



Government of
Northwest Territories

Finance

2019-20 Business Plans

Overview of Budget Planning

Presentation to the Standing Committee on Priorities and Planning
September, 2018

Overview

- The purpose of the presentation is to provide some context as consideration of the 2019-20 Business Plans begin.
- This will include:
 - an overview of the components of the GNWT budget
 - historical patterns of revenue and operation expenditure growth
 - an overview of the budgeting process
 - key considerations for the 2019-20 planning process.

Components of the GNWT Budget

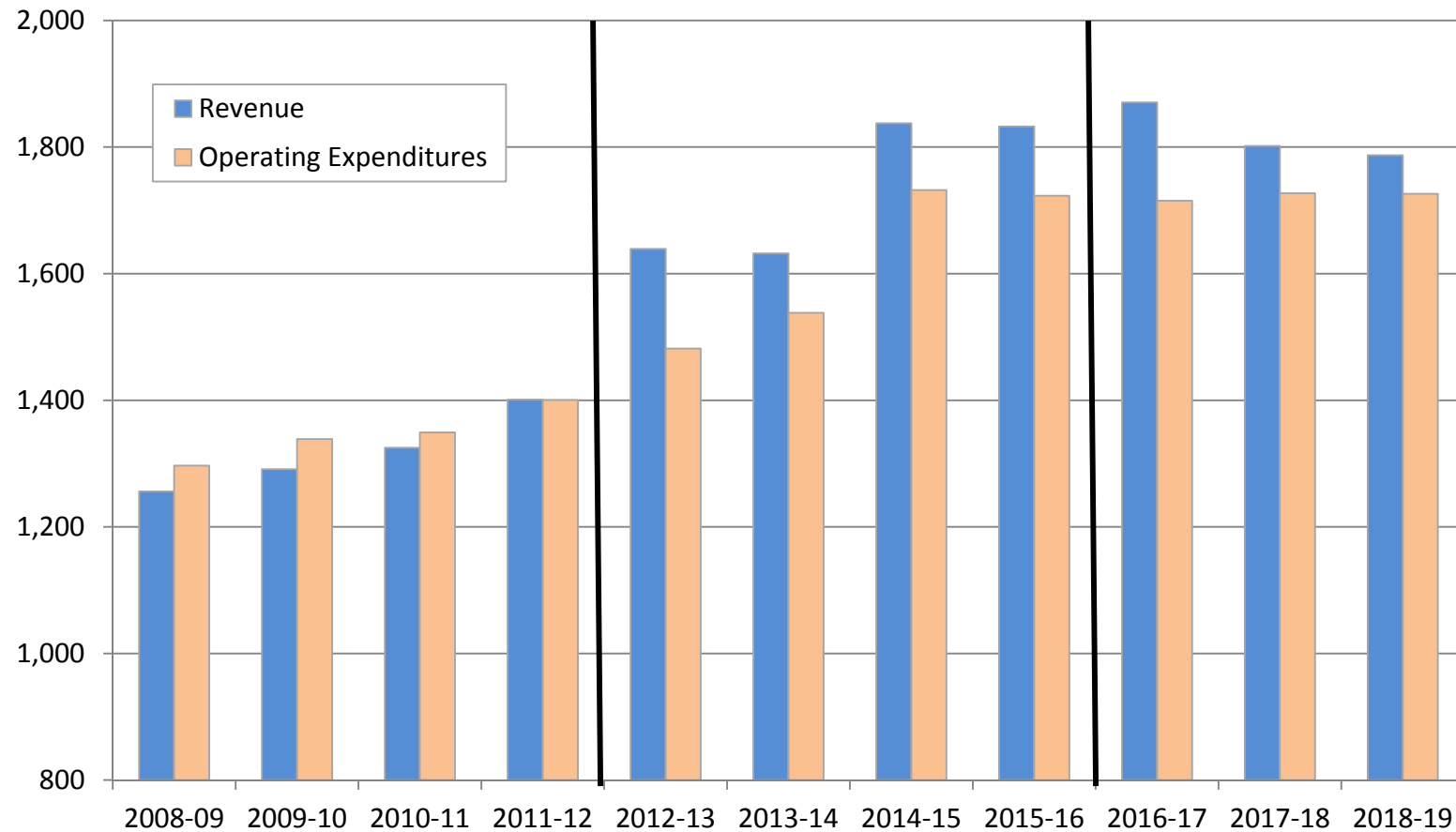
Revenues	<ul style="list-style-type: none"> Grant from Canada 72% Other Transfers from Federal Gov't 8% Taxation and General Revenue 20% 	} \$1,749 million in 2018-19
- Operations Expense	<ul style="list-style-type: none"> Departmental operating budgets adjusted for infrastructure contributions and other adjustments \$1,726 million in 2018-19 	
= Operating Surplus/Deficit	<ul style="list-style-type: none"> Difference between revenue and operations expense (\$23 million operating surplus for 2018-19) 	



