



2004 – 2005

Saskatchewan 1st Quarter Financial Report

The Hon.
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Minister of Finance

General Revenue Fund Update

1st Quarter Financial Report

General Revenue Fund Update

FINANCIAL OVERVIEW

To the end of the first quarter of 2004-05, the General Revenue Fund (GRF) balance before Fiscal Stabilization Fund (FSF) transfer is forecast to be up \$70.5 million from Budget. The FSF transfer is down \$70.5 million, yielding a balanced budget.

Total revenue is forecast to be \$6,669.7 million, up \$79.2 million from Budget.

Operating expense is forecast to be \$6,156.2 million, up \$8.7 million from Budget.

Debt servicing costs are forecast to be \$614.0 million, unchanged from Budget.

The Fiscal Stabilization Fund balance is forecast to be \$265.4 million at the end of 2004-05. This forecast reflects the \$366.0 million FSF balance at the end of 2003-04 being reduced by the 2004-05 1st Quarter forecast drawdown of \$100.6 million. The 1st Quarter forecast drawdown results from the \$171.1 million 2004-05 Budget drawdown being reduced by the 1st Quarter improvement of \$70.5 million.

Debt is forecast to be \$11.8 billion – a decrease of \$26.1 million from Budget.

Government debt is forecast to be \$8.3 billion, down \$66.7 million from Budget.

Crown corporation debt is forecast to be \$3.5 billion – an increase of \$40.6 million from Budget.

2004-05 GRF Financial Summary

| | Budget Estimate* | 1 st Quarter Forecast | Change from Budget |
|------------------------------|---------------------|-------------------------------------|-----------------------|
| <i>(millions of dollars)</i> | | | |
| Revenue | \$ 6,590.5 | \$ 6,669.7 | \$ 79.2 |
| Operating Expense | 6,147.5 | 6,156.2 | 8.7 |
| Operating Surplus | 443.0 | 513.5 | 70.5 |
| Debt Servicing | 614.0 | 614.0 | - |
| Balance before FSF Transfer | (171.0) | (100.5) | 70.5 |
| FSF Transfer | 171.1 | 100.6 | (70.5) |
| Surplus | \$ 0.1 | \$ 0.1 | \$ - |

* As a result of the Further Estimates, \$13.0 million was added to the original Budget Estimate for both Operating Expense and the FSF Transfer.

REVENUE UPDATE

To the end of the first quarter, provincial revenue is forecast to be up \$79.2 million from the Budget estimate.

| Revenue Reconciliation (millions of dollars) | |
|---|-------------------|
| Budget Estimate | \$ 6,590.5 |
| Own-Source Revenue Changes | |
| Oil | +208.0 |
| Natural Gas | +88.5 |
| Potash | +55.6 |
| Other | +20.3 |
| Total Own-Source Change | +372.4 |
| Federal Transfer Changes | |
| Equalization | -309.9 |
| Other | +16.7 |
| Total Federal Transfer Change | -293.2 |
| Total Change | +79.2 |
| 1st Quarter Forecast | \$ 6,669.7 |

Own-source revenue is forecast to be up \$372.4 million from Budget, primarily reflecting increased non-renewable resource revenue.

Oil revenue is forecast to be \$608.8 million – an increase of \$208.0 million from Budget – primarily reflecting higher prices (average fiscal year WTI price in US dollars per barrel is currently forecast at \$32.74, versus the Budget estimate of \$25.00). The revenue increase is partially offset by a wider light-heavy differential and a marginal decrease in production.

Natural gas revenue is forecast to be \$226.9 million – an increase of \$88.5 million from Budget – primarily reflecting higher prices (average fiscal year price per gigajoule is currently forecast at \$6.08, versus the Budget estimate of \$4.31). The increase is partially offset by a slight decrease in the production forecast.

Potash revenue is forecast to be \$180.8 million – an increase of \$55.6 million from Budget – primarily due to an increase in forecast prices and sales volumes, partially offset by increased production costs.

Transfers from the federal government are forecast to be down \$293.2 million.

Equalization is forecast to be \$132.6 million, a decrease of \$309.9 million from Budget.

- As a result of the increased 2004-05 non-renewable resource revenue forecast, Equalization payments are forecast to decline by \$285.4 million.
- Prior-year adjustments for non-renewable resource revenue are forecast to reduce Equalization payments by \$33.7 million.
- These decreases are partially offset by a \$9.2 million increase as a result of the renewal of the Equalization program.

Other federal transfers are forecast to be up \$16.7 million from Budget, primarily due to a \$12.3 million increase for the Public Health and Immunization Trust.

EXPENSE UPDATE

At the first quarter, provincial expense is projected to be up \$8.7 million from the 2004-05 Budget.

The increase results from the following three changes.

- Culture, Youth and Recreation is forecast to be \$5.0 million above Budget due to events and programs for Saskatchewan's 2005 Centennial.
- Environment is forecast to be \$2.7 million above Budget due to post-Budget decisions to extend the full response zone surrounding northern communities from 10 km to 20 km and to open all provincial parks on May 20, 2004.
- Health is forecast to be \$1.0 million above Budget due to expanded childhood immunization programs.

