

2007 - 2008

Budget Address

NORTHWEST TERRITORIES

BUDGET PAPERS

B ♦ Fiscal Review

February 8, 2007

FISCAL REVIEW

Over the period of the 15th Assembly, the Government of the Northwest Territories (GNWT) has focused its fiscal strategy on stabilizing its overall financial position and investing in key areas of government activity for the benefit of NWT residents. Operating surpluses are forecast for both 2006-07 and 2007-08 and the GNWT remains within the guidelines of the *Fiscal Responsibility Policy*.

Moody's Investors Service analyzed the GNWT's fiscal position and fiscal strategy, including the *Fiscal Responsibility Policy*, and considered the potential of the robust NWT economy before issuing their Aa3 credit rating for the GNWT in February 2005. Moody's upgraded the GNWT credit rating to Aa1 in November 2006.

2005-06 FINAL RESULTS

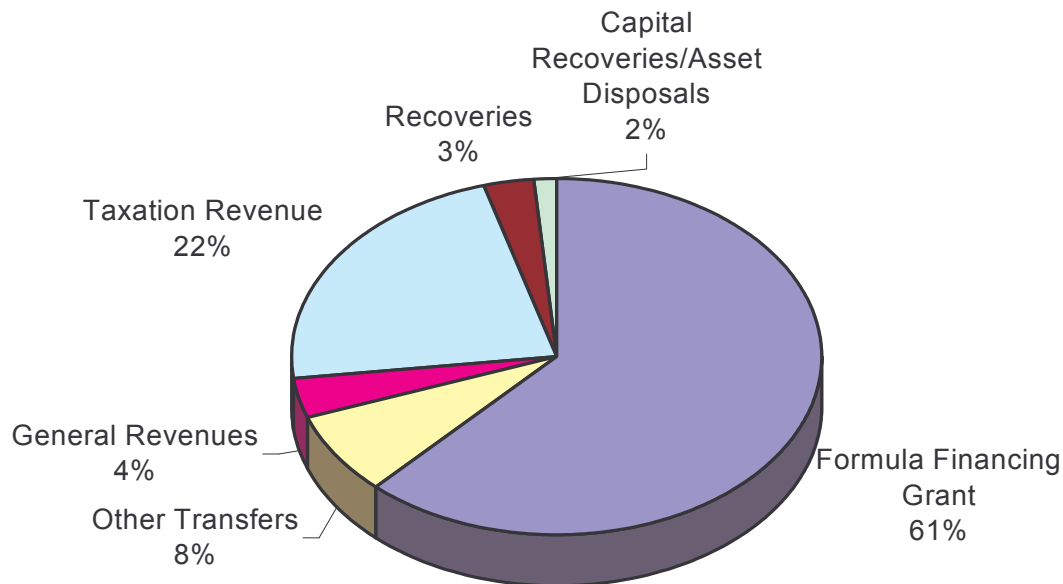
The operating surplus for 2005-06 was \$38 million, \$20 million higher than projected in the 2006-07 Budget. Changes in accounting policies that resulted in a \$24 million increase in transfer payments combined with other revenue changes, yielded actual revenues that were \$17 million higher than the 2005-06 Revised Estimates. Actual expenditures were \$8 million lower than the 2005-06 Revised Estimates.

2006-07 REVISED ESTIMATES

The operating surplus for 2006-07 is projected to be \$46 million after adjustments, \$15 million higher than projected in the 2006-07 Main Estimates. Revenues have been revised upward by \$79 million, due primarily to a \$35 million increase in Corporate Income Tax revenue projections, a \$20 million increase in transfer revenue estimates, a \$10 million increase in Personal Income Tax revenues and a \$9 million increase in investment income projections. Expenditure estimates are \$60 million higher than budgeted in the 2006-07 Main Estimates, due mainly to a significant amount of infrastructure contribution carry-overs from the previous year.

A \$290 million overpayment of Corporate Income Tax, received as part of the 2002 Corporate Income Tax remittances from Canada, must be repaid by the end of 2006-07. However, prudent financial management has reduced the amount the GNWT will need to borrow in order to repay this amount to \$8 million. Total GNWT debt, including that of the NWT Power and Housing Corporations, is projected to be \$151 million, \$149 million under the federally-imposed debt limit of \$300 million.

**Total GNWT Revenues by Source
2007-08**



2007-08 BUDGET

A \$44 million operating surplus is projected for 2007-08, after accounting for estimated supplementary expenditure requirements and appropriation lapses.

The direct GNWT debt is forecast to be \$50 million by the end of 2007-08. This debt, combined with the \$139 million in guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation and the NWT Housing Corporation, will bring the total GNWT debt subject to the \$300 million authorized borrowing limit to \$189 million.

