FW: FAO Meeting

From: "Schuurman, Tim (MOF)" <tim.schuurman@ontario.ca>
To: "Ghiassi, Ali (MOF)" <ali.ghiassi@ontario.ca>, "Mendes, Elizabeth (MOF)" <elizabeth.mendes@ontario.ca>
Date: Wed, 03 May 2017 10:41:56 -0400

Hey guys --- here's a summary of the FAO meeting, fyi.

We met with David West, Jeff Novak and the rest of the FAO team today as part of our post-Budget discussions and disclosure with them, along with our colleagues from TBS. They had provided us with a detailed list of questions ahead of time, as well as a request for data.

Data requests, which we are in the process of fulfilling, include the provision of the underlying revenue and expense forecast details for the out-years (same format for 18-19, 19-20, and 20-21 which we provide for in the budget up to 17-18), the detailed costing of signature Budget investments (Pharmacare, child care, Fair Hydro Plan, Caregiver Credit), and other background information on revenue and net debt. By end of day, we hope to have provided them with all the detailed data they asked for.

They plan on releasing their Economic and Fiscals Outlook by the end of May, and indicated that they'll give us the traditional opportunity to review the report and provide edits and factual corrections. Given their line of questioning and what David explicitly indicated at the meeting, we can probably expect the following:

- The FAO's economic outlook will be "in line" with the government's forecast, but they will continue to highlight the risks. Its expected they will continue to consider the revenue forecast optimistic.
- From a fiscal perspective, they expect their forecast will result in a "very small deficit" in 2017-18, but highlighting that "with action" the government could still balance the budget. The deficit will grow in the out-years.
- They will continue to be based on an outlook excluding the reserve, and with a "stacked bar" approach to indicate both what the outlook would be relative to the government's accounting approach, as well as with the AG's pension asset accounting treatment taken on.
- With respect to the Fair Hydro Plan, staff indicated that it seemed like "a lot of work to keep the costs out of the fiscal plan" indicating they may consider the costs being borne by ratepayers to also potentially be fiscal costs that should be included in the fiscal plan. They are continuing to work with Energy on reviewing the FHP costs (not clear how this dovetails with that work).
- We also had a discussion on the net debt to GDP outlook and target. They asked Gadi to walk them through their underlying assumptions for the 35% and 27% target timelines. Debt burden is something the FAO is likely to focus on as well.
- FAO staff also seemed keenly interested in the relationship between housing market assumptions and the revenue outlook, the role of federal transfers, how much in asset optimization is built into 17-18, and the amount of savings built into the spending plan. These are likely priority areas they are focussing on as part of their fiscal review.

Finally, its worth noting that this was the first post-Budget discussion and provision of information under the OIC passed last summer/fall. Some of the information provided to them was provided as Cabinet confidence and they are aware of their obligations in respect of disclosure on these.

Tim Schuurman
Assistant Deputy Minister
Office of the Budget, Ministry of Finance
7 Queen's Park Cres.
Toronto ON M7A 1Z1
Tel: 416-327-0173