Servicing government debt is forecast to be \$614.0 million, unchanged from the 2004-05 Budget estimate.

| Expense Reconciliation (millions of dollars) | |
|---|-------------------|
| Budget Estimate | \$ 6,147.5 |
| Operating Expense Changes | |
| Culture, Youth and Recreation | +5.0 |
| Environment | +2.7 |
| Health | +1.0 |
| Total Change | +8.7 |
| 1st Quarter Forecast | \$ 6,156.2 |

DEBT UPDATE

The GRF borrows for government and Crown corporations.

Debt as reported in the Province's financial statements is comprised of:

- Gross Debt – the amount of money owed to lenders; *less*,
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

Debt plus guaranteed debt is used by most members of the financial community when analyzing creditworthiness. Debt as forecast in this Report includes guaranteed debt.

- Guaranteed Debt – the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so.

Crown corporations are responsible for the principal and interest payments on their debt. Crown corporation debt is incurred in the normal course of business, primarily for investment in infrastructure and business development initiatives which provide revenue streams to service the debt.

At the end of the first quarter of 2004-05, debt is forecast to be \$11.8 billion – a decrease of \$26.1 million from Budget.

At the end of the first quarter, government debt is forecast to be \$8.3 billion – a decrease of \$66.7 million from Budget. The decrease primarily reflects a decrease in the drawdown of the FSF.

| Government Debt Reconciliation (millions of dollars) | |
|---|-------------------|
| Budget Estimate | \$ 8,356.8 |
| Fiscal Stabilization Fund | -70.5 |
| Guaranteed Debt | +5.7 |
| Other Changes | -1.9 |
| Total Change | -66.7 |
| 1st Quarter Forecast | \$ 8,290.1 |

Crown corporation debt is forecast to be \$3.5 billion – an increase of \$40.6 million from Budget.

**2004-05 First Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Revenue**

| | Budget Estimate | 1st Quarter Forecast | Change from Budget |
|--|----------------------------|--|-------------------------------|
| <i>(thousands of dollars)</i> | | | |
| Corporation Capital | \$ 357,300 | \$ 362,300 | \$ 5,000 |
| Corporation Income | 249,800 | 249,800 | - |
| Fuel | 363,100 | 363,100 | - |
| Individual Income | 1,292,200 | 1,292,200 | - |
| Sales | 1,016,700 | 1,016,700 | - |
| Tobacco | 184,200 | 184,200 | - |
| Other | 80,600 | 80,600 | - |
| Taxes | \$ 3,543,900 | \$ 3,548,900 | \$ 5,000 |
| Natural Gas | \$ 138,400 | \$ 226,900 | \$ 88,500 |
| Oil | 400,800 | 608,800 | 208,000 |
| Potash | 125,200 | 180,800 | 55,600 |
| Other | 43,000 | 46,200 | 3,200 |
| Non-Renewable Resources | \$ 707,400 | \$ 1,062,700 | \$ 355,300 |
| Crown Investments Corporation of Saskatchewan | \$ 250,000 | \$ 255,000 | \$ 5,000 |
| Saskatchewan Liquor and Gaming Authority | 365,400 | 365,400 | - |
| Other Enterprises and Funds | 48,700 | 48,700 | - |
| Transfers from Crown Entities | \$ 664,100 | \$ 669,100 | \$ 5,000 |
| Fines, Forfeits and Penalties | \$ 11,700 | \$ 11,700 | \$ - |
| Interest, Premium, Discount and Exchange | 47,600 | 47,600 | - |
| Motor Vehicle Fees | 127,100 | 127,100 | - |
| Other Licences and Permits | 44,800 | 49,400 | 4,600 |
| Sales, Services and Service Fees | 84,500 | 87,000 | 2,500 |
| Transfers from Other Governments | 15,700 | 15,700 | - |
| Other | 18,000 | 18,000 | - |
| Other Revenue | \$ 349,400 | \$ 356,500 | \$ 7,100 |
| Own-Source Revenue | \$ 5,264,800 | \$ 5,637,200 | \$ 372,400 |
| Canada Health Transfer | \$ 419,400 | \$ 419,400 | \$ - |
| Canada Social Transfer | 259,300 | 261,800 | 2,500 |
| Health Reform Transfer | 46,700 | 46,700 | - |
| Equalization Payments | 442,500 | 132,600 | (309,900) |
| Other | 157,800 | 172,000 | 14,200 |
| Transfers from the Government of Canada | \$ 1,325,700 | \$ 1,032,500 | \$ (293,200) |
| Revenue | \$ 6,590,500 | \$ 6,669,700 | \$ 79,200 |