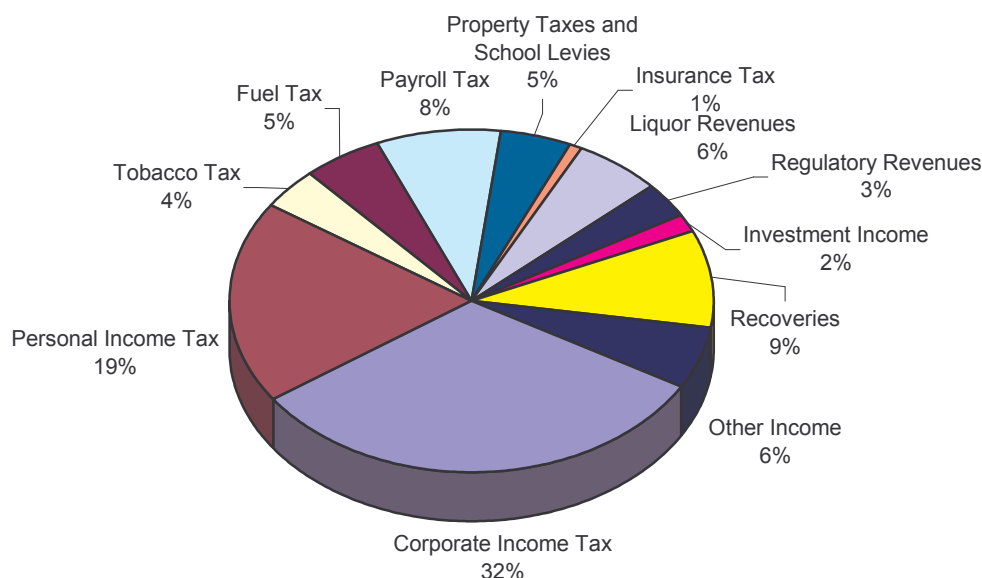
Revenues

Total 2007-08 revenues are forecast to increase to \$1.23 billion, a 4.3 per cent increase from the 2006-07 Revised Estimates. This increase is driven primarily by growth in taxation revenues as the Formula Financing Grant, the GNWT's main source of revenue, is estimated to increase only 1 per cent, or \$10 million, from the 2006-07 Revised Estimates.

In January 2007 the federal Minister of Finance established interim Territorial Formula Financing funding floors for the 2007-08 fiscal year. The floor amount for the NWT 2007-08 Grant will be \$764 million.

New funding arrangements will not result in a 2007-08 Grant amount lower than the floor. However, no information has been provided about funding beyond 2007-08. The federal Minister has committed to provide proposals for long-term Territorial Formula Financing arrangements in the 2007 federal budget.

GNWT Own Source Revenues 2007-08



Other transfers, at \$93 million, are 2 per cent lower than the 2006-07 Revised Estimates as a number of one-time transfers were recorded in 2006-07.

Taxation revenues are forecast to increase 25 per cent, or \$56 million, from the 2006-07 Revised Estimates. The main reasons for the increase are:

- ◆ The Corporate Income Tax forecast is \$39 million higher because forecasts of corporate income are higher.
- ◆ The Personal Income Tax revenue forecast is \$16 million higher due to higher incomes earned in the NWT.
- ◆ The Payroll Tax revenue forecast is \$0.8 million higher due to higher employment and employment income forecasts.
- ◆ All other taxation revenues (Tobacco Tax, Fuel Tax, Property Tax and School Levies, and Insurance Taxes) are forecast to increase \$0.7 million in total.

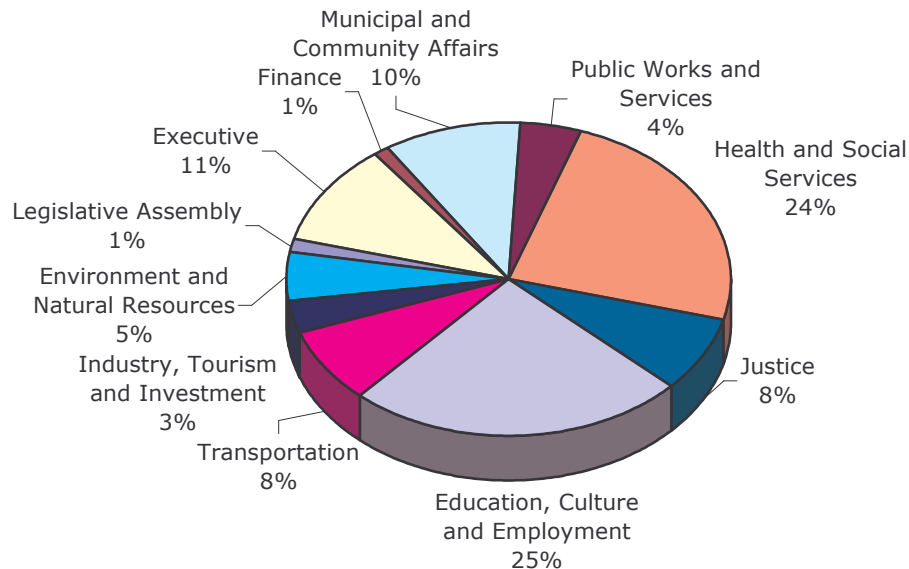
Other own source revenues are projected to decrease 12 per cent to \$97 million in 2007-08, mainly due to a decrease in investment income.

