Crown Corporations Council

A Manitoba Crown Corporation

First Quarter Report 2003

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Crown Corporations Council

First Quarter Report
For the Three Months Ended March 31, 2003

Table of Contents **Page**

Transmittal Letter

Report on Activities of the Council 1

Council Reports

Review of Crown Corporations 2003/04
Capital Expenditures 1

Communities Economic Development Fund 2

Submissions to Council 5

Overview - Crown Corporations Council
Financial Statements 6

Financial statements for the three month
Period ended March 31, 2003 (unaudited) 7

May 27, 2003

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, 2003.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

Crown Corporations Council
First Quarter Report 2003

Report on Activities of the Council

During the quarter, Manitoba Centennial Centre Corporation and Manitoba Public Insurance made presentations to Council. Presentations focused on governance, strategic issues, risk management and financial performance.

Council Reports

Review of Crown Corporations 2003/04 Capital Expenditures

Council completed its annual review of the Crown corporations capital expenditure programs. Total capital expenditures of $589 million are budgeted by the Crowns for fiscal year ending 2003/04. Manitoba Hydro's capital budget of $497 million comprises the most significant portion of the capital expenditures.

Hydro's 2003/04 capital program consists primarily of projects deemed necessary to provide a safe and reliable supply of energy in an efficient and environmentally sensitive manner. Projects and expenditure levels address and reflect risk management, rate considerations, high system reliability, public safety, environmental sensitivity, sustainable development principles, service and power quality and export sale commitments.

Overall, the 2003/04 capital expenditures reviewed are consistent with the Crowns' mandates, corporate plans and strategies and in most cases reflect replacement, maintenance of business, customer growth needs and safety, legal and environmental related expenditures.

Based on the capital budget information provided by the Crowns, no major factors were identified at that time that reflect significant risk for each Crown.

Communities Economic Development Fund

Council reviewed the Development Fund's strategies to mitigate business risk (i.e., to reduce the uncertainty of achieving intended outcomes) and to influence and seize current opportunities. Council sought citizen-focused outcomes that demonstrated client service satisfaction, capability to continue to improve and innovate, value for the Development Fund's stakeholders, and efficiency and effectiveness in the Development Fund's business practices. Effective performance in these areas is critical to the Development Fund's on-going success.

Since Council's March 2002 Corporate Performance Report, the Development Fund successfully concluded fiscal 2001/02 and is well positioned for a successful conclusion to fiscal 2002/03.

For the nine months ended December 31, 2002 Business Loans approved exceed $4.4 million while Fisheries Loans total nearly $3.6 million. The TEAM microenterprise loans portfolio of 20 loans is close to $55,000. Business and TEAM lending reflect broad diversity in size, industry sector and community distribution of loans. Fisheries portfolio performance remains healthy, reflecting strong commercial fish harvests. Overall, the Development Fund's financial performance complements progress in advancing attainment of non-financial strategic goals.

During the year Fund management developed for discussion and consideration a concept for a new business model to enhance organizational effectiveness and performance. The concept is currently under review.

The Development Fund's mandate is to fulfill the significant socio-economic purposes set out in The Communities Economic Development Fund Act. The Development Fund's business activities remain relevant, responding to the needs of targeted populations for access to capital and other assistance, within the identified public policy framework. The Development Fund pursues this mandate with appropriate commercial objectives that balance social purpose with fiscal responsibility. In discharging their governance and accountability responsibilities, the Development Fund's Directors demonstrate an appropriate level of diligence.

The Development Fund's planning processes are inclusive and consultative, resulting in planning assumptions appropriate to the Fund's business environment. The Fund continues to focus its efforts on ensuring intended outcomes are achieved and operations effectively safeguard public assets.

The Development Fund is effectively delivering its mandate to provide financial and other assistance to entrepreneurs and Government in support of enterprise development and expansion in northern Manitoba through the Business Loans and TEAM Programs.

The Development Fund is effectively delivering the Fisheries Loan Program in support of both Manitoba's commercial fishery and community enterprise development.

The Development Fund manages its lending portfolios and business operations with due regard for economy, efficiency and effectiveness.

The higher risk inherent in the Development Fund's lending portfolios reflects the nature of its mandate. The

Fund has appropriate strategies to identify and mitigate credit and concentration risks in its lending portfolios. The Board and management are employing these strategies effectively.

The Fund's risk management and mitigation practices contribute significantly to overall corporate performance.

Through liaison with Community and Economic Development Committee of Cabinet, the Development Fund's General Manager & CEO chairs economic development initiatives in support of Government's Northern Development Strategy. In addition, the Fund delivers certain Manitoba Intergovernmental Affairs community and economic development programs and services in northeastern Manitoba.

The Fund delivers exceptional service and value to Government. Our business condition assessment of the Development Fund's operations remains favourable.

During the review, Council identified the following areas where there is opportunity for mandate and policy clarification:

Council believes that Government should respond to the Development Fund's proposed business concept. A prudent response would be a clear articulation of Government's overarching economic development policy, development targets and priorities, measures to assess policy achievement, and determination /allocation of the necessary resources to advance the policy. Council understands Government initiated action in this area and policy development continues to evolve.

Submissions to Council

There were no 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, 2003
(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 decreased by $18 thousand compared to the same period last year. The decrease is primarily attributable to a revision in accounting for vacation accrual, and lower professional development expenses.

Balance Sheet
(unaudited)

	March 31 2003	March 31 2002
Assets	(thousands of dollars)	
Current		
Cash	$ 372	$ 319
Accounts receivable	6	6
	378	325
Capital assets (note 2)	7	8
	$ 385	$ 333
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	$ 50	$ 42
Levies received in advance	168	119
Due to Manitoba Crown corporations	107	131
	325	292
Retirement allowances and other benefits payable	53	33
	378	325
Reserve reflecting net investment in capital assets	7	8
	$ 385	$ 333

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

	Three Months Ended March 31	
	2003	2002
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 135	$ 153
Interest	1	1
	136	154
Expenses	137	155
Excess of expenses over income	$ (1)	$ (1)
Reserve reflecting net investment in capital assets, beginning of period	7	9
Reserve reflecting net investment in capital assets, end of period	$ 6	$ 8

Notes to Financial Statements
March 31, 2003

1. Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the 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. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

2. Capital assets and depreciation policy

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

	March 31	
	2003	2002
	(in thousands of dollars)	
Cost		
Office furniture & equipment	$58	$58
Computer equipment	56	56
	$114	$114
Accumulated Depreciation		
Office furniture & equipment	52	51
Computer equipment	55	55
	107	106
Net Book Value	$7	$8

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.

3. 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.