

# *Provincial Debt Summary*

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Public Accounts  
1999/2000

## Overview of Provincial Debt (Unaudited)

The provincial government and its Crown corporations incur debt to finance operations and capital projects. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic capital assets. As these investments provide essential services over several years, the government, like the private sector, borrows to fund these projects and amortizes the costs over the asset's useful life.

Provincial debt is reported using two basic classifications: (1) taxpayer-supported debt; and (2) self-supported debt.

*Taxpayer-supported Debt*— includes government direct debt, which is incurred for government operating and capital purposes, and the debt of those Crown corporations and agencies which require an operating or debt service subsidy from the provincial government or which are fully consolidated in the Summary Financial Statements. Examples include debt of the British Columbia Ferry Corporation, British Columbia Buildings Corporation, and BC Transportation Financing Authority.

*Self-supported Debt*— includes the debt of commercial Crown corporations and agencies as well as the Warehouse Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal, and may pay dividends to the province. The British Columbia Hydro and Power Authority and British Columbia Railway Company are examples of commercial Crown corporations. The Warehouse Program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province, Crown corporations or agencies; in the interim, the funds are invested at market rates.

The following provincial debt summary provides additional detailed information and related key indicators and benchmarks to allow a more informed assessment of the debt totals. A reconciliation is also provided to explain the differences between the Debt Statistics report and the Summary Financial Statements.

The total provincial debt as at March 31, 2000 was \$34,221 million which consists of the \$33,505 million in the Summary Financial Statements, together with \$586 million in additional debt of self-supported Crown corporations and agencies and \$130 million in third-party guaranteed debt.

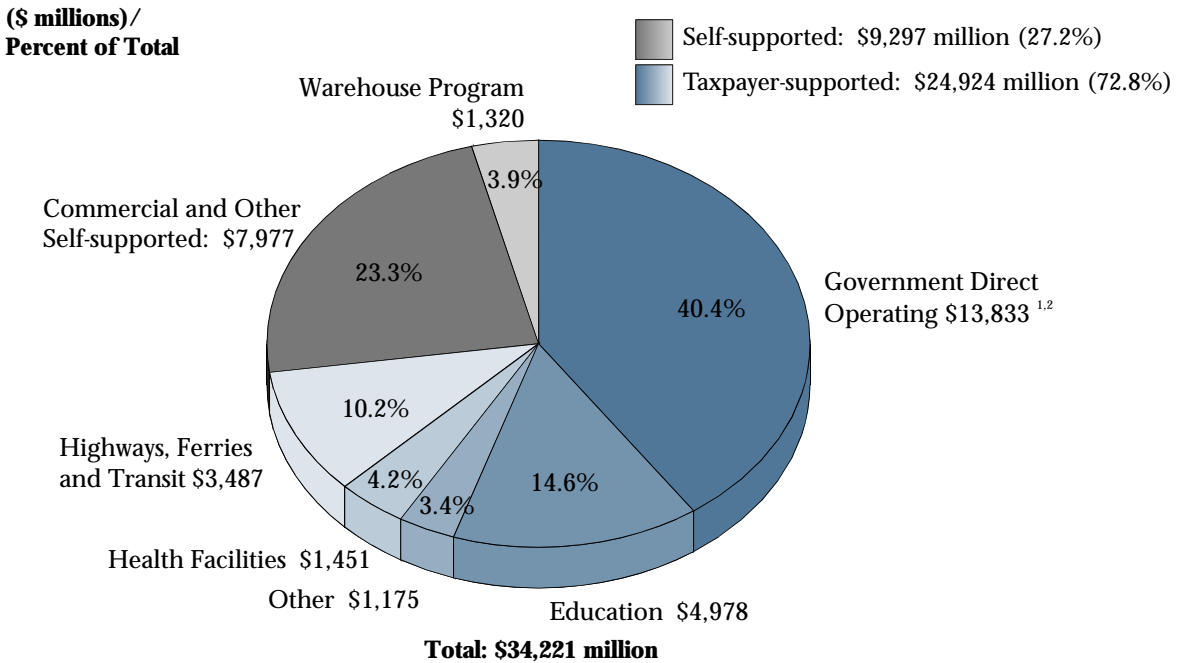
## Provincial Net Debt as at March 31, 2000 (Unaudited)

The accumulated provincial net debt of \$34,221 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2000, taxpayer-supported debt totalled \$24,924 million—including debt incurred for government operating purposes (\$13,833 million), educational facilities (\$4,978 million), health facilities (\$1,451 million), transportation infrastructure (\$3,487 million) and other debt (\$1,175 million). Other debt is comprised mainly of British Columbia Buildings Corporation, social housing, and loans to universities and colleges.