Operating Expenditures

Total 2007-08 operating expenditures are budgeted to be \$1.15 billion, \$89 million higher than the 2006-07 Main Estimates but only \$29 million higher than the 2006-07 Revised Estimates.

The 2007-08 Budget includes \$38 million in funding for new initiatives and \$55 million to address the increased costs of existing programs and services. The Budget offsets some of the new funding through \$18 million in cost savings and program reductions.

**Operations Expenditures by Department
2007-08**



Since 1999-00, total expenditures have increased an average of 6 per cent annually. Spending on social programs (education, health, social services, justice, and housing) has increased an average of 6.3 per cent per year compared to 5.2 per cent for other programs over the same period.

The \$38 million in funding for new initiatives includes:

Investing in Education

- ◆ \$2.2 million to decrease the Pupil/Teacher Ratio in physical education programs
- ◆ \$1.8 million to decrease the Pupil/Teacher Ratio in trades related programs
- ◆ \$962,000 to complete the implementation of full-time kindergarten
- ◆ \$1 million to implement a revised childcare user subsidy
- ◆ \$2.1 million for Aboriginal and second language instruction programs
- ◆ \$175,000 to enhance literacy programs and supports
- ◆ \$2.9 million to increase the level of student support funding from 17 per cent of the total school budget to 19 per cent

Investing in Health and Social Services

- ◆ \$360,000 for the Aboriginal Wellness Program to incorporate traditional healing practices into acute and primary community care programs
- ◆ \$137,000 for the *First Nations and Inuit Tobacco Strategy* to continue work to reduce the use of tobacco
- ◆ \$1.3 million for increased costs for physician and hospital services

Justice

- ◆ \$428,000 to establish the Sachs Harbour RCMP detachment
- ◆ \$688,000 for community justice committees

Social Program Department Collaboration

- ◆ \$695,000 to combat homelessness
- ◆ \$180,000 for the continuation of the *Healthy Choices Framework*
- ◆ \$262,000 for a pan-territorial sports strategy

Housing

- ◆ \$18 million to construct new affordable housing units

Governance

- ◆ \$150,000 to fund community energy planning committees that will evaluate options for reducing energy costs and environmental impacts (component of the *Integrated Community Sustainability Plan*)

Economic Activity

- ◆ \$458,000 for the Harvester Assistance program
- ◆ \$320,000 to hire new apprentices in designated trades
- ◆ \$2.5 million to inspect and repair wood piles supporting GNWT buildings

Environment

- ◆ \$500,000 to complete baseline biophysical studies in the western NWT
- ◆ \$500,000 for the *NWT Barren-ground Caribou Management Strategy*

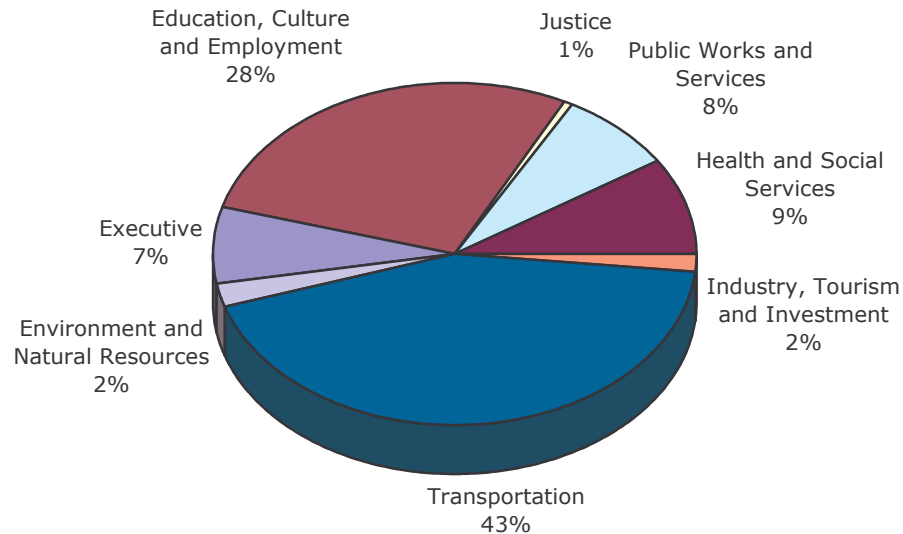
Infrastructure Investment Expenditures

Total infrastructure investment expenditures for 2007-08 are budgeted to be \$151 million. This includes \$109 million in direct investment in capital assets and \$42 million for infrastructure contributions (included in departmental operating expenditures). The infrastructure contributions are mainly for community and regional operations.

