

ALBERTA REVENUE ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 2004 | PUBLISHED SEPTEMBER 2004

2004

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PREFACE

Public Accounts 2003-04

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 29, 2004 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Revenue contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- the financial statements of entities making up the Ministry including the Department of Revenue, regulated funds and provincial agencies for which the Minister is responsible,
- other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.

MINISTER'S ACCOUNTABILITY STATEMENT

The Ministry's Annual Report for the year ended March 31, 2004, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 20, 2004 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original Signed]

Honourable Greg Melchin, FCA
Minister of Revenue
September 20, 2004

MESSAGE FROM THE MINISTER

The release of the 2004 Annual Report marks the third anniversary of the Ministry of Revenue. Our ministry has faced challenges and celebrated many successes in the past year. We worked towards fulfilling our mandate and took a long-term strategic look at collecting revenues and investing provincial assets.

One of Alberta Revenue's goals is to have a revenue structure that meets Alberta's needs and is consistent with Albertans' values. The Ministry continued its work on the development of a long-term revenue management framework that will contribute to sound strategic decisions about Alberta's revenue structure and policy. Working with other ministries on key issues and initiatives that would affect the overall revenue picture helped to ensure there is a coordinated approach to revenue management.

The Investment Management Division of Alberta Revenue manages investments comprised of provincial endowment funds, public sector pension funds and other government-related funds. Alberta's single largest asset, the Alberta Heritage Savings Trust Fund recorded its first net loss in 2002-03 due to unprecedented volatility in world equity markets. However, the Heritage Fund made strong gains in 2003-04, recording a net increase in fair value of nearly \$1.3 billion, completely reversing the loss from the previous fiscal year. This reflects the overall soundness of our investment strategies and policies adopted by Alberta Investment Management.

Alberta has built its tax advantage on a low rate broad-based tax policy. To support this philosophy, the general corporate tax rate was reduced in 2003-04 from 13.0 to 12.5 per cent. This resulted in an overall saving of \$94 million in taxes for Alberta businesses in 2003-04.

Alberta Revenue strives to maximize taxpayer self-compliance with corporate and commodity tax programs. In 2003-04, total revenue (net of refunds) collected by Tax and Revenue Administration was \$3.368 billion, of which 91.6% was a result of self-compliance. The balance of 8.4% (\$282 million) was obtained through the direct efforts of Alberta Revenue staff.

The department broadened its penalty and interest waiver policy to include Canadian corporations that were adversely affected by BSE. In addition, the Tax and Revenue Administration Division implemented an Internet payment service for Corporate Income Tax, Insurance Corporations Tax, International Fuel Tax, Fuel Taxes, Propane Tax, Health Cost Recovery Levy, Tobacco Tax and Hotel Room Tax.

Securities regulation is currently in the midst of a healthy debate across this country. My provincial colleagues and I acknowledge that there is a need to develop a national and international approach to securities regulation, while respecting provinces' responsibilities in this area. The Inter-Provincial Ministerial Steering Committee, which I am pleased to chair, has been working for about 15 months to find common ground and seek innovative solutions.

Alberta Revenue continues to benefit from a strong team of dedicated professionals who are committed to excellence, to the service of all Albertans and to ensuring revenue policies reflect Albertans' values as our province grows and evolves.

[Original Signed]

Honourable Greg Melchin, FCA
Minister of Revenue

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Ministry of Revenue includes:

- *Department of Revenue*
- *Alberta Heritage Savings Trust Fund*
- *Alberta Heritage Foundation for Medical Research Endowment Fund*
- *Alberta Heritage Scholarship Fund*
- *Alberta Heritage Science and Engineering Research Endowment Fund*
- *Alberta Risk Management Fund*
- *Alberta Securities Commission*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies. Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting. Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Revenue. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Revenue any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

[Original Signed]

Robert Bhatia
Deputy Minister
September 20, 2004

OVERVIEW

2004

- **MINISTRY VISION, MISSION AND CORE BUSINESSES**
- **RELATIONSHIP OF REVENUE DEPARTMENT AND REPORTING ENTITIES TO CORE BUSINESSES**
- **OPERATIONAL OVERVIEW**
- **SUMMARY OF KEY ACTIVITIES IN THE PAST YEAR**

MINISTRY VISION, MISSION AND CORE BUSINESSES

Our vision of the future

“A province where government revenue policy and administration reflect the values of Albertans, balance present and future needs, and contribute to a stable environment for the generation of wealth for all Albertans.”

