

DEBT SUMMARY

Budget and Fiscal Plan

2009/10 to 2011/12



THREE YEAR FISCAL PLAN

	2008/09		Budget Estimate 2009/10 (\$ millions)	Plan 2010/11	Plan 2011/12
	Budget	Actual			
Revenue.....	38,490	38,328	37,608	38,845	41,072
Expense	(37,690)	(38,250)	(40,133)	(40,320)	(41,767)
Surplus (deficit) before forecast allowance	800	78	(2,525)	(1,475)	(695)
Forecast allowance	(750)	-	(250)	(250)	(250)
Surplus (deficit)	50	78	(2,775)	(1,725)	(945)

- The updated 2009 fiscal plan for September projects deficits of \$2.8 billion in 2009/10, \$1.7 billion in 2010/11 and \$0.9 billion in 2011/12. Government now plans to balance its budget by 2013/14. The fiscal plan is based on the Ministry of Finance economic forecast that projects real economic growth of minus 2.9 per cent in 2009, returning to positive growth of 1.9 per cent in 2010 and 2.7 per cent in 2011. The economic downturn has resulted in revenue reductions of \$3.9 billion over the fiscal plan period since the February estimates, with half of the reduction occurring in 2009/10. These projected revenue reductions will be partially offset by the \$1.6 billion federal HST transition payments for a net three year loss of \$2.3 billion. The weakness in 2009 is largely due to the sustained US economic downturn limiting demand for BC products, ongoing volatility in global financial markets and steep declines in commodity prices. More recently, the monthly pace of decline in most major economic indicators has slowed.

- The budget preserves critical public services, ensures a competitive tax system and invests in jobs and infrastructure totalling \$21.7 billion over the period of the plan. To maintain prudence, flexibility and ensure its targets are met, government has increased operating and capital contingencies, included a forecast allowance and based its fiscal plan on GDP growth estimates that are about 0.5 per cent below that of the Economic Forecast Council in each year of the fiscal plan.

PROVINCIAL DEBT SUMMARY¹

Forecast debt at March 31	2008/09		Budget Estimate 2009/10 (\$ millions)	Plan 2010/11	Plan 2011/12
	Budget	Actual			
Taxpayer-supported debt					
Provincial government direct operating debt...	7,408	6,455	8,250	10,071	10,512
Other taxpayer-supported debt (mainly capital)					
Education ²	8,755	8,682	9,387	10,008	10,403
Health ²	3,945	3,757	4,115	4,786	5,303
Highways and public transit	6,916	6,765	7,618	8,376	9,075
Other debt ³	717	787	1,223	1,743	1,986
Total other taxpayer-supported debt	20,333	19,991	22,343	24,913	26,767
Total taxpayer-supported debt	27,741	26,446	30,593	34,984	37,279
Self-supported commercial Crown corporations debt ..	9,252	9,487	11,489	13,227	15,225
Warehouse borrowing program⁴		2,081	-	-	-
Total self-supported debt before forecast allowance	36,993	38,014	42,082	48,211	52,504
Forecast allowance	750	-	250	250	250
Total provincial debt	37,743	38,014	42,332	48,461	52,754
Debt as a per cent of GDP					
Provincial government direct operating	3.7%	3.2%	4.4%	5.1%	5.1%
Taxpayer-supported	14.0%	13.3%	16.2%	17.9%	18.1%
Total provincial	19.0%	19.1%	22.4%	24.8%	25.7%
Taxpayer-supported interest bite					
(cents per dollar of revenue)	4.5	4.2	4.4	4.9	5.1

¹ Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported on government's balance sheet as an accounts payable.

² Includes debt and guarantees incurred by the government on behalf of school districts, universities, colleges and health authorities/hospital societies (SUCh), and debt directly incurred by these entities.

³ Includes service delivery agencies, other fiscal agency loans, student assistance loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs and loan guarantee provisions.

⁴ The program borrows money in advance of actual requirements. Funds are invested until required. This debt is eventually allocated to the provincial government or its crown corporations and agencies.