The major direct infrastructure investments included in the *2007-08 Infrastructure Acquisition Plan* are:

- ◆ \$23.9 million for school construction in Tulita, Gameti, N'Dilo and Yellowknife and other school renovations, for a total of \$141 million in direct investments over the 5 year time period of the *Infrastructure Acquisition Plan*;
- ◆ \$9 million for airport improvements, including \$4.3 million for runway enhancements, \$4.3 million for buildings and \$0.4 million for airport equipment;

***Direct Investment in Capital Assets by Department
2007-08***



- ◆ \$37.1 million for various highway programs, including \$13 million for the Mackenzie Valley Winter Road bridge program, \$11.5 million for highways, \$5.4 million for other bridges, \$6.2 million for truck pull-outs, access roads and chipseal programs, and \$1 million for various equipment upgrades;
- ◆ \$1.8 million for upgrades and building repairs in various territorial parks and \$0.7 million for wildlife laboratory and equipment upgrades;
- ◆ \$6.3 million for tank farm code upgrades and capacity increases;
- ◆ \$1.1 million for forest management infrastructure including improvements to the North Slave heliport;
- ◆ \$9.9 million for renovations to hospital units, medical equipment and health record management upgrades, for a total of \$98.2 million over the period of the *Plan*; and
- ◆ \$5.8 million for the Deh Cho Complex and Hall in Fort Simpson.

MEDIUM-TERM OUTLOOK

The medium term outlook is uncertain given that Territorial Formula Financing arrangements after 2006-07 are unknown and negotiations for the devolution of NWT resources, including an equitable resource revenue sharing agreement, have not been concluded. The federal government has yet to act on the recommendations of the federally appointed Expert Panel on Equalization and Territorial Formula Financing. Until decisions are made, projections of Territorial Formula Financing amounts are based on modified previous arrangements. Devolution and the corresponding resource revenue

sharing discussions are on-going but have not been included in the medium-term outlook.

As a result of this uncertainty, the GNWT medium-term revenue forecasts are conservative. Revenues are forecast to decrease 2.5 per cent in 2008-09 and increase 2.3 per cent in 2009-10. Expenditures are held to a 4 per cent increase in 2008-09 and 3.8 per cent in 2009-10, with operating deficits in both years. However, despite these forecast deficits, the GNWT will remain within the guidelines of the *Fiscal Responsibility Policy*.

Risks to Revenue Forecasts

Territorial Formula Financing arrangements after 2006-07 have not been determined although the federal government has committed to a floor amount for the 2007-08 Grant and also to strengthening Territorial Formula Financing arrangements in the 2007-08 federal budget. New Territorial Formula Financing arrangements are expected to be responsive to changes in GNWT own-source revenues. Since the Territorial Formula Financing arrangements represent over 60 per cent of total GNWT revenues, their responsiveness to changes in the GNWT's fiscal circumstances is crucial to overall revenue stability. A further 8 per cent of GNWT revenues are composed of other federal transfers, which do not vary significantly. However, own source revenues, which represent about 30 per cent of total revenues, are subject to differing degrees of variability. Corporate Income Tax in particular can fluctuate significantly.

Fiscal Framework Operations Summary ***(millions of dollars)***

	2005-06	2006-07	2007-08	2008-09	2009-10
	Actuals	Revised Estimates	Main Estimates	Forecast	Forecast
Revenues	1,101	1,180	1,231	1,200	1,227
Expenditures	(1,065)	(1,134)	(1,187)	(1,209)	(1,255)
Operating Surplus (Deficit)	36	46	44	(9)	(28)
Capital Investment Requirements	106	111	109	95	172
Accumulated Cash Surplus (Deficit)	347	(8)	(50)	(184)	(264)
Total Debt	(149)	(150)	(189)	(328)	(393)
Available Borrowing Authority	151	150	111	(28)	(93)

GNWT'S FISCAL STRATEGY

The GNWT's fiscal strategy is to create a financial environment that will ensure adequate resources to support programs and service delivery on a sustainable basis. The GNWT has taken an active role both in the North and on the national stage to promote the unique needs of the NWT.

The cornerstone of the GNWT fiscal strategy is the *Fiscal Responsibility Policy*, which was developed to provide a coordinated approach to responsible spending, borrowing and debt repayment, including guidelines for debt and deficit limits and accountability

measures. Under this Policy, the GNWT will only borrow for infrastructure investments, self-liquidating investments, and repayable loan programs. The GNWT will not borrow for operating purposes. A minimum of 50 per cent of infrastructure investment will be financed through cash generated from operating surpluses. Therefore, only half of the GNWT infrastructure investment can be financed through short or long-term debt.

