

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 \$804 million at March 31, 2010, after a draw of \$47 million for wait-time reduction and other health-related programming and \$13 million related to ecoTrust funded projects.

The budgeted draw in 2010/11 includes \$25 million for wait-time reduction programming and \$8 million for ecoTrust projects, funds prepaid by Canada in previous years. As part of Manitoba's five-year plan, beginning in 2010/11, the FSA will be utilized to retire a portion of the borrowings and incremental interest costs incurred during the period of recovery to support core government programs. The 2010/11 draw for this purpose is \$96 million.

Fiscal Stabilization Account Revenue, Expenditure and Balance

Projection as at March 31, 2011 and March 31, 2010

Millions of Dollars

	<u>2010/11</u> <u>Budget</u>	<u>2009/10</u> <u>Forecast</u>
Total Account Balance, Beginning of Year	<u>804</u>	<u>864</u>
Health Programs		
Balance, Beginning of Year	57	104
Core Government Transfers		
Wait-Time Reduction Programming and		
Other Health Related Programming	<u>(25)</u>	<u>(47)</u>
Balance, End of Year	<u>32</u>	<u>57</u>
General Programs		
Balance, Beginning of Year	747	760
Core Government Transfers		
ecoTrust	(8)	(13)
Debt Repayment and Incremental Debt Servicing Costs	<u>(96)</u>	<u>-</u>
Balance, End of Year	<u>643</u>	<u>747</u>
Total Account Balance, End of Year	<u><u>675</u></u>	<u><u>804</u></u>

Debt Retirement Account

The Debt Retirement Account will be collapsed in 2010/11 with the entire balance of \$145 million being utilized as part of Manitoba's five-year plan to repay general purpose debt.

Debt Retirement Account Revenue, Expenditure and Balance

Projection as at March 31, 2011 and March 31, 2010

Millions of Dollars

	<u>2010/11 Budget</u>	<u>2009/10 Forecast</u>
Account Balance, Beginning of Year	145	134
Revenue		
Core Government Transfer	-	20
Interest	-	1
	<u>-</u>	<u>21</u>
Expenditure		
Transfer to Pension Assets Fund	-	(10)
Transfer for General Purpose Debt Reduction	(145)	-
	<u>(145)</u>	<u>(10)</u>
Account Balance, End of Year	<u>-</u>	<u>145</u>

Pension Assets Fund

The Government continues its commitment to fund the Province's unfunded pension liabilities. As part of this commitment, the Province 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 increase as a result of the Government's plan to set aside \$180 million in 2010/11 in order to continue addressing the Province's unfunded liability for the Civil Service Superannuation Fund.

The Fund is expected to have a balance of \$3,150 million by the end of the 2010/11 fiscal year.

Pension Assets Fund

Projection as at March 31, 2011 and March 31, 2010

Millions of Dollars

	<u>2010/11 Budget</u>	<u>2009/10 Forecast</u>
Balance, Beginning of Year	<u>2,949</u>	<u>2,608</u>
Contributions and Revenue		
New Investment	180	330
Debt Retirement Fund	-	10
Net Investment Earnings	115	95
Departments and Crown Corporations	142	136
	<u>437</u>	<u>571</u>
Transfers		
TRAF and CSSF payments	(236)	(230)
Balance, End of Year	<u><u>3,150</u></u>	<u><u>2,949</u></u>

SUMMARY OF ACCOUNT/FUND ACTIVITY

	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05	2003/04
	<u>Budget</u>	<u>Forecast</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
Transfers from Account	(129)	(60)	-	-	-	-	-	(171)
Redemption of Repap Preferred Shares								
Transfer re: Manitoba Telephone System								
Investment Revenue	-	-	16	27	21	15	2	1
Balance, End of Year	675	804	864	818	663	532	486	79
Debt Retirement Account								
Contribution	-	20	110	110	110	110	99	96
Interest Earnings	-	1	1	2	1	-	2	7
Transfers to Pension Assets Fund	-	(10)	(55)	(85)	(85)	(85)	(79)	(75)
Transfers for General Purpose Debt Reduction	(145)						(202)	
Balance, End of Year	-	145	134	78	51	25	-	180
Pension Assets Fund								
Transfers from Debt Retirement Account	-	10	55	85	85	85	79	75
Net Investment Earnings	115	95	41	16	67	61	31	38
Net Current Service Contributions	(94)	(94)	(80)	(60)	10	8	6	3
TRAF and CSSF Funding	180	330	350	1,502				
Balance, End of Year	3,150	2,949	2,608	2,242	699	537	383	267

