OntarioFinancingAuthority
bulletin

Ontario

www.ofina.on.ca July 26, 2004

2004-05 First Quarter Ontario Finances

2004-05 Long-Term Public Borrowing Program

Long-term public borrowing requirements for the Province and Ontario Electricity Financial Corporation (OEFC) for 2004-05 are estimated at $23.8 billion, $1.6 billion lower than in 2003-04. Over 70 per cent of these requirements are to refinance debt maturities of $16.1 billion and early debt redemptions of $1.0 billion. Changes from the Budget Plan are primarily attributable to a $0.1 billion reduction in Canada Pension Plan borrowing and a $0.1 billion increase in short-term borrowing.

Consolidated Borrowing Program		**2004-05**		
($ Billions)	**Interim 2003-04**	**Budget Plan**	**Current Outlook**	**In-Year Change**
Deficit	6.2	2.2	2.2	-
Adjustments for:				
Non-Cash Items Included in Deficit	(1.3)	3.2	3.2	-
Amortization of Major Tangible Capital Assets	(0.8)	(0.8)	(0.8)	-
Acquisitions of Major Tangible Capital Assets	1.3	1.6	1.6	-
Debt Maturities	13.3	16.1	16.1	-
Debt Redemptions	1.6	1.0	1.0	-
Canada Pension Plan Borrowing	(0.1)	(1.1)	(1.0)	0.1
Increase/(Decrease) in Cash and Cash Equivalents	0.9	-	-	-
Decrease/(Increase) in Short-Term Borrowing	1.3	0.2	0.1	(0.1)
Other Uses/(Sources) of Cash	3.0	1.4	1.3	-
Long-Term Public Borrowing Requirement	**25.4**	**23.8**	**23.8**	**-**

Note: Numbers may not add due to rounding.

Borrowing Program Status ($ Billions)	**Completed**	**Remaining**	**Total**
Province	4.7	**14.9**	19.6
OEFC	1.1	**3.1**	4.2
Total	**5.8**	**18.0**	**23.8**

As of June 30, 2004, $5.8 billion of the program had been completed. Since the end of the quarter, the Province has raised an additional $2.4 billion. With just over a quarter of the fiscal year complete, the Province has funded almost 35 per cent or $8.3 billion of its borrowing program.

To date, the Province has used a number of instruments to diversify its long-term borrowing program. In the domestic market, Ontario has issued a variety of Domestic Medium Term Notes (DMTNs) with different terms and structures to meet specific investor preferences. These include a domestic bond auction, Floating Rate Notes (FRNs) and structured notes targeted to retail investors. Ontario has also raised $1.1 billion from the tenth annual Ontario Savings Bond program.

In the international markets, the Province raised $1.3 billion from a US$1 billion U.S. dollar global issue and launched three institutionally-targeted issues from its Euro Medium Term Note (EMTN) program, including Ontario's first Sterling denominated EMTN since 1998.

Borrowing Approach

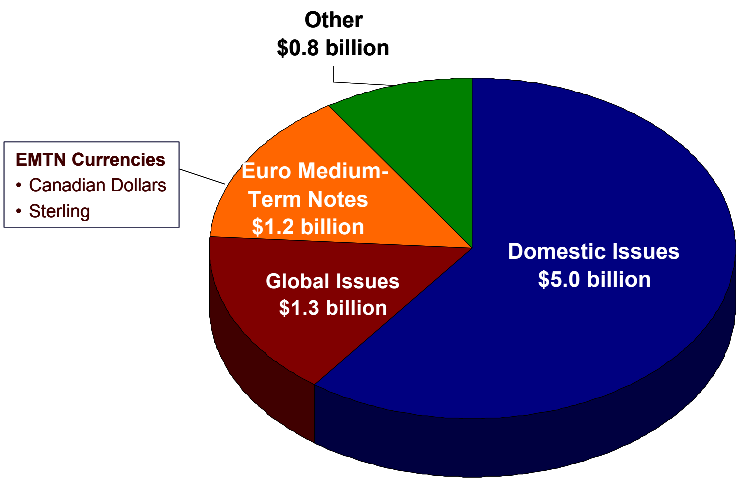
To meet its 2004-05 long-term public borrowing requirements, the Province will maintain its flexible approach to borrowing by monitoring and accessing both domestic and international capital markets.

The Province will consider a wide variety of instruments to diversify its debt portfolio and to meet investor preferences. For instance, the Province will continue to issue structured products from its DMTN program as well as FRNs. In addition, Ontario expects to hold a number of bond auctions in 2004-05. The Province will also access international markets as cost-effective opportunities arise. For instance, it is anticipated that the Province will continue to raise additional funds from the U.S. dollar global and Euro Canadian markets.