The 15th Assembly has practiced prudent financial management. Over the 2004-05 to 2007-08 period, \$107 million in additional funding has been invested in new initiatives with an additional \$162 million allocated to address increased costs of existing programs and services. However, expenditure reductions and cost savings of \$82 million were also implemented. From 2004-05 to the end of 2007-08, the GNWT will have invested \$406 million in capital projects.

As part of its fiscal strategy, the GNWT is consulting with NWT residents to develop a macroeconomic blueprint to identify both the economic goals that residents want to achieve and the investments that should be made to achieve these goals.

The GNWT cannot make the necessary investments, nor maintain its fiscal strategy, without federal co-operation in strengthening Territorial Formula Financing, increasing the authorized borrowing limit, and finalizing devolution of NWT natural resources and associated revenues to NWT governments.

Changes to Federal/Territorial Fiscal Arrangements

Territorial Formula Financing was changed dramatically in 2004, from separate, 5-year, formula-based agreements to a New Framework of a fixed total amount for all three territories set in federal legislation, escalated by 3.5 per cent annually after 2005-06. The total amounts for 2004-05 and 2005-06 were allocated based on each territory's average of previous Territorial Formula Financing shares; this was later extended to 2006-07. An Expert Panel on Equalization and Territorial Formula Financing was created to recommend allocation formulas for the total amounts of both Equalization and Territorial Formula Financing after 2005-06.

Since the introduction of this New Framework for Territorial Formula Financing, the GNWT has worked extensively with the federal government, the Expert Panel on Equalization and Territorial Formula Financing, the Council of the Federation Advisory Panel on Fiscal Imbalance and the Governments of the Yukon and Nunavut to make its concerns with the New Framework known and to work to a favourable solution. In 2006 the Panels released their reports, both supporting the joint territorial position, in particular that Territorial Formula Financing arrangements should return to principle-based arrangements, that the arrangements for each territory must be determined separately from those of the other territories, that the arrangements must be adequate and that fiscal arrangements should provide the territories with incentives to develop their economies and raise their own revenues.

In his *November 2006 Economic and Fiscal Update*, the federal Minister committed to strengthening Territorial Formula Financing and to announcing changes in the 2007 federal budget.

Changes to the Federally Imposed \$300 Million Borrowing Limit

Under the *Northwest Territories Act*, the GNWT requires federal government approval to borrow. The current authority allows the GNWT, including the Northwest Territories Power Corporation and Northwest Territories Housing Corporation, to incur debt up to a maximum of \$300 million. In 2006 the GNWT requested that Canada replace this limit with one tied to the GNWT's capacity to borrow.

The GNWT argued that the existing limit is too restrictive. Fully half of the limit is currently taken up by the guaranteed debt of the NWT Power Corporation, the NWT Energy Corporation and the NWT Housing Corporation and leaves little room for the expansion of other activities. As well, the GNWT has demonstrated prudent fiscal management and has adopted a *Fiscal Responsibility Policy* that sets clear guidelines and a responsible definition for acceptable borrowing limits. Furthermore, Moody's Investors Service, after analyzing the GNWT's fiscal position and fiscal strategy, including the *Fiscal Responsibility Policy*, and considering the potential of the robust NWT economy, issued their Aa3 credit rating for the GNWT in 2005. Moody's upgraded the GNWT credit rating to Aa1 on November 14, 2006.

The federal Minister of Finance has provided a favourable response to the GNWT request and plans to seek approval for an increase in the borrowing limit. The GNWT will continue to work with the federal government on this issue.

Devolution and Resource Revenue Sharing

The NWT's resource wealth is substantial. With proven and potential reserves of 75 tcf of natural gas, 12 billion barrels of oil, diamonds, and other minerals, it is not surprising that resource development has been the prime economic driver since 1999, and will likely continue to be in the foreseeable future. However, under current fiscal arrangements, governments in the NWT see little benefit from this development. Royalties (over \$ 1.1 billion from 1999-00 to 2005-06) accrue to the federal government. Although some tax revenue is generated, this has been limited, and much has been clawed-back through lower Territorial Formula Financing payments.

The devolution of the responsibility for non-renewable resources, along with a fair share of the associated revenues, continues to be a priority of the GNWT. The GNWT, together with Aboriginal governments, is discussing with the federal government a resource devolution agreement that includes a fair resource revenue sharing agreement, makes NWT residents the primary beneficiaries of the development of NWT resources, and allows the governments in the NWT to invest in the NWT's economic future.

The NWT needs investment if the NWT economy is to be developed to its fullest potential. However, devolution discussions have been progressing slowly. As recently as August 2006, the Prime Minister, in a visit to Yellowknife, stated that the North should be the "primary beneficiary" of northern resource development. However, agreement has yet to be reached on how this is to be achieved.