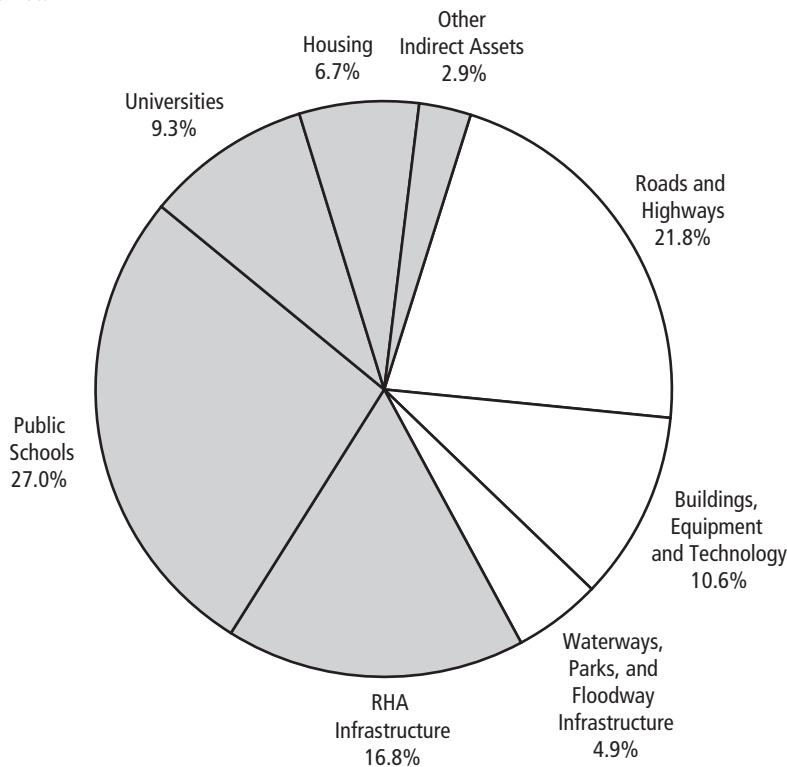
2002/03 Actual	2001/02 Actual	2000/01 Actual	1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual	1995/96 Actual	
(Millions of Dollars)								
								Fiscal Stabilization Account
4	63	40	11	31	76	91	157	Transfers to Account
(22)	(150)	-	(185)	(186)	(100)	-	-	Transfers from Account
							20	Redemption of Repap Preferred Shares
						265		Transfer re: Manitoba Telephone System
7	14	15	12	17	11	11	3	Investment Revenue
236	247	320	265	427	565	577	210	Balance, End of Year
								Debt Retirement Account
96	96	96	75	150	75	-	-	Contribution
3	5	-	-	4	1			Interest Earnings
(48)	(75)	(21)	-	-	-			Transfers to Pension Assets Fund
			(305)					Transfers for General Purpose Debt Reduction
152	101	75	-	230	76			Balance, End of Year
								Pension Assets Fund
48	75	21						Transfers from Debt Retirement Account
(6)	2	-						Net Investment Earnings
2	9	-						Net Current Service Contributions
								TRAF and CSSF Funding
151	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, as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable. It is estimated that the insured or replacement value of these investments exceeds \$36 billion.

Replacement Value of Public Assets¹

Per cent of Total



Total Value: \$36 billion

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

■ Indirect Assets: 62.7%

□ Direct Assets: 37.3%

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 2010/11 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 \$280 million in 2010/11, an increase of \$28 million from 2009/10. In 2010/11, departmental appropriations include \$155 million for amortization and \$125 million for allocation of interest.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$797 million in 2010/11, an increase of \$43 million from 2009/10, largely due to \$62 million for increased investment in provincially owned buildings and aircraft.

