



Province of Manitoba Financial Review

Phase I Report

*Prepared for Hon. G. Selinger
Minister of Finance
Government of Manitoba*

February 8, 2000

Volume 2 - Appendices

APPENDIX A

ENTITIES SUBJECT TO FINANCIAL REVIEW

APPENDIX A

Departments

- Aboriginal and Northern Affairs
- Agriculture and Food
- Civil Service Commission
- Conservation
- Consumer and Corporate Affairs
- Culture, Heritage and Tourism
- Education and Training
- Family Services and Housing
- Finance
- Health
- Highways and Government Services
- Industry, Trade and Mines
- Intergovernmental Affairs
- Justice
- Labour

Government Enterprises

- Manitoba Hydro-Electric Board
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Public Insurance Corporation
- Workers' Compensation Board

Crown Organizations

- Child and Family Services Agencies
- Communities Economic Development Fund
- Council on Post-Secondary Education
- Criminal Injuries Compensation Board (renamed Compensation for Victims of Crime Program)
- Economic Innovation and Technology Council
- Government Information Systems Management Organization (Man) Inc.
- Health Information Services of Manitoba
- Legal Aid Services Society
- Manitoba Agriculture Credit Corporation
- Manitoba Cancer Treatment and Research Foundation (since renamed Cancer Care Manitoba)
- Manitoba Crop Insurance Corporation
- Manitoba Development Corporation
- Manitoba Health Services Insurance Plan
- Manitoba Housing and Renewal Corporation
- Manitoba Trade and Investment Corporation
- Manitoba Water Services Board
- Public Schools Finance Board
- Special Operating Agencies' Financing Authority

Special Funds

- Debt Retirement Fund
- Fiscal Stabilization Fund
- Mining Community Reserve

APPENDIX B

INFORMATION REQUESTED FROM ENTITIES

APPENDIX B

Prior to the commencement of the financial review, the Financial Review Steering Committee forwarded a request for information to each Deputy Minister and to the senior management officer of each government enterprise, crown organization and special fund. Each entity was asked to provide the following:

- Annual reports for the 1997/98 and 1998/99 fiscal years.
- Projected actual expenditures to March 31, 2000 vs. approved estimates for the 1999/2000 years.
- Existing or new obligations for 2000/2001 and 2001/2002.
- Financial assets, requiring valuation allowances, where carrying values exceed actual market value.
- Contingent liabilities in excess of \$10 million that could affect provincial obligations.
- “Lurking expenditures” that would materially impact the entity over the 2000/2001 and 2001/2002 fiscal years.
- Forecasts of the revenues/recoveries to be generated by the entity over the next two years.
- Any other events between 1999/2000 and 2001/2002 that could materially affect provincial revenues, obligations or credit worthiness.

APPENDIX C

DOCUMENTS AND REFERENCE MATERIALS

APPENDIX C

SECTION A – SPECIFIC INFORMATION REVIEWED ON INDIVIDUAL ENTITIES

1. Aboriginal and Northern Affairs

- a) Response of Aboriginal and Northern Affairs submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) Annual report for 1998-1999 Northern Affairs.
- c) Estimate of expenditures to March 31, 2000 as prepared by the Department.
- d) Annual report 1997-1998 – Northern Affairs.
- e) Supplemental information on expenditures to March 31, 2000 prepared by the Department, December 6, 1999.
- f) Status notes prepared by the Treasury Board Secretariat dated October 14, 1999.
- g) Supplementary information for legislative review 1999-2000 departmental expenditure estimates.

2. Communities Economic Development Fund

- a) Response of Communities Economic Development Fund submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).
- b) 1999 Audited Financial Statements.
- c) 1998 Annual Report.

3. Agriculture and Food

- a) Response of the Department of Agriculture & Food submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1999 Manitoba Estimates of Revenue.
- c) 1999 Manitoba Estimate of Expenditure.
- d) 1998/1999 Financial Statement for the Consolidated Fund – Volume 1.
- e) 1997/1998 Financial Statement for the Consolidated Fund – Volume 1.
- f) Expenditure and Revenue Forecasts as at September 30, 1999.
- g) Treasury Board Secretariat, Departmental Status Notes, October 7, 1999.
- h) 1997-98 Department of Agriculture Annual Report.
- i) 1998-99 Department of Agriculture Annual Report.

4. Manitoba Agricultural Credit Corp.

- a) Response of Department of Agriculture submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1998/1999 Annual Report.

5. Manitoba Crop Insurance Corp.

- a) Response of Manitoba Crop Insurance Corporation submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated October 1999).
- b) March 31, 1999 Financial Statements.
- c) March 31, 1998 Annual Report.

6. Civil Service Commission

- a) Response of the Department of Civil Service Commission submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).

7. Conservation

- a) Response of the Department of Conservation submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1999/2000 Departmental Variance Explanations.
- c) The Manitoba Habitat Heritage Corporation 1998/1999 Financial Statements.
- d) Venture Manitoba September 30, 1999 Financial Statements.
- e) 1999 Manitoba Estimates of Revenue.
- f) 1999 Manitoba Estimate of Expenditure.
- g) 1998/1999 Financial Statement for the Consolidated Fund – Volume 1.
- h) 1997/1998 Financial Statement for the Consolidated Fund – Volume 1.
- i) Flood Proofing Agreement – Future Year Forecasts – December 16, 1999.
- j) Annual Report, 1998-99, Department of Natural Resources.
- k) Annual Report, 1998-99, Department of the Environment.
- l) Treasury Board Departmental Status Notes, Natural Resources.
- m) Treasury Board Departmental Status Notes, Environment.

8. Consumer and Corporate Affairs

- a) Response of Department of Consumer and Corporate Affairs submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, dated November 2, 1999.
- b) 1997/98 and 1998/99 annual reports.
- c) 1999/2000 provincial estimates of revenue and expenditures.

- d) Treasury Board Secretariat, Departmental Status notes, dated October 8, 1999.
- e) Quarter 1 actual vs. forecast (April 1 – June 30, 1999).
- f) Supplementary information for Legislative Review – 1999-2000 Expenditure Estimates.

9. Culture, Heritage and Tourism

- a) Response of Department of Culture, Heritage and Tourism submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1999/2000 Forecast – Operating Expenses.
- c) 1999/2000 Revenue Forecast.
- d) Budget Forecast for the Period 1999/2000 to 2001/2002.
- e) October 12, 1999 Memo Re: Transfer of Tourism.
- f) October 12, 1999 Memo Re: Transfer of Citizenship & Multiculturalism Division to Department of Labour.
- g) Treasury Board Secretariat, Status Notes – Department of Culture, Heritage and Citizenship, October 13, 1999.
- h) 1999 Manitoba Estimates of Revenue.
- i) 1999 Manitoba Estimates of Expenditures.
- j) 1998/1999 Annual Report – Culture, Heritage and Citizenship.

10. Education and Training

- a) Response of Public Schools Finance Board submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999, updated November 8, 1999).
- b) The Public Schools Finance Board, Key strategic issues October 22, 1999.
- c) The Public Schools Finance Board, financial statements year ended June 30, 1997.
- d) The Public Schools Finance Board, capital support program description 1998 edition.
- e) The Public Schools Finance Board, annual five year capital plan/budgets cycle information.
- f) The Public Schools Finance Board, annual report the year ending June 30, 1998.
- g) The Public Schools Finance Board, capital budget overview for 1999/2000.

11. Council on Post Secondary Education

- a) Response of Council on Post Secondary Education submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) The summary of expenditure increases for 1999/2000, 2000/2001 and 2001/2002.
- c) 1999/2000 projections by appropriation as of September 30, 1999.
- d) Projections for 2000/2001 and 2001/2002 by appropriation.
- e) Internally prepared financial statements as at September 30, 1999.
- f) Annual report 1997/1998 Council on Post Secondary Education.
- g) Annual report 1998/1999 Council on Post Secondary Education.

12. Public Schools Finance Board

- a) Response of Public Schools Finance Board submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999, updated November 8, 1999).
- b) The Public Schools Finance Board, Key strategic issues October 22, 1999.
- c) The Public Schools Finance Board, financial statements year ended June 30, 1997.
- d) The Public Schools Finance Board, capital support program description 1998 edition.
- e) The Public Schools Finance Board, annual five year capital plan/budgets cycle information.
- f) The Public Schools Finance Board, annual report the year ending June 30, 1998.
- g) The Public Schools Finance Board, capital budget overview for 1999/2000.

13. "Family Services" Component, including Child and Family Services Agencies of Family Services and Housing

- a) Response of the Department of Family Services and Housing submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3 and November 5, 1999).
- b) 1998/1999 Manitoba Family Services Annual Report.
- c) 1997/1998 Manitoba Family Services Annual Report.
- d) 1999/2000 Manitoba Estimates of Revenue.
- e) 1999/2000 Manitoba Estimate of Expenditure.
- f) 1998/1999 Financial Statement for the Consolidated Fund – Volume 1.
- g) 1997/1998 Financial Statement for the Consolidated Fund – Volume 1.
- h) Treasury Board Secretariat Departmental Status Notes, October 13, 1999.
- i) 1998/1999 Winnipeg Child and Family Services Annual Report.
- j) 1997/1998 Winnipeg Child and Family Services Annual Report.
- k) August 31, 1999 and September 30, 1999 Winnipeg Child and Family Service's Financial Statements.
- l) 1998/1999 Child and Family Services of Central Manitoba Annual Report.
- m) 1998/1999 Child and Family Services of Western Manitoba.
- n) Supplementary Information for Legislative Review 1999/2000.

14. "Housing" Component and Manitoba Housing Rehabilitation Corp. (Contractor Prepared)

- a) Response of Housing submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1997-1998 Annual Report for Housing, The Manitoba Housing and Renewal Corporation, and The Manitoba Housing Authority.
- c) 1998-1999 Annual Report for Housing, The Manitoba Housing and Renewal Corporation, and The Manitoba Housing Authority.
- d) Supplementary Information for Legislative Review : 1999-2000 Departmental Expenditure Estimates, Manitoba Housing.

- e) 1997/98 details of operating fund revenue and expenditures (estimate and actual)
- f) 1998/99 details of operating fund revenue and expenditures (estimate and actual).
- g) 1999/00 details of operating fund revenue and expenditures (estimate only).
- h) Expenditure Variance Explanations June 30, 1999.
- i) 1999/00 projected fiscal position by expenditure category as at September 30, 1999.
- j) 1999/00 projected fiscal position by expenditure category as at October 31, 1999.
- k) 2000/01 expenditure projections by division (including details for potential increases).
- l) 2001/02 expenditure projections by division.
- m) Social Housing Agreement, September 3, 1998.

15. Finance

- a) Status notes prepared by Treasury Board Secretariat dated October 13, 1999.
- b) Supplementary information for legislative review 1999/2000 departmental expenditure estimate.
- c) Supplementary information for legislative review 1999/2000 revenue estimate.
- d) Treasury Board document – revenue from federal payments, income taxes and major taxes – development of current revenue projections.
- e) 2000/01 revenue projections.
- f) Public debt assumptions for 1999/2000 and 2000/2001 dated September 22, 1999.
- g) Department of Finance financial report for the period ended June 30, 1999.
- h) Manitoba Finance Policy Pressures briefing September 1999.
- i) Manitoba Finance Brief of Deputy Minister October 5, 1999.

16. Government Information Systems Management Organization Inc.

- a) Response of Government Information Systems Management Organization (Man.) Inc. submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated October 1999).
- b) Draft annual report of Government Information Systems Management Organization (Man.) Inc. for the year ended March 31, 1999.
- c) Final annual report Government Information Systems Management Organization (Man.) Inc. for the year ended March 31, 1999.

17. Special Operating Agencies Financing Authority

- a) Response of the Special Operating Agencies Financing Authority submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated October 27, 1999).
- b) Briefing paper, Manitoba's Special Operating Agencies: Transforming Service Delivery.
- c) Summary financial results 1997/1998 to 2001/2002.
- d) September 30, 1999 financial reports of all Special Operating Agencies.
- e) Annual report 1998-1999 Special Operating Agencies Finance Authority.
- f) Annual report 1997-1998 Special Operating Agencies Finance Authority.
- g) Business plans for 1999/2000 for each of the Special Operating Agencies.

18. Health and Health Services Insurance Fund

- a) Response of Department of Health submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) Status Notes Department of Health Overview received from Treasury Board, October 14, 1999.
- c) Treasury Board Submission Briefing Note regarding Canadian Blood Services.
- d) Manitoba Health Provincial Drug Programs worksheet (December 8, 1999).
- e) Department of Health Internal Programs and Operations letter of November 3, 1999.
- f) Interest Arbitration Award dated August 3, 1999.
- g) Analysis of Committed and Potential Obligations of Manitoba Health for Medical Remuneration.
- h) Excerpt from Briefing Note FFS Arbitration Award (Paul Teskey).
- i) Department of Health Internal Programs and Operations letter of November 3, 1999.
- j) Projected Salary Increases Worksheet (MNU).
- k) Summary Worksheet of MNU/MNU Related Contract Costs.
- l) Highlights of MNU Collective Agreement.
- m) Statement of Claim issued by Manitoba Medical Association against the Province of Manitoba.
- n) Statement of Defence filed by the Province of Manitoba.
- o) Affidavit of Jean Alfred Laplume, Executive Director of the Manitoba Medical Association.
- p) Annual Report 1998/1999, Department of Health.

19. Health Information Systems Management (HISM) Inc.

- a) Financial statements of Health Information Services of Manitoba Corporation (HISM) for the year ended March 31, 1998.
- b) Annual report of HISM for the year ended March 31, 1999.
- c) HISM Corporation recap of deferred development costs including recommended write-offs March 31, 1999.
- d) HISM recommended write-off schedule November 18, 1999.
- e) Contract between the Province of Manitoba and Smart Health Inc. dated October 24, 1995.
- f) Internal audit report on Smart Health Agreement, Manitoba Health for the period ended November 25, 1998.

20. Manitoba Cancer Treatment and Research Foundation

- a) Response of Manitoba Cancer Treatment and Research Foundation submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) Forecast of expenditures for the 1999/2000 year.
- c) Financial statements of the Manitoba Cancer Treatment and Research Foundation for each of the years ended March 31, 1998 and 1999.

- d) Schedule A to the Memorandum of Understanding for the MCTRF Redevelopment Project.
- e) MCTRF preliminary budgets for 2000/2001 and 2001/2002.

21. Highways & Government Services

- a) Response of Manitoba Government Services submitted by Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) Response of Manitoba Highways submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).
- c) Annual report, 1998/1999 Highways and Transportation.
- d) Annual report, 1997/1998 Highways and Transportation.
- e) Manitoba Highways, forecast of operating expenditures to March 31, 2000.
- f) Manitoba Government Services, preliminary estimates of 2000/2001 expenditures.
- g) Manitoba Government Services, depreciation schedule for the 1999/2000 year.
- h) Manitoba Government Services, depreciation schedule for the 2000/2001 year.
- i) Manitoba Government Services, depreciation schedule for the 2001/2002 year.
- j) Manitoba Government Services, Property Management Division future lease commitments beyond March 31, 2000.
- k) Treasury Board Secretariat, status notes on Department of Highways and Transportation dated October 13, 1999.
- l) Treasury Board Secretariat, status notes, capital investment, Department of Government Services prepared October 8, 1999.
- m) Treasury Board Secretariat, status notes Department of Government Services dated October 13, 1999.
- n) Supplementary information for legislative review, 1999/2000 departmental expenditure estimates, Manitoba Highways and Transportation.
- o) Supplementary information for legislative review, 1999/2000 departmental expenditure estimates, Manitoba Government Services and emergency expenditures.

22. Industry, Trade and Mines

- a) Response of Industry Trade and Mines submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated October 27, 1999).
- b) Two updates to the Department of Industry, Trade and Mines response up to and on November 12, 1999.
- c) Annual report 1998-1999 Manitoba Industry Trade and Tourism.
- d) Annual report 1997-1998 Manitoba Industry Trade and Tourism.
- e) Annual report 1998-1999 Manitoba Energy and Mines.
- f) Annual report 1997-1998 Manitoba Energy and Mines.
- g) Industry Trade and Mines financial review projected expenditures for the year 1999/2000.
- h) Faneuil Group report to the Province of Manitoba by Ernst & Young October 1999.