The federal government provides a large proportion of GNWT revenues through Territorial Formula Financing and it will be some time before the GNWT's dependency on this transfer is lessened. The dependency will not be reduced unless significant investments are made in the NWT's people, its infrastructure and its communities. These

investments cannot be made unless governments in the NWT achieve a significant net fiscal benefit from the revenues generated by the development of the NWT's non-renewable resources.

Territorial Formula Financing arrangements are meant to provide the GNWT with the fiscal resources to deliver public services at a level comparable with the provinces while recognizing the unique circumstances, including higher costs, in the North. The focus of Territorial Formula Financing is to measure the fiscal gap between what is needed to fund existing programs and services and what the GNWT can raise from its own sources. In fact, the main variables used to determine the expenditure side of the Grant (population and provincial-local government spending), are not linked to resource development. On the revenue side of the Grant, increases in tax revenues have been limited, and those that have occurred have been offset by a lower Grant. In short, Territorial Formula Financing arrangements were never designed to address the NWT's huge infrastructure gap, nor the particular stresses created by resource development.

A recent paper has concluded that "It is in the national and regional public interest that northern resource royalties be committed to developing sustainable northern economies and strong and healthy Aboriginal and northern communities."¹

The NWT cannot make the investments needed to expand the NWT economy within existing funding arrangements, which is why access to a fair resource revenue sharing agreement is critical. These investments would also benefit the rest of Canada by opening up new areas for development and would help diversify the NWT economy and improve the quality of life for NWT residents through better access to services, increased mobility and lower cost of living.

¹ Banta, Russell. "The Resource Curse and the Mackenzie Gas Project", *Policy Options*, December 2006-January 2007: 80-86.

Summary of Operations

	(thousands of dollars)			
	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
REVENUES	1,231,136	1,180,625	1,101,557	1,100,960
OPERATIONS EXPENSE				
Compensation and Benefits	230,508	221,251	217,038	203,836
Grants and Contributions	570,061	559,689	511,690	507,043
Other Expenses	297,931	293,024	283,425	304,896
Amortization	54,050	49,418	51,670	47,450
TOTAL OPERATIONS EXPENSE TO BE VOTED	1,152,550	1,123,382	1,063,823	1,063,225
OPERATING SURPLUS (DEFICIT) PRIOR TO ADJUSTMENTS	78,586	57,243	37,734	37,735
ESTIMATED SUPPLEMENTARY REQUIREMENTS				
Operations Expenditures – Regular	(25,000)	(25,000)	(15,000)	-
Operations Expenditures – Other	(25,000)	-	-	-
ESTIMATED APPROPRIATION LAPSES				
Infrastructure Contributions	8,000	8,000	-	-
Regular Operating Activities	8,000	6,000	8,000	-
WORK PERFORMED ON BEHALF OF OTHERS				
Recoveries	40,332	50,206	35,659	44,438
Expenditures	(40,332)	(50,206)	(35,659)	(44,438)
OPERATING SURPLUS (DEFICIT) FOR THE YEAR	44,586	46,243	30,734	37,735
ACCUMULATED SURPLUS AT THE BEGINNING OF THE YEAR	762,296	716,053	738,877	678,318
ACCUMULATED SURPLUS AT THE END OF THE YEAR	806,882	762,296	769,611	716,053

Summary of Revenues

	(thousands of dollars)			
	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
GRANT FROM CANADA	763,522	753,414	751,774	727,530
TRANSFER PAYMENTS	93,101	95,182	75,658	134,733
TAXATION REVENUE				
Personal Income Tax	72,395	56,560	46,829	41,004
Corporate Income Tax	119,141	80,430	45,178	16,983
Tobacco Tax	14,295	14,043	14,462	13,901
Fuel Tax	19,092	18,883	19,894	19,481
Payroll Tax	31,171	30,340	28,340	28,333
Property Tax and School Levies	17,864	17,720	15,249	14,760
Insurance Taxes	3,300	3,203	2,800	3,219
	277,258	221,179	172,752	137,681
GENERAL REVENUES				
Revolving Funds Net Revenue	21,561	20,923	20,923	20,201
Regulatory Revenues	12,411	12,055	12,396	12,388
Investment Income	6,848	18,606	10,106	14,647
Other General Revenues	3,339	3,491	3,230	2,023
	44,159	55,075	46,655	49,259
OTHER RECOVERIES				
Lease and Accommodations	238	272	1,175	1,584
Service	1,847	1,692	1,805	1,675
Program	28,552	31,683	30,530	27,581
Commodity Sales	88	98	48	26
Insurance Proceeds	60	60	60	1,393
Other Miscellaneous Recoveries	144	194	90	103
Recovery of Prior Years' Expenditures	3,000	3,000	3,000	5,318
	33,929	36,999	36,708	37,680
GRANTS IN KIND	533	597	582	627
CAPITAL				
Other	5,459	5,119	5,215	-
Deferred Capital Contributions	13,175	13,060	12,213	13,450
	18,634	18,179	17,428	13,450
TOTAL REVENUES	1,231,136	1,180,625	1,101,557	1,100,960