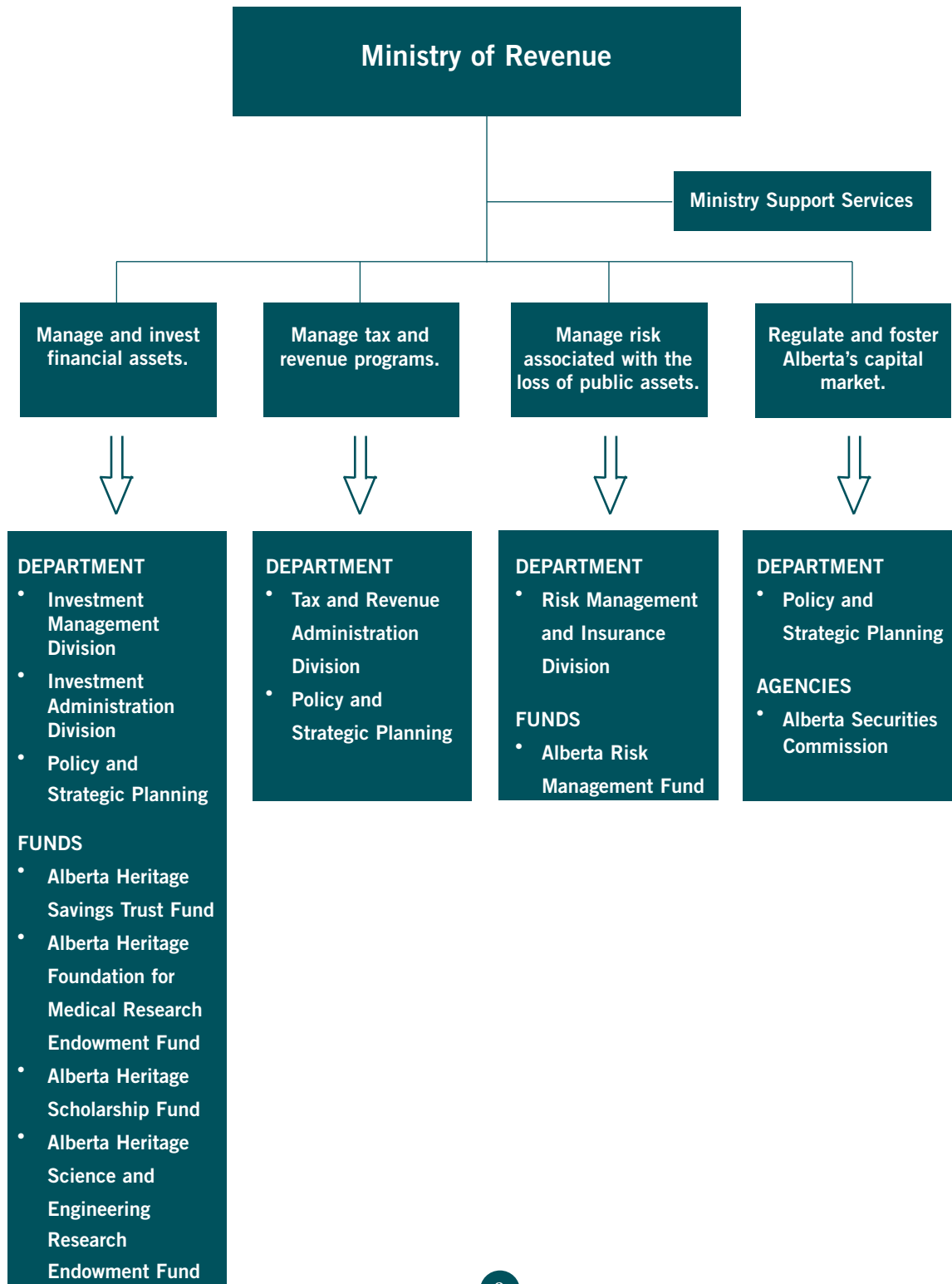
Our mission

“To provide prudent and innovative revenue, investment and risk management and to regulate and foster capital markets in Alberta.”

Revenue’s core businesses

1. Manage tax and revenue programs.
2. Manage and invest financial assets.
3. Manage risk associated with the loss of public assets.
4. Regulate and foster Alberta’s capital market.

RELATIONSHIP OF REVENUE DEPARTMENT AND REPORTING ENTITIES TO CORE BUSINESSES



OPERATIONAL OVERVIEW

Department of Revenue		www.revenue.gov.ab.ca
9515 - 107 Street Edmonton, Alberta T5K 2C3	Tax and Revenue Administration Haultain Building, 9811 - 109 Street Edmonton, Alberta T5K 2L5	1100 - 715 - 5th Avenue SW Calgary, Alberta T2P 2X6

Alberta Investment Management

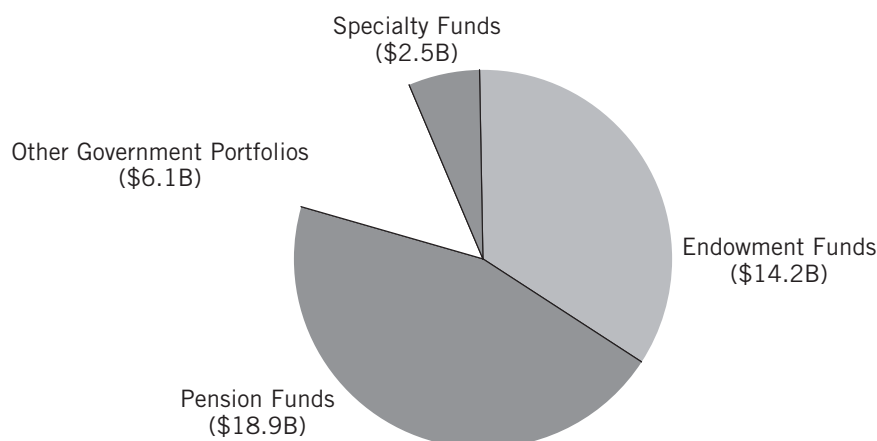
Together the Investment Management Division and the Investment Administration Division comprise Alberta Investment Management.

Investment Management Division

The Investment Management Division (IMD) was established to act as the investment manager for pools of capital assigned by statute to the Minister of Revenue and for investments of other provincial public sector bodies, where specific agreements have been made. With approximately \$41.7 billion under management, Alberta Revenue is one of the largest fund managers in the country. Assets under management include:

- Endowment funds (totaling \$14.2 billion) including the Alberta Heritage Savings Trust Fund (Heritage Fund), the Alberta Heritage Foundation for Medical Research Endowment Fund (Medical Research Fund), the Alberta Heritage Scholarship Fund (Scholarship Fund) and the Alberta Heritage Science and Engineering Research Endowment Fund (Ingenuity Fund).
- Public sector pension funds (totaling \$18.9 billion).
- Other Government portfolios including the General Revenue Investment Account, the General Revenue Fund, the General Revenue Capital Account and the General Revenue Sustainability Fund (totaling \$6.1 billion).
- Specialty funds including the Balancing Pool Corporation and funds managed on behalf of the Workers' Compensation Board (totaling \$2.5 billion).

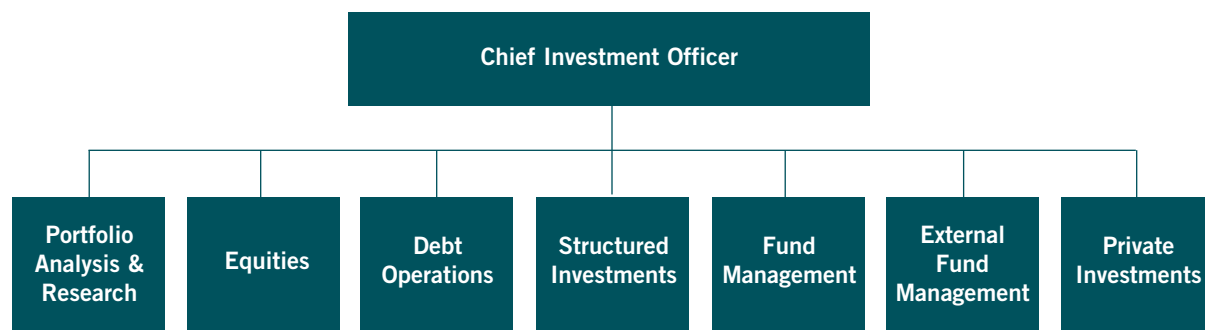
ASSETS UNDER MANAGEMENT BY IMD



Investment objectives vary for the funds, reflecting different financial requirements and risk tolerances for each fund and its respective stakeholders. To meet these investment policies and goals, IMD has developed a wide range of investment products, which can be combined to meet specific financial goals and risk tolerances. This multi-product approach is implemented on a pooled basis. Each product is defined in terms of its return objective and risk profile. Clients buy into the pools by purchasing units based on the current market value of the pools' investments. This approach is important to managing the funds efficiently and to ensuring that each client is treated fairly.

Considering the volatility of the financial markets, it is expected that the majority of the funds' returns will come from the long-term asset allocation decisions. Generally, fixed income securities are less volatile and provide a steady stream of interest income, while equities are more volatile and produce capital gains or losses. Over the long term, equities produce higher rates of return than fixed income securities. The diversification effect of combining fixed income with equities and other asset classes reduces overall risk to the fund. An incremental return is added through tactical asset allocation and security selection decisions. These decisions reflect the shorter-term market expectations with consideration of both the risk and return. Both internal and third party external manager expertise are used, ensuring the necessary specialized investment knowledge and skills are utilized in the most cost effective manner. External managers are used primarily for investing in foreign equity and certain domestic equity markets. Managers are chosen through a rigorous selection process and their performance is reviewed on a quarterly basis.

Investment Management Division Organizational Structure



Investment Administration Division

The Investment Administration Division (IAD) has three branches: Securities Administration, Investment and Debt Information Systems, and Valuation and Fund Accounting. IAD provides support for investment operations including:

- trade transaction monitoring and processing,
- fund and portfolio valuation and performance measurement,
- investment systems oversight,
- support systems development and maintenance, and
- custodial interface and oversight.