At March 31, 2000, self-supported debt totalled \$9,297 million—including debt of commercial Crown corporations and agencies (\$7,977 million) and the Warehouse Program (\$1,320 million). Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company, Skeena Cellulose Inc, and Columbia Basin Power Company.

**Chart 1**



<sup>1</sup>Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, and ferry infrastructure debt transferred in 99/00

<sup>2</sup>Amount includes debt to finance operating deficits.

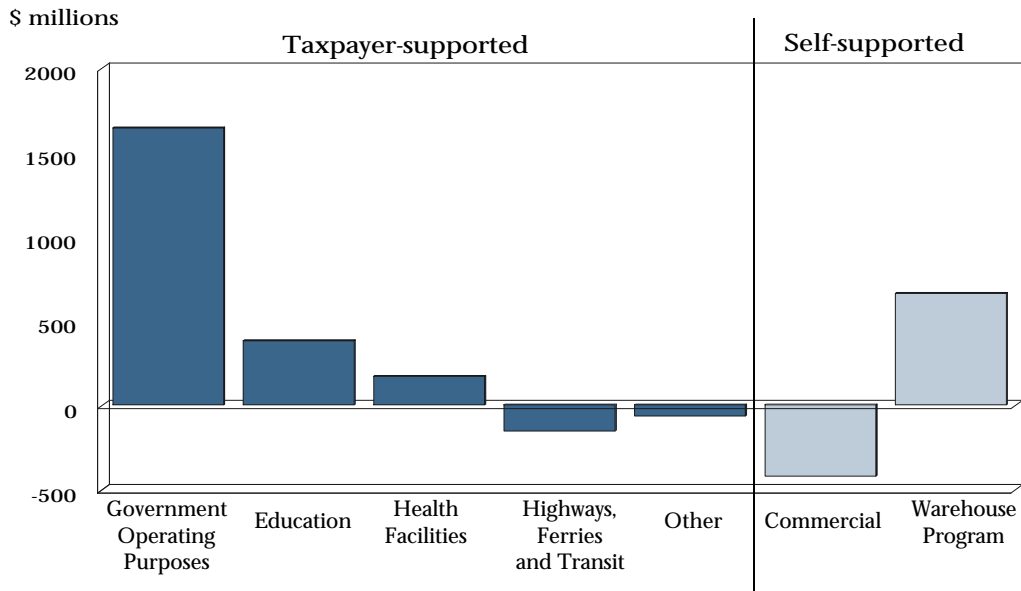
## Change in Provincial Net Debt (Unaudited)

Provincial net debt increased by \$2,214 million in 1999/00; of this, taxpayer-supported debt increased by \$1,974 million and self-supported debt increased by \$240 million (see Chart 2 below).

*Taxpayer-supported Debt*—The 1999/00 increase of \$1,974 million was related to the \$1,643 million increase in government operating debt, of which \$1,080 million was due to the assumption of the British Columbia Ferry Corporation debt and the remainder was used to finance the deficit, working capital and other financing transactions. Increases of \$381 million were used to finance education infrastructure and \$169 million for health facilities. There was a net decrease in transportation related debt of \$154 million, which reflects new capital financing of \$926 million to finance ferries, highways, and public transit infrastructure, including the SkyTrain extension. This amount was offset by the assumption by the province of British Columbia Ferry Corporation debt of \$1,080 million. There was a reduction in other debt of \$65 million.

*Self-supported Debt*—The 1999/00 increase of \$240 million is explained by a net increase in the Warehouse Program debt of \$662 million due to additional borrowing in advance of 2000/01 requirements, offset by a decrease in the commercial Crown corporation debt of \$422 million, primarily related to the reduction in the debt of British Columbia Hydro and Power Authority, which had strong earnings.

