

# Treasury Board and Finance

BUSINESS PLAN 2013-16

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## ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of February 13, 2013.

*original signed by*

Doug Horner, President of Treasury Board and Minister of Finance  
February 20, 2013

## THE MINISTRY

The ministry consists of the Department of Treasury Board and Finance, Alberta Capital Finance Authority, the Alberta Gaming and Liquor Commission, the Lottery Fund, 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 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 also includes the activities of N.A. Properties and Gainers Inc.

Treasury Board and Finance'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, to ensure integrity, accountability and social responsibility in Alberta's gaming and liquor industries, and to ensure an efficient, effective and accountable government, with a vibrant and innovative public service. Its core businesses are:

- budget development and reporting;
- economics and fiscal policy;
- treasury management;
- risk management and insurance;
- government accounting standards and financial management policies;
- tax and revenue administration;
- financial sector regulation and policy;
- responsible liquor and gaming regulation; and
- government air transportation services.

Programs and services delivered by the ministry will be reviewed for relevance, effectiveness and efficiency in accordance with the Government of Alberta's *Results-based Budgeting Act*.

A more detailed description of Treasury Board and Finance and its programs and initiatives can be found at [www.finance.alberta.ca](http://www.finance.alberta.ca).

This business plan is aligned with the government's goals 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. Focused agenda items, the six specific areas where government will focus its attention over the next three years, are identified with a \*. Additional government commitments to Albertans are identified with a ✓.

### Goal One: Strong and sustainable government finances

#### Priority Initiatives:

- \*1.1 Implement a renewed fiscal policy and savings strategy to reduce dependence on non-renewable resources revenue.
- ✓ 1.2 Reduce/eliminate tax rules that act as barriers to continued employment for those at retirement age.
- 1.3 Within a broad framework of principles and polices established by the minister, including risk tolerance, Alberta Investment Management Corporation (AIMCo) will implement investment strategies to achieve optimal investment performance.
- 1.4 Provide effective leadership in cash and debt management government-wide.
- 1.5 Provide effective leadership in risk management government-wide.
- 1.6 Monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system and provide supporting recommendations.
- 1.7 Advance electronic commerce for Alberta's tax and revenue programs.
- 1.8 Ensure the integrity of Alberta's gaming and liquor industries by modernizing business practices and services so that Albertans' choices continue to be protected and provided.
- 1.9 Maintain appropriate lending, funding and risk management policies for the Alberta Capital Finance Authority.

Performance Measures	Last Actual 2011-12	Target 2013-14	Target 2014-15	Target 2015-16
1.a Alberta's credit rating (blended credit rating for domestic debt)	AAA	AAA	AAA	AAA
1.b Ratio of amounts added to the net tax revenue to costs of administration (as a measure of efficiency)	12.5:1	12.0:1	12.0:1	12.0:1
1.c The Alberta Heritage Savings Trust Fund five-year annualized rate of return	2.7% (4.7% below target)		CPI plus 5.5% <sup>1</sup>	

#### Note:

1 5.5 per cent includes 1 per cent for active management.

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

#### Priority Initiatives:

- 2.1 Develop and implement policies to improve retirement income adequacy.
- 2.2 Work cooperatively with other jurisdictions on an improved, harmonized securities regulatory system that protects investors.
- 2.3 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.
- 2.4 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.

Performance Measure	Last Actual 2011-12	Target 2013-14	Target 2014-15	Target 2015-16
2.a ATB Financial return on average risk weighted assets <sup>1</sup>	0.9%	1.0%	1.1%	1.1%

**Note:**

1 The methodology for this measure was modified to improve the alignment of ATB's returns with the level of risk underwritten.

**Goal Three: Effective and efficient government**

**Priority Initiatives:**

- ✓ 3.1 Review all government programs and services through results-based budgeting.
- 3.2 Champion government initiatives that will streamline, integrate and consolidate program delivery across ministries, reduce duplication and increase efficiency to provide better outcomes for Albertans.
- 3.3 Strengthen accountability by continuing to implement innovative practices to ensure Albertans receive informative, timely and readable business plans, annual reports and government estimates.

