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# *Provincial Debt Summary*

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## Overview of Provincial Debt (Unaudited)

The provincial government and its Crown corporations and agencies 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, 2002 was \$35,916 million which consists of \$35,452 million in the Summary Financial Statements, together with \$241 million in additional debt of self-supported Crown corporations and agencies and \$223 million in additional taxpayer-supported debt.

## Provincial Debt as at March 31, 2002 (Unaudited)

The accumulated provincial debt of \$35,916 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.

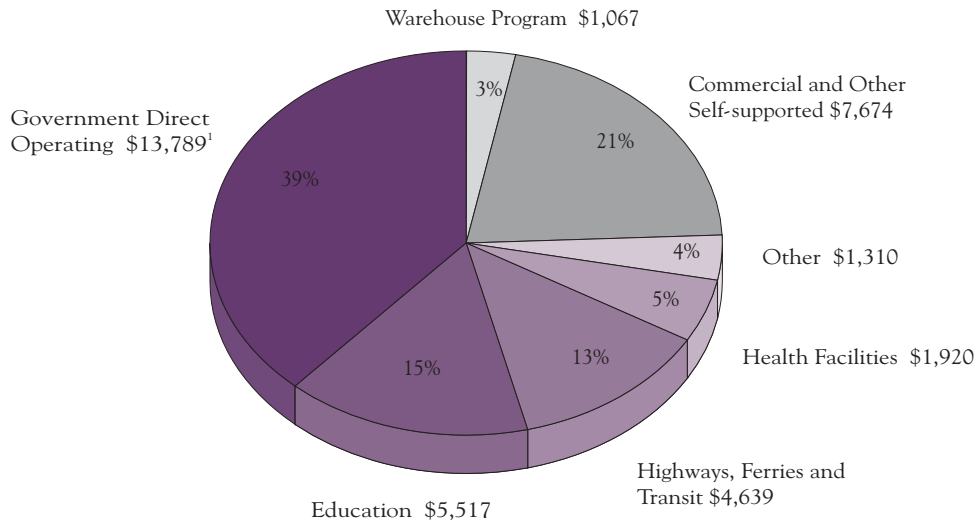
At March 31, 2002, taxpayer-supported debt totalled \$27,175 million—including debt incurred for government operating purposes (\$13,789 million), educational facilities (\$5,517 million), health facilities (\$1,920 million), transportation infrastructure (\$4,639 million) and other debt (\$1,310 million). Other debt is comprised mainly of British Columbia Buildings Corporation, social housing, student loans, and loans to universities and colleges.

At March 31, 2002, self-supported debt totalled \$8,741 million—including debt of commercial Crown corporations and agencies (\$7,674 million) and the Warehouse Program (\$1,067million). Commercial debt includes the debt of British Columbia Hydro and Power Authority, British Columbia Railway Company, Columbia Basin Power Company, and Columbia Power Corporation.

**Chart 1**

In Millions /  
Percent of Total

- Taxpayer-supported: \$27,175 million (76%)
- Self-supported: \$8,741 million (24%)



<sup>1</sup>Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00, and amounts required to finance operating deficits.

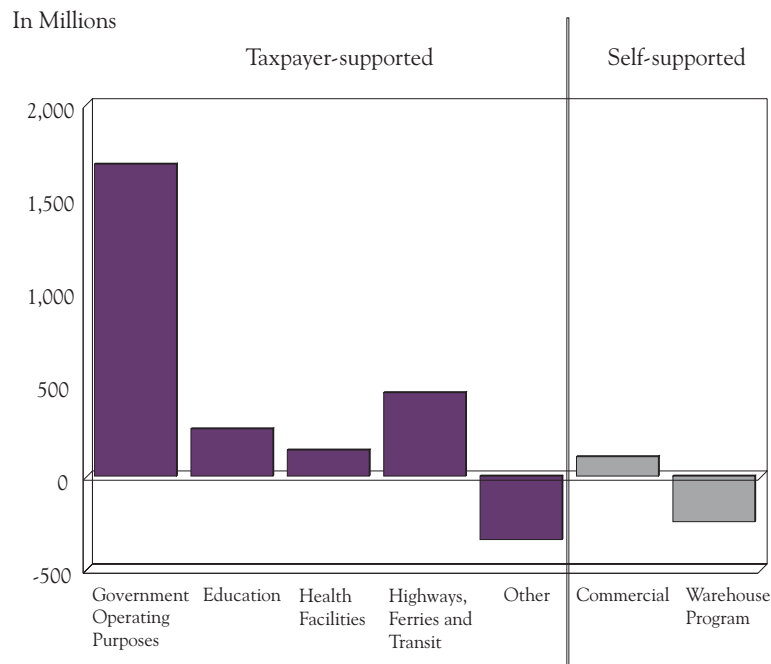
## Change in Provincial Debt<sup>1</sup> (Unaudited)