Cash Provided by Operations	<ul style="list-style-type: none"> Generally is the operating surplus and non-cash items (amortization) included in operations expenses (\$211 million in 2018-19) 	
- Capital/Investment/ Financing Transactions	<ul style="list-style-type: none"> Primarily comprised of the planned capital spending (\$209 million in 2018-19) 	
= Change in Cash Position at End of Year	<ul style="list-style-type: none"> Difference is change in the short term debt (\$2 million reduction in short term debt in 2018-19) 	



Historical Pattern of Revenue and Operating Expenditures



Fiscal Challenge During the 18th Assembly

- Revenues growth has been even lower than expected. Overall revenue was \$46 million less in for 2018-19 than at the end of the previous Assembly.
- Operating expenditures remain largely unchanged over the first three years of this Assembly. This is the result of modest investments offset by expenditure reductions.
- For context, a 2% growth in compensation and benefits and inflationary impacts on goods and services would be expected to add \$35 million annually to operating expenditures. This is without any new initiatives.
- If operating expenditures grow faster than revenue, this lowers the operating surplus over time which means either significant reductions in capital spending or significantly increased debt.

Planning for the 2019-20 Main Estimates

Change in Revenue	<ul style="list-style-type: none"> Overall, we expect significant revenue growth in 2019-20 due to: <ol style="list-style-type: none"> Because of the way the Formula works, we know the Grant for Canada and CHT/CST will increase by about \$53 million There will be significant increase in other federal transfers as targeted federal infrastructure funding begins to flow GNWT taxes and other own-source revenue (including the carbon tax), and resource revenue are expected to rebound.
Change in Operating Expenditures	<ul style="list-style-type: none"> Key components of change include: <ul style="list-style-type: none"> Initiatives Forced Growth and Collective Bargaining Increases Other Adjustments Sunsets and Reductions
Capital Spending	<ul style="list-style-type: none"> The 2019-20 Capital Estimates will be considered by the Legislative Assembly in October. Federal-territorial projects will have an impact.
Change in Debt	<ul style="list-style-type: none"> Total debt is limited by the Borrowing Limit of \$1.3 billion. At the time of the 2018-1 Main Estimates, total debt was estimated to be \$1.1 billion, including \$321 million in short-term debt.



Key Factors for 2019-20 Consideration

- While revenues are expected to increase in 2019-20, there are a number of considerations for budget development:
 - The targeted federal infrastructure funding adds to our revenue, but also requires the GNWT to contribute 25% of the cost.
 - The annual service payment for the Stanton P3 project will begin in 2019-20.
 - There are many areas in the mandate that will need investment.
 - Collective bargaining with the UNW remains unresolved.
 - NWT Carbon Tax is expected to be implemented, but is largely revenue neutral so planned offsets and investments will be implemented simultaneously.
 - Short term debt remains very high, which creates risk as interest rates are expected to increase.
 - There continues to be the expectation of fairly modest revenue growth over the medium term.

Typical Operations Budget Planning Process

APPROX. TIMEFRAME	DESCRIPTION
Mid-April:	FMB approval of business planning process guidelines, assumptions and timelines; call letter for business plans sent to departments
Mid-May:	Departmental submissions for forced growth and initiatives due to Finance for analysis
End of June:	Review and approval of forced growth and initiatives submissions by FMB; finalization of departmental targets based on FMB approval
Early August:	Business plans due to Finance
Late August:	FMB review of business plans and approves for circulation to Standing Committees
September:	Standing Committee review of business plans
Early to mid-October:	Standing Committee recommendations on business plans; adjustments reviewed / approved by FMB; Call letter for departments to develop Main Estimates
Late November:	Draft Main Estimates due to Finance
Early to mid-December:	FMB review and approval of draft Main Estimates; approval for circulation to Standing Committee
Mid-February to mid-March:	Budget Session (Committee of the Whole review of Main Estimates and vote to approve appropriations)