23. Manitoba Development Corporation and Manitoba Trading and Investment Corporation

- a) Response of Manitoba Development Corporation and Manitoba Trade and Investment Corporation submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated October 1999).
- b) Response of the Department of Industry, Trade and Mines submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chair of the Financial Review Steering Committee response dated October 27, 1999.
- c) Manitoba Development Corporation financial statements for the year ended March 31, 1998.
- d) Manitoba Development Corporation financial statements for the year ended March 31, 1999.
- e) Financial statements of Manitoba Trade and Investment Corporation for the year ended March 31, 1998.
- f) Financial statements of Manitoba Trade and Investment Corporation for the year ended March 31, 1999.
- g) Manitoba Development Corporation MIOP loan provision updated to October 31, 1999, estimated to March 31, 2000.

24. Economic Innovation and Technology Council

- a) Response of Economic Innovation and Technology Council submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).
- b) EITC Financial Statements for the six months ended September 30, 1999.
- c) Economic Innovation and Technology Council 1999/2000 Year-End Forecast-Operation.
- f) 1999/2000 Year-End Forecast for Economic Innovation Technology Fund.
- e) EITC Issues 2000/2001 and 2001/2002.
- f) Manitoba Innovations Fund 1999/2000 Year-End Forecast.
- g) EITC Annual Report 1997/1998.
- h) EITC Annual Report 1998/1999.

25. Intergovernmental Affairs

- a) Response of Department of Intergovernmental Affairs submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).
- b) Summary of revenue projections prepared by the Department of Intergovernmental Affairs for the years ended March 31, 2000, 2001, 2002.
- c) Projected expenditures for the Department of Intergovernmental Affairs, as prepared by the Department, for the years ended March 31, 2000, 2001 and 2002.
- d) Status notes prepared by the Treasury Board Secretariat on the Department of Rural Development dated October 14, 1999.

- e) Status notes prepared by the Treasury Board Secretariat for the Department of Urban Affairs dated October 7, 1999.
- f) Supplementary information for legislative review, 1999-2000 departmental expenditure estimates Departments of Urban Affairs and Rural Development.
- g) Annual reports 1998-1999, Urban Affairs and Rural Development.
- h) Annual report 1998-1999, enabling and other appropriations including urban economic development initiatives.

26. Manitoba Water Services Board

- a) Response of Manitoba Water Services Board submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 2, 1999).
- b) The Manitoba Water Services Board estimated actual expenditures to March 31, 2000.
- c) Manitoba Water Services Board's estimate of expenditure 2000/2001 to 2002/2003.
- d) Manitoba Water Services Board water treatment plants analysis of funds retained March 31, 1999 to March 31, 2001.
- e) Annual report 1997-98 Manitoba Water Services Board.
- f) Annual report 1998-99 Manitoba Water Services Board.

27. Justice

- a) Response of the Department of Justice submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, dated November 3, 1999.
- b) 1999/2000 Forecast of Expenditures, dated November 3, 1999.
- c) 1999/2000 Forecast of Revenues, dated November 3, 1999.
- d) 1999/2000 Manitoba Estimates of Expenditure.
- e) 1998/1999 Financial Statements for the Consolidated Fund – Volume 1.
- f) 1997/1998 Financial Statements for the Consolidated Fund – Volume 1.
- g) Treasury Board Secretariat, Departmental Status notes, October 14, 1999.
- h) 1998-1999 Annual Report, Department of Justice.

28. Legal Aid

- a) Response of Legal Aid Manitoba submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) 1997/98 and 1998/99 Annual Reports.
- c) Spreadsheet covering 1998/99 actuals and projections for 1999/2000 to 2002/2003.
- d) Copy of Task Force Report Sub-committee.

29. Criminal Injuries Compensation Board

- a) Financial statements – March 31, 1998 – Criminal Injuries Compensation Board, submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee.

30. Labour

- a) Response of the Department of Labour submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 1, 1999).
- b) 1999/2000 forecast of operating expenses for the Department, prepared by the Department of Labour.
- c) 1999/2000 revenue forecast prepared by the Department.
- d) Supplementary information for legislative review, 1999-2000 revenue estimates.
- e) Supplementary information for legislative review, 1999-2000 departmental expenditure estimate.
- f) Annual report 1998-1999, Department of Labour.
- g) Treasury Board Secretariat status notes on the Department of Labour, prepared October 14, 1999.

31. Fiscal Stabilization Fund and Debt Retirement Fund

- a) Response of the Fiscal Stabilization Fund submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee).
- b) 1999/2000 Budget Fiscal Stabilization Fund.
- c) Fiscal Stabilization Fund Fact Sheet.
- d) Fiscal Stabilization Fund Historical Transactions 1988/89 to 1999/2000.
- e) Annual Report 1988-1999 Debt Retirement Fund.
- f) Annual Report 1998-1999 Fiscal Stabilization Fund.
- g) 1995 Budget Paper A – Balanced Budget, Debt Repayment, and Taxpayer Protection.
- h) Financial Administration Act – Chapter F55.
- i) Summary Manitoba's Balanced Budget, Debt Repayment, and Taxpayer Protection Act.
- j) Chronology of Provincial Auditors, Comments on the Fiscal Stabilization Fund dated October 18, 1999.
- k) Report of the Provincial Auditor on the Consolidated Fund Financial Statements of the Government of the Province of Manitoba for the years 1989 – 1992.
- l) The Fiscal Stabilization Fund Act, 1999.
- m) Bill 46 – The Appropriation Act, 1999.
- n) Report of the Provincial Auditors – March 31, 1998.

32. Mining Community Reserve Fund

- a) Response of the Department of Finance for the Mining Community Reserve Fund submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated December 10, 1999).
- b) Excerpts Mining Tax Act.
- c) Statement of Receipts and Disbursements March 31, 1995 to September 30, 1999 Mining Community Reserve.
- d) Mining Community Reserve Status Report September 30, 1999.
- e) Mining Community Reserve Fund Projected Cash Flow to 2002/2003.

33. Manitoba Liquor Control Commission

- a) Response of Manitoba Liquor Control Commission submitted to Deloitte & Touche LLP in response to the November 2, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) The annual reports of the Entity for the years ended March 31, 1999 and 1998.
- c) Internal financial statements of the Entity for the six months ended September 30, 1999.
- d) Budget information for the 2000 fiscal year.
- e) Capital budget information relating the 2000, 2001 and 2002 fiscal years.
- f) Projected net profit figures from 2000 to 2005.

34. Workers Compensation Board

- a) The Annual Report of Workers Compensation Board for the fiscal year ended December 31, 1998.
- b) The 1999 – 2003 Five Year Plan of the Workers Compensation Board.

35. Manitoba Public Insurance Corporation

- a) Response of Manitoba Public Insurance submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 5, 1999).
- b) Five year financial plan including revisions relating to the additional 1% rate reduction ordered by the Public Utilities Board.
- c) Unaudited financial statements for the seven months ended September 30, 1999.
- d) 1999/2000 Fiscal Year Forecast.
- e) Schedule detailing unrealized gains on investments (as at September 30, 1999).
- f) Annual reports for the 1998/99 and 1997/98 fiscal years.
- g) The Public Utilities Order No. 177/99.
- h) A Statement of Basic Insurance Rate Stabilization Reserve Levels.
- i) A 5 year Capital Budget report.
- j) An analysis of actual capital expenditures for the 6 months ended August 31, 1999.
- k) An updated 5-year plan which includes updated actuals to November 30, 1999.
- l) A revised schedule detailing unrealized gains on investments (as at November 30, 1999).
- m) The December 16, 1999 financial forecast of the 1999/2000 fiscal year.

36. Manitoba Hydro

- a) Response of Manitoba Hydro submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 3, 1999).
- b) Annual Report of the Manitoba Hydro-Electric Board for the fiscal years ended March 31, 1999 and March 31, 1998.
- c) Internally prepared financial statements of Manitoba Hydro for the six months ended September 30, 1999.
- d) Capital Expenditure forecast for each year up to and including 2010.

- e) Financial information relating to Centra Gas Manitoba including: audited financial statements for the year ended December 31, 1998; Statement on Income for the two months ended September 30, 1999; Balance Sheet as at August 31, 1999; and the ten year financial forecasts.
- e) A summary of payments made to the Provincial Government by Manitoba Hydro from 1982 to 2000.
- f) A document entitled “Manitoba Hydro Corporate Overview” (October 1999).
- g) Integrated financial forecasts for Manitoba Hydro for 1999/00 to 2009/10.
- h) Manitoba Hydro’s Consolidated Integrated Financial Forecast – 1999/00 – 2009/10.
- i) Centra Gas Manitoba’s Ten Year Financial Forecast Baseline – 1999/00 – 2009/10.

37. Manitoba Lotteries Corporation (Contractor Prepared)

- a) Response of Manitoba Lotteries Corporation submitted to Deloitte & Touche LLP in response to the October 19, 1999 request for information sent by the Chairman of the Financial Review Steering Committee, (response dated November 22, 1999).
- b) Monthly Financial Report as at September 30, 1999.
- c) 1998/99 Capital Projects Carried Forward to 1999/2000.
- d) 1998/99 Commitment of Capital as of March 31, 1999.
- e) Summary of Projects Carried Forward from 1998/99 at October 31, 1999.
- f) Management Flash Report as at November 13, 1999.
- g) Legal Issues Current Status.

SECTION B – GENERAL INFORMATION REVIEWED

1. 1999 – 2000 Province of Manitoba Budget
2. 1998/99 Public Accounts Volume I – Financial Statements for the Consolidated Funds
3. 1998/99 Public Accounts Volume II – Public Sector Compensation Disclosure and Details of Payments Made
4. Public Accounts of Manitoba 1998-1999, Volume III
5. 1997/98 Public Accounts Volume I – Financial Statements for the Consolidated Funds
6. 1997/98 Public Accounts Volume II – Public Sector Compensation Disclosure and Details of Payments Made
7. 1997/98 Public Accounts Volume III – Summary Financial Statements
8. 1997/98 Public Accounts Volume IV – Entity Financial Statements (for entities included in the Summary Financial Statements)
9. 1997/98 Audit of the Public Accounts by the Office of the Provincial Auditor
10. October 14, 1999 Nova Scotia Budget Bulletin
11. Budget Address, Province of Nova Scotia for 1999-2000 (October 14, 1999)
12. Nova Scotia Year End Forecast Update for 1998/99 and 1999/00
13. Nova Scotia Department of Finance – “Financial Accountability” presentation – September 28, 1999
14. Balanced Budget Legislation (1995) – Background Paper & Legislation as passed
15. Balanced Budget, Debt Repayment and Taxpayer Protection Act
16. Chronology of Provincial Auditor’s Comments on the Fiscal Stabilization Fund
17. The Fiscal Stabilization Fund Act
18. The Appropriation Act
19. The Financial Administration Act
20. CICA Research Report – Indicators of Government Financial Condition

21. Fiscal Outlook Information
22. Special Warrants Information
23. Policy Pressures Briefing for Minister of Finance
24. October 1999 – 1999/2000 Fiscal Update, Presentation to Treasury Board
25. Second Quarter Departmental Summaries
26. October 1, 1999 Presentation to Treasury Board
27. Province of New Brunswick Independent Financial Review – Nov 18/99 Press Release
28. October 26/99 – Briefing on Stabilization Fund for Minister of Finance
29. Saskatchewan Crown Sector Strategic Plan
30. Saskatchewan Personal Income Tax Review (Nov. 1999)
31. Briefing note on summary of provincial obligations, December 22, 1999
32. Memorandum on the Balanced Budget, Debt Repayment and Taxpayer Protection Act transitional issues, October 28, 1999 from Civil Legal Services SOA to the Deputy Minister of Finance
33. Legal opinion of Meyers Wineberg Kussin dated October 29, 1999 to Justice Manitoba
34. Legal opinion of Teskey, Wood dated October 29, 1999 to Deputy Minister of Finance
35. Actual to budget variances 1997/1998 and 1998/1999 briefing note, Department of Finance
36. Manitoba Hydro, alternatives for additional payment transfers to the Province, November 1999
37. Stevenson Kellogg Ernst and Whinney, Management Consultants report on Pension Plans prepared for Government of Manitoba, August 8, 1988
38. Public Sector Pension Plans report, Labour Relations Division, the Province of Manitoba
39. Draft reports on Pension Liabilities, Deputy Minister of Finance, December 7, 1999 and December 10, 1999
40. 2000/01 expenditure estimates, Treasury Board review of departmental estimates, Health – overview of capital program, December 1999

41. Presentation to Treasury Board, briefing on Health Capital Program, December 22, 1999
42. Manitoba Health – 1999/2000 Capital Program – Status report – December 1999

APPENDIX D

INDIVIDUALS INTERVIEWED

APPENDIX D

SECTION A – GENERAL DISCUSSIONS

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--|--|--|
| October 25, 1999 | Ron Hikel Pat Gannon | Chair Deputy Minister | Steering Committee Department of Finance |
| October 26, 1999 | Ron Hikel Jon Singleton Warren Johnson Greg MacBeth | Chair Provincial Auditor Assistant Provincial Auditor Manager | Steering Committee Provincial Auditor's Office Provincial Auditor's Office Provincial Auditor's Office |
| November 1, 1999 | Steering Committee | | |
| November 1, 1999 | John Loxley | Advisor | Steering Committee |
| November 4, 1999 | Jim Eldridge Eugene Kostyra Ron Hikel | Member Advisor Chair | Steering Committee Steering Committee Steering Committee |
| November 8, 1999 | Steering Committee | | |
| November 8, 1999 | Pat Gannon Eric Rosenhek | Member Special Advisor to Deputy Minister of Finance | Steering Committee |
| November 11, 1999 | Ron Hikel | Chair | Steering Committee |
| November 12, 1999 | Ron Hikel | Chair | Steering Committee |
| November 15, 1999 | Ron Hikel | Chair | Steering Committee |
| November 16, 1999 | Ron Hikel | Chair | Steering Committee |
| November 17, 1999 | Steering Committee | | |
| November 29, 1999 | Steering Committee | | |
| December 13, 1999 | Steering Committee | | |
| December 13, 1999 | Jon Singleton Warren Johnson Greg MacBeth Eric Rosenhek Gerry Gaudreau | Provincial Auditor Assistant Provincial Auditor Manager Special Advisor to the Deputy Minister of Finance Comptroller | Provincial Auditor's Office Provincial Auditor's Office Provincial Auditor's Office Department of Finance |
| December 20, 1999 | Jon Singleton Ron Hikel | Provincial Auditor Chair | Provincial Auditor's Office Steering Committee |
| December 23, 1999 | Steering Committee | | |
| January 4, 2000 | Jon Singleton | Provincial Auditor | Provincial Auditor's Office |
| January 7, 2000 | Steering Committee | | |

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|---|---|---|
| January 11, 2000 | Jon Singleton Warren Johnson Gerry Gaudreau | Provincial Auditor Assistant Provincial Auditor Comptroller | Provincial Auditor's Office Provincial Auditor's Office Department of Finance |
| January 11, 2000 | Ron Hikel | Chair | Steering Committee |
| January 17, 2000 | Steering Committee | | |
| January 18, 2000 | Warren Johnson | Assistant Provincial Auditor | Provincial Auditor's Office |
| January 19, 2000 | Ron Hikel | Chair | Steering Committee |
| January 20, 2000 | Ron Hikel | Chair | Steering Committee |
| January 24, 2000 | Steering Committee | | |
| January 31, 2000 | Steering Committee | | |
| February 7, 2000 | Steering Committee | | |

Meetings with Treasury Board Officials:

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---|--|---|
| October 28, 1999 | Don Potter Debra Woodgate | Secretary Assistant Secretary | Treasury Board Secretariat |
| November 3, 1999 | Debra Woodgate Bob Yuel | Assistant Secretary Manager | Treasury Board Secretariat |
| November 16, 1999 | Don Potter Debra Woodgate | Secretary Assistant Secretary | Treasury Board Secretariat |
| December 22, 1999 | Don Potter Debra Woodgate | Secretary Assistant Secretary | Treasury Board Secretariat |
| January 21, 2000 | Don Potter Debra Woodgate Bruce Gray Barb Dryden | Secretary Assistant Secretary Manager Analyst | Treasury Board Secretariat |
| February 3, 2000 | Don Potter Debra Woodgate Bruce Gray Pat Gannon | Secretary Assistant Secretary Manager Deputy Minister | Treasury Board Secretariat Department of Finance |

SECTION B – DISCUSSIONS RELATED TO SPECIFIC ENTITIES

DEPARTMENTS & AGENCIES

1. Aboriginal and Northern Affairs

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|------------------------------|---|------------------------------------|
| November 23, 1999 | Mike Sosiak Bob Yuel | Analyst Manager | Treasury Board Secretariat |
| December 3, 1999 | Jeff Polakoff Rene Gagnon | Assistant Deputy Minister Manager, Administration and Finance | Aboriginal and Northern Affairs |