Provincial debt increased by \$2,036 million in 2001/02; of this, taxpayer-supported debt increased by \$2,177 million and self-supported debt decreased by \$141 million (see Chart 2 below).

*Taxpayer-supported Debt*—The 2001/02 increase of \$2,177 million was primarily due to a significant increase in government operating debt (\$1,676 million) to finance the operating deficit, working capital, financing transactions and the assumption and payouts related to Skeena Cellulose Inc.'s debt. The 2001/02 increase also included new capital financing totalling \$842 million which was used to fund various provincial infrastructures in the education (\$254 million), health (\$140 million), and transportation (\$448 million) sectors. Other debt decreased by \$341 million due to the assumption of Skeena Cellulose Inc.'s debt by the government and the minority shareholder.

*Self-supported Debt*—The 2001/02 decrease of \$141 million consists of a \$104 million increase in commercial Crown corporations debt and a \$245 million reduction in Warehouse Program debt. The commercial Crown corporations debt increased due to new capital financing for power projects by the Columbia Power Corporation (\$44 million) and the Columbia Basin Power Company (\$27 million).

**Chart 2**



<sup>1</sup>Includes gross new borrowings plus changes in sinking fund balances, less debt maturities.

**Reconciliation of Summary Financial Statements (Surplus) Deficit  
to Change in Taxpayer-Supported Debt and Total Debt  
for the Fiscal Year Ended March 31, 2002  
(Unaudited)**

	In Millions	
	2002	2001 <sup>1</sup>
<b>Taxpayer-Supported Debt</b>	\$	\$
(Surplus) deficit for the year.....	1,233	(1,426)
Debt decreased by		
Non-cash expenses included in (surplus) deficit.....		(202)
Self-supported Crown corporation and agency contributions to the Consolidated Revenue Fund in excess of earnings.....	(484)	
Accounts receivable, accounts payable and other working capital net decreases.....	(130)	(848)
	<u>(614)</u>	<u>(1,050)</u>
Debt increased by		
Non-cash expenses included in (surplus) deficit.....	134	
Self-supported Crown corporation and agency earnings in excess of contributions to the Consol- idated Revenue Fund.....		158
Prepaid capital advances.....	529	751
Tangible capital asset net acquisitions.....	842	1,196
Net increases in loans, advances and investments.....	53	188
	<u>1,558</u>	<u>2,293</u>
Net increase (decrease) in taxpayer-supported debt.....	2,177	(183)
Taxpayer-supported debt—beginning of year.....	24,998	25,181
Taxpayer-supported debt—end of year.....	<u>27,175</u>	<u>24,998</u>
Self-supported debt <sup>2</sup> .....	8,741	8,882
<b>Total debt<sup>3</sup></b> .....	<u><u>35,916</u></u>	<u><u>33,880</u></u>

**Reconciliation of Total Debt  
to the Summary Financial Statements Debt  
as at March 31, 2002  
(Unaudited)**

Total debt.....	35,916	33,880
Debt included as part of equity in self-supported Crown corporations and agencies.....	(241)	(263)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(223)	(307)
Non-guaranteed debt attributable to minority shareholder of 552513 British Columbia Ltd (Skeena Cellulose Inc).....		(27)
<b>Summary Financial Statements debt</b> .....	<u><u>35,452</u></u>	<u><u>33,283</u></u>
Comprised of		
Taxpayer-supported debt.....	26,952	24,664
Self-supported debt.....	8,500	8,619
	<u><u>35,452</u></u>	<u><u>33,283</u></u>

<sup>1</sup>Restated. See Note 26.