- At 2009/10 year-end, provincial debt is forecast to total \$42.3 billion, an increase of \$4.3 billion from 2008/09. The change in total debt reflects: a \$4.1 billion increase in taxpayer-supported debt of which \$1.8 billion is required to finance the operating deficit and \$2.3 billion is for capital investment; a \$2 billion increase in debt of commercial Crown corporations due mainly to capital projects by BC Hydro and the Port Mann Bridge and Highway 1 Project; and a \$250 million forecast allowance. These increases are offset by deploying \$2.1 billion in warehouse funds pre-borrowed in 2008/09.

- The taxpayer-supported debt to GDP ratio, a key measure of fiscal sustainability, has declined by 38 per cent from 21.3 per cent in 2002/03 to 13.3 per cent in 2008/09. Due to weaker economic growth and significant infrastructure investments, the taxpayer supported debt to GDP ratio is forecast to increase to 18.1 per cent in 2011/12. Despite this increase, debt remains affordable. The significant progress in improving the affordability of debt over the past six years has enabled the government to absorb the impact of the global economic downturn without returning to historically high levels of debt relative to GDP. The ratio is forecast to decline in 2012/13 to 17.9 per cent and to 17.7 per cent in 2013/14.

PROVINCIAL BORROWING REQUIREMENTS

	2008/09		Budget Estimate 2009/10	Plan 2010/11	Plan 2011/12
	Budget ¹	Actual ³			
			(\$ millions)		
Operating statement (surplus) deficit	(50)	(78)	2,775	1,725	945
Capital requirements.....	5,766	5,540	7,434	7,687	6,544
Refinancing requirements	2,606	2,121	2,041	2,600	2,601
Warehouse borrowing program.....	-	2,081	(2,081)	-	-
Other financing sources ²	(3,110)	(3,750)	(4,017)	(3,500)	(3,339)
Gross borrowing requirements	5,212	5,914	6,152	8,512	6,751
Add:					
Increase in debt guarantees	67	31	-	-	-
Increase in non-guaranteed debt	157	194	224	241	259
Increase in SUCH sector debt.....	186	101	202	324	204
Gross increase in debt	5,622	6,240	6,578	9,077	7,214
Less:					
Year to date — gross long-term borrowing.....			(2,737)		
Increase in non-guaranteed debt.....			(224)		
Increase in SUCH sector debt.....			(202)		
Remaining borrowing requirements ¹			3,415		

¹ Includes a forecast allowance of \$750 million in Budget 2008/09 and \$250 million in Budget 2009/10 and out years.

² Includes other financing sources for the province, the SUCH sector and Crown corporations and adjustments for non-cash budgetary items.

³ Amended September 2, 2009.

- The updated gross borrowing requirements for 2009/10 are forecast to total \$6.2 billion, including a \$250 million provision for a forecast allowance. The increase of \$342 million from the February estimate of \$5.8 billion is due mainly to a larger operating deficit and increased requirements for capital investments. The added requirements are partially offset by reduced requirements for refinancing and funds from the warehouse borrowing program which were borrowed in fiscal 2008/09 in advance of funding requirements.
- Total gross borrowing requirements of \$8.5 billion in 2010/11 and \$6.8 billion for 2011/12 are primarily to finance capital projects and continued operating deficits. The Province will be able to readily manage these requirements through its established domestic and international investor base.

2009/10 MARKET SUMMARY¹

	(\$ millions)
Canada Public.....	2,100
Canada Pension Plan.....	255
International Public Markets	382
	2,737

¹ Includes long-term debt issued up to September 1, 2009.

RECONCILIATION OF GROSS BORROWING TO THE CHANGE IN DEBT

	2008/09		Budget Estimate 2009/10	Plan 2010/11	Plan 2011/12
	Budget	Actual			
			(\$ millions)		
Opening balance as at March 31	35,003	34,637	38,014	42,332	48,461
Gross increase in debt	5,622	6,240	6,578	9,077	7,214
Less: debt maturities and changes in sinking fund balances.....	(2,882)	(2,863)	(2,260)	(2,948)	(2,921)
Net change in provincial debt.....	2,740	3,377	4,318	6,129	4,293
Ending balance as at March 31	37,743	38,014	42,332	48,461	52,754



**BRITISH
COLUMBIA**

The Best Place on Earth

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Debt Management Branch

September 2, 2009

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CREDIT RATINGS OF THE PROVINCE

Moody's¹	Aaa
Standard and Poor's¹	AAA
DBRS¹	AA (high)

¹ With a stable outlook.