2. Communities Economic Development Fund

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|-----------------|-------------------------|--|
| November 30, 1999 | Gordon Wakeling | General Manager and CEO | Communities Economic Development Fund |

3. Agriculture and Food

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--|--|--|
| November 10, 1999 | Don Zasada Bob Yuel Les Baseraba Craig Lee Marvin Richter | Deputy Minister Manager Assistant Deputy Minister Assistant Deputy Minister Manager, Financial Administration | Agriculture & Food Treasury Board Secretariat Agriculture & Food Agriculture & Food Agriculture & Food |
| November 22, 1999 | Bob Yuel Vernon DePape | Manager Analyst | Treasury Board Secretariat Treasury Board Secretariat |
| November 30, 1999 | Les Baseraba Craig Lee Marvin Richter | Assistant Deputy Minister Assistant Deputy Minister Manager, Financial Administration | Agriculture & Food Agriculture & Food Agriculture & Food |
| December 1, 1999 | Les Baseraba Marvin Richter Gill Shaw Charlene Gibbons Karen McEachern | General Manager Director, Programs Director, Finance & Administration | MACC MACC MACC |

4. Manitoba Agricultural Credit Corp.

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|------------------|---|-----------------------------|
| December 1, 1999 | Gill Shaw | General Manager | MACC |
| | Charlene Kibbins | Director, Corporate Program Development | MACC |
| | Karen McEachern | Director, Finance and Administration | MACC |
| December 1, 1999 | Les Baseraba | Assistant Deputy Minister | Dept. of Agriculture & Food |
| | Marvin Richter | Manager Financial Administration | |

5. Manitoba Crop Insurance Corp.

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|-------------|--|-------------------------------------|
| December 1, 1999 | Jim Lewis | Director of Finance and Administration | Manitoba Crop Insurance Corporation |
| December 1, 1999 | Dave Taylor | Manager of Finance | Manitoba Crop Insurance Corporation |

6. Civil Service Commission

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--------------|---------------------------|----------------------------|
| November 23, 1999 | Bruce Gray | Manager | Treasury Board Secretariat |
| December 2, 1999 | Gerry Irving | Assistant Deputy Minister | Civil Service Commission |

7. Conservation

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|---------------|--------------------|----------------------------|
| December 2, 1999 | Bill Podolsky | Executive Director | Department of Conservation |
| | Peter Lockett | Director | |

8. Consumer and Corporate Affairs

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|-------------|----------------------------|--------------------------------|
| November 23, 1999 | Bob Yuel | Manager | Treasury Board Secretariat |
| | Mike Sosiak | Analyst | |
| November 26, 1999 | Fred Bryans | Director of Administration | Consumer and Corporate Affairs |

9. Culture, Heritage and Tourism

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--------------|--------------------|-----------------------------------|
| November 22, 1999 | Rick Dykes | Manager | Treasury Board Secretariat |
| | Laura Gareau | Analyst | |
| November 29, 1999 | David Paton | Executive Director | Culture, Heritage and Citizenship |

10. Education and Training

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|-------------------------------------|--|---|
| November 1, 1999 | Dave Shanks Konrad Erickson | Manager Analyst | Treasury Board Secretariat |
| November 5, 1999 | Tom Thompson | Director, Finance & Administration | Department of Education and Training |
| December 6, 1999 | Bob Gorchynski Bob Giesbrecht | Management Services, Executive Director | Department of Education and Training |
| December 8, 1999 | Mary Lou Kuxhouse Marie Fielding | Employment and Training Services Executive Director | Department of Education and Training |

11. Council on Post Secondary Education

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|-------------------------------------|--|--|
| December 2, 1999 | Leo LeTourneau Margaret McDonald | Chief Executive Officer Chief Financial Officer | Council on Post Secondary Education |

12. Public Schools Finance Board

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--------------|--|---------------------------------|
| November 24, 1999 | Paul Birston | Acting Executive Director | Public Schools Finance Board |
| November 26, 1999 | Steve Power | Acting Director, Education and Training | Schools Finance Branch |

13. “Family Services” Component, including Child and Family Services Agencies of Family Services and Housing

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|--|--|---|
| November 1, 1999 | Rick Dykes Sandra Cohen | Manager Analyst | Treasury Board Secretariat |
| November 9, 1999 | Drew Perry Sheila Lebredt | Assistant Deputy Minister of Administration and Finance Acting Director of Financial and Administration Services | Department of Family Services |
| December 7, 1999 | Drew Perry Sheila Lebredt Phil Goodman Dale Robinson Fred Besant | Executive Director, Manager, External Agencies, Contract Administrator Divisional Manager, Financial Planning & Review | Child & Family Services Child & Family Services Child & Family Services |

14. "Housing" Component and Manitoba Housing Rehabilitation Corp. (Contractor Prepared)

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|----------------|------------------------------------|-----------------------------|
| November 22, 1999 | Tannis Mindell | Deputy Minister | Family Services and Housing |
| November 22, 1999 | Kim Sharman | Acting Assistant Deputy Minister | Housing |
| November 22, 1999 | Henry Bos | Director of Finance and Operations | Housing |

15. Finance

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---|--|--|
| Various | Don Potter Debra Woodgate | Secretary to Treasury Board Associate Secretary to Treasury Board | Treasury Board Secretariat |
| November 2, 1999 | Bruce Gray Barb Dryden | Manager Analyst | Treasury Board Secretariat |
| November 2, 1999 | Neil S. Benditt W. J. Cessford Gary Gibson Scott Wiebe Don Wood | Assistant Deputy Minister Director, Money Management and Banking Assistant Director, Capital Finance Assistant Director, Treasury Services Director, Treasury Services | Department of Finance, Treasury |
| November 3, 1999 | Ewald Boschmann Ron Neumann Bruce Gray | Assistant Deputy Minister Director, Intergovernmental Affairs Manager | Department of Finance Department of Finance Treasury Board Secretariat |
| November 30, 1999 | Gerry Gaudreau Eric Rosenhek | Comptroller Special Advisor to the Deputy Minister | Department of Finance Department of Finance |
| December 20, 1999 | Ewald Boschmann Ron Neumann | Assistant Deputy Minister Director, Intergovernmental Affairs | Department of Finance Department of Finance |
| January 6, 2000 | Ewald Boschmann Ron Neumann | Assistant Deputy Minister Director, Intergovernmental Affairs | Department of Finance Department of Finance |

16. Government Information Systems Management Organization Inc.

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|-------------------------------------|-----------------------------|---|
| December 2, 1999 | Eric Rosenhek Gerry Gaudreau | Director Comptroller | Government Information Systems Management Organization (Man.) Inc. Department of Finance |

17. Special Operating Agencies Financing Authority

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--------------|--|--|
| November 30, 1999 | John Wilkins | Chairperson of the SOA Financing Authority and SOA Coordinator | Special Operating Agencies Financing Authority |

18. Health and Health Services Insurance Fund

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---|--|----------------------------|
| October 29, 1999 | Dave Shanks Kerry McQuarrie-Smith Don Hurst | Manager Analyst Analyst | Treasury Board Secretariat |
| November 5, 1999 | Dwight Barna Susan Murphy | Director Finance/Administration Assistant Deputy Minister | Manitoba Health |
| November 9, 1999 | Dwight Barna Susan Murphy | Director Finance/Administration Assistant Deputy Minister | Manitoba Health |
| November 25, 1999 | Linda West | Exec. Director Labor Relations | Manitoba Health |
| November 25, 1999 | Jack Rosentreter | Director Pharmaceutical Consulting | Manitoba Health |
| November 25, 1999 | John Koschuk | Consultant/Analyst | Manitoba Health |
| December 6, 1999 | Olaf Koester | Director Provincial Drug Programs | Manitoba Health |

19. Health Information Systems Management (HISM) Inc.

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--|--|--|
| October 26, 1999 | Jon Singleton Warren Johnson Greg McBeth | Provincial Auditor Assistant Provincial Auditor Manager | Office of the Provincial Auditor |
| November 5, 1999 | Susan Murphy Dwight Barna | Assistant Deputy Minister, Internal Programs and Operations, Director, Finance & Administration | Department of Health |
| November 8, 1999 | David Petrie | Manager | Office of the Provincial Auditor |
| November 9, 1999 | Todd Herron | Executive Director, Information Systems Branch | Department of Health |
| November 30, 1999 | Gerry Gaudreau Eric Rosenhek | Comptroller Secretary | Province of Manitoba Health Information Services of Manitoba Corporation |

20. Manitoba Cancer Treatment and Research Foundation

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|----------------|------------------|---|
| November 30, 1999 | Debbie Frankel | Manager, Finance | Manitoba Cancer Treatment and Research Foundation |

21. Highways & Government Services

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--|---|--|
| November 23, 1999 | Rick Dykes David Koslowsky Todd Callin | Manager Analyst Analyst | Treasury Board Secretariat Treasury Board Secretariat Treasury Board Secretariat |
| November 30, 1999 | Paul Rochon | Assistant Deputy Minister. Administrative Services | Manitoba Highways |
| December 1, 1999 | Gerry Bosma | Director, Administration and Finance | Manitoba Government Services |

22. Industry, Trade and Mines

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|--|---|--|
| November 9, 1999 | Jim Kilgour | Director, Financial Services | Department of Industry Trade and Mines |
| December 1, 1999 | Jack Dalglish Jim Kilgour Craig Halwachs | Director, Finance & Administration Director, Financial Services Director, Finance & Administration, Mines | Department of Industry Trade and Mines |

23. Manitoba Development Corporation and Manitoba Trading and Investment Corporation

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|------------------------------|---|---|
| November 9, 1999 | Jim Kilgour | Director, Financial Services | Department of Industry, Trade and Mines |
| December 1, 1999 | Jack Dalglish Jim Kilgour | Director, Finance & Administration Director, Financial Services | Department of Industry, Trade and Mines |

24. Economic and Technology Innovation Council

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---------------|----------------|--|
| November 30, 1999 | John Clarkson | Vice-President | Economic Innovation and Technology Council |

25. Intergovernmental Affairs

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---|--|---|
| November 23, 1999 | Vernon Depape Doug Mulder Dave Shanks Bob Yuel | Analyst Analyst Manager Manager | Treasury Board Secretariat |
| November 25, 1999 | Denise Carlyle | Executive Director | Department of Intergovernmental Affairs |

26. Manitoba Water Services Board

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---|---|-------------------------------|
| November 25, 1999 | R. (Dick) Menon Cheryl Brigden Bill Kenning | General Manager Accounts Manager Manager, Contracts | Manitoba Water Services Board |

27. Justice

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|-------------------------------|--|--|
| November 1, 1999 | Rick Dykes Tom Stokes | Manager Analyst | Treasury Board Secretariat |
| November 8, 1999 | Patrick Sinnott Don Saltis | Executive Director of Administration and Finance Director of Financial Services | Department of Justice Department of Justice |

28. Legal Aid

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|--------------|----------------------------|---------------------|
| November 24, 1999 | Robin Dwarka | Director of Administration | Legal Aid Manitoba |

29. Criminal Injuries Compensation Board

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|----------------|--------------|---|
| December 28, 1999 | Larry Krockner | Director | Compensation for Victims of Crime Program |

30. Labour

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|------------------|------------------------------|--|
| November 23, 1999 | Rick Dykes | Manager | Department of Finance, Treasury Board Secretariat |
| | David Koslowsky | Analyst | |
| November 24, 1999 | James E. Nykoluk | Assistant Deputy Minister | Department of Labour, Labour/Management Services Division Department of Labour, Labour/Management Services Division |
| | James P. Wood | Director, Financial Services | |

31. Fiscal Stabilization Fund and Debt Retirement Fund

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|----------------|--------------|---------------------|
| November 1, 1999 | Gerry Gaudreau | Comptroller | Comptrollers Office |

32. Mining Community Reserve Fund

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|----------------|--------------|--|
| December 6, 1999 | Craig Halwachs | Director | Industry, Trade & Mines, Financial and Administrative Services |

33. Manitoba Liquor Control Commission

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|---------------|---------------------------------------|------------------------------------|
| November 26, 1999 | Garry Hoffman | President and Chief Executive Officer | Crown Corporations Council |
| December 1, 1999 | Ian Wright | President and Chief Executive Officer | Manitoba Liquor Control Commission |

34. Workers Compensation Board

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|------------------|--------------|---|--|
| December 2, 1999 | Alfred Black | Vice-President, Financial and Employer Services | Workers Compensation Board of Manitoba |

35. Manitoba Public Insurance Corporation

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------|------------------|---------------------------------------|----------------------------|
| 26/11/99 | Garry Hoffman | President and Chief Executive Officer | Crown Corporations Council |
| 30/11/99 | Jack Zacharias | President and Chief Executive Officer | Manitoba Public Insurance |
| 30/11/99 | Barry Galenzoski | Vice-President Finance | Manitoba Public Insurance |

36. Manitoba Hydro

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------|---------------|---------------------------------------|----------------------------|
| 26/11/99 | Garry Hoffman | President and Chief Executive Officer | Crown Corporations Council |
| 2/12/99 | Bob Brennan | President & Chief Executive Officer | Manitoba Hydro |

37. Manitoba Lotteries Corporation (Contractor Prepared)

| <i>Date</i> | <i>Name</i> | <i>Title</i> | <i>Organization</i> |
|-------------------|----------------|---|--------------------------------|
| November 22, 1999 | Bill Funk | President and CEO | Manitoba Lotteries Corporation |
| November 22, 1999 | Peter Hak | Senior Vice-President and COO | Manitoba Lotteries Corporation |
| November 24, 1999 | Judith Baldwin | Special Assistant to Minister Responsible for Lotteries | Manitoba Government |

In addition, as we sought the “sign off” letter from each department, confirming the information contained in the department’s report, we met with each of the 16 deputy ministers.

APPENDIX E

ENTITY SIGN-OFF LETTER

APPENDIX E

Manitoba Finance



December 14, 1999

Dear Sir or Madam:

In a letter of October 19, 1999 I asked for your assistance, on behalf of the Province of Manitoba's Financial Review Steering Committee, by providing certain financial information. As you know, Deloitte & Touche LLP has been selected to undertake this important study for the government.

A representative of that firm has visited your designated contact person, to discuss the written material and other matters within the scope of the Review. In some cases, additional interviews have been held.

Deloitte & Touche LLP will shortly be completing a report summarizing their observations and findings on your organization.

A copy of this report will be sent to you shortly for your review. After providing any comments or corrections, the Financial Review Steering Committee requests that you "sign off" your concurrence with the facts presented in the report. These "signed off" reports will be used as input to Deloitte & Touche's final report. As time is very tight, your prompt response is requested.

Please note two other crucial points:

1. You are asked to indicate to Deloitte & Touche in the sign off letter the categories into which expenditures above the amounts approved in the 1999/2000 budget fall, and their amounts:
 - Explicitly authorized by Treasury Board. (please provide date)
 - Not authorized by Treasury Board, but required by an existing statutory or other authority. (please specify the nature of the obligation)
 - Required by an emergency. (details please)
 - Approved at the department level but with no formal approval by Treasury Board. (please name approving authority and provide explanation)

- 2 -

- Necessary to continue on-going service in 1999/2000 at 1998/1999 levels (details please)
 - The result of volume increases in demand. (please provide details on volume and approved authority)
 - Discretionary initiatives of the government prior to September 30, 1999.
 - Discretionary initiatives of the government taken after September 30, 1999.
2. You are asked to call Mr. Richard Olfert of Deloitte & Touche LLP at 944-3637 immediately if, subsequent to your sending in the signed off report, and up to December 27, 1999, you learn of anything which would alter the information you have provided, and inform Mr. Olfert of such changes.

A sample copy of the suggested form of the “sign off” is attached. If you have any questions, please call me at 948 – 4623 or 948 – 4624.

Yours truly,

“original signed by”

Ron Hikel

DEPARTMENT/AGENCY/CORPORATION/FUND NAME

Deloitte & Touche LLP
2200 – 360 Main Street
Winnipeg, Manitoba
R3C 3Z3

Dear Sirs:

I have reviewed the report that Deloitte & Touche LLP has prepared for (name of entity/agency/fund/department), dated December , 1999. I represent, to the best of my knowledge and belief, that:

1. Our response to the Financial Review Steering Committee's request for information (by way of letter from Mr. Ron Hikel, dated October 19, 1999), includes account information on all material (defined as a cumulative value greater than \$10 million) matters and issues relevant to the questions contained in the request.
2. In particular, I have advised you of:
 - All anticipated variances between the department's approved estimates and the department's currently expected expenditures to March 31, 2000 (*for departments only*);
 - Any actual or anticipated requests for additional funding from the Province of Manitoba for expenditures, beyond those approved in the Budget, for the year ended March 31, 2000;
 - Beyond the 1999/2000 expenditure base, any significant specific initiatives, programs and contractual commitments that will increase the expenditures of the Province of Manitoba's Consolidated Fund, for the two fiscal years ended March 31, 2001 and 2002; and
 - Any events which could affect the creditworthiness of the Province.
3. There are no existing circumstances or plans for the future that have affected or will affect the value of assets, beyond those I have reported to you. All instances where the expected future value of specific assets is substantially below their current carrying value, have been identified.
4. All material contingencies, claims, possible claims or lurking liabilities, for the period up to March 31, 2000 have been disclosed to you.
5. No events have occurred and no facts have been discovered subsequent to the provision of the initial information requested that would require revision of the information already provided to Deloitte & Touche.