2004-05 Long-Term Public Borrowing Program

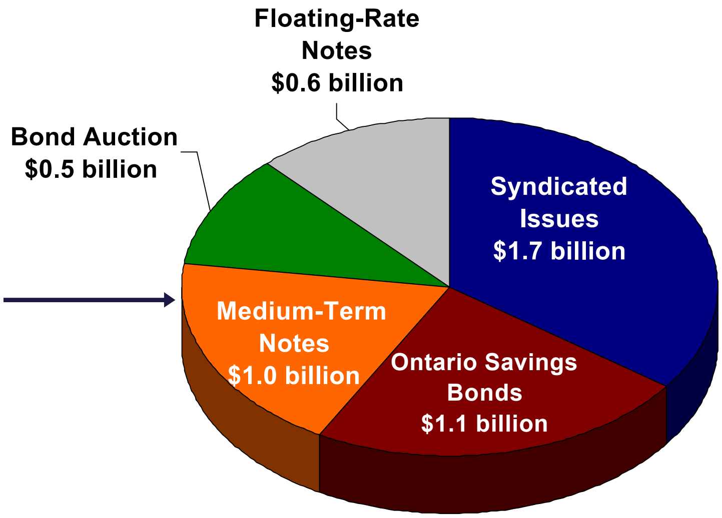
Total Long-Term Public Borrowing

$8.3 billion completed



Domestic Issues by Sector

$5.0 billion completed



As of July 26, 2004
Note: Numbers may not add due to rounding.

Medium-Term Borrowing Outlook

Medium-Term Outlook: Consolidated Provincial Borrowing Program*

($ Billions)	2004-05	2005-06	2006-07	2007-08
Deficit/(Surplus)	2.2	2.1	1.5	0.0
Estimated Adjustments to Non-Cash Items Included in Deficit	2.4	1.2	1.1	1.1
Acquisitions of Major Tangible Capital Assets	1.6	1.7	1.9	1.7
Debt Maturities				
Currently Outstanding	16.1	18.9	11.8	9.7
Incremental Impact of Future Refinancing	-	-	2.1	5.6
Subtotal	16.1	18.9	13.9	15.3
Debt Redemptions	1.0	1.0	1.0	1.0
Canada Pension Plan Borrowing	(1.0)	(1.2)	(0.4)	(0.4)
Decrease/(Increase) in Short-Term Borrowing	0.1	-	-	-
Other Uses/(Sources) of Funds	1.3	0.2	-	0.1
Estimated Long-Term Public Borrowing Requirement	**23.8**	**23.9**	**19.0**	**18.8**

*As of June 30, 2004.

Note: Numbers may not add due to rounding.

Ontario Strategic Infrastructure Financing Authority (OSIFA)

- Announced in the 2004 Ontario Budget, OSIFA provides municipalities and the broader public sector with affordable and efficient financing for critical public infrastructure needs.
- The OSIFA approach offers interest rates that are lower than many borrowers could obtain from traditional financing sources, savings on transaction costs and longer financing terms than are generally available through commercial lenders.
- OSIFA's 2004-05 infrastructure renewal loan program will focus on municipalities. The program will expand to include school boards, hospitals, colleges & universities, municipal long-term care facilities and affordable housing providers.
- Infrastructure Renewal Bonds (IRBs) will fund OSIFA's infrastructure renewal loan program. IRB's will be offered to institutional and individual investors. The first issue of IRB's is expected to be launched in the fall 2004.
- **IRB's will not be guaranteed by the Province and therefore will impose accountability and discipline on OSIFA's public sector borrowers.**

Debt Management

Ontario's Debt

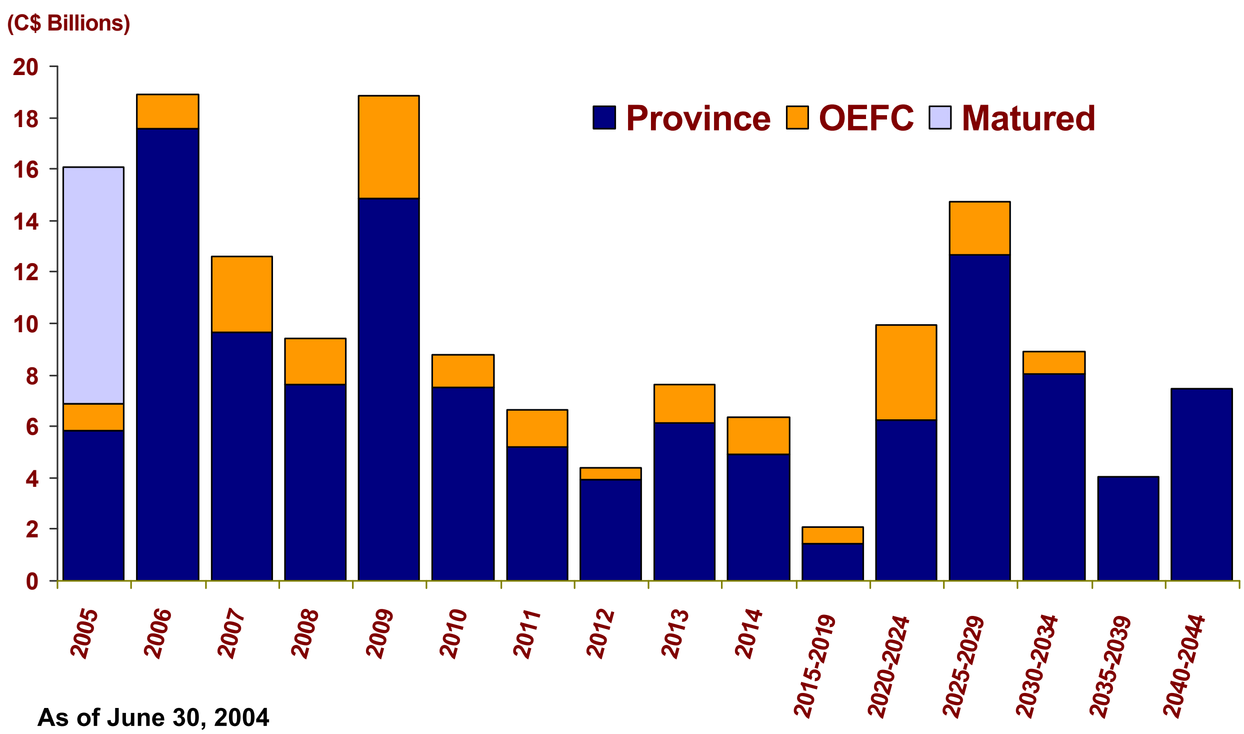
Province of Ontario Debt Portfolio
(Interim as of June 30, 2004)