**Chart 2**



**Reconciliation of Summary Accounts Deficit  
to Change in Taxpayer-Supported Debt and Total Debt  
for the Fiscal Year Ended March 31, 2000  
(Unaudited)**

	In Millions	
	2000	1999
<b>Taxpayer-Supported Debt</b>	\$	\$
Summary accounts (surplus) deficit for the year .....	(52)	1,003
Self-supported Crown corporation and agency income in excess of contributions to the Consolidated Revenue Fund .....	(190)	95
Adjustment for expenses not requiring working capital or other borrowing .....	(1,261)	(1,007)
Accounts receivable, accounts payable and other working capital net changes .....	1,316	(116)
Total operating requirement.....	(187)	(25)
Capital requirements:		
Prepaid capital advances.....	716	504
Tangible capital asset expenditures .....	1,236	438
Net loan, investment and other requirements .....	209	69
Net increase in taxpayer-supported debt.....	1,974	986
Taxpayer-supported debt—beginning of year .....	22,950	21,964
Taxpayer-supported debt—end of year .....	24,924	22,950
<b>Self-Supported Debt</b>		
Warehouse Program .....	1,320	658
552513 British Columbia Ltd (Skeena Cellulose Inc.) .....	280	221
British Columbia Hydro and Power Authority .....	6,945	7,474
British Columbia Railway Company .....	655	607
Other.....	97	97
Total self-supported debt.....	9,297	9,057
<b>Total debt<sup>1</sup></b> .....	<b>34,221</b>	<b>32,007</b>

**Reconciliation of Total Debt  
to the Summary Financial Statement Debt  
as at March 31, 2000  
(Unaudited)**

Total debt .....	34,221	32,007
Debt included as part of equity in self-supported Crown corporations and agencies.	(586)	(554)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province .....	(130)	(152)
<b>Summary Financial Statements debt</b> .....	<b>33,505</b>	<b>31,301</b>
Comprised of:		
Taxpayer-supported debt.....	24,794	22,798
Self-supported debt .....	8,711	8,503
	<b>33,505</b>	<b>31,301</b>

<sup>1</sup>Total debt, as defined in the Debt Statistics report, includes the debt of commercial Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

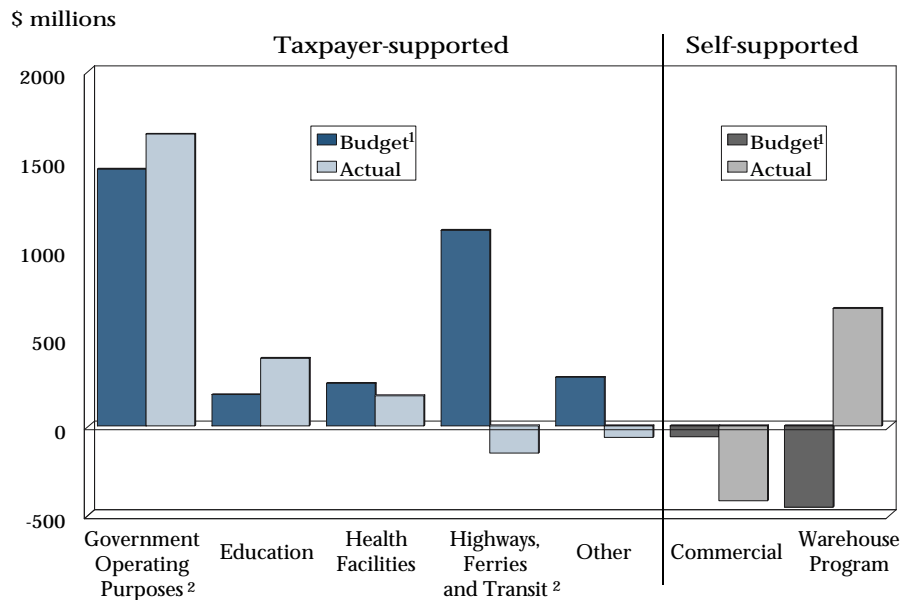
## Comparison to Budget (Unaudited)

The change in provincial net debt was \$501 million less than originally budgeted (per Budget 99 estimate, adjusted to reflect final Public Accounts balance at March 31, 1999). Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The change in taxpayer-supported debt was \$1,260 million less than budget, offset by the change in self-supported debt which was \$759 million higher than budget.