- 2 -

6. Expected expenditure variances from the approved 1999/2000 budget as set out in your report are correctly categorized as follows:

Explicitly authorized by Treasury Board.
(please provide date) \$ _____

Not authorized by Treasury Board, but required
by an existing statutory or other authority. \$ _____

Required by an emergency. (details please) \$ _____

Approved at the department level but with no
formal approval by Treasury Board.
(please name approving authority) \$ _____

Necessary to continue on-going service in 1999/2000
at 1998/1999 levels. \$ _____

The result of volume increases in demand. \$ _____

Discretionary initiatives of the government prior
to September 30, 1999. \$ _____

Discretionary initiatives of the government taken
after September 30, 1999. \$ _____

TOTAL \$ _____

- 3 -

7. We have reviewed your report (name of entity/agency/fund/department), dated December , 1999. With the exception of the items noted below, we are in agreement with its contents. (list items below)

On behalf of (name of entity/agency/fund/department):

Name of Deputy Minister or
CEO or Agency Head

Date

APPENDIX F

DESCRIPTION OF CATEGORIES OF ENTITIES

APPENDIX F

TREASURY MANAGEMENT AND SPECIAL FUNDS

In order to sustain the operations of the Province, a comprehensive Treasury Management function has evolved within the Department of Finance. Its responsibilities include:

- management of public debt and the borrowing costs related thereto;
- investments, in the form of advances in government enterprises and other types of organizations, in accordance with the various acts under whose authority such investments are made;
- maintenance of certain special funds such as the Fiscal Stabilization Fund, Debt Retirement Fund and Mining Community Reserve Fund;
- management of the government's cash flow; and,
- management of the financing of government's capital requirements.

OPERATING FUND

The Province's operating fund contains the revenues and expenditures which are approved by the Manitoba Legislative Assembly. Through an annual estimates process, a budget for expenditures is established. These expenditures are funded by revenues received from the federal government, from various taxation sources and from various revenues that departments are able to raise through the services which they provide. The operations of the Operating Fund are governed by the provisions of *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*.

CROWN ORGANIZATIONS

In many instances, delivery of services to Manitobans that are funded by a particular government department are provided through a Crown organization. Government departments in their budget estimates process determine the amount of funding to be allocated to a particular Crown organization. This amount is approved as part of the Operating Fund budget estimate process.

Crown organizations, in turn, receive the funding from the Operating Fund through government departments. These revenues are combined with other revenues that the organization may be able or entitled to raise. These revenues sources then fund service delivery to the public.

Each Crown organization is associated with a particular government department. There is regular communication between each Crown organization and its related department to monitor the ongoing activities, operations and issues of the Crown organization.

GOVERNMENT ENTERPRISES

The government owns a variety of corporations that provide services to Manitobans. These Crown enterprises fall into two categories.

The first category is comprised of Crown enterprises that operate independently and retain all income generated by their business operations within the enterprise. These organizations do contribute to the revenue of the Province's Operating Fund through the payment of various amounts such as debt guarantee fees, payroll tax, and water power rentals. The most significant of these enterprises are:

- Manitoba Hydro;
- Workers Compensation Board; and,
- Manitoba Public Insurance Corporation.

The second category of government enterprises is comprised of those where the annual income is allocated back to the Province of Manitoba and paid into the Province's Operating Fund for use as general revenues to support expenditures which are authorized by the legislature. Government enterprises included in this group are:

- Manitoba Liquor Control Commission; and,
- Manitoba Lotteries Corporation.

APPENDIX G

EXPLANATION OF SIGNIFICANT VARIANCES FOR USE AS REQUIRED TO SUPPORT VARIANCES DISCLOSED IN THE REPORT

The information contained in this appendix was gathered during the financial review process. During the period from January 4 to February 8, we met with all Deputy Ministers to obtain their “sign-off” on these variance explanations and on other information about their respective departments.

Since these “sign-offs” were obtained, there have been changes in the status of several of these variances. For instance:

- The level of commitment may have changed;
- More current information regarding the expected amount of the variance has become available;
- The department may have identified means of funding the variance within its existing departmental expenditure authority.

These and other changes in the status of these variances since the completion of the “sign-off” by the responsible Deputy Ministers have not been reflected in Appendix G. However, such changes **are** included in our estimate of the projected deficit set out in the body of the report itself.

APPENDIX G

1. Aboriginal and Northern Affairs

Variance: ATP Water Plants Replacement - \$1.0 million

| | |
|---|---|
| <i>Description of Variance</i> | Cost to retrofit water treatment plants in four northern communities and construct such a plant in one additional community. |
| <i>Rationale for Variance</i> | The four existing plants utilized new technology that worked intermittently. A deposit had previously been made for similar equipment at the additional location. The supplier, who was in the process of rectifying the problems by replacing equipment, has been placed in receivership. The repairs and construction of fully functioning facilities are required. |
| <i>Evidence for Variance</i> | Approved by Treasury Board. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | This is expected to be a one time expenditure. |
| <i>Level of Commitment</i> | Approved by Treasury Board. |

Variance: C.E.D.F. Loan Loss Provisions - \$0.3 million

| | |
|---|---|
| <i>Description of Variance</i> | Increase of the loan loss provision from \$325,000 to \$625,000 on a \$1.5 million loan to Gilbert International in the Interlake region. |
| <i>Rationale for Variance</i> | Increased doubt about collection of the loan. |
| <i>Evidence for Variance</i> | Treasury Board has approved the provision on the basis that it be funded internally by the Department. |
| <i>Potential Financial Impact for Future Years</i> | Remaining net book value of the loan is \$875,000. Ongoing assessments of the collectability of these amounts is required. |
| <i>Level of Commitment</i> | Treasury Board approval for the provision, though the Department believes that the amount cannot be funded from within the Department's budget. |

2. Agriculture and Food

Variance: Risk Management and Income Support Premiums – (\$2.4) million

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|--|--|
| Description of Variance | Manitoba Crop Insurance Corporation Premium surplus resulting in a direct decrease of expenditures of \$2.4 million. |
| Rationale for Variance | The surplus variance is due to the high numbers of unseeded acres in the southwest corner of the province as a result of spring flooding. The variance over past years has fluctuated typically around \$1.0 to \$1.2 million. |
| Evidence for Variance | Department of Agriculture Financial Information Package. |
| Potential Financial Impact of the Variance for Future Years | This variance is limited to the current year. |
| Level of Commitment | N/A |

Variance: Manitoba Agricultural Credit Corporation - \$0.9 million

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|--|--|
| Description of Variance | The over expenditure of \$.9 million is due largely to a \$2.0 million allowance for additional bad debts related to the Manitoba Producer's Recovery Program partially offset by smaller revenue items, e.g., land sales. |
| Rationale for Variance | The Manitoba Producer's Recovery Program is used to provide loans and guarantees for producers due to the delay in Federal Aid. The loans are designed to put cash into the hands of the farmers to seed the land. |
| Evidence for Variance | Department of Agriculture Financial Information Package. |
| Potential Financial Impact of the Variance for Future Years | This variance will decrease due to the scheduled conclusion of this program. |
| Level of Commitment | The Department is committed to offer these services until the scheduled program conclusion. It is expected that this over expenditure will be managed within the existing departmental budget by a transfer between main appropriations. |

Variance: Agricultural Income Disaster Assistance – 1998 - \$9.0 million

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|--|---|
| Description of Variance | The over expenditure of \$9.0 million is due largely in part to increased estimated expenditures related to the Agriculture Income Disaster Assistance program. |
| Rationale for Variance | The Agriculture Income Disaster Assistance Program is designed to supplement farmers' income. The benefit to the farmer calculated to be equal to the amount of the operating margin (cash income minus operating expenses adjusted for inventory changes) in the current year is less than 70% of the average operating margin for the preceding three years. The department's best estimate of the liability is \$21.0 million. The Government of Canada and the Provincial Government have a 60/40 cost sharing in place. The province has committed itself to a maximum \$24.9 million and \$37.3 million for the 1998 and 1999 base income years respectively. To date the department has received 7,000 applications of which approximately 6,500 have been processed and paid. The last few applications seem to be their largest. |
| Evidence for Variance | Department of Agriculture Financial Information Package. |
| Potential Financial Impact of the Variance for Future Years | Variances between expenditures recorded as estimates in the current period and the ultimately determined costs will be recorded in future years. |
| Level of Commitment | The Department is committed to maximums as indicated above. Treasury Board has not yet authorized the over expenditure. |

3. Civil Service Commission

No significant expenditure variances were noted.

4. Conservation

Variance: Flood Proofing – (\$31.8) million

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| Description of Variance | The variance relates to the under expenditure of funds for flood proofing activities. |
| Rationale for Variance | The department had initially budgeted \$51.1 million for flood proofing activities. An enabling vote was added to supplement the expenditure of \$12.8 million. However, delays in project completion have deferred the costs to future years. Delays to program completion are a result of engineering and environmental studies and municipal funding issues with respect to ring dikes. |

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| <i>Evidence for Variance</i> | November 3, 1999 Information Package. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | The variance for the expenditure will carryover to the following years until all the projects have been completed. |
| <i>Level of Commitment</i> | N/A |

5. Consumer and Corporate Affairs

No significant variances were identified.

6. Culture, Heritage and Tourism

No significant variances were identified.

7. Education and Training

Variance: Increase in Adult Education - \$11.6 million

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| <i>Description of Variance</i> | 1999/2000 school year eligible enrolment for adult education exceeded the original budget by 3,030. Approximately 2,100 of these pupils enrolled in the Morris McDonald School Division No. 19. |
| <i>Rationale for Variance</i> | Funding for adults enrolled in the public school system is provided through the Schools Finance Program based on eligible enrollment. |
| <i>Evidence for Variance</i> | Public Schools Finance Branch has received confirmed enrolment figures from all school divisions. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | In the absence of any changes to the way in which adult funding is determined under the Schools Finance Program, the increased funding level will continue as long as enrolment levels continue at the 1999/2000 levels. |
| <i>Level of Commitment</i> | The funding for 1999/2000 for this over expenditure will flow to the school divisions in the normal course of the advancing of grant funds to them. |

Variance: Increase in Scholarship Bursaries – \$11.3 million

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|--------------------------------|--|
| <i>Description of Variance</i> | As a result of increased funding from the Government of Canada for the Canada Millennium Scholarship Fund of \$11.3 million, the Province of Manitoba will provide scholarships of an equal amount to Manitoba students. |
| <i>Rationale for Variance</i> | The Province is utilizing the Canadian Government's Scholarship Program at no net cost to the Government of Manitoba. |

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| <i>Evidence for Variance</i> | Application for the Federal Government Funding has successfully been made. The Department has formulated a program design to disburse the new scholarship funds. |
| <i>Potential Financial Impact for Future Years</i> | The over expenditure results entirely from the availability of unbudgeted additional revenues from the Federal Government. Future scholarships initiatives of this nature would only be incurred as offsetting Federal Government revenues are available. |
| <i>Level of Commitment</i> | Treasury Board approval of this over expenditure has been received. |

8. “Family Services” Component, including Child and Family Services Agencies of Family Services and Housing

Variance: Employment and Income Assistance – (\$0.6) million

| <i>Description of Variance</i> | Income Assistance Program |
|--|--|
| <i>Rationale for Variance</i> | The under expenditure of \$0.6 million primarily consists of forecasted savings of approximately \$2.7 million directly related to reduced caseloads, offset by increases under Making Welfare Work to assist recipients to obtain jobs. |
| <i>Evidence for Variance</i> | Response from Family Services. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | The impact of the program savings is anticipated to lessen, since the remaining cases are more difficult to place than the initial. |
| <i>Level of Commitment</i> | N/A |

Variance: Child and Family Services - \$8.0 million

| <i>Description of Variance</i> | Maintenance of Children and External Agencies |
|--|--|
| <i>Rationale for Variance</i> | <p>The over expenditure of \$8.0 million primarily consists of a \$5.2 million deficit of Winnipeg Child and Family Services and a \$1.8 million child maintenance increase. The \$5.2 million for Winnipeg Child and Family Services is composed of the following:</p> <ul style="list-style-type: none"> - A \$3.0 million increase as a result of increased costs of child maintenance for emergency high cost placements and an increase in high-needs children requiring specialized placements. - A \$1.2 million increase due to salary related adjustments for year three of the collective agreement. - A \$1.0 million increase due to additional demand for family support services. <p>The \$1.8 million child maintenance increase is due to the increasing cost of care for high-needs children serviced by agencies other than Child & Family Services-Winnipeg.</p> |
| <i>Evidence for Variance</i> | Forecast from Child and Family Services agencies. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | The impact of these variances is factored into the forecasted figures provided by Family Services. The increase costs and volumes causing the variance are expected continue to grow. |
| <i>Level of Commitment</i> | The Department has identified the need for the expenditures. Treasury Board approval has not yet been obtained. |

Variance: Community Living - \$0.9 million

| <i>Description of Variance</i> | Adult Services and Manitoba Developmental Centre |
|--|---|
| <i>Rationale for Variance</i> | <p>The over expenditure for community living services of \$0.9 million relates to Adult Services, Financial Assistance and External Agencies, which project an over expenditure of \$1.3 million, attributable primarily to:</p> <ul style="list-style-type: none"> • A \$0.8 million over expenditure for residential, respite and crisis services for adults with a mental disability, due to growth in critical needs cases and no budgetary provision for the extra day of service during the leap year. • A \$0.2 million over expenditure for day services, due to growth in critical needs cases, no budgetary provision for the extra day of service during the leap year, and a 3% shortfall in funding through the 1999/00 estimates process. • A \$0.2 million increase in vocational rehabilitation services due to over-commitments in response to a growing wait list for services. <p>An under expenditure of \$0.6 million is projected for the Manitoba Developmental Centre due to staff recruitment difficulties and vacancy management to partially offset over expenditures in other areas.</p> |
| <i>Evidence for Variance</i> | Response from Family Services. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | The impact of these variances is factored into the forecasted figures provided by Family Services. The increased costs and volumes causing the variance are expected to continue to grow. |
| <i>Level of Commitment</i> | The Department has identified the need for the expenditures. Treasury Board approval has not yet been obtained. |

9. “Housing” Component and Manitoba Housing Rehabilitation Corp. (Contractor Prepared)

Variance: Housing Program Support – (\$0.2) million

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|--------------------------------|--|
| <i>Description of Variance</i> | Salary under expenditures. |
| <i>Rationale for Variance</i> | Staff positions being vacant for a portion of the year. |
| <i>Evidence for Variance</i> | Housing’s 1999/2000 Projected Fiscal Position by Expenditure Category as at September 30, 1999 prepared by the Department. |

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| Potential Financial Impact of the Variance for Future Years | Number of positions to remain constant into near future at 101.5 full time equivalent positions. |
| Level of Commitment | Normal, annual budget. |

Variance: Transfer Payments to MHRC – (\$1.8) million

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|--|---|
| Description of Variance | Under expenditure forecast. |
| Rationale for Variance | Provincial portion of savings resulting from new Social Housing Agreement. Lower than projected number of clients and average subsidy paid for SAFFR and SAFER programs. |
| Evidence for Variance | Housing's 1999/2000 Projected Fiscal Position by Expenditure Category as at September 30, 1999 prepared by the Department. |
| Potential Financial Impact of the Variance for Future Years | Under the Social Housing Agreement, surplus' are anticipated in the initial years of the program to offset potential shortfalls / program changes in the future. |
| Level of Commitment | Normal, annual budget. |

Variance: Grants and Subsidies – (\$0.4) million

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|--|--|
| Description of Variance | Under expenditure forecast. |
| Rationale for Variance | Lower than projected number of clients and average subsidy paid for SAFFR and SAFER programs. |
| Evidence for Variance | Housing's 1999/2000 Projected Fiscal Position by Expenditure Category as at September 30, 1999 prepared by the Department. |
| Potential Financial Impact of the Variance for Future Years | Annual estimates done for grants and subsidies under various programs. |
| Level of Commitment | Normal, annual budget. |