<sup>2</sup>See Summary of Provincial Debt, page 103.

<sup>3</sup>Total debt, as defined in the Debt Statistics report, includes debt of self-supported Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

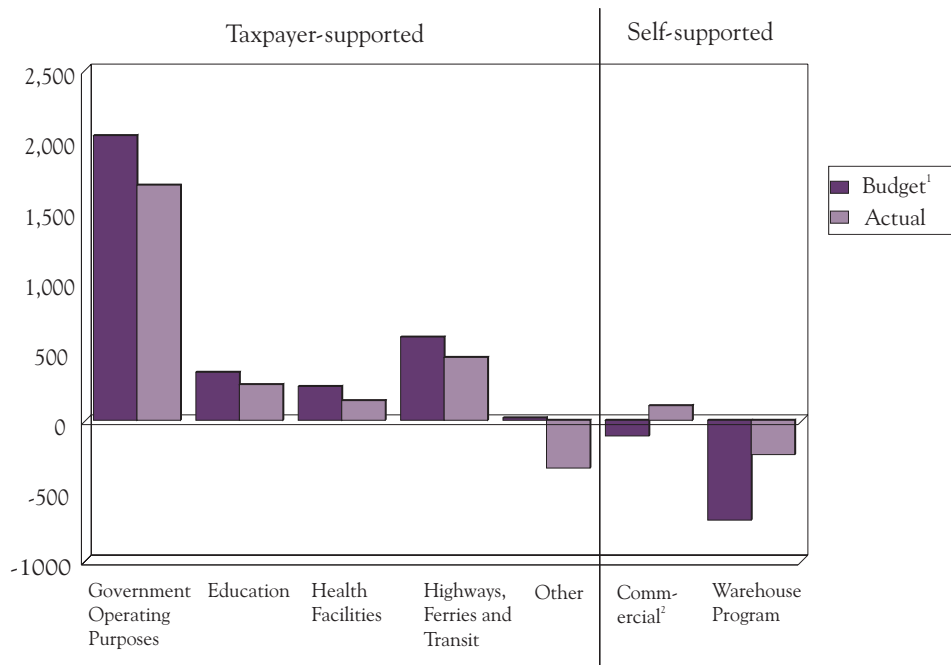
## Change in Provincial Debt Comparison to Budget (Unaudited)

The change in provincial debt was \$862 million less than originally budgeted (per the Economic and Fiscal Update presented on July 30, 2001, adjusted to reflect the restated Public Accounts balance at March 31, 2001). 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 \$1,045 million less than budget, offset by the change in self-supported debt which was \$683 million higher than budget. In addition, the \$500 million forecast allowance included in the budget was not required.

*Taxpayer-supported Debt*—The change was \$1,045 million lower than budget due to reduced borrowing for government operating purposes and lower than forecast capital spending on education, health and transit infrastructure.

*Self-supported Debt*—The change was \$683 million higher than budget due to the change in commercial Crown corporations debt which was \$216 million higher than expected primarily as a result of the increase in British Columbia Hydro and Power Authority debt (\$210 million) and a lower than forecast reduction in the Warehouse Program debt of \$467 million, as a result of lower than projected government borrowing requirements in 2001/02. The borrowings under this program will be used to meet the financing requirements in 2002/03.

