

Finance and Enterprise

BUSINESS PLAN 2011-14

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of February 2, 2011.

original signed by

Lloyd Snelgrove, Minister
February 3, 2011

THE MINISTRY

The ministry consists of the Department of Finance and Enterprise, Alberta Capital Finance Authority, Alberta Local Authorities Pension Plan Corporation, Alberta Pensions Services Corporation, Alberta Securities Commission, ATB Financial, Credit Union Deposit Guarantee Corporation, Alberta Insurance Council, Automobile Insurance Rate Board, Alberta Investment Management Corporation, and their subsidiaries; as well as the following six regulated funds: Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Science and Engineering Research Endowment Fund, and the Alberta Risk Management Fund. The Ministry of Finance and Enterprise also includes the activities of N.A. Properties and Gainers Inc.

Finance and Enterprise's mission is to provide expert economic, financial and fiscal policy advice to government and effective tax and regulatory administration to enhance Alberta's present and future prosperity. Its core businesses are:

- Budget and Fiscal Planning;
- Treasury Management;
- Risk Management and Insurance;
- Tax and Revenue Administration;
- Enterprise including Industry Development, Regional Development, Economic Development Policy and Analysis;
- Financial Sector Regulation and Policy; and
- Regulatory Review Secretariat.

A more detailed description of the ministry can be found at www.finance.alberta.ca.

This business plan is aligned with the government's five goals and supports the government's core businesses as set out in the *Government of Alberta Strategic Plan*.

GOALS, PRIORITY INITIATIVES AND PERFORMANCE MEASURES

As a result of the ministry's review of its goals, environment, opportunities and challenges, a number of priority initiatives have been identified.

Goal One: Economic, tax and fiscal advice supports strong and sustainable government finances

Priority Initiatives:

- 1.1 Develop a long-term fiscal plan that will ensure Alberta's continued future prosperity.
- 1.2 Encourage economic diversification and strengthen the province's fiscal resiliency.
- 1.3 Work with the federal government to identify and assess innovative taxation structures that enhance the energy sector's competitiveness and its contribution to the Alberta and Canadian economy.

Performance Measures	Last Actual 2009-10	Target 2011-12	Target 2012-13	Target 2013-14
1.a Alberta's credit rating (blended credit rating for domestic debt)	AAA	AAA	AAA	AAA
1.b Sustainable operating spending growth (operating spending relative to population plus Consumer Price Index (CPI)) ¹	4.4% (operating spending) 1.77% (population plus CPI)	Operating spending growth equal to or less than population plus CPI growth		

Note:

- 1 This is an unaudited result as it was a new measure introduced in 2008-09.

Goal Two: Alberta has a competitive and productive economy

Priority Initiatives:

- 2.1 Support Executive Council with the implementation of priority actions under the *Alberta Competitiveness Act*.
- 2.2 Support the implementation of government strategies to encourage value-added activities in areas of competitive advantage within our resource processing industries, focusing on sustainable, integrated approaches to economic diversification.
- 2.3 Identify and implement regulatory reform initiatives, in cooperation with other levels of government, which will enhance business productivity, overall investment competitiveness and reduce the cost of doing business in Alberta.

Performance Measure	Last Actual 2009-10	Target 2011-12	Target 2012-13	Target 2013-14
2.a Manufacturing and business service industry Gross Domestic Product (GDP): the value of real GDP of manufacturing and business services (in chained 2002 dollars)	\$53.8 billion	\$57.7 billion	\$60.0 billion	\$62.4 billion
(% change) ^{1, 2}	-6.2%	+3.0%	+4.0%	+4.0%
• Manufacturing	\$13.0 billion	\$14.7 billion	\$15.5 billion	\$16.3 billion
• Business Services	\$40.8 billion	\$43.0 billion	\$44.5 billion	\$46.1 billion

Notes:

- 1 The targets are based on an annual per cent change. The targets are calculated by multiplying the unrounded targets from the previous year.
- 2 In November 2007, all real GDP estimates were revised by Statistics Canada with the base year changing from 1997 to 2002. Statistics Canada typically changes the base year for real GDP estimates every five years and this leads to revisions in the real GDP dollar values.

Goal Three: Revenue programs are administered fairly, efficiently and effectively

Priority Initiatives:

- 3.1 Advance electronic commerce for Alberta's tax and revenue programs.

- 3.2 Encourage voluntary compliance by improving public understanding of requirements and perceptions of fairness.
- 3.3 Maximize organizational effectiveness to respond proactively to Alberta's dynamic business environment and proactively manage collections and program compliance.

Performance Measure	Last Actual 2009-10	Target 2011-12	Target 2012-13	Target 2013-14
3.a Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)	12:1	12:1	12:1	12:1

Goal Four: Sound investment, treasury and risk management

Priority Initiatives:

- 4.1 Within a broad framework of principles and policies, including risk tolerance, established by the minister, Alberta Investment Management Corporation (AIMCo) will implement investment strategies to achieve optimal investment performance.
- 4.2 Provide effective leadership in cash and debt management government-wide.
- 4.3 Provide effective leadership in risk management government-wide.