10. Finance

Variance: Provision Against Investment in Better Systems Initiative Project - \$9.7 million

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|---|---|
| <i>Description of Variance</i> | Provision against the investment carrying value of the Province's investment in the Better Systems Initiative. |
| <i>Rationale for the Variance</i> | The Province's Chief Information Officer believes that approximately \$9.7 million of the aggregate \$60 million of expenditures on the Better Systems Initiative to date will have no future value for the government. |
| <i>Evidence for Variance</i> | Written confirmation of the Chief Information Officer (CIO). |
| <i>Potential Financial Impact of the Variance for Future Years</i> | It is not expected that further provisions will be required unless the initiative is abandoned before completion. |
| <i>Level of Commitment</i> | The CIO indicates that the provision should be made. Treasury Board approval is required. |

Variance: Provision for Taxation Assessment Receivable & Litigation Resolution - \$9.2 million

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| <i>Description of Variance</i> | Provision for taxation assessments that are thought to be uncollectible (\$7.7 million) and provision for settlement of litigation (\$1.5 million). |
| <i>Rationale for the Variance</i> | The Assistant Deputy Minister, Taxation believes that these provisions are required to accurately reflect the expectation that certain taxation assessments receivable are likely not to be collected. |
| <i>Evidence for Variance</i> | Submission by the Assistant Deputy Minister, Taxation. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | Further provisions against these specific accounts will not be required. |
| <i>Level of Commitment</i> | The Department has approved the provisions. Treasury Board approval is still required. |

11. Health

Variance: RHA Deficits - \$52.5 million

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|--------------------------------|---|-------------------------|
| Description of Variance | Manitoba's regional health authorities anticipate incurring deficits, in aggregate, to provide health services as mandated. The components of this variance by health authority are set out below. These deficits have been adjusted to eliminate the effects of accrued wage settlements which are separately captured in this report. | |
| | Regional Health Authority 1999/2000 Forecast | |
| | Health Authority | Surplus(Deficit) |
| | Burntwood | \$(1.6) |
| | Central | \$(1.2) |
| | Churchill | \$(0.2) |
| | Interlake | \$(0.4) |
| | Marquette | \$(0.8) |
| | Northern Manitoba | \$0.1 |
| | North Eastman | \$(1.2) |
| | Parkland | \$0.8 |
| | South Eastman | \$(0.3) |
| | South Westman | \$(0.3) |
| | Brandon | \$(3.1) |
| | WCA | \$(1.3) |
| WHA | \$(44.1) | |
| Anticipated Adjustments | \$1.1 | |
| TOTAL | \$52.5 | |
| Rationale for Variance | RHA's have projected their expenditures for the fiscal year to maintain existing and required levels of healthcare services. | |
| Evidence for Variance | <ul style="list-style-type: none"> • Correspondence between Winnipeg Hospital Authority and Manitoba Health during April to July 1999. • Submissions of information and confirmation by individual RHA's. • Summary of Regional Health Authority projections prepared by the Department of Health. | |

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| <i>Potential Financial Impact of the Variance for Future Years</i> | The existence of the deficits suggests that expenditure pressures are real and must be actively managed. Based on forward-looking information provided by the Department of Health, the amount of the 1999/2000 projected deficits is expected to be added to the “base” health expenditures. |
| <i>Level of Commitment</i> | RHA’s deficits have not yet been approved for funding by Treasury Board. However in the absence of direction from the Department of Health to reduce service levels which would, in turn, reduce expenditures, this overexpenditure is in the process of being “cash flowed” currently. |

Variance: Wage Settlements with MNU, CUPE & Other Unions - \$64.1 million

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| <i>Description of Variance</i> | Impact of May and June 1999 negotiated Wage Settlements with Manitoba Nurses Union, Canadian Union of Public Employees and other Unions of \$48.1 million as well as impact of elimination of reduced work week totaling \$16.0 million. |
| <i>Rationale for Variance</i> | Increased salary costs as a result of Negotiated Agreements in 1999/2000 with MNU, CUPE and other unions. |
| <i>Evidence for Variance</i> | Department of Health Internal Programs and Operations letter of November 3, 1999; Projected Salary Increases Worksheet; Summary Worksheet of MNU/MNU Related Contract Costs; Highlights of MNU Collective Agreement. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | The negotiated and anticipated increases will result in incremental wage costs of \$37.8 million in 2000/2001 and 39.0 million in 2001/2002. |
| <i>Level of Commitment</i> | Payments are required based on labor agreements; Treasury Board has not yet approved the overexpenditure. |

Variance: MMA Settlement - \$27.9 million

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|---------------------------------------|--|
| <i>Description of Variance</i> | Impact of August 1999 arbitration award on medical payments to be made to physicians pursuant to terms of the Manitoba Health agreement with the Manitoba Medical Association (MMA). |
| <i>Rationale for Variance</i> | Arbitration Award in August 1999 for Fee For Service (FFS) physicians and settlement of agreement for Alternate physicians. |
| <i>Evidence for Variance</i> | Arbitration Award in August 1999 for Fee For Service (FFS) physicians and for Alternate physicians. |

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| Potential Financial Impact of the Variance for Future Years | The Arbitration Award awarded FFS physicians' increases totaling \$33.5 million or 13.4% over a four-year period. \$20.4 million of the \$33.5 million will be absorbed in future years. Applying the same increase to Alternate physicians results in total increase of \$13.5 million with \$7.2 million being absorbed in future years. In addition, there will be a \$1 million payment in each of the next two years to a special MMA educational fund. |
| Level of Commitment | The Arbitration Award is binding upon the Department of Health for FFS physicians. Negotiations continue with respect to compensation for alternate physicians and salaried physicians. Projected increases for these groups are calculated based on the binding Arbitration Award. Treasury Board has not yet approved this or expenditure. |

Variance: Canadian Blood Services - \$7.4 million

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|--|---|
| Description of Variance | Required Increase in Province of Manitoba's contribution to the Operations of the Canadian Blood Services. |
| Rationale for Variance | The 1999-2000 Budget of Canadian Blood Services increased by \$120 million as a result of increased spending on Blood Safety programs, Captive Insurance, Fractionation and Contingency Funds. Manitoba's original share of the increase amounted to \$10.1 million. CBS subsequently revised its calculations. |
| Evidence for Variance | Treasury Board Submission Briefing Note. |
| Potential Financial Impact of the Variance for Future Years | Variance will be absorbed in current fiscal year. |
| Level of Commitment | Treasury Board has approved this expenditure. |

Variance: Pharmacare - \$13.1 million

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|--|--|
| Description of Variance | Impact of increased costs for Pharmacare as a result of increased drug costs and rising volumes. |
| Rationale for Variance | Number of Beneficiaries (families) and drug costs per beneficiary are in excess of estimates. Factors attributing to increase in drug costs include price increases, change in product mix, new product introduction and increased dispensing fee costs. |
| Evidence for Variance | Manitoba Health Provincial Drug Programs document outlining variance of \$10.8 million. Third quarter cash flow information increased the estimate to \$13.8 million. |
| Potential Financial Impact of the Variance for Future Years | Variance will be absorbed in current fiscal year. Rising costs will be a factor affecting future years. |

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| <i>Level of Commitment</i> | The funding will flow automatically given that the variance is a result of volume and external price increases. |
|-----------------------------------|---|

Variance: New Government Election Commitments - \$8.7 million

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|---|---|
| <i>Description of Variance</i> | Projected costs of implementing government promises to “eliminate hallway medicine”. |
| <i>Rationale for Variance</i> | Costs of initiatives were originally estimated by the Department of Health at \$10 million. Costs to March 31, 2000 are now expected to be \$8.7 million. |
| <i>Evidence for Variance</i> | Treasury Board approval. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | It is anticipated that these costs will be added to the “base” health expenditures. |
| <i>Level of Commitment</i> | This variance has been approved by Treasury Board. |

Variance: HISM Writedown - \$33.0 million

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|---|--|
| <i>Description of Variance</i> | The Department of Finance has indicated that it intends to record a full provision against the estimated Health Information Network costs (recorded within HISM) of \$33 million. In addition to costs incurred to date, termination of the agreement may have financial implications. |
| <i>Rationale for Variance</i> | The Government has announced that it will not proceed with this initiative. |
| <i>Evidence for Variance</i> | In the completion of the March 31, 1999 Volume 3 financial statements, costs incurred to that date were fully provided for. The Provincial Comptroller indicates the Province intends to do the same with expenditures in 1999/2000. |
| <i>Potential Financial Impact of the Variance for Future Years</i> | None |
| <i>Level of Commitment</i> | See “Evidence” above. This provision has not yet been approved by Treasury Board. |

12. Highways & Government Services

No significant variances were identified.

13. Industry, Trade and Mines

Variance: Supplemental Funding for SmartPark - \$2.3 million

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| Description of Variance | The Province will provide \$2.3 million of funding to the Smart Park project at the University of Manitoba. |
| Rationale for Variance | This funding is consistent with the programs provided by Industry and Trade. |
| Evidence for Variance | Approval by Treasury Board. |
| Potential Financial Impact of the Variance for Future Years | None. |
| Level of Commitment | Approved by Treasury Board. |

14. Intergovernmental Affairs

Variance: Financial Assistance to the City of Winnipeg - \$4.6 million

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| Description of the Variance | In 1999, the Province assumed responsibility for the delivery of social assistance and public health services from the City of Winnipeg. Though the City delivered these programs previously, the Province had funded them by way of grant. With the transfer of responsibility for delivery, the need for the grant was eliminated. The 1999/2000 budget estimates projected the grant costs until the “cut over” date. In settling upon the final amount due to the City of Winnipeg, the City indicated that based on its records, the Province’s quarterly payments were made in arrears rather than in advance of the period. Therefore, the City believed that the Province was required to make one additional \$4.625 million payment. The Province had never considered timing to be an issue. This issue is currently under consideration by the Province. |
| Rationale for the variance | The Province may decide to make the additional payment to the “cut over date”. |
| Evidence for variance | Documentation, as described above, has been compiled by the Department. |
| Potential financial impact of the variance for future years | The impact of this variance is limited to the 1999/2000 fiscal year. |
| Level of commitment | A Treasury Board submission has been prepared requesting authorization to proceed with this expenditure. |

Variance: Winnipeg Development Agreement - \$0.4 million

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|--|---|
| Description of the Variance | \$375,000 of the difference relates to a capital grant under the Winnipeg Development Agreement for Housing. Treasury Board authorized Manitoba Housing to expend these funds from the WDA allocation. No funding was, however, provided for the project in the 1999/2000 WDA allocation. The former Department of Urban Affairs was unable to accommodate the additional expenditure from within its approved level of WDA funding. Consequently, additional funding to honor this commitment is required. |
| Rationale for the variance | The further \$375,000 expenditure by Manitoba Housing was authorized by Treasury Board. |
| Evidence for variance | Internal departmental documentation has been prepared indicating the Department's concurrence with the need to make the payment. |
| Potential financial impact of the variance for future years | The impact of this variance is limited to the 1999/2000 fiscal year. |
| Level of commitment | The \$375,000 housing grant was authorized by the Treasury Board as the funding cannot be accommodated within existing estimates. Supplementary estimate request has also been prepared for Treasury Board. |

15. Justice

Variance: Criminal Justice – 2.2 million

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|--|--|
| Description of Variance | The variance of \$2.2 million in over expenditures is due largely in part to the following major items: ➤ Provincial Policing \$0.5 ➤ Prosecutions \$0.6 ➤ Justice Initiatives \$1.0 ➤ Other \$0.1 |
| Rationale for Variance | The over expenditure for Provincial Policing is due to the RCMP security services for the Pan Am Games. Prosecution over expenditure relates to contracted legal counsel and an external review. The balance of the over expenditure related to the Justice Initiatives. |
| Evidence for Variance | The variances are outlined on the 1999/2000 Forecast of Expenditures for the Department of Justice. |
| Potential Financial Impact of the Variance for Future Years | The expenditures are a one time cost and should not reoccur and will not be built into the expenditure base for future years except for the Prosecution's internal review which will cost \$0.1 million in 2000/01. |
| Level of Commitment | Funding for certain of these commitments has been allocated by way of Enabling Appropriations. |

Variance: Civil Justice – (\$1.7) million

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|--|---|
| Description of Variance | The variance of \$1.7 million of under expenditure is due largely in part to the reduction of legal aid expenditures of \$1.3 million, and vacancy surpluses of \$0.4 million. |
| Rationale for Variance | The under expenditure is due to reduced requirements for legal aid (private bar) to be provided for those individuals that are part of the high security trial. There was a significantly higher number of accused who opted for plea bargains, therefore, there were direct savings of private bar expenditures. The trial was also delayed. |
| Evidence for Variance | This variance is outlined on the 1999/2000 Forecast of Expenditures as provided by the Department of Justice. |
| Potential Financial Impact of the Variance for Future Years | This saving is not built into the expenditure base for future years. |
| Level of Commitment | N/A |

Variance: Corrections - \$5.3 million

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| Description of Variance | The variance of \$5.3 million in over expenditures is due largely to the following major items: <ul style="list-style-type: none"> ➤ Adult corrections \$3.6 million ➤ Youth corrections \$0.8 million ➤ Community Corrections \$0.5 million |
| Rationale for Variance | Increased Adult Corrections expenditures of \$3.6 million are due to the increased staffing costs as a result of more employees being required to monitor increased inmate populations. Increased Youth Corrections expenditures of \$0.8 million relates to the redeployment of existing staff, as well as, requirements to increase the current staff. Increased Community Corrections expenditures of \$0.5 is for fully funded federal youth Justice initiatives. |
| Evidence for Variance | This variance is outlined on the 1999/2000 Forecast of Expenditures as provided by the Department of Justice. |
| Potential Financial Impact of the Variance for Future Years | The impact of these variances will be built into the expenditure base for future years. |
| Level of Commitment | Funding for certain of these commitments has been allocated by way of Enabling Appropriations. |

Variance: Courts - \$1.7 million

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|--|--|
| Description of Variance | The variance of \$1.7 million in over expenditures is due largely in part to the overexpenditure of \$1.2 million related to Judicial Services. |
| Rationale for Variance | The over expenditure is a direct result of the pay settlement for Judges and Masters and due to two new judicial appointments for approximately \$0.7 million and \$0.1 million respectively. The balance of the variance relates to the Desk Top Initiative of \$0.2 million and other minor initiatives. |
| Evidence for Variance | This variance is outlined on the 1999/2000 Forecast of Expenditures as provided by the Department of Justice. |
| Potential Financial Impact of the Variance for Future Years | The pay settlement and the two new appointments will be built into the expenditure base for future years. |
| Level of Commitment | Funding for certain of these commitments has been allocated by way of Enabling Appropriations. |

16. Labour, Citizenship and Multiculturalism

No significant variances were identified.

APPENDIX H

**FUTURE ISSUES AFFECTING OPERATIONS OF
DEPARTMENTS AND CROWN ORGANIZATIONS:**

LURKING EXPENDITURES

APPENDIX H

1. Aboriginal and Northern Affairs

The following issues could affect future operations:

It is anticipated that third party (e.g. forestry operations) and other interests may arise as a result of obligations entered into by Manitoba under the Treaty Land Entitlement (TLE) framework agreement. Costs could be incurred to address the requirement to compensate forestry companies or municipalities for revenues lost because of the need for the Province to turn over certain lands to First Nations as a result of the TLE framework agreement. The recommended funding for these contingency costs is \$2.5 million. No contingency funds have been allocated to date.

- The Northern Flood Agreement (NFA) provides for certain programs to be funded by the Province and/or Manitoba Hydro. Costs for these programs are provided for negotiated comprehensive implementation agreements. The Cross Lake First Nation has not signed such an agreement which leaves the First Nation in a position to seek an arbitration decision based on the original terms of the NFA. It is uncertain as to what costs the Province might incur as a result of these circumstances.
- In addition, costs of current negotiations with Cross Lake are funded in part by the Province's water power rental agreement with Manitoba Hydro. This agreement expired in September 1999.
- As a result of a previous award by the NFA arbitrator, it is the Province's responsibility for damages associated with not providing an all weather crossing to Cross Lake. One solution to this might involve the construction of a bridge at Pipestone Crossing which would cost approximately \$13 million.
- As part of a different arbitrators award under the NFA, the Province and Manitoba Hydro constructed an arena at Cross Lake and are responsible for ongoing operations and maintenance. The existing trust fund for operations and maintenance must be replenished. The Province's share of the required funding may be approximately \$3 million.
- There are several northern communities that do not have treaty status that are seeking application of the NFA to their circumstances though they are not parties to this agreement. The negotiation costs of the communities and potential settlement costs will be shared by Manitoba and Manitoba Hydro.
- In the event that the Province decides to proceed with the construction of a bridge at Pipestone, it is likely that the community at Norway House would argue that this is a precedent requiring construction of a similar bridge at Sea Falls at a similar cost of \$13 million.

