

Crown Corporations Council
A Manitoba Crown Corporation

First Quarter Report 2001

Crown Corporations Council

First Quarter Report

For the Three Months Ended March 31, 2001

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May 24, 2001

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C OV8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a quarterly report. Enclosed is the Report for the three months ended March 31, 2001.

Yours truly,

Arthur V. Mauro
Chairman

Crown Corporations Council

First Quarter Report

For the Three Months Ended March 31, 2001

Report on Activities of the Council

During the quarter, Manitoba Hydro and Manitoba Lotteries Corporation made presentations to Council on their capital expenditures and other strategic issues. Manitoba Public Insurance focused on strategic planning, risk assessment and financial performance.

Council Reports

Review of Crown Corporations 2001/02 Capital Expenditures

During the quarter, Council completed its annual review of the Crown corporations capital expenditure programs. Total capital expenditures of \$477 million are budgeted by the Crowns for F2002. Manitoba Hydro's capital budget comprises the most significant portion of capital expenditures.

Overall, the F2002 capital expenditures reviewed are consistent with the Crowns' mandates, corporate plans and strategies. In most cases they reflect replacement, maintenance of business, customer growth needs, safety, legal and environmental related expenditures. The exception is Hydro's new generation project (\$78.2 million); a natural gas-fuelled Brandon plant. Expenditures related to the recently announced conversion of the Selkirk thermal plant to natural gas were not included in Hydro's forecast.

Hydro's current forecasts indicate that it will achieve its three key financial targets over the forecast period, including F2002. The key targets include funding capital expenditures from internal sources (except during periods when major generation and/or major transmission facilities are being added to the system).

Manitoba Lotteries Corporation's preliminary F2002 capital budget includes approximately 50% or \$10 million related to gaming initiatives. The investment is estimated to generate an approximate equivalent amount in incremental revenue.

Venture Manitoba Tours Ltd. F2002 capital budget does not include expenditures to address infrastructure deficiencies identified by engineering reviews or hotel renovations proposed by the Corporation to the Province. At the time of the review, the Corporation was waiting for policy direction on these expenditures and related financing issues.

The Communities Economic Development Fund (Development Fund) 2001/02 lending program of \$10.4 million is consistent with its legislated mandate and strategic plan. The program provides for a level of lending activity similar to the current fiscal year and would enable the Development Fund to meet anticipated demands for financial assistance.

Manitoba Centennial Centre Corporation

During the quarter, application of The Crown Corporations Public Review and Accountability Act was extended to the Manitoba Centennial Centre Corporation (MCCC).

MCCC was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg. The centre includes the Centennial Centre complex and is the Province's principal memorial of the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province.

The buildings and properties include the Concert Hall, Manitoba Museum and Planetarium (Centennial Centre), Manitoba Theatre Centre (MTC), MTC Warehouse Theatre, Artspace, three surface parking lots and an underground parkade, and 11 Lily Street which houses the Museum's Extension Services. The Province of Manitoba holds registered titles to the properties.

The Concert Hall is home to Manitoba's signature cultural organizations, the Winnipeg Symphony Orchestra, the Royal Winnipeg Ballet and the Manitoba Opera.

MCCC's activities include administration of the Concert Hall and related services as well as maintenance and development of the buildings and properties of the Centennial Centre. New, cost-effective opportunities to constrain energy use and costs are pursued wherever possible. MCCC also has an annual service contract with Pantages Playhouse to book events into that facility.

The Corporation's activities are generally consistent with its legislated mandate and corporate purpose.

MCCC's financial position has deteriorated in recent years due to significant increases in the cost of natural gas, other operating costs and declining own source revenues. Capital expansion at the Manitoba Museum is also a contributing factor.

In 1990, the Museum instituted a capital campaign to upgrade and refurbish its facility resulting in a 40,000-sq. ft. addition to the complex to house the Hudson's Bay Company collection. The costs of heating and maintaining the Museum and its expanded facility are the responsibility of MCCC.

The Corporation is economically dependent on funding from the Province. Operating grants provided through the Department of Culture, Heritage and Tourism have ranged between \$2.2 million and \$2.4 million annually in the last five years. In three of these years additional, special grants, including deficit reduction grants were provided, ranging from \$0.1 million to \$0.5 million. Government's annual capital investments to maintain and enhance Centennial Centre assets have ranged between \$0.3 million and \$1.6 million in the last five years.

Submissions to Council

There were no new submissions made to Council during this reporting period concerning allegations or complaints against any Crown corporation under Council's purview.

Overview
Crown Corporations Council
Financial Statements
For the Three Month Period Ended March 31, 2001
(unaudited)

Operating expenses are recovered from the Crown corporations through assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

Expenses for this three month period increased by \$9 thousand compared to the same period last year. The increase is primarily attributable to filling a vacant staff position on a term basis.

Balance Sheet
(unaudited)

	March 31	
	2001	2000
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 495	\$ 399
Accounts receivable	6	2
	501	401
Capital assets (note 1)	15	31
	\$ 516	\$ 432
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 60	\$ 47
Levies received in advance	152	180
Due to Manitoba Crown corporations	289	174
	501	401
Reserve reflecting net investment in capital assets	15	31
	\$ 516	\$ 432

**Statement of Income and Reserve
Reflecting Net Investment in Capital Assets
(unaudited)**

	Three Months Ended March 31	
	2001	2000
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 149	\$ 142
Interest	5	3
	<u>154</u>	<u>145</u>
Expenses	<u>158</u>	<u>149</u>
Excess of expenses over income	\$ (4)	\$ (4)
Reserve reflecting net investment in capital assets, beginning of period	<u>19</u>	<u>35</u>
Reserve reflecting net investment in capital assets, end of period	<u>\$ 15</u>	<u>\$ 31</u>

Notes to Financial Statements
March 31, 2001

1. Capital assets and depreciation policy

These are comprised of office furniture and equipment and computer equipment:

	March 31	
	2001	2000
	<u>(in thousands of dollars)</u>	
Cost		
Office furniture & equipment	\$52	\$58
Computer equipment	55	81
	<u>\$107</u>	<u>\$139</u>
Accumulated Depreciation		
Office furniture & equipment	50	58
Computer equipment	42	50
	<u>92</u>	<u>108</u>
Net Book Value	<u>\$15</u>	<u>\$31</u>

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

2. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.