*Taxpayer-supported Debt*—The change was \$1,260 million lower than budget, due primarily to the lower than expected Consolidated Revenue Fund operating and financing requirements, cancellation of the Vancouver Trade and Convention Centre project, delayed transportation and health capital expenditures offset by increased schools capital financing.

*Self-supported Debt*—The change was \$759 million higher than budget, due to the change in Warehouse Program debt being \$1,120 million higher than planned, reflecting borrowing in advance of 2000/01 requirements offset by the change in the commercial Crown corporations debt being \$361 million lower than expected (primarily due to reduced British Columbia Hydro and Power Authority debt).

**Chart 3**



<sup>1</sup>Adjusted to reflect final public account balances at March 31, 1999.

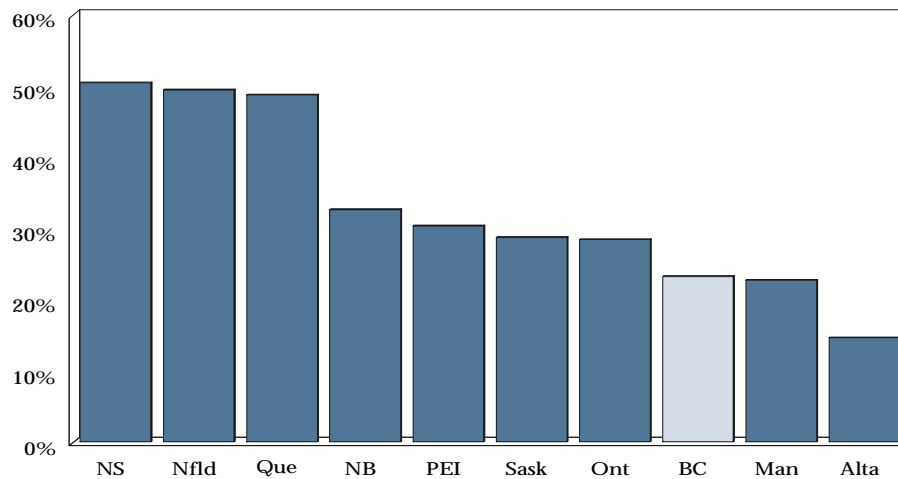
<sup>2</sup>Effective March 31, 2000, the Province assumed the fiscal agency loans of the BC Ferry Corporation (\$1,080 million).

## Interprovincial Comparison of Taxpayer-supported Debt as a Percentage of Gross Domestic Product (Unaudited)

Chart 4 below shows the ratio of each province's taxpayer-supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer-supported debt relative to its GDP highlights the ability of a province to service its debt load. This rating is often used by investors and credit rating agencies when assessing a province's investment quality. British Columbia's taxpayer-supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs. Chart 4 shows that, according to the Moody's Investors Services, British Columbia has the third lowest taxpayer-supported debt to GDP ratio of all provinces.

### Chart 4

Percent of GDP, at March 31, 2000



Source: Moody's Investors Service, July 2000

More comprehensive information on the debt of the province and its Crown corporations and agencies is provided in the annual Debt Statistics report. This document is issued concurrently with the Public Accounts and provides more detailed information to assist the reader in assessing the province's debt position. This report is available on the Internet at: [www.fin.gov.bc.ca](http://www.fin.gov.bc.ca).





Report of the Auditor General  
of British Columbia

ON THE  
SUMMARY OF PROVINCIAL NET DEBT,  
KEY INDICATORS OF PROVINCIAL DEBT, AND  
SUMMARY OF KEY BENCHMARKS

*To the Legislative Assembly  
of the Province of British Columbia*

The Government of British Columbia, in its Budget '95 (Report E), presented a debt management plan. In that plan, the Government stated that it will annually provide an audited report on its progress in meeting plan goals and benchmarks.

In Budget '97 (Report C), the Government introduced a financial management plan with new benchmarks, to replace its debt management plan. In Budget '98 (Report C) the Government modified the benchmarks in its financial management plan, and in Budget '99 (Report B) it introduced a 5-year fiscal planning framework as a focus of its financial management plan, and again modified benchmarks.