- Grand Rapid Forebay existing obligations for commitments made by the Province and Manitoba Hydro in 1962 are subject to a negotiated settlement currently underway with several First Nations. The costs of the settlement have been addressed under the water power rental agreement. However, the proposed land exchange which will occur as part of the settlement will require surveying by the Province. It is anticipated that the Department would fund these surveys which have been estimated to cost \$500,000 over two years.
- The establishment of an all weather road up the east side of Lake Winnipeg is considered to be an important opportunity that may create economic benefit as well as business opportunities for remotely located aboriginal communities. Preliminary estimates for this project have ranged as high as \$200 million.
- The provincial and federal governments are currently negotiating with the objective of transferring jurisdictional control and authority of the community of South Indian Lake from the Province to the Federal Government. If successful, the result of this transfer of control and authority would be to transfer costs associated with agreements with this First Nations entirely to the Federal Government. In the absence of such an agreement, the Province would continue to be responsible for various costs associated with the South Indian Lake Community.
- The Peguis First Nation TLE claim was validated by the Federal Government in 1998. As part of the agreement, Manitoba will be obliged to provide certain Crown land to the First Nation. It is anticipated that the only financial provision that may impact the Province would be associated with the municipal tax loss if the lands included in the settlement are revenue bearing for a municipality.
- The Department has prepared a preliminary list of priority projects related primarily to the quality of drinking water and community roads. The cost of the projects included on the list amounts to \$17.4 million which is substantially in excess of the current level of funds provided for community infrastructure programs.
- A variety of aboriginal development programs have been developed. The cost of these programs included in the current 1999/2000 approved expenditures amount to approximately \$0.9 million. The proposed programming for 2000/2001 related to this initiative would be an additional \$2.0 million. The costs of these programs have not been included in the Department's projections for future years.

2. Communities Economic Development Fund

The Fund has loan portfolio values approaching \$25.0 million (before allowances). Loans typically are limited by the market and are usually no larger than \$750,000 to \$850,000. The Province of Manitoba funds these loans and expects to be repaid. Authority under the business loan was raised from \$7.0 to \$12.0 Million in 1994 and then to the current maximum level of \$15.0 million. The fisheries loan portfolio maximum was increased from \$10.0 million to \$12.0 million.

There are several industry specific components of the loan portfolio. For example the forest sector accounts for 45% or approximately \$7 million of loans related to business loans. A downturn in the economy could impact the value of these loans. The Fund practices aggressive valuation of its portfolio. Each quarter management reviews all accounts. Usually 15-24% of portfolio is in arrears, which is consistent with historical experience. Management advises that the provision for doubtful accounts on the business loan portfolio is currently 17.7% of the value of loan advances outstanding while loan loss experience in recent years is less than 7% of loans advanced. Despite the need for supplemental budget funding in the amount of \$300,000 during the current fiscal year to provide additional reserves, the corporation does not anticipate any further losses beyond budgeted levels.

The trends related to the business loans have been consistent, but the fisheries loans are more problematic. Payments are up over the last 15 months due to a turnaround in the fishery, but the portfolio remains high risk. During the fiscal year ended March 1999, additional allowance was provided to increase the overall provision for doubtful accounts to 29% of the total portfolio. A significant downturn in the industry, as experienced in 1998, would once again leave the portfolio overvalued, resulting in the need for additional resources. The bad debt provision for the year is expected to be \$825,000 in total, \$250,000 in the fish loan program and \$575,000 in the business loan program.

The Fund has recorded the pension plan liability and costs at year-end, but that the Province has not funded the pension plan. Therefore the fund is showing an offsetting receivable from Province.

3. Agriculture and Food

- The department indicated that the demand for MACC services is increasing and that there is a need for increased staffing by 20-30 FTE's. This is due to the gap created by traditional financial institution lenders leaving the farming sector or concentrating on the larger agricultural corporations.
- There are several possible or actual legal claims against the Department. Negotiations to resolve the actual claims at minimal cost to the Department are continuing.
- Existing federal/provincial safety net agreements expire in 2000. Negotiations directed toward a new agreement are underway.
- The determination of the actual costs of AIDA programs is complex. Factors creating this complexity include:
 - the time lag from the end of the calendar year to the submission date and then the processing of claims;
 - the fact that certain of the 1999 flood assistance payments reduce AIDA entitlements;
 - AIDA advances to producers were funded by the federal government for 1998.

- The Department continues to pursue additional federal funding to share in the costs of flood assistance. To date, no additional revenues have been recorded.

4. Manitoba Agricultural Credit Corp.

MACC has identified the fact due to the poor economy, traditional lenders are moving out of farming loans or concentrating on the top 20-30% of producers. MACC feels that there will be future pressure to find ways to encourage traditional lenders to continue to lend to farmers. In order to do this MACC may need to increase the level of their guarantee program or perform the lending function directly. In either case there would be demand for funding to fill the gap if traditional lenders continue to move away from farming loans.

MACC indicated that the value of the security held on the loans will be affected by the continued down turn in the farming economy. Consistently lower prices for crops will impact the values of the land held for security purposes and could impair the value of the loans and increase the overall loan risk. MACC reviews individual loans annually to determine if its provision for uncollectible loans is adequate.

MACC has provided for losses on guaranteed loans and on direct loans to producers. The forecast for 2000/2001 and 2001/2002 fiscal years anticipates increased loan losses due to poor economic conditions.

5. Manitoba Crop Insurance Corp.

Existing federal/provincial safety net agreements expire in 2000. Negotiations directed toward a new agreement are underway.

6. Civil Service Commission

- Currently a \$2.8 billion unfunded actuarial liability exists which is made up of \$1.1 and \$1.5 billion from the Civil Service and the Manitoba Teachers pension plans. The provincial government currently funds only the current cash cost of required annual pension payments to retirees. An equivalent amount is recorded as the Province's annual expense in Volume I financial statements. In the absence of a plan to begin funding this actuarial liability, the unfunded amount will continue to grow.
- A new agreement between the Province and MGEU will be negotiated to be effective April 2000. Any wage settlement that includes salary increases will increase expenditure pressures. For illustrative purposes, the cost of a settlement containing wage increase provisions of 2% per year for three years would be \$14, \$28 and \$43 million respectively in each of the next three years.

7. Conservation

The department is facing the issue of funding the estimated costs of flood proofing for homes and businesses which exceed the program maximum committed funding by an estimated \$13.6 million. The department indicated that they were considering the potential to further negotiate with the Government of Canada. Further, there is some question as to the ability of the municipalities to fund their portion of the community diking program. Under this program the costs are to be funded by the province, Government of Canada and the municipalities on a 45%/45%/10% basis respectively. The department raised the issue that many of the municipalities could not raise the funds to cover their 10% of the cost. Ultimately the department feels that the ring dike projects must be completed and that the municipalities would need to raise their portion of the funding.

The department has indicated that there are lawsuits outstanding for an estimated amount of \$66.9 million.

8. Consumer and Corporate Affairs

None identified.

9. Culture, Heritage and Tourism

- The department has committed to loan guarantee agreements with the Winnipeg Symphony Orchestra for \$1.0 million and the Manitoba Opera Association for \$285.0 to assist these organizations in stabilizing their financial affairs. The department has also entered into a loan agreement with the Manitoba Theatre for Young People for \$1.1 million to assist the organization in financing its new facility. The department will continue to closely monitor the financial status of these organizations in context of the terms of the loan agreements.
- The department identified a potential need for a new or expanded Government Records Centre due to increased volumes of paper records. The department indicated that the amount of paper documents is growing and that new facilities would be needed to for storage. In addition, the lease of a shared facility with the Government of Canada will expire in August of the coming year. The estimated cost for a new facility could be as much as \$5.0 million.
- It is anticipated that requests for additional support and assistance from Arts groups will continue in the future.

10. Education and Training

- Canada's financial lending institutions have signalled that they may not agree to continue the existing student financial assistance arrangements. As a consequence, the financial assistance programs may need to be restructured in a way which increases the cost of the program to the Province of Manitoba. This situation could translate into increased expenditures of approximately \$7.5 million beginning in the year ended March 31, 2001.

- The Public Schools Finance Board has identified in excess of 350 older school buildings that have significant architectural, electrical, mechanical and other structural issues that need to be addressed. A special six year program to address this issue was approved by the Treasury Board totalling \$60 million for debenture projects for the years 1998/1999 through 2003/2004. This issue has been complicated by increasing construction market costs of between 15 and 25%. Public Schools Finance Board, as documented in more detail in our report on that Crown organization, questions whether this level of funding is sufficient to deal with these infrastructural issues.
- Negotiations are underway regarding a renewed Federal Provincial agreement to provide la Division Scolaire Franco-Manitobaine with funding to a maximum of \$4.0 million annually over five years to be cost shared equally between the two levels of Government. Any amounts funded under such an agreement would be in addition to funds currently provided through the Schools Finance Program.
- Operating budgets of institutions are impacted by increasing technology demands, limited flexibility arising from long term collective agreements and escalating operating costs. These pressures are compounded by the cut-backs in expenditures which the institutions have been required to make in recent years.
- The Council on Post Secondary Education (COPSE) has estimated, based on input from the universities, that the deferred maintenance for the universities alone amounts to approximately \$200 million. Government Services Manitoba is involved in assessing the importance of projects and the allocation of COPSE's limited maintenance dollars. Maintenance on college facilities is the responsibility of the Department of Highways and Government Services, which indicates that it too has limited funding available for capital projects. All of the institutions indicate that they require substantial capital and maintenance funding.
- Potential new policy initiatives like a Northern post-secondary institution or pursuit of new urban initiatives would add to the Department's expenditures.
- The existing Labour Market Development Agreement with the federal government must be renegotiated. The Department hopes to secure greater flexibility in how funds provided under this program can be spent.

11. Council on Post Secondary Education

The following issues will affect future operations.

General

- The universities have varying degrees of dependence on tuition fees, with the University of Winnipeg being highest with approximately 45% of its revenues coming from tuition fees. As a result, different institutions are affected differently by provincial direction on the level of tuition fee increases which are permissible.

- The degree to which individual institutions are responsible for sharing in the costs of new buildings varies between institutions ranging from 10% at Brandon University to 33.3% at the University of Manitoba. Consequently, each institution's ability to address capital concerns depends not only on its ability to raise funds but on its current cost sharing arrangements with the Province.
- Operating budgets of institutions are impacted by increasing technology demands, limited flexibility arising from long term collective agreements and escalating operating costs. These pressures are compounded by the cut-backs in expenditures which the institutions have been required to make in recent years.

Institution Related Issues

1. *University of Manitoba*

- As a result of recent adjustments of market value assessments, the University of Manitoba's property taxes have increased without an offsetting increase in funding. This disparity will continue to grow as new buildings come on stream. The cost of this item is projected to be approximately \$3 - \$4 million per year, commencing in 2000/2001. In 1999/2000, cost exceeds grant by \$1.6 million.
- Research is an important activity for the University. Research funding covers only direct costs of projects. The University must fund indirect/infrastructures costs of research. These are substantial and increasing, amounting to 40% of research funding.

2. *The University of Winnipeg*

- Has financial challenges as a result of having run deficits over the past several years.
- Cost constraints have resulted in the University having the highest percentage of sessional lectures as a total of teaching staff of any Manitoba institution.
- Continues to believe that it is underfunded as a result of historical funding arrangements with inadequate subsequent positive adjustment.

3. *Brandon University*

- Enrolments have declined over the last two years.
- Costs and staff levels have been reduced to "unsustainable levels".

4. *Keewatin Community College*

- As a result of financial management challenges, the institution is in a deficit position. A deficit management plan has been put in place.

5. *Red River College and Assiniboine Community College*

- Each institution is in need of support for technology issues, either administrative areas or in educational areas.
- Both institutions believe that their facilities need to be upgraded and expanded in order to deliver the educational programs which are being required of them.

12. Public Schools Finance Board

The Public Schools Finance Board has identified the following key strategic issues that will impact the requests for capital spending in the future:

- Costs of construction are rising not only due to inflation but also on account of improved construction market conditions which has led to price increases.
- Expectations of school communities are increasing related to the quality of the learning environment and the nature of facilities. Consequently, there continues to be increasing pressure to add design features which add significantly to the cost of facilities. This can be a particularly pressing issue where there is considerable local autonomy in the design of facilities.
- Most of Manitoba's schools were built between 1946 and 1964. Consequently, these buildings, which are between 35 and 55 years old are experiencing expiring systems such as roofs, boilers, pipes, windows, etc. Repair and upgrade expenditures are expected to increase in the future.
- There is a general feeling that minor capital items in schools are underfunded. PSFB believes that if these minor capital repairs cannot be addressed and situations are left unattended, they can escalate to more significant and expensive repair situations.
- The government's new Child Care Policy will result in more day care centres being incorporated as part of school projects. Construction of such facilities will add to capital cost requirements in the future.
- The number of special needs students in schools has increased over the past decade together with the severity of disabilities with which these students live. Consequently, there is increased requirement for access facilities and special educational services.
- Program changes to facilitate the introduction of computer technology into schools impacts both on the size and configuration of schools as well as the consumption of paper and space. Some school divisions are calling for larger classrooms to accommodate computer technology. The related power ventilation and lighting requirements can also significantly impact the capital cost of schools.

- There are about 150 schools in Manitoba that have less than 150 students. Many of these are in rural or older urban areas. The impact of future decisions by school divisions to continue operating these schools or close them will impact both the cost of repairing and maintaining these facilities or alternatively, expanding larger school facilities to which students current attending these smaller schools might be transferred to.
- As older schools are upgraded or renovated, it becomes necessary to upgrade many of the features of the facility to meet existing building codes which are often related to safety, fire protection and access issues. Upgrading to existing code levels will impact the capital requirements for schools.

Schools Finance Branch has identified the following pressures on operating expenditures.

- increased adult education enrollment;
- teachers salaries which are negotiated on a division by division basis continue to increase over time;
- the demand for information technology facilities and program expansion is continuing to grow;
- the cost of operations and maintenance in older school buildings is increasing;
- existing funding arrangements for special needs students will result in funding increases in the future to accommodate the increased number of such students.

12. “Family Services” Component, including Child and Family Services Agencies of Family Services and Housing

Employment and Income Assistance

Income assistance constitutes approximately one half of the budget. Indexing of benefits has not occurred since 1992. The current benefits provided are not tied to the consumer price index, which has frozen benefits and, in effect, reduced spending power by recipients by 16%. Family Services has estimated that an adjustment could cost \$27.7 million.

Family Services has been experiencing a declining caseload of income assistance cases due to active job placement measures and a good economy. The number of individuals receiving assistance has dropped from approximately 82,000 to 69,000 since March 1995. The rate of decline of income assistance cases will reduce since remaining individuals are more difficult to place.

During the current fiscal year, the City of Winnipeg Social Services was combined with the Department of Family Services to create a “One Tier” income delivery system. The change to a one-tier system is anticipated to have no impact on the expenditure estimates for 2000/2001.

Community Living

Family Services indicated that community-based services for adults with a mental disability have expanded significantly in recent years in response to growing demands for residential, day and support services. Further, there is an anticipated volume of mentally disabled children currently living with family or attending school who will need to be integrated into the adult services

system. There is strong salary pressure in this area as agencies are finding it increasingly difficult to retain and hire qualified staff to provide these services. Family Services is anticipating increases in future costs in this area.

Child and Family Services

Family Services is multifaceted and provides direct service and contract services with external agencies. External agencies can significantly impact the level of expenditures required by Family Services to provide services. Third party agencies are a major cost factor for child care expenditures. The most significant agency is Winnipeg Child and Family Services, which has consistently run deficits in prior years. Family Services finances these deficits over and above the agencies budgeted expenditures. This agency is expecting a \$5.2 million over expenditure in the current year.

Although the caseload has declined slightly the costs of serving children has increased. The Department feels that Winnipeg Child and Family Services will continue to experience cost pressures. The management of the agency has changed and a new board has been established.

There is a potential increase in Winnipeg Child and Family Services for First Nations children. At present, children who reside on a reserve are the responsibility of the federal government. However, some of these children become the responsibility of the Province when parents leave the reserve. The trend is increasing due to First Nations individuals moving from the reserves to the City of Winnipeg.

Other Child and Family Services Agencies in rural Manitoba have smaller deficits under \$1 million. These agencies are experiencing the same trend as above. The information flow for each of the agencies, except for Winnipeg Child and Family Services, have historically been on or close to budget. The agencies report on a monthly basis depending on their size and sometimes only annually if small and non-complex. The Winnipeg Agency is monitored quite closely. The \$5.2 million deficit for 1999-2000 is based on the August statement. More recent discussions held by Department of Family Services officials with Winnipeg Child and Family Services personnel indicates that this estimate of \$5.2 million will not be exceeded.