Performance Measure	Last Actual 2009-10	Target 2011-12	Target 2012-13	Target 2013-14
4.a The Alberta Heritage Savings Trust Fund five-year annualized rate of return	4.7% (1.6% below target)		CPI plus 4.5% + 1%	

Goal Five: Policy and regulatory oversight for the financial, insurance and pensions sectors that is effective, fair and in the interests of Albertans

Priority Initiatives:

- 5.1 Work with other jurisdictions and develop policies to improve retirement income adequacy.
- 5.2 Work with other jurisdictions to maintain a provincially-based, harmonized securities regulatory system that protects investors.
- 5.3 Continue to enable affordable, efficient and fair systems for insurance, pensions and other financial services through monitoring and regulating the financial services sector and providing policy support for applicable issues.

Performance Measure Under Development:

The ministry is currently developing a performance measure for this goal.

Goal Six: Accessible financial services for Albertans

Priority Initiatives:

- 6.1 ATB Financial will continue to operate on sound financial institution and business principles with the objective of earning a fair return on financial services offered across Alberta.
- 6.2 Where business powers are the same, focus the legislative and regulatory framework under which ATB Financial operates on being comparable to that for other financial institutions.
- 6.3 Maintain appropriate lending, funding and risk management policies for the Alberta Capital Finance Authority (ACFA).

Performance Measures	Last Actual 2009-10	Target 2011-12	Target 2012-13	Target 2013-14
6.a ATB Financial return on average assets	0.48%	0.65%	0.81%	0.93%
6.b Cost to Alberta local authorities of borrowing from ACFA compared to other municipality/aggregating agencies for a comparable loan	Met		Lowest of comparable cases	

STATEMENT OF OPERATIONS
Consolidated on a Fiscal Plan Basis

(thousands of dollars)	Comparable			2011-12 Estimate	2012-13 Target	2013-14 Target
	2009-10 Actual	2010-11 Budget	2010-11 Forecast			
REVENUE						
Internal Government Transfers	327	1,000	1,150	200	200	1,000
Personal and Corporate Income Taxes	12,631,214	11,760,663	10,872,069	12,301,098	13,315,690	14,369,762
Other Taxes	1,904,936	2,032,886	1,965,367	2,090,000	2,147,580	2,202,281
Transfers from Government of Canada	1,225,183	1,256,033	1,247,304	1,264,366	1,308,621	1,355,759
Investment Income	3,351,485	1,896,903	1,793,910	1,859,782	1,801,097	1,848,360
Premiums, Fees and Licences	99,583	93,629	109,077	117,147	137,018	156,828
Net Income from Commercial Operations	137,699	108,461	171,279	203,424	261,450	318,812
Other Revenue	192,563	186,930	185,167	198,301	197,511	205,600
Consolidation Adjustments	(76,545)	(94,120)	(82,018)	(95,055)	(108,854)	(122,376)
Total Revenue	19,466,445	17,242,385	16,263,305	17,939,263	19,060,313	20,336,026
EXPENSE						
Program						
Ministry Support Services	10,895	10,680	10,530	10,817	10,817	10,817
Fiscal Planning and Economic Analysis	4,342	4,509	4,210	4,421	4,421	4,421
Tax and Revenue Management	57,119	42,553	47,591	43,790	43,755	43,755
Investment, Treasury and Risk Management	447,695	464,447	454,871	487,545	496,702	525,509
Financial Sector and Pensions	155,782	178,540	173,906	181,457	181,981	183,254
Enterprise	20,523	20,504	21,373	17,904	17,904	17,904
Teachers' Pre-1992 Pensions	341,389	437,000	424,000	451,000	463,000	463,000
Valuation Adjustments and Other Provisions	1,000	1,000	1,000	1,000	1,000	1,000
Consolidation Adjustments	(226,155)	(239,510)	(235,283)	(242,076)	(248,035)	(263,128)
Total Program Expense ¹	812,590	919,723	902,198	955,858	971,545	986,532
Debt Servicing						
School Construction Debenture	19,885	15,500	15,500	11,795	8,695	6,221
Direct Borrowing for Capital Purposes	23,460	74,000	56,050	103,380	115,880	115,880
Alberta Capital Finance Authority	149,470	162,720	162,720	227,501	228,216	240,301
General Government	142,314	198,642	183,030	175,890	161,950	158,520
Consolidation Adjustments	(63,380)	(76,038)	(64,546)	(77,065)	(87,692)	(99,483)
Total Debt Servicing Expense	271,749	374,824	352,754	441,501	427,049	421,439
Total Expense	1,084,339	1,294,547	1,254,952	1,397,359	1,398,594	1,407,971
Net Operating Result	18,382,106	15,947,838	15,008,353	16,541,904	17,661,719	18,928,055
1. Subject to the <i>Fiscal Responsibility Act</i> . Expense includes cash payments towards unfunded pension liabilities, which will be eliminated under a separate, legislated plan. Expense excludes annual changes in unfunded pension obligations, which are a non-cash expense and which do not affect borrowing requirements. Annual increases in the Department's unfunded obligations for its pension plans (including the teachers' pre-1992 plan) are estimated to be:	356,000	475,000	419,000	210,000	195,000	180,000

CAPITAL INVESTMENT BY PROGRAM

Ministry Support Services	316	180	180	180	180	180
Fiscal Planning and Economic Analysis	30	-	-	-	-	-
Tax and Revenue Management	2,003	2,292	2,292	2,082	2,082	2,082
Investment, Treasury and Risk Management	28,020	15,000	12,500	14,800	7,200	5,000
Financial Sector and Pensions	9,035	14,571	12,716	5,490	8,755	7,305
Total	39,404	32,043	27,688	22,552	18,217	14,567