Each year since 1995, at the Minister of Finance and Corporate Relations' request, the Auditor General has provided a special report to the Legislative Assembly on the completeness and accuracy of the three debt related statements prepared by the Government. These statements are the Summary of Provincial Net Debt, Key Indicators of Provincial Debt, and Summary of Key Benchmarks, through which the Government outlines its management of the provincial debt by comparing the fiscal year's actual results with those of the prior year for provincial debt and its indicators, and to the budgeted indicators and benchmarks.

Consistent with prior years, in these statements, and in budgets, provincial debt includes debt of the government reporting entity as defined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants but does not include amounts borrowed from private lenders directly by School Districts, Universities, Colleges and Institutes, Public Health Care Organizations and Regional Hospital Districts. For the 1999/2000 fiscal year, the outstanding balance of these excluded borrowings amounted to \$375 million (\$383 million for 1998/1999).

The preparation of the three statements named above is the responsibility of the Government. My responsibility is to express an opinion on the completeness and accuracy of such information based on the above definition of provincial debt.



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AUDITOR GENERAL'S REPORT  
ON THE SUMMARY OF PROVINCIAL NET DEBT,  
KEY INDICATORS OF PROVINCIAL DEBT, AND  
SUMMARY OF KEY BENCHMARKS

Scope

I examined financial and other information included in the statements titled Summary of Provincial Net Debt as at March 31, 2000, Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2000, and Summary of Key Benchmarks for the Fiscal Year ended March 31, 2000 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by myself or by other auditors whose work I have reviewed on a test basis. They also include confirming or assessing the reasonableness of the statistical data used by the government on the Province's population and gross domestic product; however, I did not perform an audit of such data. I also assessed the appropriateness of the calculation and presentation of the information contained in the statement.

Opinion

As a result of applying these procedures, I am of the opinion that the information included in the statements titled *Summary of Provincial Net Debt as at March 31, 2000, Key Indicators of Provincial Debt for the Fiscal Year ended March 31, 2000, and Summary of Key Benchmarks for the Fiscal Year ended March 31, 2000* are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a manner consistent with the requirements of the fiscal planning framework.

Disclaimer

I have not been associated with the development of the Government plans to manage provincial debt or the five-year fiscal planning framework, nor have I audited them. The planning is the responsibility of the government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph, based on the definition of provincial debt as outlined in the preamble to this report.

Victoria, British Columbia  
June 23, 2000

*Wayne Strelieff*

Wayne Strelieff, CA  
Auditor General

## Summary of Provincial Net Debt<sup>1</sup> as at March 31, 2000

	In Millions	
	2000	1999
<b>Taxpayer-supported Debt</b>	\$	\$
Provincial government direct operating <sup>2</sup> .....	13,833	12,190
Education <sup>3</sup>		
Schools .....	3,609	3,261
Post-secondary institutions .....	1,369	1,336
	4,978	4,597
Health Facilities <sup>3</sup> .....	1,451	1,282
Highways, ferries and public transit		
BC Transportation Financing Authority .....	1,843	1,433
British Columbia Ferry Corporation <sup>2</sup> .....	24	973
British Columbia Transit .....	79	59
Public transit <sup>3</sup> .....	952	987
SkyTrain extension <sup>3</sup> .....	488	133
Rapid Transit Project 2000 Ltd .....	101	56
	3,487	3,641
Other		
British Columbia Buildings Corporation .....	615	715
Social housing <sup>4</sup> .....	205	183
Homeowner Protection Office .....	32	11
Universities and colleges .....	130	137
577315 British Columbia Ltd (Western Star Trucks Holdings Ltd) .....	62	
580440 British Columbia Ltd (Vancouver Trade and Convention Centre) <sup>2</sup> .....	3	29
Local governments .....	9	10
Other <sup>5</sup> .....	119	155
	1,175	1,240
Total taxpayer-supported debt .....	24,924	22,950
<b>Self-supported Debt</b>		
Commercial Crown corporations and agencies		
British Columbia Hydro and Power Authority .....	6,945	7,474
British Columbia Railway Company .....	655	607
552513 British Columbia Ltd (Skeena Cellulose Inc) <sup>6</sup> .....	280	221
Columbia Basin Power Company <sup>7</sup> .....	94	94
Liquor Distribution Branch .....	3	3
	7,977	8,399
Warehouse Borrowing Program .....	1,320	658
Total self-supported debt .....	9,297	9,057
<b>Total provincial debt .....</b>	<b>34,221</b>	<b>32,007</b>