Summary of Operations Expenditures By Department

(thousands of dollars)

	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
Legislative Assembly	16,294	14,542	14,536	8,392
Executive	122,038	124,311	104,873	102,942
Finance	11,461	7,959	7,953	6,424
Municipal and Community Affairs	114,656	124,261	105,512	127,402
Public Works and Services	51,800	50,483	47,140	45,717
Health and Social Services	277,395	267,273	265,186	262,016
Justice	88,441	86,206	83,800	81,580
Education, Culture and Employment	286,150	269,326	259,205	257,577
Transportation	88,302	82,607	82,973	80,853
Industry, Tourism and Investment	38,869	39,257	37,934	34,591
Environment and Natural Resources	57,144	57,157	54,711	55,731
TOTAL OPERATIONS EXPENDITURES	1,152,550	1,123,382	1,063,823	1,063,225

Summary of Capital Investment Expenditures by Department

(thousands of dollars)

	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
Legislative Assembly	-	110	110	-
Executive	7,717	2,501	1,000	512
Finance	-	-	-	-
Municipal and Community Affairs	-	7,041	2,610	11,012
Public Works and Services	8,389	17,215	9,253	4,011
Health and Social Services	10,109	20,179	13,101	5,177
Justice	618	5,588	4,029	987
Education, Culture and Employment	30,565	40,029	28,382	11,960
Transportation	47,043	52,197	46,325	55,098
Industry, Tourism and Investment	1,810	3,402	2,783	1,136
Environment and Natural Resources	2,378	21,421	3,027	1,596
TOTAL CAPITAL INVESTMENT EXPENDITURES	108,629	169,683	110,620	91,489

Summary of Changes in Capital Assets and Amortization

(thousands of dollars)

	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
BEGINNING OF THE YEAR				
Cost of Capital Assets in Service	1,620,590	1,527,195	1,556,044	1,490,390
Accumulated Depreciation	(630,373)	(580,955)	(585,096)	(533,505)
Net Book Value	990,217	946,240	970,948	956,885
CHANGES DURING THE YEAR				
Capital Assets Put into Service	104,393	101,479	111,502	48,415
Disposals	-	(8,084)	-	(11,610)
Amortization	(54,050)	(49,418)	(51,670)	(47,450)
NET BOOK VALUE OF CAPITAL ASSETS IN SERVICE AT THE END OF THE YEAR				
	1,040,560	990,217	1,030,780	946,240
Work in Progress on Multi-year Projects	154,289	142,053	105,731	100,849
TOTAL NET BOOK VALUE AND WORK IN PROGRESS				
	1,194,849	1,132,270	1,136,511	1,047,089
CALCULATION OF CAPITAL INVESTMENT				
Capital Investment per Infrastructure Acquisition Plan	108,629	169,683	110,620	91,489
Supplementary Reserve	12,000	7,000	12,000	-
Carry-over of Appropriations from the Previous Year	30,000	-	26,000	-
Estimated Appropriations for Incomplete Projects Continued in Subsequent Year	(30,000)	(30,000)	(26,000)	-
Estimated Appropriation Lapses	(4,000)	(4,000)	(4,000)	-
Capital Investment Expenditures	116,629	142,683	118,620	91,489
CALCULATION OF ASSETS PUT INTO SERVICE				
Work in progress, beginning of the year	142,053	100,849	98,613	57,775
Capital Investment Expenditures	116,629	142,683	118,620	91,489
Less work in progress, end of the year	(154,289)	(142,053)	(105,731)	(100,849)
Assets put into service	104,393	101,479	111,502	48,415

Summary of Cash Flows

	(thousands of dollars)			
	2007/2008 Main Estimates	2006/2007 Revised Estimates	2006/2007 Main Estimates	2005/2006 Actuals
OPERATING TRANSACTIONS				
Cash Received From:				
Canada	993,794	896,679	881,439	1,068,033
Other Revenues	225,530	231,562	204,332	304,820
	1,219,324	1,128,241	1,085,771	1,372,853
Cash Paid For:				
Operations Expenses	(1,130,631)	(1,083,065)	(1,024,959)	(1,024,995)
Projects Performed for Others	-	-	-	(171,114)
Cash Provided By (Used For) Operating Transactions	88,693	45,176	60,812	176,744
CAPITAL TRANSACTIONS				
Capital Investment (current year)	(111,742)	(118,705)	(113,150)	(88,435)
Capital Investment (prior year)	(5,978)	(3,833)	(4,936)	-
Proceeds from Disposal of Capital Assets	-	-	-	8,057
Capital Contributions Received and Deferred	18,785	19,694	19,694	23,168
Cash Provided By (Used For) Capital Transactions	(98,936)	(102,844)	(98,392)	(57,210)
INVESTING TRANSACTIONS				
Designated Cash and Investments Purchased	-	-	-	(124)
Loans (Net of Repayments)	(3,800)	(3,800)	(4,450)	3,304
Cash Provided By (Used For) Investing Transactions	(3,800)	(3,800)	(4,450)	3,180
FINANCING TRANSACTIONS				
Repayment of Capital Lease Obligations	(2,641)	(2,641)	(2,641)	(1,273)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,684)	(64,109)	(44,671)	121,441
Repayment of Corporate Income Tax Overpayment	(25,929)	(290,424)	(290,457)	(29,298)
Cash and Cash Equivalents at the Beginning of the Year	(7,836)	346,697	256,837	254,554
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(50,449)	(7,836)	(78,291)	346,697