Debt[1]		Risk Exposures	Current	Policy Limit
Net Debt*	$142.4 billion	**Province**		
Net Debt/GDP	27.7%	Interest Rate Reset Exposure	11.9%	25.0%
Debt Statistics (Total Debt)**		Foreign Exchange Exposure	1.2%	5.0%
Percentage Publicly Held	83%	**OEFC**		
Percentage Issued in Canadian Dollars	80%	Floating Rate Exposure	18.1%	20.0%
Effective Interest Rate (Weighted Average)[2]	6.7%	Foreign Exchange Exposure	0%	5.0%

* Net Debt represents the difference between total liabilities and total financial assets of the province.
** Total Debt represents consolidated non-public and publicly held debt of the Province.

[1]Current outlook for 2004-05.
[2]As of March 31, 2004.

Ontario's Long-Term Debt Maturity Profile



Fiscal year ending March 31

Province of Ontario debt and Ontario Electricity Financial Corporation (OEFC) debt as of June 30, 2004. The Province borrows on OEFC's behalf. In return, the OEFC issues debt to the Province.

Excludes Province of Ontario and OEFC short-term debt and other liabilities. Assumes issues with options will be retired at the earliest possible date.

Fiscal and Economic Outlook

Ontario

Fiscal Summary

($ Millions)				
		2004-05		
	Interim 2003-04	Budget Plan	Current Outlook**	In-Year Change
Revenue*	68,250	78,360	78,364	4
Expense				
Programs	62,518	66,695	66,695	-
Capital	2,202	2,575	2,575	-
Interest on Debt	9,752	10,329	10,329	-
Total Expense	74,472	79,599	79,599	-
Reserve	-	1,000	1,000	
Surplus / (Deficit)	**(6,222)**	**(2,239)**	**(2,235)**	4

*Includes one-time revenue gain of $3,881 million related to the projected elimination of the liability for non-utility generator power purchase agreements in 2004-05.
** Updated as of June 30, 2004 as presented in the 2004-05 First Quarter Ontario Finances.

Source: Ontario Ministry of Finance

2004-05 In-Year Performance

Deficit Outlook at $2.2 Billion

The 2004-05 current deficit outlook has improved by $4 million from the fiscal outlook presented in the Budget Plan. As at June 30, 2004, a deficit of $2,235 million is projected for 2004-05.

Revenue at $78.4 Billion

The revenue outlook, at $78,364 million, is up a net $4 million from the Budget Plan mainly due to an increase in the Personal Income Tax revenue outlook as a result of preliminary information on tax assessments for 2003 and prior years, partially offset by decreases in Corporations Tax revenue and other taxation revenues.

Expense at $79.6 Billion

Total expense, at $79,599 million, is unchanged from the fiscal outlook presented in the Budget Plan.

Reserve at $1.0 Billion

The Budget Plan includes a $1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

Economic Outlook

Ontario Economic Highlights (Annual Average, Per Cent)

	2001	2002	2003	2004p	2005p	2006p	2007p
Real GDP Growth	1.6	3.7	1.6	2.3	3.2	3.3	3.4
Unemployment Rate	6.3	7.1	7.0	6.7	6.5	6.2	5.9
CPI Inflation	3.1	2.0	2.7	1.9	2.1	1.9	1.8

p = projection.
Sources: Statistics Canada and Ontario Ministry of Finance.

The Ontario economy is expected to gain momentum in 2004 and to rebound from the series of shocks that slowed economic growth in 2003.

Ontario's real gross domestic product (GDP) is forecast to grow by 2.3 per cent in 2004, and an average of 3.3 per cent over the period from 2005 to 2007.

This growth will foster strong job creation and rising incomes. Inflation is expected to remain contained at around two per cent per year.

Background Information

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

Address
Investor Relations
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario
Canada M7A 1Y7

Telephone and Fax Numbers
Telephone (416) 325-0918
Fax (416) 204-7946

Web Site and E-mail Address
www.ofina.on.ca
investor@ofina.on.ca