## Key Indicators of Provincial Debt<sup>1</sup> for the Fiscal Year Ended March 31, 2000

	2000		1999
	Budget <sup>8</sup>	Actual	Actual
<b>Debt to Revenue (percent)</b>			
Total provincial .....	113.9	101.6	102.3
Taxpayer-supported .....	116.9	100.6	98.6
<b>Debt per Capita (\$)</b>			
Total provincial .....	8,582	8,506	8,006
Taxpayer-supported .....	6,472	6,195	5,740
<b>Debt to GDP (percent)</b>			
Total provincial .....	31.7	29.9	28.8
Taxpayer-supported .....	23.9	21.8	20.7
<b>Interest Bite (cents per dollar of revenue)</b>			
Total provincial .....	8.7	7.5	7.8
Taxpayer-supported .....	8.6	7.1	7.4
<b>Interest Costs (\$ millions)</b>			
Total provincial .....	2,640	2,528	2,452
Taxpayer-supported .....	1,934	1,762	1,723
<b>Interest Rate (percent)</b>			
Taxpayer-supported .....	7.4	7.4	7.7
<b>Background Information:</b>			
<b>Revenue (\$ millions)</b>			
Total provincial .....	30,489	33,679	31,294
Taxpayer-supported .....	22,403	24,784	23,285
<b>Total Debt (\$ millions)</b>			
Total provincial .....	34,722	34,221	32,007
Taxpayer-supported .....	26,184	24,924	22,950
<b>Provincial GDP (\$ millions)*</b> .....	109,540	114,480	110,948
<b>Population (thousands at July 1)**</b> .....	4,046	4,023	3,998

\*GDP for the year ending in the fiscal year (e.g. GDP for 1999 is used for the fiscal year ending March 31, 2000). GDP for 1999 is a Ministry of Finance and Corporate Relations estimate (GDP numbers were not available from Statistics Canada at the time of publication).

\*\*Population at July 1st within the fiscal year (e.g. population at July 1, 1999, is used for the fiscal year ending March 31, 2000).

## Summary of Key Benchmarks for the Fiscal Year Ended March 31, 2000

	2000 Benchmark	2000 Actual
Taxpayer-supported debt as a percent of provincial GDP .....	22.0 to 27.0 <sup>8</sup>	21.8
Taxpayer-supported interest expense per dollar of revenue (cents).....	cap of 9.0 <sup>9</sup>	7.1

<sup>1</sup>Net debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an account payable. Figures for 1999 provincial net debt and key indicators of provincial debt have been restated to conform with the presentation used for 2000.

<sup>2</sup>Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation (\$1,080 million) and 580440 British Columbia Ltd (Vancouver Trade and Convention Centre—\$70 million).

<sup>3</sup>Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

<sup>4</sup>Includes the British Columbia Housing Management Commission and Provincial Rental Housing Corporation.

<sup>5</sup>Includes debt of the British Columbia Assessment Authority, Pacific Racing Association (fiscal agency loans), Victoria Line Ltd., student assistance loans, loans guaranteed to agricultural producers, guarantees issued under economic development assistance programs and the former British Columbia home mortgage assistance and second mortgage programs, and non-guaranteed debt of the Legal Services Society, Pacific National Exhibition, Okanagan Valley Tree Fruit Authority, and Tourism British Columbia.

<sup>6</sup>Although the debt of 552513 British Columbia Ltd. (Skeena Cellulose Inc.) is considered to be self-supported, future profitability is uncertain due to volatility of world pulp prices and their potential impact on Skeena Cellulose Inc. As the province is not the sole shareholder of Skeena Cellulose Inc., a portion of this debt may be attributable to the minority shareholder.

<sup>7</sup>Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

<sup>8</sup>Figures presented in the Budget '99 Reports document.

<sup>9</sup>Benchmark presented in the Budget '98 Reports document was retained by government for fiscal 1999/00.