**Chart 3**  
In Millions



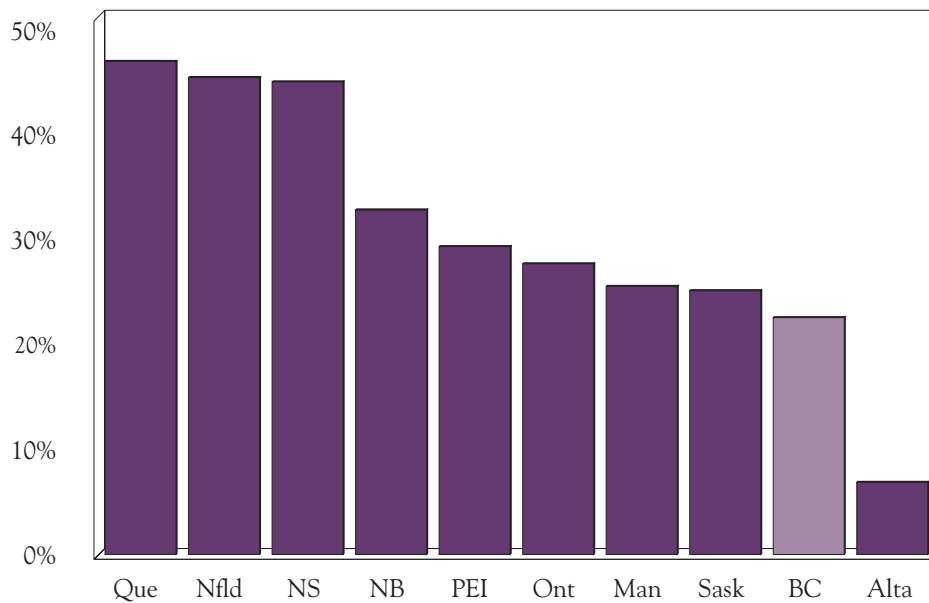
<sup>1</sup>Adjusted to reflect the restated Public Account balances at March 31, 2001.

## 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 Service, British Columbia has the second lowest taxpayer-supported debt to GDP ratio of all provinces.

### Chart 4

Percent of GDP, at March 31, 2002



Source: Moody's Investors Service, May 2002

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 DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

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

### **Preamble**

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2001/02 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators. In this report the Government has included the actual results of Performance Measures that it intends to monitor in the future. As such, I report on the actual baseline information for these Performance Measures for the fiscal year ended March 31, 2002.

Consistent with prior years, in these statements, and in budgets, the government reporting entity is that which is defined by the Canadian Institute of Chartered Accountants but excludes schools, universities, colleges and institutes, and health care organizations (SUCH sector). Accordingly, the provincial debt, whether directly borrowed or guaranteed by the Government, does not include amounts borrowed from private lenders by SUCH sector organizations. For the 2001/02 fiscal year, the outstanding balance of these excluded borrowings amounted to \$580 million (\$411 million for 2000/01).

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

REPORT OF THE AUDITOR GENERAL  
OF BRITISH COLUMBIA ON THE  
SUMMARY OF PROVINCIAL DEBT,  
KEY INDICATORS OF PROVINCIAL DEBT, AND  
SUMMARY OF PERFORMANCE MEASURES

**Scope**

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2002, Key Indicators of Provincial Debt for the five years ended March 31, 2002, and Summary of Performance Measures for the year ended March 31, 2002 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 non-financial and statistical data used by the Government on the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

**Opinion**

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2002, Key Indicators of Provincial Debt for the five years ended March 31, 2002, and Summary of Performance Measures for the year ended March 31, 2002 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

**Disclaimer**

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This 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 the reporting entity and provincial debt as outlined in the preamble to this report.

