



Graph 1 Source: Nesbitt Burns Focus July 2, 2004

Graph 2 Source: Nesbitt Burns Focus July 2, 2004

RBC Provincial Outlook May/04

BNS Provincial Pulse July 2, 2004

The Canadian dollar has remained strong due to anticipated US trade deficits and is expected to remain that way, well into 2005. Despite the appreciated Canadian dollar, exports continue to remain strong due to increased world demand.

With the economy recovering from the previous years economic weaknesses, the Bank of Canada is now expected to raise interest rates in the fall.

British Columbia – Economic Summary

British Columbia was hit hard in 2003 by a number of external factors, however despite these setbacks the outlook is good with BC outperforming the national economy.

The Province is recovering well with economic growth expected to exceed 3% this year and international tourism rising. Consumer spending remains strong, and the housing market is still growing. Overall growth is expected to remain strong with 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 will continue to help boost BC exports during 2004, which does not appear to have been affected by the strong Canadian dollar.

Surrey's Financial Performance

The level of development in the second 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 due to the higher net inter-provincial and international migration into BC, particularly in the Lower Mainland. However analysts predict that it could 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 second 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 second quarter of this year exceed the value collected in the second 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 half of the year is comparable with that of the first half of 2003. It is expected that Land Development fees will exceed budget expectations for 2004. The Development Cost Charges that have been collected in the second quarter firmly exceed those collected in the second quarter of 2003. It is expected that the 2004 target will be surpassed.



Building permit fees collected for the first half 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. However due to the tax rate for commercial/industrial properties being almost three times that of residential property, 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 half of the year are slightly above last year's experience. Overall, the value of new construction in the City for the second quarter of the year exceeds the second quarter results fairly consistently in each of the same periods over 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. It is expected that the increased building activity in 2004 (graphs 7 & 8) will continue the trend of increased property taxes generated by new growth in 2005 and 2006.

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 City has received \$467,000 for our share of the gaming revenue generated by the new Casino. It is projected that the total gaming revenue to be received for the year will be approximately \$1.4 million. All the gaming revenue is being transferred to capital and is available for future capital needs.

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 reporting a year-to-date favourable variance of \$0.9 million primarily due to revenue increases from filming recoveries and business licences as well as some departmental vacancies. It is projected that the annual favourable variance at year-end will remain at approximately \$0.9 million.

Engineering is reporting a \$1.4 million year-to-date favourable variance, most of which is due to increased Land Development activities, and seasonal fluctuations. Engineering is expecting to achieve a year-end favourable variance of approximately \$1.0 million.

Finance, Technology & HR is currently favourable to budget by \$1.1 million primarily due to timing of professional/consulting fees and temporary departmental vacancies. It is anticipated that the year-end projection is for a \$1.0 million favourable variance.

Fire Services has a favourable year-to-date variance of \$0.8 million due primarily to improved use of the staff management for career and volunteers for emergency response, timing of ECOMM participation, timing of uniform and gear purchases. Fire is projecting an annual favourable variance of \$0.6 million.

Library Services is currently showing a year-to-date favourable variance of \$0.4 million, which is primarily due to the timing of collection and material acquisitions and to temporary vacancies. It is expected that Library Services will be on budget by year-end.

Parks, Recreation & Culture is showing a year-to-date favourable variance of \$0.3 million, primarily due to reduced expenditures to offset lower than anticipated drop-in revenue and annual pass sales. It is projected that the annual variance to budget will be favourable by \$0.45 million.

Planning and Development is reporting a favourable year-to-date variance of \$0.9 million primarily due to increased development activity. This trend is expected to continue to year-end resulting in a projected favourable variance of \$1.9 million.

RCMP is currently showing a favourable year-to-date variance of \$0.7 million primarily due to timing of the policing contract costs much of which is expected to be consumed by the end of the year. By year-end, this department is expected to have a favourable variance to budget of \$470,000. This one-time variance will be allocated directly back to RCMP capital needs.

Mayor and Council is currently showing a small favourable variance of \$88,000 primarily due to a vacant position. The projected year-end favourable variance is approximately \$100,000.

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 April through to June. Schedule 2 is a detailed listing of securities as at June 30, 2004 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$562 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.

CONCLUSION

The 2004 adopted budget required a transfer from surplus of \$2.9 million. It is anticipated that the development activity experienced in the first half of 2004 will continue for the remainder of 2004. As well, the City is continuing its diligent efforts to manage costs. As a result, the City is projecting a net annual surplus of approximately \$4.7 Million, in addition to not needing the budgeted transfer of \$2.9 Million from surplus. A separate Corporate Report recommends the allocation of this \$4.7 Million for capital projects to meet urgent community needs for approval by Council.

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Appendix 1

Appendix 2

Appendix 3