Summary of Total Debt and Estimated Borrowing Capacity

(thousands of dollars)

	<u>2007/2008 Main Estimates</u>	<u>2006/2007 Revised Estimates</u>	<u>2006/2007 Main Estimates</u>	<u>2005/2006 Actuals</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(50,449)	(7,836)	(78,291)	346,697
GUARANTEED DEBT				
NWT Power Corporation	(89,728)	(92,279)	(94,670)	(96,532)
NWT Energy Corporation	(21,775)	(22,212)	(22,212)	(22,618)
NWT Housing Corporation	<u>(27,316)</u>	<u>(28,178)</u>	<u>(28,155)</u>	<u>(28,984)</u>
TOTAL GUARANTEED DEBT	<u>(138,819)</u>	<u>(142,669)</u>	<u>(145,037)</u>	<u>(148,134)</u>
TOTAL (DEBT) SURPLUS	<u>(189,268)</u>	<u>(150,505)</u>	<u>(223,328)</u>	<u>(148,134)</u>
AUTHORIZED BORROWING LIMIT	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
AVAILABLE BORROWING CAPACITY	<u>110,732</u>	<u>149,495</u>	<u>76,672</u>	<u>151,866</u>

Provincial and Territorial Tax Rates at January 18, 2007

	Combined Top Marginal PIT rate ^(a) (%)	Retail Sales Tax (%)	Fuel Tax ^(b)		Tobacco Tax on Cigarettes (\$/carton) ^(c)	Payroll Tax ^(d) (%)	Corporate Income Tax		Capital Tax ^(e) (%)
			Gas (¢/litre)	Diesel (¢/litre)			Small (%)	Large (%)	
Northwest Territories	43.05	-	10.7	9.1	42.00	2.00	4.0	11.5	-
Nunavut	40.50	-	6.4	9.1	42.00	2.00	4.0	12.0	-
Yukon	43.04	-	6.2	7.2	26.40	-	4.0	15.0	-
British Columbia	43.70	7.0	14.5	15.0	35.80	-	4.5	12.0	0/3.0
Alberta	39.00	-	9.0	9.0	32.00	-	3.0	10.0	-
Saskatchewan	44.00	5.0	15.0	15.0	36.60	-	4.5	13.0	0.3/3.25
Manitoba	46.40	7.0	11.5	11.5	35.00	2.15	3.0	14.0	0.3/3.0
Ontario	46.41	8.0	14.7	14.3	24.70	1.95	5.5	14.0	0.285/0.855
Quebec	48.22	7.5	15.2	16.2	20.60	4.26	8.0	9.9	0.49/0.98
New Brunswick	46.84	8.0	14.5	16.9	23.50	-	1.0	12.0	0.2/3.0
Nova Scotia	48.25	8.0	15.5	15.4	31.04	-	5.0	16.0	0.25/4.0
Prince Edward Island	47.37	10.0	20.4	20.0	34.90	-	5.4	16.0	0/5.0
Newfoundland	48.64	8.0	16.5	16.5	36.00	2.00	5.0	14.0	0/4.0
Weighted average ^(f)	45.75	6.8	14.2	14.4	27.09	1.88	5.5	12.4	

Notes:

- (a) Combined federal-provincial/territorial highest personal income tax rates in effect for the 2006 tax year.
- (b) Quebec, New Brunswick, Nova Scotia and Newfoundland apply sales tax to fuel. The NWT's off-highway gasoline tax rate is 6.4 cents/litre.
- (c) Saskatchewan, Manitoba, New Brunswick, Nova Scotia and Newfoundland apply sales tax to tobacco products.
- (d) The NWT and Nunavut levy payroll taxes on employees. Other provinces that levy payroll taxes provide exemptions for small business and/or the rates vary depending on the payroll size.
- (e) Capital tax rates are for large corporations and for financial institutions in the order shown. The tax bases are different for different types of companies.
- (f) Average weighted by provincial/territorial populations at July 1, 2006.