*Victoria, British Columbia  
May 24, 2002*

*Wayne Strelloff*

Wayne Strelloff, CA  
Auditor General



OFFICE OF THE  
**Auditor General**  
of British Columbia

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

	In Millions				
	2002	2001	2000	1999	1998
<b>Taxpayer-supported Debt</b>	\$	\$	\$	\$	\$
Provincial government direct operating <sup>2,3</sup> .....	13,789	12,113	13,859	12,217	11,488
Education <sup>4</sup>					
Schools .....	4,092	3,880	3,609	3,261	2,990
Post-secondary educational institutions.....	1,425	1,383	1,369	1,336	1,362
	5,517	5,263	4,978	4,597	4,352
Health facilities <sup>4</sup> .....	1,920	1,780	1,451	1,282	1,417
Highways, ferries and public transit					
BC Transportation Financing Authority .....	2,514	2,197	1,843	1,433	1,089
British Columbia Ferry Corporation <sup>3</sup> .....	19	21	24	973	795
British Columbia Transit.....	79	75	79	59	1,579
Public transit <sup>4</sup> .....	936	948	952	987	
SkyTrain extension <sup>4</sup> .....	1,044	836	488	133	
Rapid Transit Project 2000 Ltd.....	47	114	101	56	
	4,639	4,191	3,487	3,641	3,463
Other					
British Columbia Buildings Corporation.....	596	610	615	715	735
552513 British Columbia Ltd. (Skeena Cellulose Inc.) <sup>5</sup> .....		337			
Social housing <sup>6</sup> .....	299	265	205	183	175
Homeowner Protection Office .....	113	71	34	11	
Universities and colleges .....	114	124	130	137	144
577315 British Columbia Ltd. (Western Star Trucks Holdings Ltd.) .....			62		
580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) <sup>3</sup> .....			3	29	
Local governments .....	8	8	9	10	10
Other <sup>2,7</sup> .....	180	236	348	382	367
	1,310	1,651	1,406	1,467	1,431
Total taxpayer-supported debt .....	27,175	24,998	25,181	23,204	22,151

## Summary of Provincial Debt<sup>1</sup> as at March 31—Continued

	In Millions				
	2002	2001	2000	1999	1998
	\$	\$	\$	\$	\$
<b>Self-supported Debt</b>					
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority .....	6,863	6,852	6,945	7,474	7,234
British Columbia Railway Company .....	614	603	655	607	503
552513 British Columbia Ltd. (Skeena Cellulose Inc.) <sup>5</sup> .....			280	221	157
Columbia Basin Power Company <sup>8</sup> .....	120	93	94	94	95
Columbia Power Corporation .....	64	20			
British Columbia Liquor Distribution Branch .....	13	2	3	3	3
	<u>7,674</u>	<u>7,570</u>	<u>7,977</u>	<u>8,399</u>	<u>7,992</u>
Warehouse Program .....	1,067	1,312	1,320	658	212
Total self-supported debt .....	<u>8,741</u>	<u>8,882</u>	<u>9,297</u>	<u>9,057</u>	<u>8,204</u>
<b>Total provincial debt</b> .....	<u><b>35,916</b></u>	<u><b>33,880</b></u>	<u><b>34,478</b></u>	<u><b>32,261</b></u>	<u><b>30,355</b></u>

<sup>1</sup>Debt is after deductions 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 accounts payable. Figures for earlier years have been restated to conform with the presentation used in 2001/02.

<sup>2</sup>In fiscal 2001/02, there was a change in accounting treatment with respect to vehicle leases previously recorded as operating leases. These leases are now recorded as capital lease obligations and as a result government operating debt increased by \$50 million in 2001/02 and has been restated as follows: 2000/01 (\$44 million); 1999/00 (\$26 million); and 1998/99 (\$27 million). In addition, other taxpayer-supported debt has increased by \$1 million in 2001/02, and has been restated by \$1 million for each fiscal year from 1998/99 through 2000/01.

<sup>3</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>4</sup>Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

<sup>5</sup>Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government (\$260 million) and by the minority shareholder (\$94 million), as Skeena Cellulose Inc., was sold to the private sector.

<sup>6</sup>Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>7</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 British Columbia Securities Commission, Forest Renewal BC, Legal Services Society, Okanagan Valley Tree Fruit Authority, Pacific National Exhibition, Tourism British Columbia, Oil and Gas Commission and Land and Water British Columbia Inc. During the period 1995/96 to 1999/00, only an estimate for loan defaults had been included as government guarantees for student loans. Amounts have been restated to add the following guaranteed loans: 2000/01—\$129 million; 1999/00—\$224 million; 1998/99—\$226 million; 1997/98—\$187 million; 1996/97—\$128 million; and, 1995/96—\$53 million.

<sup>8</sup>Columbia Basin Power Company is a joint venture of Columbia Power Corporation and Columbia Basin Trust.