2004-05 First Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Expense

| | Budget Estimate* | 1st Quarter Forecast | Change from Budget |
|---|-----------------------------|--|-------------------------------|
| <i>(thousands of dollars)</i> | | | |
| Executive Branch of Government | | | |
| Agriculture, Food and Rural Revitalization | \$ 264,349 | \$ 264,349 | \$ - |
| Community Resources and Employment | 602,766 | 602,766 | - |
| Corrections and Public Safety | 118,887 | 118,887 | - |
| Culture, Youth and Recreation | 42,161 | 47,161 | 5,000 |
| Environment | 161,671 | 164,371 | 2,700 |
| Executive Council | 7,362 | 7,362 | - |
| Finance | 37,393 | 37,393 | - |
| - Public Service Pensions and Benefits | 204,263 | 204,263 | - |
| Government Relations and Aboriginal Affairs | 195,108 | 195,108 | - |
| Health | 2,700,416 | 2,701,402 | 986 |
| Highways and Transportation | 252,285 | 252,285 | - |
| Industry and Resources | 61,194 | 61,194 | - |
| Information Technology Office | 2,609 | 2,609 | - |
| Justice | 199,907 | 199,907 | - |
| Labour | 14,201 | 14,201 | - |
| Learning | 1,097,140 | 1,097,140 | - |
| - Teachers' Pensions and Benefits | 119,123 | 119,123 | - |
| Northern Affairs | 5,232 | 5,232 | - |
| Public Service Commission | 8,351 | 8,351 | - |
| Sask. Property Management Corporation | 16,808 | 16,808 | - |
| Saskatchewan Research Council | 7,779 | 7,779 | - |
| Legislative Branch of Government | | | |
| Chief Electoral Officer | 761 | 761 | - |
| Conflict of Interest Commissioner | 122 | 122 | - |
| Information and Privacy Commissioner | 387 | 387 | - |
| Legislative Assembly | 18,772 | 18,772 | - |
| Ombudsman and Children's Advocate | 2,731 | 2,731 | - |
| Provincial Auditor | 5,755 | 5,755 | - |
| Operating Expense | \$ 6,147,533 | \$ 6,156,219 | \$ 8,686 |
| Servicing Government Debt | 614,000 | 614,000 | - |
| Expense | \$ 6,761,533 | \$ 6,770,219 | \$ 8,686 |

* As a result of the Further Estimates, \$13.0 million was added to the original Budget Estimate for Health.

2004-05 First Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Debt
As at March 31, 2005

| | Budget Estimate | 1st Quarter Forecast | Change from Budget |
|---|----------------------------|--|-------------------------------|
| <i>(thousands of dollars)</i> | | | |
| Crown Corporation Debt | | | |
| Crown Investments Corporation of Saskatchewan | \$ 32,800 | \$ 32,800 | \$ - |
| Education Infrastructure Financing Corporation | 3,386 | - | (3,386) |
| Information Services Corporation of Saskatchewan | 52,680 | 51,880 | (800) |
| Investment Saskatchewan Inc. | 14,988 | 14,988 | - |
| Municipal Financing Corporation of Saskatchewan | 14,947 | 14,947 | - |
| Saskatchewan Crop Insurance Corporation | 165,000 | 165,000 | - |
| Saskatchewan Housing Corporation | 79,167 | 79,167 | - |
| Saskatchewan Opportunities Corporation | - | 1,000 | 1,000 |
| Saskatchewan Power Corporation | 1,892,154 | 1,973,343 | 81,189 |
| Saskatchewan Property Management Corporation | 3,326 | 3,326 | - |
| Saskatchewan Telecommunications Holding Corporation | 386,980 | 360,636 | (26,344) |
| Saskatchewan Water Corporation | 60,772 | 59,464 | (1,308) |
| SaskEnergy Incorporated | 735,456 | 730,131 | (5,325) |
| Crown Corporation Debt | \$ 3,441,656 | \$ 3,486,682 | \$ 45,026 |
| Government Debt | 8,285,865 | 8,213,360 | (72,505) |
| Debt | \$ 11,727,521 | \$ 11,700,042 | \$ (27,479) |
| Guaranteed Debt | 76,123 | 77,478 | 1,355 |
| Debt plus Guaranteed Debt | \$ 11,803,644 | \$ 11,777,520 | \$ (26,124) |
| | | | |
| Crown Corporation Gross Debt | \$ 3,687,635 | \$ 3,731,935 | \$ 44,300 |
| Crown Corporation Sinking Funds | (245,979) | (245,253) | 726 |
| | \$ 3,441,656 | \$ 3,486,682 | \$ 45,026 |
| Crown Corporation Guaranteed Debt | 5,132 | 736 | (4,396) |
| Crown Corporation Debt plus Guaranteed Debt | \$ 3,446,788 | \$ 3,487,418 | \$ 40,630 |
| | | | |
| Government Gross Debt | \$ 9,009,922 | \$ 8,936,459 | \$ (73,463) |
| Government Sinking Funds | (724,057) | (723,099) | 958 |
| | \$ 8,285,865 | \$ 8,213,360 | \$ (72,505) |
| Government Guaranteed Debt | 70,991 | 76,742 | 5,751 |
| Government Debt plus Guaranteed Debt | \$ 8,356,856 | \$ 8,290,102 | \$ (66,754) |
| Debt plus Guaranteed Debt | \$ 11,803,644 | \$ 11,777,520 | \$ (26,124) |