Capital Investment, 2010/11

(Thousands of Dollars)

	2010/11 Budget	2009/10 Budget*
General Assets		
Government Services Capital Projects	160,482	125,000
Transportation Equipment and Aircraft	58,814	32,037
Information Technology Projects		
Corporate Information Technology Projects	11,311	14,978
Advanced Education and Literacy.....	6,162	3,600
Entrepreneurship, Training and Trade.....	3,146	789
Family Services and Consumer Affairs.....	613	855
Health.....	527	3,241
Justice.....	1,422	1,205
Other Projects	-	262
Other Equipment and Buildings.....	6,722	4,847
	<u>249,199</u>	<u>186,814</u>
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	367,075	366,725
Manitoba Floodway Expansion	153,565	172,846
Water Control Infrastructure.....	10,600	10,600
Parks, Cottage and Camping Projects.....	16,757	16,757
	<u>547,997</u>	<u>566,928</u>
Total Capital Investment	<u>797,196</u>	<u>753,742</u>

*The 2009/10 Budget has been restated to be consistent with the 2010/11 Budget presentation.

■ LOAN REQUIREMENTS

The Loan Act 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, 2010/11

(Thousands of Dollars)

The Loan Act, 2010

The Manitoba Hydro-Electric Board.....	\$815,000
Health Capital Program	273,459
Post-Secondary Institutions	174,050
Manitoba Housing and Renewal Corporation	143,796
Manitoba Agricultural Services Corporation	89,957
The Manitoba Water Services Board.....	29,904
The Manitoba Lotteries Corporation.....	14,300
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	13,000
Manitoba Student Aid Program	10,347
Northern Affairs Communities.....	8,900
Communities Economic Development Fund	6,800
Diagnostic Services Manitoba.....	5,096
Special Operating Agencies Financing Authority - Industrial Technology Centre	1,160
Rural Entrepreneur Assistance Program	817
Special Operating Agencies Financing Authority - Vital Statistics.....	547
Special Operating Agencies Financing Authority - Pineland Forest Nursery.....	435
Manitoba Film Guarantee Program	200
	\$1,587,768

Non-Budgetary Programs, 2010/11

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	\$1,345,000
Health Capital Program	293,104
Manitoba Housing and Renewal Corporation	267,904
Post-Secondary Institutions	181,293
Manitoba Agricultural Services Corporation	112,025
The Manitoba Lotteries Corporation.....	71,600
Manitoba Opportunities Fund	60,000
The Manitoba Water Services Board.....	55,800
Business Support (including Manitoba Industrial Opportunities Program)	45,600
Special Operating Agencies Financing Authority - Vehicles and Equipment Management Agency	37,256
Diagnostic Services Manitoba.....	30,750
Manitoba Student Aid Program.....	28,291
Northern Affairs Communities.....	10,500
Communities Economic Development Fund	9,000
Rural Entrepreneur Assistance Program	4,320
Miscellaneous Corporations, Agencies and Other Programs	18,458
	<u>\$2,570,901</u>

■ BORROWING REQUIREMENTS

Manitoba's borrowing requirements in respect of both general and self-sustaining borrowings is estimated to total \$3.4 billion in 2010/11, of which \$1.3 billion is required for refinancing purposes. New cash requirements of \$2.4 billion are required for general Government purposes, capital investments by departments, Manitoba Hydro and for the funding of the unfunded pension liability for the Civil Service Superannuation Plan. Estimated repayments are primarily for general purpose borrowings. *The Loan Act, 2010*, provides incremental capital authority of \$1.6 billion.

Borrowing Requirements 2010/11

(Thousands of Dollars)

	<u>Refinancing</u>	<u>New Cash Requirements</u>	<u>Estimated Repayments</u>	<u>Borrowing Requirements</u>
Government Business Enterprises				
Manitoba Hydro	390,800	816,000	-	1,206,800
Manitoba Lotteries	-	50,000	-	50,000
Subtotal	<u>390,800</u>	<u>866,000</u>	<u>-</u>	<u>1,256,800</u>
Other Borrowings				
General Purpose Borrowings	862,635	537,000	268,000	1,131,635
Capital Investment General Assets		97,400	-	97,400
Capital Investment Infrastructure Assets	33,958	626,600	-	660,558
Civil Service Superannuation Plan	-	180,000	-	180,000
Health Facilities	-	100,000	70,470	29,530
Other Crowns and Organizations	-	50,000	-	50,000
Subtotal	<u>896,593</u>	<u>1,591,000</u>	<u>338,470</u>	<u>2,149,123</u>
Total Borrowing Requirements	<u><u>1,287,393</u></u>	<u><u>2,457,000</u></u>	<u><u>338,470</u></u>	<u><u>3,405,923</u></u>

■ SUMMARY NET DEBT

Change in Summary Net Debt

(Millions of Dollars)

2009/10 Summary Net Debt (forecast)	12,253
Net Investment in Tangible Capital Assets	
Core Government	642
Other Reporting Entities	555
	<u>1,197</u>
Plus: Net projected loss for the year	
Core Government	498
Other Reporting Entities	47
	<u>545</u>
Change in Net Debt	<u>1,742</u>
2010/11 Summary Net Debt (Budget)	<u>13,995</u>

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 – like the Red River Floodway, highway infrastructure and economic stimulus investments – 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.