Securities Administration works with IMD to ensure investment data is captured appropriately in the systems and that the financial transactions are settled with the corresponding brokers and financial institutions. Investment and Debt Information Systems is responsible for all of the software and system development and support required within IAD and IMD. Valuation and Fund Accounting prepares the weekly valuation of investment portfolios, measures investment performance, and processes pool unit transactions.

Investment Administration Division Organizational Structure



Tax and Revenue Administration Division

Tax and Revenue Administration (TRA) is responsible for the collection of revenue and the administration of Alberta Revenue's tax, revenue and related benefit programs. TRA also works with Policy and Strategic Planning on the development of tax policy within the Province. The focus is a fair, competitive, simple and efficient provincial tax and revenue system.

The Division has four branches: Revenue Operations, Audit, Tax Services and Business Technology Management. Each branch is responsible for specific business processes. TRA's branches are designed so that business processes that are similar in nature and require similar knowledge and skills are grouped into one area.

Revenue Operations is responsible for registering corporations, individuals, trusts, fuel tax clients, tobacco tax and other clients under the applicable acts or programs, maintaining client accounts, validating and processing returns and claims and processing remittances and providing refunds to TRA's clients.

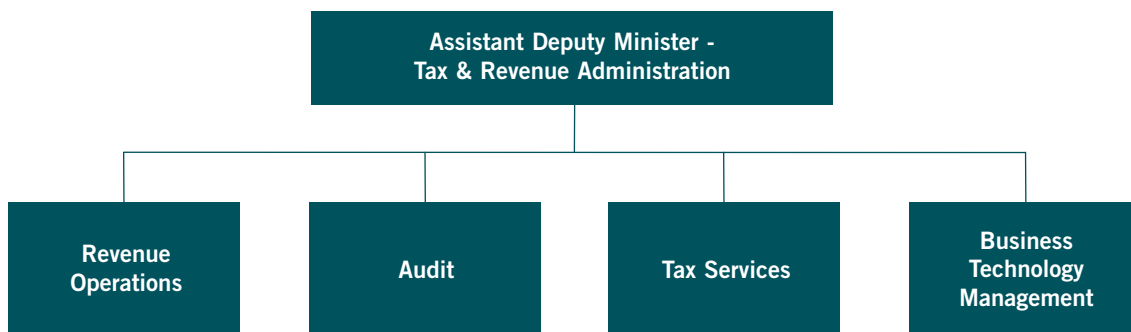
Audit is responsible for ensuring the compliance of TRA's clients with the tax acts by auditing the

clients' books and records. Audit also works with other tax administrations and other Government of Alberta ministries on initiatives to develop policies, improve compliance and implement educational strategies required for the proper administration of tax and revenue programs.

Tax Services is responsible for providing information and technical ruling services to TRA's clients and staff and the administration of dispute resolution mechanisms with respect to TRA actions. Tax Services works with the Policy and Strategic Planning group, as well as the Tax Policy group in Finance, to develop tax policies and legislation. Tax Services also provides central services to other ministries and their agencies with respect to the federal GST.

Business Technology Management provides planning, business systems and quality improvement services to TRA. This Branch has the lead responsibility for managing TRA's product development (e.g. electronic commerce, forms, etc.), change management, budgeting/forecasting and management reporting functions.

Tax and Revenue Administration Division Organizational Structure

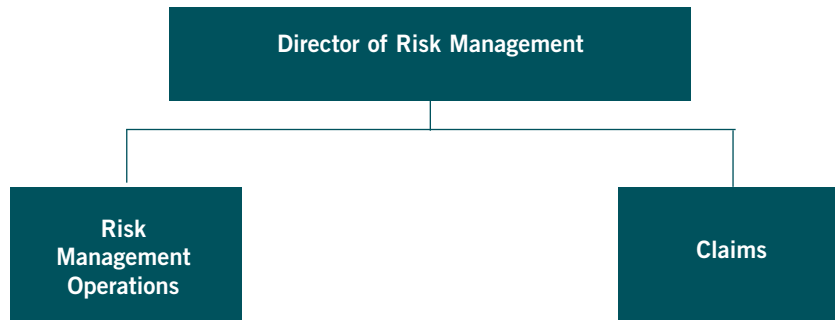


Risk Management and Insurance Division

The Risk Management and Insurance Division (RMI) administers a program to protect, secure and preserve public assets against risk of significant accidental loss. RMI provides services to client ministries and agencies throughout government to help identify, measure, control and finance risk. The program is responsible for all "participants" subject to the *Financial Administration Act*.

There are two branches within this division, Risk Management Operations and Claims. Risk Management Operations assists the Crown to identify, minimize and, where appropriate, finance adverse effects of accidental loss. The Claims Branch administers all claims covered under the government's Risk Management Fund and makes recommendations aimed at reducing risk.

Risk Management and Insurance Division Organizational Structure



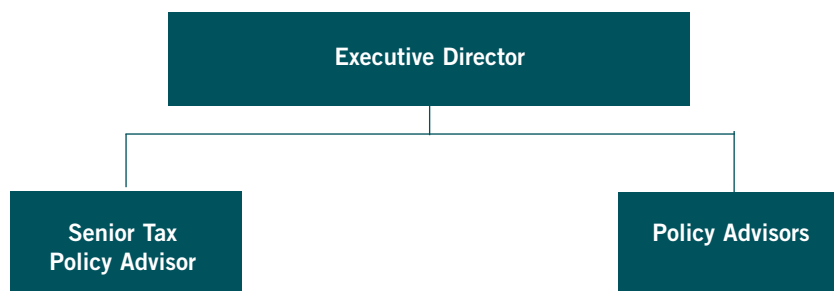
Policy and Strategic Planning Division

Policy and Strategic Planning (PSP) is a new division in Alberta Revenue established in July 2003 to centralize the policy functions within Alberta Revenue. Staff from the policy group responsible for developing tax and revenue policy in Tax and Revenue Administration Division and policy staff from Alberta Finance's Pensions, Insurance and Financial Institutions Division who had been providing support to Alberta Revenue with respect to capital markets policy were combined to form PSP.

The division is responsible for short and long-term revenue analysis, and for policy development to support the Ministry's core businesses and goals.

In 2003-04, significant policy support was provided by PSP for a number of issues related to the goal of fair and competitive provincial tax and revenue systems and a savings policy that contributes to a stable fiscal environment. PSP's activities also focused on supporting the core business of regulating and fostering Alberta's capital market, particularly in supporting the Minister's role as Chair of the Inter-Provincial Steering Committee of Ministers responsible for securities regulation. Finally, the division provided support to the Endowment Fund Policy Committee, which was established in August 2003 to provide advice on appropriate investment policies for Alberta's endowment funds.

Policy and Strategic Planning Division Organizational Structure



Alberta Securities Commission**www.albertasecurities.com**

4th Floor, 300 - 5th Avenue SW
Calgary, Alberta
T2P 3C4

The Alberta Securities Commission (ASC) is an industry-funded provincial corporation responsible for maintaining the efficiency and integrity of the capital market in Alberta through the administration of the *Alberta Securities Act*, the Securities Regulation and the Alberta Securities Commission Rules. As a member of the Canadian Securities Administrators (CSA), an organization consisting of the 13 provincial and territorial securities regulators, the ASC plays a vital role in developing and operating a national system of harmonized securities regulation, policy and practice.

