



Graph 1 Source: Nesbitt Burns –Economic Research Apr 8/04

RBC – Provincial Outlook Apr/04



Graph 2 Source: Nesbitt Burns –Economic Research Apr 8/04

RBC – Provincial Outlook Apr/04

The Canadian dollar has remained strong due to US deficit budgets and Canadian surplus budgets. This strength is expected to continue throughout 2004. However, the continued higher Canadian dollar is beginning to affect the manufacturing industries as less attractive financial results begin to materialize and job losses are starting to appear.

The Bank of Canada has indicated that the economy is significantly below potential, which has led analysts to assume that interest rate increases should not be expected any time soon.

British Columbia – Economic Summary

British Columbia was hit hard in 2003, first with the events that affected the entire country such as SARS and BSE, and then by the devastating forest fires, followed by massive floods. These events, along with the increased Canadian dollar have affected the tourism industry across the Province.

The Province however, is recovering well. Construction is booming with the strong housing market and the 2010 Olympics in the forefront. The improvement in the economic performance of British Columbia relative to the rest of Canada has resulted in a higher net inter-provincial migration (more people moving into the province than leaving). BC is also expected to attract an increased share of immigrants from other countries, which will result in a higher increase in population growth than experienced over the last several years.

The continued improvement in international trade should help to boost BC exports during 2004. Trade with the United States however, may be hampered if the Canadian dollar remains strong.

Surrey's Financial Performance

The level of development in the first quarter of the year continues to exceed expectations. This is primarily related to growth in the residential housing market. This pace of growth is expected to remain strong through 2004. However analysts predict that it should begin to decline in 2005 as pent-up demand is satisfied. Overall, it is expected that the revenue collected from development will exceed budget targets.

The following graphs show how the first quarter of the year compare to previous years' results for the same time period.

Graph 3



Graph 3 shows that application fees collected in the first quarter of this year are comparable to the value collected in the first quarter of 2003. It is expected that we will exceed our 2004 budget figures.



Graph 4



Graph 5

Graph 4 shows Land Development activity. The activity for the first part of the year is comparable with that of the first quarter in 2003. It is expected that Land Development fees will exceed budget expectations for 2004. The Development Cost Charges that have been collected in the first quarter are comparable to those collected in the first quarter of 2003. It is expected that the 2004 target will be met.



Building permit fees collected for the first quarter of the year are higher than expected due to the continued strong activity in the housing market. Even if this activity slows down in the final part of the year, it is expected that budget revenue targets will be exceeded.

Graph 6

The value of new construction is converted into taxable assessed values and is considered to be the 'growth' component of our annual property tax levy. The number of permits issued may decline but this does not necessarily mean that our property tax growth will also decline. The tax rate for commercial/industrial properties is almost three times that of residential property. This means that a commercial property with the same assessed value as a residential property will generate three times the amount in property taxes. It is important to compare the mix of property classes from one year to the next, in order to determine whether or not the actual value of 'growth' is increasing or decreasing.



Graph 7 Graph 8

Graph 7 shows that the construction value of commercial/industrial building permits for the first quarter of the year are slightly above last year's experience. Overall, the value of new construction in the City for the first quarter of the year

exceeds the first quarter results for each time period for each of the last five years.



Graph 9

Graph 10

Graph 9 shows that the overall assessed value of new growth has continued to increase in 2003. Graph 10 shows the results when the tax rates are applied to these assessed values. 2003 shows an increase in the amount of taxes that we will be collecting for Commercial/Industrial properties. The increased building activity in 2003 has helped increase the tax dollars attributable to growth in 2004.

Graph 11



Graph 12

In 2004 we have continued to increase our business licensing revenues by renewing existing licences and also by actively pursuing new ones (Graph 11). Overall, we expect that our licencing revenue will meet our budgeted expectations.

Comparison of Actual versus Budget

The graphs below illustrate the variances between the actual and the budgeted revenues and expenditures for the first quarter.



Graph 13

Graph 14

Appendix 1 shows these revenues and expenditures at a more detailed level. Departments are closely monitoring their actual results on a monthly basis. Following are explanations of significant variances from the adopted 2004 Financial Plan:

City Manager's Department is currently reporting a favourable variance of \$230,000. This is primarily due to temporary departmental vacancies in By-law Enforcement, Legislative Services and Administration as well as revenue increases from filming revenues and property clean-ups.

Engineering is reporting a \$420,000 favourable variance, most of which is due to increased Land Development activities, and seasonal fluctuations.

Finance, Technology & HR is currently under budget by \$260,000. This is primarily due to temporary departmental vacancies.

Fire Services has a favourable variance of \$270,000 due to improved use of the staffing pool, temporary vacancies and policy revisions.

Library Services is currently showing a small surplus of \$50,000, which is due to the timing of collection and material acquisitions.

Parks, Recreation & Culture is showing a favourable departmental variance of \$200,000. This is primarily due to timing variances and temporary vacancies.

Planning and Development is reporting a favourable variance of \$160,000 due primarily to increased development activity

RCMP is currently showing a small favourable variance of \$50,000. This is largely due to temporary savings on the policing contract that are expected to be eliminated by the end of the year.

Mayor and Council is currently showing a small favourable variance of \$27,000. This is due to a vacant position.

Council Projects: As additional information, we have also included an update of allocations that have been made by Council to date in 2004. The details of those allocations are located in Appendix 2.

City Investment Portfolio

The schedules in Appendix 3 include a summary of our investment portfolio. Schedule 1 is a summary of investments by issuer type, with comparative totals for each month-end from January through March. Schedule 2 is a detailed listing of securities as at March 31, 2004 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$474 million, approximately 60% is dedicated

to non-discretionary, statutory and restricted reserves. A further 20% supports the capital work in progress, leaving 20% available for day-to-day City operations.

The performance of the City's investment portfolio is measured against comparative MFA and Scotia McLeod indices. Once again in the first quarter of 2004 Surrey has outperformed these benchmarks. When projecting the investment interest revenues in our 2004 Financial Plan, we anticipated interest rates would rise in the first quarter. The interest rates have dropped in the first quarter. Consequently our interest revenues are slightly under what was budgeted.

CONCLUSION

The development activity experienced in 2003 has continued in the first quarter and is expected to continue for the remainder of 2004. The 2004 adopted budget required a transfer from surplus of \$2.9 million. Based on the favourable first quarter financial results and the anticipated continuation of development activity, it is expected that this transfer will not be required at the end of the year.

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Appendix 1

Appendix 2

Appendix 3