Net financial assets and summary net debt as a percentage of GDP include the projected impact of changes in Other Comprehensive Income (OCI). OCI is unrealized gains and losses due to the change in fair market value of financial instruments held by certain entities or on changes in the exchange rate of debt in a foreign currency.

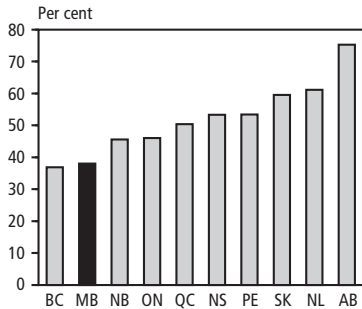
Changes in OCI are based upon "mark-to-market" variances at year end and therefore, are a one-day snapshot of a change in value when compared to the same day in the previous year. While changes in OCI can have a significant impact on the net debt to GDP ratio, there is no impact on net income because OCI is an unrealized gain or loss and only reflects a change to the book value at the end of the year.

* Financial assets are liquid assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Fiscal Year	Net Debt	GDP	Net Debt as a % of GDP
2003/04 Actual	11,595	37,314	31.0%
2004/05 Actual	11,101	39,490	28.1%
2005/06 Actual	11,008	41,512	26.5%
2006/07 Actual	10,857	44,957	24.1%
2007/08 Actual	10,599	48,727	21.8%
2008/09 Actual	11,498	50,324	22.8%
2009/10 Forecast	12,253	50,200	24.4%
2010/11 Budget	13,995	52,158	26.8%

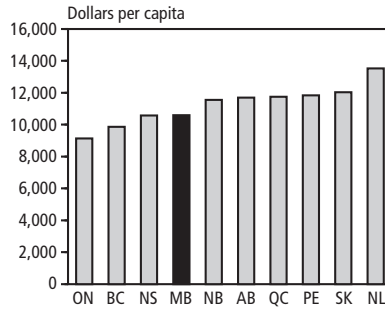
INTERPROVINCIAL COMPARISONS

Total Provincial Expenditure Per Capita Increase, from 1990/00 to 2008/09



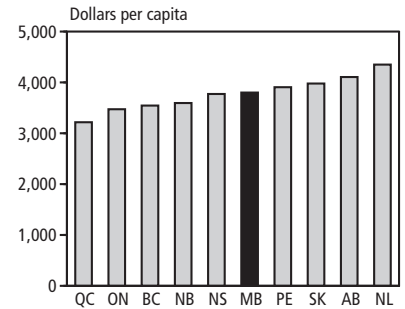
Source: Statistics Canada

Total Provincial Expenditure Per Capita, 2008/09



Source: Statistics Canada

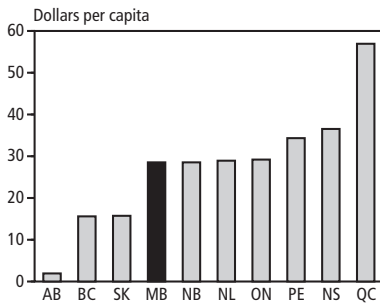
Provincial Government Expenditure on Health, 2009/10f



f - Forecast

Source: Canadian Institute for Health Information

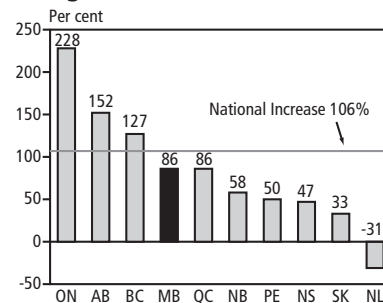
Total Debt to GDP Ratio by Province, 2008/09p



p - Preliminary

Source: DBRS

Major Federal Cash Transfers Change from 1999/2000 to 2010/11



Note: This presentation includes Offshore Accord payments to NL and NS and total transfer protection payments announced in December 2009.

Source: Finance Canada