The ASC is an administrative tribunal with quasi-judicial powers. Panels of members hear enforcement proceedings and consider applications for discretionary exemptions from the requirements of the securities legislation. The ASC also sits as an appeal body to hear appeals from decisions of the Executive Director, TSX Venture Exchange and the Alberta District Council of the Investment Dealers Association of Canada.

SUMMARY OF KEY ACTIVITIES IN THE PAST YEAR

Revenue Management Framework

Revenue continues to work on developing a Revenue Management Framework that considers broad characteristics, trends and issues in the province's revenue structure. This framework will enable this government to make decisions that will benefit all Albertans over the long term. Revenue is working with all departments with significant revenues to develop recommendations that will ensure a consistent provincial approach to revenue management.

Endowment Funds

One of Revenue's strategic priorities is to address and enhance the governance, objectives and investment policies, risk management and investment opportunities for the endowment funds. The funds include: The Alberta Heritage Savings Trust Fund, the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Scholarship Fund and the Alberta Heritage Science and Engineering Research Endowment Fund. Revenue has committed to focus on strengthening the Funds as endowments and preserving their value over the long-term.

To improve the governance structure supporting this priority, the policy and administrative oversight functions previously performed by a single advisory committee were split into two advisory committees - the Endowment Fund Policy Committee (EFPC) and the Investment Operations Committee (IOC). The Minister of Revenue chairs the EFPC and the Deputy Minister of Revenue chairs the IOC. Members on both committees are chosen from outside

government to provide independent, expert advice to the Ministry on appropriate investment policies, and on the operations of Alberta Investment Management as it carries out its mandate to invest assets under management.

Alberta Investment Management

The Investment Management Division's major initiatives over the 2003-04 fiscal year included the material enhancement to the investment operation's governance structure.

Also created during the year was an Internal Audit and Compliance group, providing additional resources and focus on the internal audit function. Several other important initiatives were completed. The Fund Management Group was developed and staffed to work in conjunction with clients on fund-specific policy setting and issue resolution. With the assistance of an external consultant, a full review of investment policy of the provincial endowments was undertaken.

The Investment Administration Division coordinated several investment information technology initiatives during the 2003-04 fiscal year. The implementation of an enterprise wide trade order management system occurred in July 2003. This was followed by the completion of an enterprise wide data hub implementation in April 2004. The implementation of a new performance measurement system and a risk measurement system are in progress. These systems contribute to the Straight Through Processing (STP) infrastructure and capability of Alberta Investment Management.

Securities Regulation

Alberta is strongly committed to efforts to increase efficiency in securities regulation and promote the Alberta capital market. Revenue is leading and participating in a number of initiatives that will streamline regulation nationally while meeting regional needs.

Aviation Fuel Tax

Effective March 1, 2004, the 1.5 cents per litre Alberta aviation fuel tax was eliminated on eligible international passenger and cargo flights, including flights to the United States. A competitive tax environment is vital to Alberta's economy and eliminating the Alberta aviation fuel tax on international air traffic at Alberta's two international airports will allow them to compete on a more level playing field with similar jurisdictions. This change will result in the provision of approximately \$3 million annually in fuel tax rebates.

Knowledge-based Industry Roundtable

Revenue hosted a roundtable event at which participants shared their views on issues related to entrepreneurs' ability to commercialize ideas, access capital and build businesses, with a particular focus on knowledge-based industries. A broad range of representatives attended, including tax and economic policy experts, business leaders, entrepreneurs, venture financing professionals and technology commercialization experts. Revenue, in collaboration with other ministries, is assessing ideas that came out of the roundtable that are consistent with Alberta's Long Term Strategic Plan *"Today's Opportunities, Tomorrow's Promise"* and its Economic Strategy *"Securing Tomorrow's Prosperity"*.

Corporate Income Tax

Effective April 1, 2003, the general corporate income tax rate was reduced from 13 per cent to 12.5 per cent, and the small business rate was reduced from 4.5 per cent to 4 per cent. The small business income threshold was increased from \$350,000 to \$400,000. These measures were undertaken to ensure that Alberta continues to have among the lowest business taxes in Canada. This resulted in an overall saving of \$94 million in taxes for Alberta businesses in 2003-04.

Internet Payment Option

Effective December 1, 2003, an Internet payment service was made available. To provide Albertans with more flexibility and convenience, Internet payments can be made for the following: Corporate Income Tax, Insurance Corporations Tax, International Fuel Tax, Fuel Taxes, Propane Tax, Health Cost Recovery Levy, Hotel Room Tax, and Tobacco Tax.

RESULTS ANALYSIS

2004

- CORE BUSINESSES AND GOALS
- FINANCIAL HIGHLIGHTS
- REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE INFORMATION
- PERFORMANCE MEASURES, TARGETS AND RESULTS
- KEY PERFORMANCE MEASURE METHODOLOGY APPENDIX

CORE BUSINESSES AND GOALS

CORE BUSINESS	GOAL
<p>Manage Tax and Revenue Programs</p> <p><i>What it means: The Revenue Department establishes processes to ensure that Alberta's revenue structure meets the Province's long-term needs and contributes to the development of tax and revenue policies and strategies. The Department is also responsible for the administration of Alberta Revenue's tax, revenue and related benefit programs.</i></p>	<ul style="list-style-type: none"> • A revenue structure that meets Alberta's needs and is consistent with Albertans' values. • Fair and competitive provincial tax and revenue systems. • Tax and revenue programs that are administered fairly and efficiently.
<p>Manage and Invest Financial Assets</p> <p><i>What it means: The Revenue Department manages approximately \$41.7 billion (as at March 31, 2004) consisting of a number of endowment funds, including the Alberta Heritage Savings Trust Fund, the public sector pension funds and other related funds.</i></p>	<ul style="list-style-type: none"> • A savings policy for Alberta that balances present and future needs and contributes to a stable fiscal environment. • An effective investment management organization. • Superior investment returns subject to client-defined objectives and policies. • Quality client service.
<p>Manage Risk Associated with the Loss of Public Assets</p> <p><i>What it means: The Risk Management and Insurance Division (RMI) administers a program to protect, secure and preserve public assets against risk of significant accidental loss. RMI provides services to ministries to help them identify, measure, control and finance their risk. The program serves all entities subject to the Financial Administration Act.</i></p>	<ul style="list-style-type: none"> • Proactively manage risk. • Stable Risk Management Fund. • Corporate risk identified and prioritized.
<p>Regulate and Foster Alberta's Capital Market</p> <p><i>What it means: The mission of the Alberta Securities Commission is to foster the development of a fair and efficient capital market in Alberta and confidence in that market.</i></p>	<ul style="list-style-type: none"> • A regulatory environment that promotes confidence in the Alberta capital market. • An effective national securities regulatory system. • Foster further development and growth of the Alberta capital market.

FINANCIAL HIGHLIGHTS

Changes from Budget

Revenue
\$167 million above
budget (2%)

Expenses
\$19.5 million below
budget (10%)

Changes from Previous Fiscal Year - Actuals

Revenue

Change from 2002 - 2003

Income Taxes

(\$544 m)

Personal Taxes

(\$222 m)

- The decline in personal income tax was due to a net decrease of \$386 million related to final assessments for 2002 tax year being lower than estimated.
- This decline was partially offset by increased revenues of \$124 million attributed to continued strong growth in personal income, estimated at 6.3% for 2003-04, a one-time Revenue Guarantee payment of \$44 million from the federal government with respect to the 2000 tax year, and a \$4 million refund from the Energy Tax Refund Program reflected in 2002-03.