Family Services identified that Child Day Care facilities are experiencing major labour force skill shortages as a direct result of continuing low wages. In addition, there continues to be an increase in demand for additional subsidized spaces and supports for children with disabilities.

14. "Housing" Component and Manitoba Housing Rehabilitation Corp. (Contractor Prepared)

The Manitoba Housing and Renewal Corporation (The MHRC) – Modernization and Improvement Plan

It should be noted that The MHRC in its annual estimate process provides for normal day to day operating maintenance and a separate line item for modernization and improvement work required for its housing portfolio. Modernization and improvement expenditures are considered major capital items.

In addition to the funding provided through the estimate process, The MHRC has set aside a provision for modernization and improvement which allows it to address work required to an

ageing housing stock, and emergency and unforeseen expenditures. The Province contributed \$10 million in 1996/97 and \$5 million in 1997/98 to the Modernization and Improvement Plan. The federal government contributed a matching \$15 million in 1998/99 (outside the Social Housing Agreement) to provide total “seed” money of \$30 million for a long-term approach to improve the condition of the housing stock.

For 1999/00, \$6.056 million has been budgeted for modernization and improvement expenditures with an additional \$5.152 million in special modernization and improvement expenditures. For 2000/01, \$6.602 million and \$3.0 million have been budgeted for respectively. As part of The MHRC’s long term approach to this issue, a comprehensive 10-year Modernization and Improvement Plan that schedules major capital work for every project in the housing portfolio has been prepared. The 10-year plan calls for a total of \$88.6 million to be spent for the period of 2001/02 to 2010/11.

To fund the Modernization and Improvement Plan, \$10.0 million of the \$30.0 million has already been set aside to fund the special modernization and improvement expenditures for 1998/99 to 2000/01. The remaining \$20.0 million will be allocated with \$4.0 million in each of the first five years of the 10-year plan. This leaves a total of approximately \$7.0 million to be committed in annual estimates to the completion of the 10-year plan.

Social Housing Agreement

On September 3, 1998, The Manitoba Housing and Renewal Corporation (The MHRC) signed a new Social Housing Agreement (SHA) with Canada Mortgage and Housing Corporation (CMHC), to take effect October 1, 1998. The SHA governs the administration of all existing social housing in Manitoba, including public housing owned by The MHRC and units owned and operated by non-profit housing corporations. Under this Agreement, The MHRC will receive annual funding from CMHC to support the administration and operation of the combined federal/provincial housing portfolio, commencing at an annual level of approximately \$75 million, and declining on an annual basis as subsidy agreements expire (with the last one expiring in 2031). The Agreement provides the province with greater flexibility to address housing needs in Manitoba. This means that savings generated by The MHRC through cost reductions and efficient management and administration of the portfolio will remain with The MHRC. The federal savings, are identified in The MHRC's financial statements as "deferred federal contributions", and may be carried over from year to year and used for housing within the framework of broad principles laid out in the Agreement. The MHRC will have the ability to use these savings to modify programs or develop new programs to address local housing issues. The “deferred federal contribution” for 1998/99 was \$6.3 million with a projected savings of \$4.4 million for 1999/00 and an additional amount of \$1.8 million under The MHRC transfer payments. It is anticipated that the savings will be in the early years of the agreement.

Under the agreement, CMHC made a one-time payment of \$12.7 million to The MHRC. This amount was provided for the purpose of mitigating future operating risks associated with The MHRC’s financial responsibility for housing programs transferred from CMHC pursuant to the agreement. The one-time payment is comprised of two amounts: \$7.9 million represents an allocation of Manitoba's proportionate share of insured projects in CMHC's national Mortgage Insurance Fund (under the Agreement, The MHRC assumes responsibility for future mortgage defaults associated with an insured mortgage portfolio of approximately \$329.0 million), and

\$4.8 million provides funding to address future inflationary cost increases and changes in interest rates. The \$12.7 million has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as The MHRC incurs expenses as a result of the identified risks.

15. Finance

The following items have been identified as having a potential impact on the Province's future operations:

- The government's strategy and policy decisions with respect to the Province's information technology initiatives will determine the nature of activities performed by the Office of the Chief Information Officer. The costs associated with the operations of this office may fluctuate as a result of decisions in this area.
- Approximately 20 percent of the Province's public debt is denominated in U.S. dollars. While the Treasury Division of the Department of Finance uses derivative financial instruments to fix the exchange rate on these instruments to the extent possible, changes in the Canada / U.S. foreign exchange rate will have an impact on the Province's borrowing costs. Depending upon the nature of the hedging strategy employed and the actual amount of fluctuation in the exchange rate, the impact on borrowing costs could be significant.
- The government's election promise with respect to property tax relief will impact the cost of net tax credit programs. If implemented, the amount of the impact would be determined by the nature and amount of the relief put in place by the government.

16. Government Information Systems Management Organization Inc.

GISMO's deferred development costs of March 31, 1999 include \$16.3 million of investment in Health Information Services of Manitoba Corporation (HISM). HISM is the entity pursuing the health information network project in conjunction with Smart Health, the Province's supplier on this initiative. It is anticipated that prior to March 31, 2000, the Department of Finance of the Province of Manitoba will conclude that since it is unclear whether the government will choose to move forward and use the results of this initiative in its future technology endeavors, a valuation allowance for the full amount of this investment (plus additional investments since March 31, 1999) should be made.

17. Special Operating Agencies Financing Authority

The following items may have an impact on the future operations of the SOA Financing Authority:

- Several segments of government have been identified as prospective SOAs. These include Driver and Vehicle Licencing, Accommodation Development and Workplace Safety and Health. Creation of new SOAs for these or other areas would result in the expansion of the SOA Financing Authority activities and would presumably add additional net income each year.

- The transfer of surplus funds to the Province of Manitoba has increased from \$1.0 million in 1997 to \$4.5 million in 1998 and \$8.0 million in 1999. These revenue sharing amounts/transfers are determined for each individual SOA.

In some instances, the revenue sharing amount which is being transferred or projected for 1999/2000, exceeds the net income which will be generated by the SOA. In other circumstances, we are advised that the amount of the transfer exceeds the amount of cash flow generated by the annual profits, less the amount of the profits to be reinvested in the business of the SOA.

Continued transfers or revenue sharing in excess of cash flow generated by SOAs is not a sustainable situation. A balanced approach will need to be taken between “harvesting” surplus cash flow for contribution to the Province’s operating fund and retaining sufficient working capital within individual SOAs so as to enable them to sustain and expand their operation.

18. Health and Health Services Insurance Fund

- Pressures for increased current expenditure on health programs as well as for substantial new capital spending are expected to continue mounting. In the case of capital programs, approvals granted in any particular year commit future departmental expenditures to support required debt service payments and operating expenditures related to new facilities.
- The Department has estimated that Information Technology expenditures in the range of \$400 to \$500 million are required to provide information-processing applications to provide the functions that are in the mandates of the Winnipeg Hospital Authority. This estimate arises as the result of a consultant’s study of WHA’s needs and requirements.
- The Department indicated concern regarding the Urban Shared Services Corporation (USSC) food distribution system. The original agreement with Newcourt Credit to finance the construction of the facility calls for payments to Newcourt regardless of whether the facility is in operation. This debt receivable position has been purchased by the Province of Manitoba from Newcourt. A portion of the deficits in the WHA relates to payments made by certain hospitals to ensure that debt service payments are made notwithstanding that food distribution services are not yet being provided to all facilities as originally envisioned.
- The department believes that revisions to the USSC distribution system will result in increased costs which will appear in the deficits of the WHA.
- Ongoing labor negotiations are continuing with certain bargaining units at particular facilities.

19. Health Information Systems Management (HISM) Inc.

HISM's contract with Smart Health Inc. was for a maximum of \$100 million of expenditures or a five year duration, whichever came first. HISM's expenditures on the project are considerably below the \$100 million limit and the five year period continues until 2000.

In addition, there have been disagreements between representatives of the Province's Department of Health and Smart Health regarding the authority under which certain of the work undertaken by Smart Health was performed and the value of the work that has been completed.

These issues are being discussed within the terms of the original agreement between the Province and Smart Health. Given the size and nature of this contract, the resolution of these circumstances may further impact the Province's future operations and financial obligations.

The Department of Health will likely choose to proceed with a new direction in health information. The compatibility of the new system and the product of SmartHealth Inc. to date, which is not known at the present time, will probably influence the utility of what has been created. This will have an impact on the final costs to the Province.

20. Manitoba Cancer Treatment and Research Foundation

Capital Campaign

MCTRF is currently working to complete its fund raising campaign so that the construction of its new facility will be fully funded. The total capital cost budgeted for this facility is \$49.4 million. This amount is funded by Manitoba Health in the amount of \$31.1 million and by funds raised by MCTRF in the amount of \$18.3 million.

The allocation of these capital funds to MCTRF has been included in the Department of Health's longer term capital plans.

The Department of Health has been informed via the Regional Health Plan of the ongoing operations costs of the new facility, estimated at an annual cost of \$2 million beginning 2000/01.

Operating Funding

The initiation and development of new programs will present additional requests to Manitoba Health for funding. Currently, the most significant additional program being contemplated is a prostate program at an annual cost of \$1.6 million beginning in 2001/2002.

21. Highways & Government Services

The following issues will affect the operations of the department:

Highways Programs

- The annual replacement budget for Highways equipment amounts to \$1.3 million. A recent consultant's review indicated that the fleet is old and poses a risk to future service delivery capability. In addition, equipment maintenance costs are escalating. The aggregate replacement cost of the entire fleet is estimated at \$100 million. The department is continuing to consider options for replacement of the equipment fleet.
- The Highways maintenance budget is approximately \$60 million per year. Increasing commercial pressures and public expectations, combined with the increased age of Manitoba roadways and the increasing age of the maintenance equipment fleet results in escalating maintenance costs. The Department estimates that the shortfall between required maintenance funding and the existing maintenance allocation is approximately \$17 million per year.
- The Department estimates that almost 40 percent of the Province's highway system is either now deficient or will become deficient within five years. The Department believes that additional rehabilitation funding of approximately \$60 million per year is needed over and above the existing capital budget of \$100 million per year to sustain the system at existing service levels. It is believed that a further additional \$20 million per year is needed to enhance the system to support increasing heavy vehicle traffic.

Government Services Programs

- It is anticipated that telecommunications costs could increase in the range of \$0.5 million per year over each of the next three to four years as a result of the variety of increased technology initiatives undertaken by the Province.
- The average age of buildings administered by Government Services is between 35 and 40 years. The annual allocation for repair and maintenance is approximately \$1 million. The Department is of the view that a budget of \$4 to \$5 million per year is needed to handle ongoing maintenance and repair requirements. This issue is complicated by the fact that in prior years, before the movement to capitalization of fixed assets, the Department could, as necessary, reallocate capital funds into repair and maintenance. As capital funds are now budgeted separately, such a transfer is not as easily possible.
- The stonework on the legislative building is in need of repair. The estimated cost of this significant project is \$7 to \$8 million.
- As Manitoba properties are disposed of, the difference between the proceeds of disposition and the carrying value of the assets in the government's financial records will result in either a gain or a loss. There are several properties that are currently being contemplated for disposition. The Department has not reviewed whether the disposition of these properties at

the current asking price will result in a loss, that it might occur, a provision for such loss should be accrued at the time of the decision to dispose of the property.

22. Industry, Trade and Mines

The following issues might affect future operations and expenditures:

- Under mine closure regulations which became effective in May 1999, mining companies are liable for the rehabilitation of all mine sites under their ownership. Where ownership has reverted back to the Crown (i.e. orphan mine sites), responsibility for rehabilitation falls to the Crown. A number of mine sites have been identified which require rehabilitation for both safety and environmental reasons. Funding requirements for these could be between \$1 and \$10 million over the next two fiscal periods.
- The Mining Community Reserve (MCR) is administered through the Department and is governed through the Mining Tax Act. The MCR was established in 1977 to assist mining communities which may be experiencing undue hardship due to closure/shutdown of an operating mine. Given the tentative status of the mines located at Lynn Lake and Leaf Rapids, it is possible that the MCR could face significant commitments within the next 2 to 3 years.

23. Manitoba Development Corporation and Manitoba Trading and Investment Corporation

The primary risk with respect to future years operations lies in the collectibility of the loan portfolio. As described in the preceding section, investment valuation allowances are made as thought to be necessary. The Department monitors individual loans, with particular focus on new investments, especially large investments, and those investments where circumstances suggest that the Department's degree of certainty related to the collection of the investment is deteriorating.

24. Economic Innovation and Technology Council

Economic Innovation and Technology Fund

This Fund was established as a notional allocation of a \$10 million component of the Fiscal Stabilization Fund. This \$10 million component was to be used over a period of time, as approved by Treasury Board, to assist EITC in pursuing its objectives through the support of particular projects. A history of the Fund to date is as follows:

| | |
|---|---------------|
| | |
| <i>Original EIT Fund Authority</i> | \$10.0 |
| <i>Expenditures in 1998/1999 and prior years</i> | (2.1) |
| <i>Approved expenditures during the current year</i> | (3.7) |
| <i>Remaining Authority</i> | \$4.2 |

EITC has identified \$0.3 million of additional projects which it believes could be appropriately funded from the remaining EIT Fund in the current fiscal year.

The following projects and/or circumstances have been identified where there might be a request for the Province to consider funding initiatives where the initiative might conceivably be funded by the EIT Fund:

- It is anticipated that the Manitoba Innovation Network will request \$2 million from the Province of Manitoba for the development of the Innovation Corridor. The Innovation Corridor is a proposed project located in the Exchange District that would provide inexpensive occupancy, access to shared high tech resources and strategic guidance on the development of high-tech enterprises.
- A number of organizations are working on the “Manitoba Centre of Knowledge” Project which would be located on the current site of the Centennial Library. Proponents of the project include Manitoba’s three universities, Red River Community College, The City of Winnipeg and EITC. The centre would provide a variety of knowledge and interaction tools for use by citizens. It is anticipated that the Province will be approached with a request to fund \$6 million of the aggregate \$37 million project cost.
- Several Manitoba organizations applied to a federal program called the Smart Communities Program and three projects have been approached to move to Stage 2. One of the organizations will be selected for funding by the federal government. The funding provided by the federal government is to be provided on a matching basis. It is expected that the successful proponent will be requesting \$5 million in matching funds from the Province over a three year period.
- A group of high tech organizations is working together to develop a Reality Centre which would provide manufacturing and new media companies with integrated hardware and software tools to improve and building on their product development and manufacturing processes. It is anticipated that the Province of Manitoba will be asked to contribute between \$1.0 and \$1.2 million to this project.

Manitoba Innovations Fund

In the 1998/99 budget, the Province indicated that it would provide \$7 million annually over a period of 5 years to support the Manitoba Innovations Fund. To date, \$11.5 million of projects have been approved by the Economic Development Board of the former government. The commitment for these amounts is spread over the 1999/2000 to 2003/2004 fiscal years.

Accordingly \$23.5 million of the original fund contribution remains unallocated. However the allocation of funds was formerly done by the Economic Board of Cabinet. The current government has not provided for the appointment of such a Board.

EITC is aware of the following circumstances which could be presented to the government as requests to draw upon these funds:

- The Canadian Foundation for Innovation is an independent private non-profit corporation established by the federal government in 1997 with a mandate to invest in infrastructure for research and development in Canadian post-secondary institutions, hospitals and non-profit research institutions. The Foundation typically provides up to 40% of costs where the Province provides 40% matching funding with the institution providing the remainder of the funding. It is estimated that up to \$7 million per year for the next three years could be required to support Manitoba projects that are to be presented for CFI funding.
- The federal government announced a substantial Canadian Institute of Health Research Program. It is estimated by Manitoba's universities that potential projects under this program, if approved, would require about \$2 million in provincial matching funds over each of the next two years.
- The Canadian Light Sources Project is a new high-tech facility owned and operated by the University of Saskatchewan. It will serve the research needs of Canadian universities, industry, scientific institutions and governments. It is anticipated that the Province will be requested to contribute \$1.0 million per year at the beginning of 2000/2001 towards the operating costs of the facility.

