

recession and the European economy is mixed, making it unlikely that another trade partner will have a more rapid pace of domestic demand than the US. As long as the US continues with a widening trade imbalance, their economic recovery will be hindered.

Canada – Economic Summary

Canada has begun 2005 with a strong start as GDP for January exceeded 3%. This is primarily due to strong manufacturing and retail trade, which were offset by a fall in housing starts and weak exports. GDP is expected to finish the year off at around 2½% and hold stable through 2006.

The Canadian economy is stable due to increasingly diversified service-orientated regional economies that have helped job creation, and a countrywide construction boom supported by public sector infrastructure projects. However, both the export markets and the tourism markets are soft due to the strong dollar and weak international economic performances. This may improve as a result of recent reports from the Gomery Inquiry, which has created an atmosphere of political uncertain, causing the Canadian dollar to fall. Despite this, Canada is expected to maintain stable inflation and interest rates through 2005.



Graph 1 Source: Nesbitt Burns –Economic Research March/05

Graph 2 Source: Nesbitt Burns –Economic Research March/05

BC Ministry of Finance March/05

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British Columbia – Economic Summary

BC's strong economy is supported by above average population, labour force and employment growth. The elimination of the provincial deficit has also provided opportunity for economic stimulus and flexibility to support future demands for the 2010 Olympics.

BC is expected to maintain a strong growth pattern in the coming year. US trade, residential housing starts, and higher commodity prices will help BC in 2005. On a cautionary note the ongoing softwood lumber dispute, a struggling tourism industry or a steeper than expect drop in forestry or energy prices could impact BC's performance in the upcoming year.

Strong housing starts are expected to continue into 2005, driven by continued pent-up demand and low interest rates. The continued improvement in international trade should also help to boost BC exports during 2005. 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 2005. However analysts predict that it should begin to decline in late 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 2004. It is expected that we will exceed our 2005 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 2004. It is expected that Land Development fees will exceed budget expectations for 2005. The Development Cost Charges that have been collected in the first quarter exceed those collected in the first quarter of 2004. It is expected that the 2005 target will be met.



Building permit fees collected for the first quarter of the year are slightly lower than in 2004, but still exceed the 2003 level.

Activity in the housing market is still strong and it is expected that budget revenue targets will be exceeded again in 2005.

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 the construction value of commercial/industrial building permits for the first quarter of the year, which is significantly above last year's experience. This is consistent with the efforts by Council to enhance Commercial Development within the City. 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 2005. Graph 10 shows the results when the tax rates are applied to these assessed values. 2005 shows an increase in the amount of taxes that we will be collecting for Commercial/Industrial properties. The increased building activity in 2004 has helped increase the tax dollars attributable to growth in 2005.



Graph 11

Graph 12

In 2005 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 2005 Financial Plan:

City Manager's Department is currently reporting a favourable variance of \$208,000. This is primarily due to temporary departmental vacancies in By-law Enforcement, Legislative Services and Administration as well as revenue increases from licenses and fines.

Engineering is reporting a \$166,000 favourable variance, most of which is due to increased Land Development activities, Solid Waste contract savings and seasonal fluctuations.

Finance, Technology & HR is currently under budget by \$173,000. This is primarily due to temporary departmental vacancies and timing for insurance premiums.

Fire Services has a favourable variance of \$174,000 due to improved use of the staffing pool, and temporary vacancies as well as timing for departmental supplies.

Library Services has effectively matched their budget to their departmental spending, representing a balanced quarter.

Parks, Recreation & Culture is showing a favourable departmental variance of \$169,000. This is primarily due to timing variances and temporary vacancies.

Planning and Development which also includes Civic Facilities Management, is reporting a favourable variance of \$493,000 due primarily to increased development activity

RCMP is currently showing a small, unfavourable variance of \$115,000. This is a result of an intentional early phase-in/acquisition human resource strategy for the new positions that were not funded until April 1, 2005. This unfavourable variance is expected to be eliminated by the end of the year.

Mayor and Council is currently showing a small favourable variance of \$24,000. 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 2005. 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, 2005 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$518 million, most of these funds have either been committed to specific capital projects or else they are operating funds that have already been collected and invested until the appropriate expenditures are required.

Also, Council had adopted through the budget process, an accelerated use of DCC Funding. The general practice was to collect funds in the current year and include the required works in the capital program in future years. Developers have the option of paying DCC's over a three-year period. The cash is collected one year and the capital program is established in the following year.

Beginning in 2005, in order to better match the infrastructure improvements with the actual development, staff will direct all monies projected to be received in a given year, immediately to the Capital Program. This will more closely align the DCC Road Program with the pace of development. In 2005, the DCC Program for arterial and major collector roads will increase from \$20 Million (current practice) to \$38 Million (new practice).

The City's investment portfolio is currently earning a combined rate of approximately 4.34%, while maintaining investment security as outlined in the investment policy. This currently exceeds the investment interest return of 4.25% that was anticipated in our 2005 Financial Plan. It is expected that interest revenue will meet the budgeted projections.

CONCLUSION

The development activity experienced in 2004 has continued in the first quarter and is expected to continue for the remainder of 2005. The 2005 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