Corporate Taxes

(\$322 m)

- Despite corporate profits increasing by an estimated 16.4% in 2003-04, corporate income tax declined by \$322 million due to a reduction in corporate tax rates and reduced installment payments, and unusually high refunds in 2003 as a result of a decline in net corporate income tax payable in prior years.

Other Taxes

\$117 m

- Fuel tax increases are attributed to economic and population growth, offset by the impact of BSE. \$23 m
- Tobacco taxes increased because of tax collection at borders, the tightening of the Alberta Indian Tax Exemption, higher tobacco consumption due to population growth and the removal of the impact of stockpiling that took place prior to the tax increase. \$52 m
- The increase in insurance corporation tax revenue was due to a prior period adjustment of \$20 million, based primarily on updated historical data released in a report by the Superintendent of Insurance. The remaining \$23 million was due to economic growth and a revised forecast of growth in premiums written in 2003 and 2004. \$43 m
- Hotel room tax decreased due to a decline in tourism stemming from the impact of SARS and BSE. (\$1 m)

Change from 2002 - 2003

Investment Income	\$2,305 m
<ul style="list-style-type: none"> Increased investment income realized from equities due to a strong recovery in the world stock markets compared to writedowns in 2002-03. 	\$2,231 m
<ul style="list-style-type: none"> Investments in Absolute Return Strategies commenced in the second half of 2002-03, so 2003-04 represents income for a twelve month period. 	\$38 m
<ul style="list-style-type: none"> Increase in investments in mortgages, bonds and real estate. 	\$36 m
Miscellaneous	\$18 m
<ul style="list-style-type: none"> Internal Government Transfer related to a one-time contribution to the Alberta Heritage Science and Engineering Research Fund from Alberta Innovation and Science amounting to \$21 million, partially offset by a decrease in contributions to the Alberta Heritage Scholarship Fund from Alberta Learning and Community Development of \$5 million. 	\$16 m
<ul style="list-style-type: none"> Alberta Securities Commission increased fees. 	\$1 m
<ul style="list-style-type: none"> Investment services cost recovery revenue increased as a result of new system development costs being passed on to clients. 	\$1 m
NET INCREASE IN REVENUE	\$1,896 m

Expenses

Change from 2002 - 2003

Corporate tax refund interest	(\$49 m)
<ul style="list-style-type: none"> In 2002-03, the Canada Customs and Revenue Agency reached settlements on a number of large objection files. These settlements triggered parallel reassessments for Alberta resulting in a substantial increase in refund interest being paid out. The refund interest paid on assessments returned to normal in 2003-04. 	(\$49 m)
Valuation Adjustments and Other Provisions	\$4 m
<ul style="list-style-type: none"> Increase in provision for doubtful accounts. 	\$4 m
Transfers from Endowment Funds	\$4 m
<ul style="list-style-type: none"> Alberta Heritage Foundation for Medical Research 	(\$1 m)
<ul style="list-style-type: none"> Alberta Heritage Scholarship Fund 	\$1 m
<ul style="list-style-type: none"> Alberta Heritage Foundation for Science and Engineering Research 	\$4 m

Change from 2002 - 2003

Risk Management Fund**\$6 m**

- The increase relates to a provision for growth in claims and losses incurred but not reported. This information came from a recent actuarial review.

Miscellaneous**\$3 m**

- Revenue collection and rebates increase attributed primarily to increased manpower requirements. \$2 m
- Investment services increases attributed to staff increases to manage diversification of investments and for IT enhancements. \$2 m
- Decrease in costs for the Alberta Securities Commission is attributed to non-recurring expenses for the closure of the Edmonton Office. (\$1 m)

NET DECREASE IN EXPENSES**(\$32)****MINISTRY EXPENSE BY CORE BUSINESS***(thousands of dollars)*

Core Business	2003-04 Budget	2003-04 Actual	2002-03 Comparable Actual
Manage tax and revenue programs	43,260	41,858	84,970
Manage and invest financial assets	122,188	96,436	90,364
Manage risk associated with loss of public assets	9,005	18,542	12,680
Regulate and foster Alberta's capital market	19,423	17,510	19,013
Total Expenses	193,876	174,346	207,027

MINISTRY EXPENSE BY FUNCTION

Function	2003-04 Budget	2003-04 Actual	2002-03 Comparable Actual
Health	70,207	50,157	51,136
Education	21,297	22,329	21,096
Agriculture, Resource Management and Economic Development	14,140	10,521	6,410
Protection of Persons and Property	19,423	17,510	19,013
General Government	68,809	73,829	109,372
Total Expenses	193,876	174,346	207,027



REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE INFORMATION

To the Members of the Legislative Assembly:

In connection with the Ministry of Revenue's key and supplemental performance measures included in the *2003-2004 Annual Report of the Ministry of Revenue* for the year ended March 31, 2004, I have:

Key Performance Measures

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the key performance measures, as well as targets, agree to and include results for all of the measures presented in *Budget 2003*.

Supplemental Performance Measures

6. Agreed the information to source reports. In addition, I checked that the supporting narrative is consistent with the information.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the key and supplemental performance measures included in the *2003-2004 Annual Report of the Ministry of Revenue*.

[Original Signed]

Edmonton, Alberta
August 27, 2004

Fred J. Dunn, FCA
Auditor General

PERFORMANCE MEASURES, TARGETS AND RESULTS

Core Business #1 – Manage tax and revenue programs

Consistently low taxes have become one of the defining features of living and doing business in Alberta, and will continue to be a key feature of the new fiscal framework, which was adopted in 2003-04. Albertans enjoy the advantages of an innovative single-rate personal tax system, continued corporate tax reductions, the lowest fuel tax in Canada, and no general sales tax, payroll tax, or corporate capital tax.

Alberta's low rate, broad-based approach to taxes is fairer and simpler for all taxpayers. It is part of the solid foundation for a dynamic and vibrant provincial economy, and means more opportunities, greater rewards for work and investment, and more wealth to support public services and quality of life.

A revenue management framework was identified as a strategic priority in the Ministry 2003-06 business plan. In 2003-04, Revenue worked with other ministries with significant revenues to develop recommendations for a revenue management framework.

Goals

- 1.1 A revenue structure that meets Alberta's needs and is consistent with Albertans' values
- 1.2 Fair and competitive provincial tax and revenue systems
- 1.3 Tax and revenue programs that are administered fairly and efficiently

Financial Information

(thousands of dollars)

Core Business Expense

2003-04 Comparable Budget	2003-04 Actual	Variance
43,260	41,858	1,402

The variance resulted from less than anticipated statutory payments for interest payments on corporate tax refunds and valuation adjustments and reduced spending in Revenue Collection and Rebates and Policy and Strategic Planning related to staff vacancies and unused contingency funds. The variance did not impact the department's performance on its targets.