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

	2002		2001	2000	1999	1998
	July 30 Update <sup>2</sup>	Actual	Actual	Actual	Actual	Actual
<b>Debt to Revenue (percent)</b>						
Total provincial .....	95.2	95.1	83.4	102.4	103.1	99.2
Taxpayer-supported .....	109.0	103.8	90.3	101.6	99.7	94.2
<b>Debt per Capita (\$)<sup>3</sup></b>						
Total provincial .....	8,972	8,769	8,347	8,559	8,071	7,665
Taxpayer-supported .....	6,885	6,635	6,159	6,251	5,805	5,594
<b>Debt to GDP (percent)<sup>4</sup></b>						
Total provincial .....	28.2	27.5	26.6	28.6	27.9	26.5
Taxpayer-supported .....	21.7	20.8	19.6	20.9	20.1	19.3
<b>Interest Bite (cents per dollar of revenue)<sup>5</sup></b>						
Total provincial .....	6.8	6.4	6.4	7.5	7.8	7.6
Taxpayer-supported .....	7.4	6.6	6.8	7.2	7.4	7.0
<b>Interest Costs (\$ millions)</b>						
Total provincial .....	2,616	2,429	2,604	2,528	2,452	2,319
Taxpayer-supported .....	1,913	1,731	1,871	1,785	1,723	1,656
<b>Interest Rate (percent)<sup>6</sup></b>						
Taxpayer-supported .....	7.2	6.6	7.5	7.4	7.6	7.6
<b>Background Information</b>						
<b>Revenue (\$ millions)</b>						
Total provincial <sup>7</sup> .....	38,624	37,764	40,618	33,679	31,294	30,593
Taxpayer-supported <sup>8</sup> .....	25,898	26,183	27,690	24,784	23,285	23,525

## Key Indicators of Provincial Debt<sup>1</sup> for the Fiscal Years Ended March 31—Continued

	2002		2001	2000	1999	1998
	July 30 Update <sup>2</sup>	Actual	Actual	Actual	Actual	Actual
<b>Total Debt (\$ millions)</b>						
Total provincial .....	36,778	35,916	33,880	34,478	32,261	30,355
Taxpayer-supported <sup>9</sup> .....	28,220	27,175	24,998	25,181	23,204	22,151
<b>Provincial GDP (\$ millions)<sup>10</sup></b> .....	130,190	130,396	127,564	120,608	115,604	114,601
<b>Population (thousands at July 1)<sup>11</sup></b> .....	4,099	4,096	4,059	4,028	3,997	3,960

<sup>1</sup>Figures for prior years have been restated to conform with the presentation used for 2002.

<sup>2</sup>Represents the forecast as presented in the Economic and Fiscal Update tabled July 30, 2001.

<sup>3</sup>The ratio of debt to population (e.g. 2001/02 debt divided by population at July 1, 2001).

<sup>4</sup>The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2001/02 debt divided by 2001 GDP).

<sup>5</sup>The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

<sup>6</sup>Weighted average of the cost of all outstanding debt issues.

<sup>7</sup>Includes revenue of the Consolidated Revenue Fund plus revenue of all Crown corporations and agencies.

<sup>8</sup>Excludes revenue of commercial Crown corporations and agencies.

<sup>9</sup>Excludes debt of commercial Crown corporations and funds held under the province's Warehouse Program.

<sup>10</sup>GDP for the calendar year ending in the fiscal year (e.g. GDP for 2001 is used for the fiscal year ending March 31, 2002).

<sup>11</sup>Population at July 1st within the fiscal year (e.g. population at July 1, 2001 is used for the fiscal year ending March 31, 2002).

## Summary of Performance Measures<sup>1</sup> Baseline Information for the Fiscal Year Ended March 31, 2002

	2002 Actual
Provincial credit rating <sup>2</sup> .....	Aa2
Debt to GDP ratio <sup>2</sup> .....	2nd lowest
Debt service costs as a percentage of revenue <sup>2</sup> .....	2nd lowest

<sup>1</sup>New performance measures as presented in the Ministry of Finance Service Plan in February 2002.

<sup>2</sup>As per Moody's Investors Service Inc. The debt to GDP and debt service costs as a percentage of revenue performance measures represent inter-provincial comparisons.