Performance Measure	Last Actual 2011-12	Target 2013-14	Target 2014-15	Target 2015-16
3.a Sustainable operating spending growth (operating spending relative to population plus CPI)	2.7% (operating spending) 4.3% (population plus CPI)	Operating spending growth equal to or less than population plus CPI growth		

## OPERATIONAL PLAN

(thousands of dollars)	Comparable			2013-14 Estimate	2014-15 Target	2015-16 Target
	2011-12 Actual	2012-13 Budget	2012-13 Forecast			
<b>Operational Expense</b>						
Ministry Support Services	13,208	14,430	13,680	<b>13,903</b>	13,932	13,932
Budget Development and Reporting	5,066	5,658	5,433	<b>5,660</b>	5,733	5,733
Fiscal Planning and Economic Analysis	4,914	5,822	5,822	<b>5,822</b>	5,822	5,822
Investment, Treasury and Risk Management	559,778	505,865	550,047	<b>570,267</b>	561,261	554,857
Office of the Controller	3,235	4,364	4,363	<b>3,781</b>	2,811	2,811
Corporate Internal Audit Services	3,483	4,136	4,136	<b>4,160</b>	4,198	4,198
Tax and Revenue Management	42,140	46,224	45,357	<b>46,394</b>	46,198	45,298
Financial Sector and Pensions	166,627	184,896	171,460	<b>181,537</b>	187,972	193,815
Air Services	6,122	6,833	6,833	<b>7,016</b>	7,099	7,099
Teachers' Pre-1992 Pensions Liability Funding	425,618	447,000	440,000	<b>455,796</b>	462,000	465,918
Gaming	31,135	34,700	34,700	<b>34,700</b>	34,700	34,700
Alberta Family Employment / Scientific Research and Experimental Development Tax Credits	170,870	209,759	206,339	<b>214,673</b>	222,388	227,166
Consolidation Adjustments	(240,066)	(247,587)	(238,747)	<b>(259,385)</b>	(253,002)	(253,839)
Sub-total <sup>1</sup>	1,192,130	1,222,100	1,249,423	<b>1,284,324</b>	1,301,112	1,307,510
<b>Debt Servicing</b>						
School Construction Debentures	11,795	8,695	8,695	<b>6,221</b>	4,301	2,830
Alberta Capital Finance Authority	205,482	222,917	207,824	<b>252,488</b>	268,255	274,411
General Government	161,707	154,728	145,649	<b>136,877</b>	145,704	154,000
Consolidation Adjustments	(66,757)	(82,968)	(73,885)	<b>(80,957)</b>	(88,744)	(101,780)
Sub-total	312,227	303,372	288,283	<b>314,629</b>	329,516	329,461
<b>Total</b>	<b>1,504,357</b>	<b>1,525,472</b>	<b>1,537,706</b>	<b>1,598,953</b>	<b>1,630,628</b>	<b>1,636,971</b>

1. Subject to the *Fiscal Management Act*. 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:

	529,000	177,000	170,000	<b>200,000</b>	190,000	180,000
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## CAPITAL PLAN

<b>Capital Spending</b>						
Ministry Support Services	697	280	280	<b>280</b>	280	280
Investment, Treasury and Risk Management	15,943	22,245	29,200	<b>8,943</b>	5,000	5,000
Tax and Revenue Management	2,064	2,082	2,082	<b>2,082</b>	2,082	2,082
Financial Sector and Pensions	2,526	8,170	7,697	<b>17,379</b>	17,887	13,222
Air Services	156	241	2,241	<b>241</b>	241	241
Capital Projects	-	100,000	33,662	-	-	-
Sub-total	21,386	133,018	75,162	<b>28,925</b>	25,490	20,825
<b>Debt Servicing</b>						
Direct Borrowing for Capital Purposes	51,140	50,970	55,649	<b>144,177</b>	301,700	491,752
<b>Total</b>	<b>72,526</b>	<b>183,988</b>	<b>130,811</b>	<b>173,102</b>	<b>327,190</b>	<b>512,577</b>