25. Intergovernmental Affairs

The following items are anticipated to have impact on the Department's future operations and expenditure planning:

- Urban Capital Projects Allocation (UCPA) – The City of Winnipeg's projections to September 30, 1999 indicates that 1999/2000 UCPA claim to the Province could total almost \$26 million. This substantially exceeds the UCPA budget by \$7.3 million. While the projected submission may be high, it is likely that much of the excess request may be delayed until 2000/2001. Given the potential magnitude of the carryover commitments, there would be little opportunity to contemplate new submissions in that year.
- Recommendations of the Rural Business Task Force – This task force provided recommendations to the Province regarding proposed support to the business community as a result of the 1999 flood conditions in southwestern Manitoba. The cost of implementing the Task Force recommendations could total approximately \$8.4 million. This issue is currently under review by government.
- The 1999/2000 Rural Economic Development Initiatives program budget is essentially fully committed. Additional projects which are approved would need to be funded from future years program budgets unless additional funding is provided for in the current year.
- Operating grants to the City of Winnipeg – Funding levels for current programs have been held constant for the past several years. The City's costs, which are notionally subsidized by these grants have been increasing. Therefore, the City may request increased funding in these areas.

- Major new economic development initiatives – As a result of the maturity of the Rural Economic Development Initiatives, it is anticipated that a substantial portion of the regular annual funding of this program is required for ongoing programming. This leaves little flexibility to accommodate any major initiatives which arise. Such initiatives may need to be funded with additional expenditure approvals.
- Sewer and Water issues
 - City of Winnipeg – the City is currently examining options for improving its water treatment plant. The Province may be asked to assist in funding such a project.
 - The Manitoba Water Services Board, as part of its long-range capital plan, has identified approximately \$400 million of required infrastructure work. The Province's current funding allocation to the Board of \$12 million, together with cost shared federal and municipal funding, make the annual budget for capital works approximately \$30 million. A component of these identified capital needs is the development of rural water lines to supply potable water in rural Manitoba. Pressures from municipalities to deal with a significant number of the projects within the capital plan in the short term are increasing.
 - Value Added Initiative – the pursuit of various value added agricultural industries has substantially increased the rural requirements for water supply and waste water treatment. Similar needs exist with respect to livestock and irrigation initiatives. Formerly, such requirements were funded through the now expired Partnership Agreement for Municipal Water Infrastructure (PAMWI). The Province has approached the Federal Government to negotiate a new federal/provincial agreement to address some of these outstanding requirements.
 - Renegotiation of federal/provincial agreements currently managed by the Department will result in additional new expenditures as existing agreements wind down.

26. Manitoba Water Services Board

The following matters will impact future operations of MWSB and the requests for funding which it might make in the future to the Department of Intergovernmental Affairs.

- Demand for conservation grant funding by municipalities is anticipated to increase. Such projects are shared on a 75:25 basis with the municipality paying the smaller amount. Expenditures for conservation districts are projected to increase by 12.3% and 39.5% respectively in the 2000/2001 and 2001/2002 fiscal years.
- As described earlier in this report, water and sewer infrastructure projects of approximately \$30 million are planned and managed each year. As part of its ongoing activities MWSB prepares a long range capital plan to oversee the prioritization and allocation of capital dollars to project requests submitted by municipalities. Each municipality has supplied its own five year view. The current aggregate requirement to meet all requests from municipalities over the next five year period would require approximately \$400 million.

27. Justice

The Department of Justice indicated that the key factors that are the “drivers” of expenditure were the changes in crime rate resulting in increased prison populations. The diversity of crimes and level of criminal activity has increased significantly over the previous years. For example, increases in the incidences of criminal activity, such as gang related crime, has resulted in a change or hardening of the inmate prison population and has resulted in the need for increased security to segregate gangs and to protect the staff. Increased prison populations and overcrowding is the significant reason for the overspending.

It is anticipated that the population level will continue to increase in the future and, as such the department will continue to increase expenditures for legal aid, corrections and policing. The Department of Justice has indicated that it is considering a formal study of the situation in Prosecutions at a cost of approximately \$220,000 pending funding approval.

28. Legal Aid

The only other issues that could impact on the future revenue sources are the Canadian Assistance Program which relates to funding from The Federal Government. This program expires on March 31, 2001.

29. Criminal Injuries Compensation Board

Certain issues may begin to arise in the future under some changes to a Victims Compensation Program which have been in place since 1971. This was intended to have the provinces have a responsibility for “Victims of Crime”. The payments after 1971 were based on amounts under regulation and has depended on the severity of the crime with a reimbursement of actual out-of-pocket expenses. There is now a mechanism for Impairment/Lump Sum Settlement Awards. Prior to 1996, a pension was paid rather than lump sum payments. Old claims were “grandfathered” and the latest actuarial valuation was completed in May 1998. There will be an actuarial valuation done before March 2000 on these “grandfathered” pension plans.

There are caps on the total amount which can be paid to individual complainants, however, there is potential for large increases in payouts as more publicity is given to the Victims Rights Act. There is significant pressure to increase the profile of the Victims Rights Act and, as a result, there will be pressure on increased expenditures. At the time, violent crime is decreasing, thus mitigating future expenditure increases.

30. Labour

Department officials indicated that to the best of their knowledge, there were no “lurking expenditures”, contingencies or other circumstances that might result in a material implication on the financial position of the Province. In addition, it was indicated that there is no expectation that any “one time” funding requests will be made to the government in future years.

The Department officials indicated that they expect that there will continue to be pressure on the scope of services offered in the workplace and health areas. These costs are largely reimbursed by the Workers' Compensation Board (WCB). The WCB Act provides a "cap" on the amount of the reimbursement. It may be advisable in the near future to "open up" the WCB Act to revisit the reimbursement formula or the amount of the "cap" to be sure that there is an appropriate reimbursement for the impact of expenditure growth pressures.

APPENDIX I

**PROFIT PROJECTIONS AND FUTURE ISSUES
AFFECTING OPERATIONS OF GOVERNMENT
ENTERPRISES**

APPENDIX I

MANITOBA LIQUOR CONTROL COMMISSION

LOOKING AHEAD TO 1999/2000, 2000/2001 AND 2001/2002

The estimated net profit of the Manitoba Liquor Control Commission for the current and next two years is as follows.

| | <i>1999/2000 (estimate)</i> | <i>2000/2001 (estimate)</i> | <i>2001/2002 (estimate)</i> |
|---|---------------------------------|---------------------------------|---------------------------------|
| <i>Estimated net profit (in millions)</i> | \$153.0 | \$154.5 | \$156.0 |

Over the next few years, the entity anticipates modest growth. This expectation is based on the assumption that the effect of the specialty wine stores will be similar to that experienced in the current year.

FUTURE ISSUES AFFECTING OPERATIONS

The current labor contract with the union expires in March 31, 2000. It is uncertain at this time how the renegotiated contract will differ from the existing contract however management believes that the issues which will need to be addressed include wages and the use of part time staff versus full time staff. Salaries and benefits for the year ended March 31, 1999 amounted to \$19.1 million (1998 – \$17.9 million). The projections compiled by the entity do not take into account significant wage increases as a result of union negotiations. The growth in sales to private wine stores has reduced profits and this trend may continue.

MANITOBA PUBLIC INSURANCE CORPORATION

LOOKING AHEAD TO 1999/2000, 2000/2001 AND 2001/2002

The forecasted net income of Manitoba Public Insurance for the current and next two years is as follows.

| | <i>1999/2000</i> | <i>2000/2001</i> | <i>2001/2002</i> |
|--|------------------|------------------|------------------|
| <i>Forecasted net income (in millions)</i> | \$61.2 | \$20.2 | \$3.6 |

The forecasted net income for 1999/2000 includes actual results for the first nine months of the year. Based on actual experience to November 30, 1999, no shortfalls are anticipated in the actuarial reserves at February 28, 2000.

These forecast amounts take into account a 5% reduction in basic compulsory insurance premiums as ordered by The Public Utilities Board.

FUTURE ISSUES AFFECTING OPERATIONS

The five-year projections as prepared by the entity project a loss of \$10.5 million and \$25.0 million in the fiscal years ended 2002/03 and 2003/04 respectively. However, it should be noted that these projections represent maintaining the status quo in all areas and do not take into account changes in the business and the results of significant decisions which will need to be made in the upcoming years.

Issues that the entity must deal with include the fact that most of the entity's claim expenses relate to fixing vehicles and healthcare costs. In both cases, the cost of these items are increasing faster than the rate of inflation. Therefore, unless rates are allowed to increase proportionately, there will need to be significant operational changes.

There are areas where the entity may be able to re-engineer its operations and take advantage of certain efficiencies, however, they would require significant philosophical changes in how the Corporation operates. Certain future cost-saving opportunities include:

1. The concept of continuous policies whereby individuals could renew their policies on-line. (Currently \$29 million is spent each year on brokers commission.)
2. The potential of purchasing vehicle parts in large quantities which would allow the Corporation to take advantage of volume discounts. Currently, because individuals can choose where damaged vehicles will be repaired, the Corporation pays the full retail price for all parts.

There are also increasing competitive pressures in the "Special Risk Extension" products given the competitive nature of this area of the Market.

The Corporation has re-insured against catastrophic events such as hail and flood, therefore no single event should significantly impact the net income of the Corporation. However, there are items outside the control of management which could impact operations. These could include policy changes by government such as:

1. Changes to regulations which affect the benefits offered under different programs (i.e. Personal Injury Protection Plan).
2. A reduction in the capital available to the Corporation. Currently investment income from the capital subsidizes the underwriting loss on policies. If this investment income were not available, certain rate increases may be required.

The Corporation could also be affected by future decisions made by the Public Utilities Board.

WORKERS COMPENSATION BOARD

LOOKING AHEAD TO 1999, 2000 AND 2001

For the current and next two fiscal years, the projected net income of the Workers Compensation Board is as follows. This information is based on the entity's 5-year plan which was produced in October 1999 and approved by the Board of Directors on December 21, 1999. Based on the results of the first 11 months of operations of the 1999 fiscal year, it is expected that the operating surplus of the entity will be approximately \$4.5 million for the fiscal year ended December 31, 1999 depending final calculation of the benefit liabilities as determined by the actuaries.

| | <i>1999</i> | <i>2000</i> | <i>2001</i> |
|---|--------------|--------------|--------------|
| <i>Forecasted operating surplus (in millions)</i> | \$4.5 | \$8.9 | \$7.3 |

The operating surplus will be used to finance both the rate stabilization fund and the accident fund to bring the balances of these reserves up to the appropriate levels as determined by the Board of Directors.

FUTURE ISSUES AFFECTING OPERATIONS

A significant item which directly impacts the Board's operating surplus is investment income. However, there are inherent difficulties in forecasting future levels of investment income given market uncertainties. When preparing its 5-year projections, management forecasted depressed markets which results in a reduced rate of return on investment and reduced capital appreciation.

Other items the Board is, or will, address include:

1. Considering certain policy changes.
2. Contemplating revamping the rate setting model.
3. Reviewing strategies on how to increase the coverage base.
4. Reviewing strategies on how to decrease duration of benefit period by one day.

MANITOBA HYDRO

LOOKING AHEAD TO 1999/2000, 2000/2001 AND 2001/2002

The projected net profit of Manitoba Hydro for the current and next two years is as follows.

| | <i>1999/2000</i> | <i>2000/2001</i> | <i>2001/2002</i> |
|---|------------------|------------------|------------------|
| <i>Projected net income (in millions)</i> | \$141.7 | \$115.3 | \$89.4 |

Water flows in terms of both volume and quality, have a very significant impact on the operations of the entity. Water flows have been very good in recent years however, reduced flows and droughts would affect the projected net income figures substantially.

FUTURE ISSUES AFFECTING OPERATIONS

Currently certain municipalities are challenging the status quo stating that they should have the right to tax any personal property within their jurisdiction including that of Manitoba Hydro. If legislation were passed which would allow the taxation of Manitoba Hydro personal property, the additional cost to Manitoba Hydro would be approximately \$87 million (i.e. additional taxes less “grants-in-lieu of taxes” which are currently being paid). This would then result in a 12.4% rate increase to cover the increased costs.

Manitoba Hydro is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc, which represents 5 First Nation communities. Included in this agreement is the provision for compensation and remedial measures necessary to ameliorate the impact of the Churchill River Diversion and Lake Winnipeg Regulation projects. During the year ended March 31, 1999, \$19.6 million of expenditures were incurred in connection with this agreement (1998 - \$55.0 million). In addition to the expenditures already incurred, a mitigation liability of \$135.7 million (1998 - \$132.4 million) has been accrued which represents anticipated future mitigation payments. As settlements are reached the provision is reassessed. There are also other mitigation issues whose outcomes are not determinable at this time, however it is not anticipated that these issues will have a material impact on the entity’s operating results.

Opportunities for the future include increasing sales to export markets. The legislation is in place for Manitoba Hydro to pursue external markets, therefore, new business, market and logistical issues can be reviewed and addressed.

MANITOBA LOTTERIES CORPORATION

LOOKING AHEAD TO 2000/2001 AND 2001/2002

The Corporation believes that it can maintain net surplus of \$225 M for both 2000/2001 and 2001/2002.

The 2000/2001 budget has not yet been approved by the Board of Directors. Management does not anticipate any significant pressures on revenue nor expenses subject to future wage settlements and the unforeseen impact of Aboriginal casinos. The collective bargaining agreement expires March 24, 2000.

FUTURE ISSUES AFFECTING OPERATIONS

Operations

The Corporation is concerned with increasing competition and its ability to maintain current profit levels of approximately \$225.0 million. It believes that maximum profits are in the range of \$225.0 million to \$230.0 million.

We were informed that the Corporation has 34 outside competitors. A location within one day's drive is considered to be a competitor including Thunder Bay and Regina. The Corporation is uncertain of the impact of the proposed aboriginal Casinos.

We were advised that the property enhancements and proposed hotel site on Regent were intended for the purposes of remaining competitive and develop the properties as destination locations to include entertainment, restaurants and lounges.

The Corporation is anticipating a significant increase in bus tours.

Legal Issues and Contingent Liabilities

The Corporation has indicated that it is not aware of any significant contingent liabilities which might impair its ability to generate the estimated profit. However, there are several cases in arbitration relating to the following circumstances:

- Contractor contends damages for a lost opportunity to compete for a contract. Damages not quantified.
- Claims for additional fees by contractor: \$400,000 to \$500,000.
- Claim by contractor for additional project costs resulting from delays: \$942,772; claims by other contractors relating to same project: aggregate \$960,000.
- Claim against Corporation for restoration of Crystal Casino site: significant but unquantifiable.
- Various others of lesser significance: unquantifiable.

Individually, none of the claims significantly impair the Corporation's ability to generate its estimated profit; collectively the claims could be significant depending on the results of the unquantifiable claims.

The Corporation is currently in arbitration with the contractor of the expansion project for the additional capital costs (\$2.0 M to \$3.0 M) arising from the delayed completion date. We were informed that the Corporation was attempting to recover the extra costs.

APPENDIX J

CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS (CICA) INDICATORS OF GOVERNMENT FINANCIAL CONDITION

APPENDIX J

The three measures defined by the CICA are sustainability flexibility, and vulnerability, looked at in the context of the overall economic and financial environment.

| Measure | Definition | Indicators |
|--|---|---|
| <i>Sustainability</i> – <i>The first priority</i> | The degree to which a government can maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy. | <ul style="list-style-type: none"> • Annual Surplus or Deficit • Net Debt-to-GDP • Net Debt per Capita |
| <i>Flexibility</i> – <i>The second priority</i> | The degree to which a government can increase its financial resources to respond to rising commitments, by either expanding its revenues or increasing its debt burden. | <ul style="list-style-type: none"> • Own Source Revenues-to-GDP • Public Debt Charges-to-Revenues |
| <i>Vulnerability</i> – <i>The third priority</i> | The degree to which a government becomes dependent on, and therefore vulnerable to, sources of funding outside its control or influence, both domestic and international. | <ul style="list-style-type: none"> • Federal Transfer Payments to Provincial Revenues • Government-to-Government Transfers-to-Own Source Revenues • Foreign Currency Debt-to-Net Government Debt |

The CICA advises that in reporting on the financial condition of government, certain caveats apply:

- ***The focus is on government, not the economy.*** The financial condition of government is not synonymous with the financial condition of the economy.
- ***Reporting applies to financial condition, not government performance.*** Reporting on financial condition does not include “outcome” indicators which deal with information on the performance or impact of government spending on the economy, on society, or any other aspect that touches on policy choices.
- ***Reporting on financial condition is not an assessment of current fiscal policy.*** Fiscal policy involves spending and revenue plans and is beyond the framework for reporting on financial condition.
- ***Financial condition does not imply financial solvency.*** Governments simply do not move from a state of good financial health to a state of insolvency, and the size of the deficit and debt, or the fact that the debt continues to grow, are not necessarily a sign of worsening financial condition. Financial crises can be associated with other factors, such as inconsistencies between monetary policy, fiscal policy, and exchange rate policies.