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Provincial tax load for a family of four.	<ul style="list-style-type: none"> • Lowest in Canada 	<ul style="list-style-type: none"> • Lowest in Canada • Lowest in Canada (2002-03)

(shared measure with Alberta Finance)

Alberta continues to have the lowest provincial tax load for a family of four (see chart). Alberta's single-rate personal tax system has two key components that advance fairness and competitiveness. First, the largest personal and spousal exemptions in the country promote fairness by allowing Albertans to earn more tax-free income. Provincial non-refundable credits are indexed to inflation so their value is not eroded over time. Second, the 10 per cent single rate is the lowest top marginal tax rate in Canada. This promotes competitiveness and encourages people to live, work and invest in Alberta.

PROVINCIAL TAX LOAD FOR A FAMILY OF FOUR*

	One-income family with two children earning \$30,000	Two-income family with two children earning \$60,000	Two-income family with two children earning \$100,000
Alberta	\$431	\$3,968	\$7,261
Ontario	\$1,809	\$4,606	\$8,774
Saskatchewan	\$2,328	\$5,199	\$9,533
British Columbia	\$2,914	\$5,447	\$8,658
New Brunswick	\$3,144	\$5,938	\$11,018
Nova Scotia	\$3,144	\$5,956	\$10,849
Manitoba	\$2,671	\$6,018	\$11,468
Quebec	\$2,135	\$6,393	\$14,410
Prince Edward Island	\$3,522	\$6,509	\$11,626
Newfoundland and Labrador	\$4,109	\$7,324	\$13,368

* Includes provincial income, sales, payroll, tobacco and fuel taxes and health care premiums

Source: Alberta Finance (See Key Performance Measure Methodology Appendix at the end of this section.)

In addition, Alberta's personal tax load was the lowest in Canada at 52.4 per cent of the provincial average, far ahead of its nearest competitor British Columbia, which is at 94.5 per cent of the provincial average.

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Provincial tax load on business.	• Lowest in Canada.	• Third lowest in Canada. • Second lowest in Canada (revised)(2002-03)

(shared measure with Alberta Finance)

In 2003-04, Alberta's provincial tax load on business was the third lowest in Canada following Prince Edward Island and British Columbia. The outcome of this measure depends on how the business income is structured. A province where the economy is struggling will appear to have a low tax burden, since money-losing corporations do not pay income tax. Also, provinces dominated by small business will appear to have a low tax burden, since the small business rate is much lower than the general rate in all provinces.

Corporate tax regimes vary significantly across provinces, and comparisons are therefore difficult to make since an effective tax rate varies depending on special tax rates and incentives provided. Alberta Revenue and Alberta Finance are attempting to identify a measure to better reflect the comparative tax burden that would apply to various types of corporations that operate in Alberta.

Alberta's general corporate tax rate and small business rate, at 12.5% and 4.0% respectively, are the second lowest among all the provinces. Alberta does not have any capital taxes. Low overall taxes in Alberta encourage entrepreneurs to start new businesses in Alberta, or move them here from other provinces.

TAX LOAD ON BUSINESS*

	2003-04	2002-03 (revised percentage of provincial average)
British Columbia	71.6	75.6
New Brunswick	76.1	98.3
Alberta	87.2	79.5
Ontario	95.7	96.9
Prince Edward Island	106.5	86.6
Quebec	111.0	113.3
Manitoba	116.7	142.5
Newfoundland and Labrador	123.8	128.1
Nova Scotia	124.5	97.5
Saskatchewan	253.1	230.9

* Includes business income taxes, capital taxes and insurance corporation taxes.

Tax load relative to provincial average=100

Source: Federal Department of Finance, February 2004 Third Estimate for 2003-04; February 2004 Fifth Estimate for 2002-03: Alberta Finance (See Key Performance Measure Methodology Appendix at the end of this section.)

The government continued its plan of corporate income tax reductions in 2003-04.

Effective March 1, 2004, the 1.5 cents per litre Alberta aviation fuel tax was eliminated on eligible international passenger and cargo flights, including those to the United States of America. Effective April 1, 2003, the general corporate tax rate was reduced to 12.5%, the small business rate was reduced to 4.0%, and the small business threshold was increased to \$400,000. The tax cuts continued in 2004.

IMPLEMENTATION SCHEDULE FOR THE BUSINESS TAX PLAN

(Effective April 1st each year)

	2003-04	2004-05
General rate (%)	12.5	11.5
Small business rate (%)	4	3
Small business threshold (\$)	400,000	400,000
Capital gains inclusion rate (%)	50	50
Railway fuel tax (c/litre)	1.5	1.5
Capital tax	-	-

Supplemental Measures

PERFORMANCE MEASURE: Percentage of tax accounts with no monies owing.

Target: 96%

For 2003-04, the target was set at 96 percent. The actual percentage of accounts with no overdue amounts owing as at March 31, 2004 was 95.74 percent, up from 95.62 percent in 2002-03. This consistently high performance demonstrates that Alberta's tax collection efforts are successful.

Source: Alberta Revenue, TRA Oracle database.

PERFORMANCE MEASURE: Client satisfaction with tax administration.

Target: 85% satisfied or better

Clients' overall satisfaction with tax administration (88.7 percent) exceeded the minimum 85 percent performance target. In comparison to the 2002-03 results, the clients' overall satisfaction with tax administration has remained at 88.7 percent.

Source: Alberta Revenue.

PERFORMANCE MEASURE: Ratio of amounts added to net revenue to costs of administration.

Target: Determined after the benchmark year 2002-03

The calculation is based on the total additional revenue obtained through TRA's efforts, shown as a ratio of the total costs of TRA's operating budget. TRA, through the revision of returns and claims, and the collection of overdue accounts, recovers revenues that may otherwise be lost. An increasing value-added ratio can indicate that the relative degree of self-compliance is decreasing, and that more effort is required to detect and address non-compliance.

The total amount added to net revenue for 2003-04 was \$282.3 million, and the associated costs were \$20.1 million, so the value added ratio is 14 to 1 - that is, recoveries of \$14.04 for every \$1 spent. This was up from the 12.3 to 1 results in 2002-03. The 2002-03 result established the benchmark, and the target was set for 12 to 1 in 2004-05. Plans are in place to expand audit coverage, which should result in progress toward better self-compliance.

Core Business #2 – Manage and invest financial assets

The Investment Management Division's primary objective is to maximize long-term financial returns. Meeting this objective means managing the balance between risk and return. The strategic priority and strategies outlined in the Ministry's Business Plan support this objective by using a prudent mix of internal investment resources and external investment management firms, and by developing and implementing new products to meet client needs.

Goals

- 2.1 A savings policy for Alberta that balances present and future needs and contributes to a stable fiscal environment
- 2.2 An effective investment management organization
- 2.3 Superior investment returns subject to client-defined objectives and policies
- 2.4 Quality client service

Financial Information

(thousands of dollars)

Core Business Expense

2003-04 Comparable Budget	2003-04 Actual	Variance
122,188	96,436	(25,752)

The variance can be attributed to:

- reduced draws from the Alberta Heritage Medical Research Fund amounting to \$20 million due to delays in the building of health research facilities in Edmonton and Calgary;
- reduction in the funding request from the Alberta Heritage Foundation for Science and Engineering Research Fund amounting to \$3.6 million for research grants and awards;
- the department's Investment Management Division lapsed funds in the amount of \$2.6 million due to delays in recruiting skilled employees. This did not impact the department's performance on its targets;
- reduced management fees charged to Alberta Heritage Savings and Trust fund amounting to \$0.5 million;
- the Alberta Heritage Scholarship Fund increased their draws by \$1 million, as there is an increase in the number of students eligible to receive awards.

