from PE

Source: Provincial fiscal documents

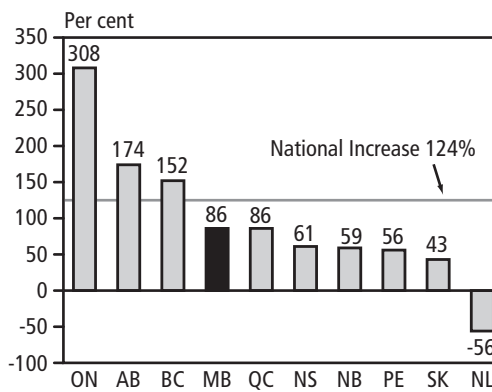
Provincial Government Expenditure on Health, 2010/11f



f - Forecast

Source: Canadian Institute for Health Information

Major Federal Cash Transfers, Change from 1999/00 to 2012/13



Note: Includes Offshore Accord, Total Transfer Protection and cumulative best-of payments

Source: Finance Canada