

Finance

BUSINESS PLAN 2012-15

ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of January 19, 2012.

original signed by

Ron Liepert, Minister
January 20, 2012

THE MINISTRY

The ministry consists of the Department of 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 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.

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 and to ensure integrity, accountability and social responsibility in Alberta's gaming and liquor industries. Its core businesses are:

- Budget and Fiscal Planning;
- Treasury Management;
- Risk Management and Insurance;
- Tax and Revenue Administration;
- Financial Sector Regulation and Policy; and
- responsible liquor and gaming regulation.

A more detailed description of Finance and its programs and initiatives can be found at www.finance.alberta.ca.

This business plan is aligned with the government's 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. Minister's mandate items are identified with a ✓.

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

Priority Initiatives:

- ✓ 1.1 Develop and implement a renewed fiscal policy and savings strategy to reduce dependence on non-renewable resource revenue and seek Albertans' input on the future of the Alberta Heritage Savings Trust Fund.
- 1.2 Coordinate and present fiscal updates.
- 1.3 Monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system and provide supporting recommendations.
- 1.4 Consolidate and disseminate official statistics and other key government data to support strategic management, policy development and decision-making across the Government of Alberta.

Performance Measure	Last Actual 2010-11	Target 2012-13	Target 2013-14	Target 2014-15
1.a Alberta's credit rating (blended credit rating or domestic debt)	AAA	AAA	AAA	AAA

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

Priority Initiatives:

- 2.1 Advance electronic commerce for Alberta's tax and revenue programs.
- 2.2 Encourage voluntary compliance by improving public understanding of requirements and perceptions of fairness.
- 2.3 Proactively manage collections and program compliance.

Performance Measure	Last Actual 2010-11	Target 2012-13	Target 2013-14	Target 2014-15
2.a Ratio of amounts added to net tax revenue to costs of administration (as a measure of efficiency)	13:1	12:1	12:1	12:1

Goal Three: Sound investment, treasury and risk management

Priority Initiatives:

- 3.1 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.
- 3.2 Provide effective leadership in cash and debt management government-wide.
- 3.3 Provide effective leadership in risk management government-wide.

Performance Measure	Last Actual 2010-11	Target 2012-13	Target 2013-14	Target 2014-15
3.a The Alberta Heritage Savings Trust Fund five-year annualized rate of return	3.8% (2.45% below target)		CPI plus 4.5% + 1%	

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

Priority Initiatives:

- 4.1 Develop and implement policies to improve retirement income adequacy.
- 4.2 Work with other jurisdictions to maintain a provincially-based, harmonized securities regulatory system that protects investors.
- 4.3 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.

Goal Five: Alberta’s liquor and gaming activities are conducted with integrity and in a socially responsible manner

Priority Initiatives:

- 5.1 Maintain the integrity of Alberta’s liquor and gaming industries by licensing and regulating liquor activities, charitable gaming activities, and conducting/managing provincial gaming activities.
- 5.2 Encourage a culture of moderation to reduce alcohol related harms through partnerships and the development and implementation of initiatives and training programs.
- 5.3 Sustain the province’s revenue from liquor operations through the development of a responsive mark-up policy and review of license and registration fees.
- 5.4 Encourage the development of healthy, sustainable gambling environments that minimize gambling-related harm through the development of partnerships and implementation of initiatives and training programs.
- 5.5 Sustain revenues from gaming by responding to player expectations and changes in the environment.

Performance Measures	Last Actual 2010-11	Target 2012-13	Target 2013-14	Target 2014-15
5.a Public satisfaction with the conduct of the liquor business in Alberta	78%	78%	78%	78%
5.b Public satisfaction with the conduct of legal gaming in Alberta	79%	79%	79%	79%

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 2010-11	Target 2012-13	Target 2013-14	Target 2014-15
6.a ATB Financial return on average assets	0.99%	0.65%	0.81%	0.93%
6.b Cost to Alberta local authorities of borrowing from Alberta Capital Finance Authority 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			2012-13 Estimate	2013-14 Target	2014-15 Target
	2010-11 Actual	2011-12 Budget	2011-12 Forecast			
REVENUE						
Internal Government Transfers	1,057	200	350	-	800	800
Personal and Corporate Income Taxes	10,965,198	12,482,569	12,530,893	13,784,439	14,900,046	16,202,610
Other Taxes	1,913,082	2,090,000	2,126,761	2,192,074	2,257,939	2,326,077
Transfers from Government of Canada	1,250,577	1,264,366	1,264,943	1,315,018	1,362,295	1,412,735
Investment Income	2,297,860	1,861,782	1,428,773	1,722,450	1,785,089	1,885,864
Net Income from Commercial Operations	2,336,901	2,318,418	2,347,844	2,279,338	2,383,329	2,505,762
Premiums, Fees and Licences	140,401	119,625	124,891	132,368	155,339	174,216
Other Revenue	225,798	198,301	207,165	213,062	214,257	221,401
Consolidation Adjustments	(81,425)	(95,055)	(85,840)	(99,660)	(115,841)	(127,700)
Total Revenue	19,049,449	20,240,206	19,945,780	21,539,089	22,943,253	24,601,765
EXPENSE						
Program						
Ministry Support Services	10,021	10,327	10,327	11,069	11,069	11,069
Fiscal Planning and Economic Analysis	5,491	6,270	6,270	6,518	6,518	6,518
Tax and Revenue Management	34,245	44,790	47,790	46,724	46,724	46,723
Investment, Treasury and Risk Management	483,066	488,552	494,679	504,534	520,739	522,935
Financial Sector and Pensions	174,506	180,150	178,328	185,927	185,322	193,047
Gaming	30,870	35,000	35,000	34,700	34,700	34,700
Teachers' Pre-1992 Pensions	417,681	451,000	431,000	447,000	458,500	464,000
Alberta Family Employment / Scientific Research and Experimental Development Tax Credits	174,513	181,471	176,540	209,759	217,951	226,230
Consolidation Adjustments	(229,244)	(242,076)	(239,704)	(247,587)	(259,385)	(253,485)
Total Program Expense¹	1,101,149	1,155,484	1,140,230	1,198,644	1,222,138	1,251,737
Debt Servicing						
School Construction Debenture	15,475	11,795	11,795	8,695	6,221	4,301
Direct Borrowing for Capital Purposes	50,960	103,380	51,140	50,970	50,970	41,870
Alberta Capital Finance Authority	177,282	227,501	209,318	222,917	239,796	247,563
General Government	180,596	175,890	167,673	154,728	152,017	161,660
Consolidation Adjustments	(64,470)	(77,065)	(68,853)	(82,968)	(96,097)	(104,700)
Total Debt Servicing	359,843	441,501	371,073	354,342	352,907	350,694
Total Expense	1,460,992	1,596,985	1,511,303	1,552,986	1,575,045	1,602,431
Net Operating Result	17,588,457	18,643,221	18,434,477	19,986,103	21,368,208	22,999,334
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:	346,000	210,000	195,000	177,000	160,000	150,000
CAPITAL INVESTMENT BY PROGRAM						
Ministry Support Services	232	180	180	180	180	180
Tax and Revenue Management	2,026	2,082	2,082	2,082	2,292	2,292
Investment, Treasury and Risk Management	9,064	14,800	16,920	22,245	14,910	5,000
Financial Sector and Pensions	11,942	5,490	3,370	8,170	16,208	16,576
Total	23,264	22,552	22,552	32,677	33,590	24,048