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Four year annualized market value rates of return (ROR) measured against benchmarks established by clients.	<ul style="list-style-type: none"> ROR for the endowment funds (including the Heritage Fund) exceeds the policy benchmark. 	All but one exceeded policy benchmark.

Source: Alberta Revenue, Persys module.

In 1997, the Alberta government adopted a new investment strategy for the Alberta Heritage Savings Trust Fund (Heritage Fund). This new strategy focuses on earning the greatest long-term returns for Albertans, within an acceptable level of risk.

ENDOWMENT FUNDS EXCEEDING THE POLICY BENCHMARK

Endowment Fund	Four Year Annualized Rate of Return	Four Year Annualized Policy Benchmark Return
Alberta Heritage Savings Trust Fund*	1.31%	1.05%
Alberta Heritage Foundation for Medical Research Endowment Fund	-0.02%	-0.28%
Alberta Heritage Scholarship Fund	0.06%	-0.25%
Alberta Heritage Science and Engineering Research Endowment Fund**	4.21%	3.92%

* Refer to the 2003-04 Alberta Heritage Endowment Fund annual report for the actual and benchmark returns as well as the actual and benchmark weighting in each asset category.

** Figures for the Science and Engineering Research Endowment Fund are three year annualized ROR over the period ending March 31, 2004.

ENDOWMENT FUND THAT DID NOT EXCEED ITS POLICY BENCHMARK

Endowment Fund	Four Year Annualized Rate of Return	Four Year Annualized Policy Benchmark Return
Ultimate Heir Trust "B" Endowment	-0.05%	-0.02%

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Four year annualized market value rates of return (ROR) measured against benchmarks established by clients.	<ul style="list-style-type: none"> ROR on other client funds exceeds the policy benchmark. 	All exceeded policy benchmark.

OTHER CLIENT FUNDS EXCEEDING THE POLICY BENCHMARK

Fund	Four Year Annualized Rate of Return	Four Year Annualized Policy Benchmark Return
Local Authorities Pension	1.31%	1.15%
Public Service Pension	1.92%	1.56%
Management Employees Pension	2.18%	1.89%
Universities Academic Pension	1.41%	0.87%
Special Forces Pension	2.04%	1.24%
Special Forces Index Pension	2.26%	1.24%
Judges Pension	2.11%	1.88%
Long-term Disability - Bargaining Unit	1.28%	1.02%
Long-term Disability - Management	1.21%	1.02%
Alberta Securities Commission*	8.09%	N/A

* Alberta Securities Commission Fund does not have a four year annualized policy benchmark return. The two year annualized rate of return is 9.77% and two year annualized policy benchmark return is 7.90%. Both returns are as at March 31, 2004.

Supplemental Measures

PERFORMANCE MEASURE: Straight Through Processing (STP) System implemented by June 2005.

Alberta Investment Management met 2003-04 targets established in its multi-year straight through processing (STP) plan to establish processes capable of settling trades on a same day or next day basis. The implementation of a trade order management system was completed. Implementation of a data hub began during the year. This implementation will assist Alberta Investment Management with consolidating investment data sources. After an extensive vendor selection process, a risk management system was selected. This system will be implemented in the 2004-05 fiscal year.

Source: Alberta Revenue, Omega One.

PERFORMANCE MEASURE: Straight Through Processing (STP) of investment transactions.

Target: 80%

The investment operation achieved an internal STP rate of 87.4 percent for the 2003-04 fiscal year against its target rate of 80 percent.

Source: Alberta Revenue.

PERFORMANCE MEASURE: Client satisfaction with services provided.

Target: 80%

In January of each year, a client satisfaction survey is sent to clients of the Investment Management Division. Respondents include board members representing client funds as well as other service recipients of the Investment Management Division.

Clients are asked to answer a series of questions aimed at determining their level of satisfaction with service received. They respond on a five-point scale that is translated by Statistics into a percentage satisfaction and aggregated with other clients into a composite client satisfaction level.

In the fiscal year 2003-04, client satisfaction with services provided was 69 percent, which is a 3 percent improvement over the fiscal year 2002-03, but below the 80 percent target. The improved client rating results come mainly from increased satisfaction with the overall quality of IMD's investment strategies, the value added performance of individual products, IMD's understanding of client funds' investment objectives and the value added by IMD relative to the fund benchmark. The largest decreases in client rating are recorded in the following areas: the clarity of IMD's information on performance, the overall quality of IMD's communications and understanding of IMD's investment strategies.

Source: Alberta Revenue and Alberta Finance, Statistics.

Other Highlights

Other key strategic highlights for the year include ongoing business continuity preparation, e.g., participation in one of Alberta Investment Management's major software vendors disaster recovery test and a comprehensive scenario test of Alberta Investment Management's business continuity site.

Core Business #3 – Manage risk associated with loss of public assets

The main strategy for the Risk Management Division is to control the cost of risk. Through the Risk Management Fund, coverage is provided to ministries and appropriate insurance services are purchased to protect some of the Fund's financial responsibilities. Recent natural and economic events have had a serious impact on the insurance industry, significantly increasing costs and reducing the availability of purchased insurance.

Goals

- 3.1 Proactively managed risk
- 3.2 Stable Risk Management Fund
- 3.3 Corporate risk identified and prioritized

Financial Information

(thousands of dollars)

Core Business Expense

2003-04 Comparable Budget	2003-04 Actual	Variance
9,005	18,542	(9,537)

A recent actuarial review was conducted requiring that the allowances for IBNR (incurred but not reported) losses be increased by \$6.2 million. Of the \$3.3 million balance of the variance, \$300,000 stems from insurance premiums higher than budgeted, \$1 million from a major fire loss claim and \$2 million due to general liability claims being higher than budgeted.

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Value of the net assets of the Risk Management Fund.	• Net asset value between \$0-1 million.	Net liability for the year ending March 31, 2004 was \$6.2 million.

Source: Alberta Revenue, Risk Management.

Risk Management and Insurance strives to keep Fund participants' costs at a minimum. Therefore, the Fund is managed such that the net asset value does not exceed \$1 million. The net liability for the year ending March 31, 2004 was \$6.2 million.

This target was not met because of the increased cost of insurance plus higher reserves for new claims and the IBNR claims.

Supplemental Measures

PERFORMANCE MEASURE: Cost of Claims (insurance premiums plus self-insured losses)

Target: \$6.5 million

Due to significant reduction of available coverage, even at an increased cost, insurance was purchased with additional exclusions at a cost of \$2.3 million, \$300,000 more than budgeted. The actual cost of claims in 2003-04 was \$15.8 million, which exceeded the \$6.5 million target.

Source: Alberta Revenue.

PERFORMANCE MEASURE: Satisfaction with the services provided by the division

Target: 80%

Clients' overall satisfaction with Risk Management and Insurance exceeded the 80% minimum performance target. Overall, 84% of respondents were either satisfied or very satisfied with the services provided by RMI and there was a 17% increase in the number of responses received compared to the 2001 survey.

Source: Alberta Finance, Statistics.

Core Business #4 – Regulate and foster Alberta’s capital market

Alberta Revenue identified securities regulation as a strategic priority and recognizes that effective securities regulation is vitally important to investor protection and efficient, vibrant and competitive local and national capital markets. Since early 2003, provincial and territorial ministers responsible for securities regulation have been working together to identify practical and timely improvements that will provide significant reforms to Canada's securities regulatory framework. The Alberta Minister of Revenue chairs this initiative.

The Alberta Securities Commission (ASC) is responsible for maintaining the efficiency and integrity of the capital market in Alberta through the administration of the *Alberta Securities Act*.

Goals

- 4.1 A regulatory environment that promotes confidence in the Alberta capital market
- 4.2 An effective national securities regulatory system
- 4.3 Foster further development and growth of the Alberta capital market

Financial Information

(thousands of dollars)

Core Business Expense

2003-04 Comparable Budget	2003-04 Actual	Variance
19,423	17,510	1,913

The variance can be attributed to an unused budget contingency.

KEY PERFORMANCE MEASURE:

PERFORMANCE MEASURE	TARGET	RESULT
Stakeholder satisfaction with service levels.	• 80% satisfied or better.	87%

Source: ASC on-line survey.

An on-line survey was conducted by the ASC in January 2004 to assess the extent to which stakeholders were satisfied with the service they had received from the ASC in response to enquiries regarding ASC operations and policy matters. Out of the 67 respondents, 87% either agreed or strongly agreed with the statement that they were satisfied with the quality of service they received. Ratings exceeded 80% in all categories dealing with promptness, accuracy and clarity of information provided, and professionalism of staff. The February 16, 2004 survey results will be assessed by the ASC to maintain and/or improve stakeholder satisfaction.

Supplemental Measures

PERFORMANCE MEASURE: Investor education program.

Target: minimum of four education seminars

Educated investors are more likely to make wise investment decisions, which is, in turn, beneficial for Alberta's capital markets. During the 2003-04 fiscal year, the ASC implemented a comprehensive investor education program. ASC staff made presentations to four regional teachers' conventions in Alberta, 18 high school classes and nine other groups (seniors, women's groups and post-secondary students). As part of the 2003-04 programs, ASC participated in several education initiatives, including an event during Investor Education Month (April 2003) to alert the public to the risks of investment fraud.

In addition to these activities aimed at the general public, the ASC also organized and/or played a key role in a number of educational workshops and seminars for industry professionals (e.g. lawyers, accountants and other advisors). Topics included new oil and gas reserve reporting standards, continuous disclosure obligations and new accounting standards.

Source: ASC.

PERFORMANCE MEASURE: Number of annual examinations.

Target: 40% subject to examination

Examinations are conducted on selected mutual fund dealers, portfolio managers and scholarship plan dealers each fiscal year to ensure compliance with the *Alberta Securities Act*. In 2003-04, out of an overall 400 registrants, 35 were examined and 135 were subject to review, exceeding the goal of 40%.

Source: ASC.

PERFORMANCE MEASURE: Legislation for a Uniform Securities Act.

Target: June 30, 2004

Staff from the ASC are heavily involved in projects at a national level through the Canadian Securities Administrators (CSA), the organization under which Canada's 13 securities regulators work towards a harmonized system of securities regulation. The Chair of the ASC is also the current chair of the CSA.

Work at a national level allows securities regulators to leverage their individual strengths to form a consistent and strong cross-Canada regulatory presence. The most significant and ambitious harmonization initiative is the development of a draft Uniform Securities Act and Model Securities Administration Act. Consultation drafts of these Acts were published in December 2003 and public comments were requested by May 2004. Due to the length of the consultation process, the target date of June 30, 2004 was not met. A new target date is currently under review.

Source: *Draft Uniform Securities Act and Model Securities Administration Act*.

KEY PERFORMANCE MEASURE METHODOLOGY APPENDIX

Taxation load for a family of four (shared performance measure with Ministry of Finance)

Calculations are based on the following assumptions:

- Business is assumed to bear between 25 percent and 60 percent of the provincial sales tax, depending upon the provincial tax regime.
- In provinces that impose payroll taxes, 75 percent is assumed to be borne by employees and 25 percent by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of \$1,000, \$7,800 and \$13,500 are included in the calculation of personal income tax for the \$30,000, \$60,000 and \$100,000 families, respectively.
- For two income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Tax load on business (shared performance measure with Ministry of Finance)

Provincial tax load, or tax effort, compares actual tax revenues generated within a province to the revenue that the province would generate if it taxed at national-average tax rates. Business taxes examined include business income taxes, capital taxes and insurance corporation taxes.

Each year, the provinces report their tax revenues by these categories to the federal government as part of the reporting requirements for the Equalization Program. The steps to calculate provincial tax loads are:

1. National-average tax rates are calculated by dividing total national tax revenues by the national tax base. The tax base for business income taxes, for example, is corporate profits.
2. The revenue that the province would generate if it taxed at national rates is equal to the national average tax rate multiplied by the provincial tax base for each of the tax categories.
3. Provincial tax load is equal to the ratio of actual provincial revenues divided by the results of the previous calculation multiplied by 100.

The latest available data are used in these calculations:

- February 2004 Fifth Estimate for 2002-03, except for Alberta corporate income tax, which has been adjusted from budget to actual.
- February 2004 Third Estimate for 2003-04.

As a result, the 2002-03 business tax load is restated from what was reported in the Alberta Revenue Annual Report for 2002-03.

Four year annualized market value rate of return (ROR) measured against benchmarks established by clients

The performance measurement system employed by Investment Management Division (IMD) calculates a total return for each of the investment funds, including both endowment and other client funds. Investment clients select indices for various asset classes making up their fund policy benchmark composition. IMD aggregates published returns for these indices into a policy benchmark composite return for each client fund.

A comparison between the four year annualized total rate of return of the fund and its benchmark is made. This comparison is calculated by subtracting the difference of the time-weighted return of the fund versus the time-weighted return of the policy benchmark.

Fund returns are calculated within the Persys module of FMC by the Valuations Group of the Investment Administration Division.

Benchmark returns are calculated using policy benchmark weights provided by client statement of policy and goals. Return series of indices used to calculate the policy benchmark are sourced from IMD's custodian and benchmark providers.

Value of the net assets of the Risk Management Fund

The actual cost of premiums and claims in 2003-04 was \$15.8 million, which exceeded the \$6.5 million target. This resulted from an increased cost of insurance plus higher reserves for new claims and Incurred But Not Reported (IBNR) claims. The substantial increase in IBNR, since the prior actuarial report of March 31, 2001, resulted from major changes with respect to both legislation and court awards that affect claims. To avoid future large adjustments actuarial reports are now completed on an annual basis as compared to bi-annually as in the past.

Stakeholder satisfaction with service levels

The Alberta Securities Commission (ASC) conducted an on-line survey in January 2004 to assess the extent to which stakeholders were satisfied with the service they had received from the ASC in response to enquiries regarding ASC operations and policy matters.

The survey was distributed electronically to stakeholders who had contacted one of three ASC departments (Legal Services and Policy Development, Capital Markets or Public Information) with information requests during the previous 12 months.

Surveys were distributed to 602 stakeholders. This produced a total of 67 responses. Stakeholders were asked to respond to 9 questions about various aspects of the ASC's services. Results were compiled by staff at the ASC and is being used to identify potential areas of improvement and to develop initiatives to enhance overall service levels.