



Corporate Report

NO: R225

COUNCIL DATE: October 30, 2006

REGULAR COUNCIL

TO: Mayor & Council

DATE: October 23, 2006

FROM: General Manager, Finance & Technology

FILE: 1880-20

SUBJECT: Quarterly Financial Report

RECOMMENDATION

That Council:

1. Receive this report as information, and
2. Approve the allocation of the 2006 operating surplus, to capital needs in the 2007 Financial Plan.

INTENT

The intent of this report is to provide Council with an update of the City's financial activity for the third quarter, as compared to the 2006 Financial Plan, which includes a financial projection to the end of the year.

DISCUSSION

This section first provides an economic summary followed by an outline of Surrey's financial performance for the first three quarters of the year, along with projections to year-end as compared to the Adopted 2006 Financial Plan and an overview of the City's investment portfolio performance.

Economic Summary:

The following is an economic summary beginning with the international level, then the United States followed by Canada and British Columbia.

International Economy:

Growth in China and India continue at robust levels. China is once again expected to lead world economic growth and shows no sign of cooling in the near future. China's economy grew at a very rapid 11.3% in the second quarter, backed by strong investment spending and exports. The third quarter has illustrated this growth to be sustainable through to the end of the year. India's growth follows at 9½% and is largely due to a surge in domestic market-oriented manufacturing and buoyant domestic demand. Domestic demand is also the key driver for growth in European Countries, particularly Germany. Japan's expansion continues, with private domestic demand remaining strong on the back of strong corporate investment and a firming labour market. Overall, the global growth trajectory remains exceptionally favourable despite the effects of a slowing US market.

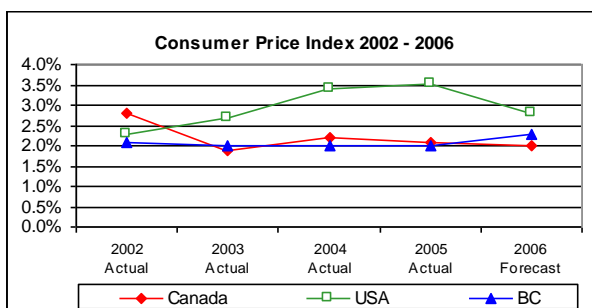
United States Economy:

A further slowdown in economic growth is anticipated as homebuilders reduce the level of residential construction to redress the inventory overhang, while consumers lift their saving rate in response to the slowdown in housing related wealth gains. Real estate activity has come down quickly and the economic fallout is expected to spread over several quarters. Although risks for a housing correction are lingering, the US economy is not forecasted to slide into a recession. Solid income growth buoys consumer spending and healthy profit margins underpin business investment, thereby preventing the slow down from becoming too pronounced or prolonged. Overall growth is not expected to reaccelerate until the second half of 2007.

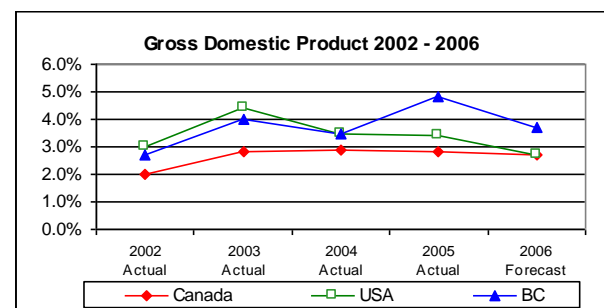
Canadian Economy:

Economic growth in Western Canada is forecast to be robust through 2008. While the provincial economies in Western and Eastern Canada continue to be fueled by strong global demand for commodities, Ontario and Quebec's manufacturing dependent economies are struggling under a strong Canadian dollar, increased overseas competition and a general sector wide reorganization. Nevertheless, the Canadian dollar remains steady in the face of deteriorating commodity prices and a softer economic environment. Stimulated by the reduction of goods and services tax from 7% to 6%, consumers have increased their spending in the second and third quarters.

Real estate markets have responded to strong demand growth, which has reflected the lowest unemployment rate in 30 years, strong personal income gains, and attractive borrowing costs. However, the third quarter is experiencing a gradual cooling in home price growth, indicating that markets are moving towards a better balance, with sales growth slowing and listings rising. This should not however, pose a material threat to the domestic economy, which is likely to continue to grow at a solid pace.



Graph 1 Source: Nesbitt Burns Focus Sept/06
RBC Provincial Outlook Oct/06



Graph 2 Source: Nesbitt Burns Focus Sept/06
RBC Provincial Outlook Oct/06

British Columbia Economy

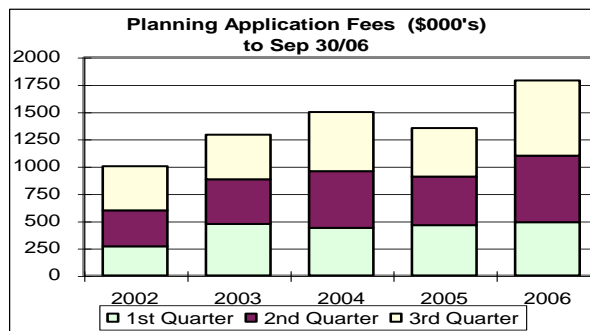
British Columbia's economy is forecast to put in a second-place growth performance this year and next. The Vancouver 2010 Olympic and Paralympic Winter Games represent a multi-year stimulus to the regional economy for at least the next four years. As well, a small, thriving hi-tech industry and sharp improvements to the BC government's finances complement this view.

Low financing costs, higher income growth, and rising population growth will bolster consumer spending and housing market activity. Solid employment gains, continued strength in housing market activity, and stronger retail sales has resulted in an economic growth forecast at 3.6% for the year.

1.1 Surrey's Financial Performance

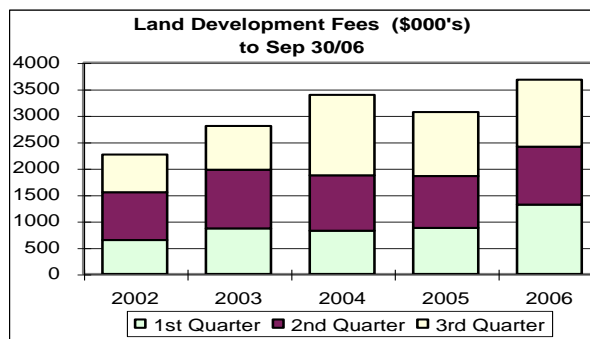
The level of development through the first three quarters of the year continues to exceed expectations. This is primarily related to growth in the residential housing market. This pace of growth for 2006 is expected to exceed prior years. Any signs of a slow down in the housing market will materialize until 2007. Overall, it is expected that the revenue collected from development will exceed budget targets for the year.

The following graphs show how the first three quarters of the year compare to previous years' results for the same period:



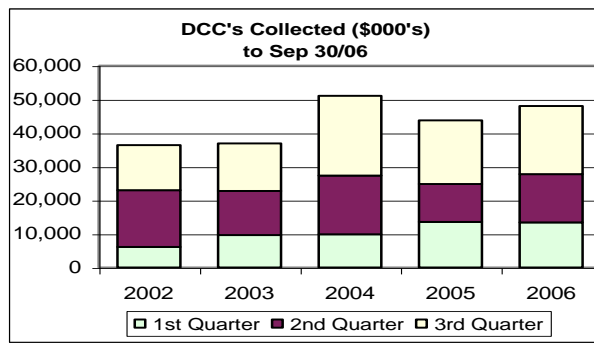
Graph 3

Application fees collected in the first three quarters of the year have increased as comparable to prior years. It is expected that we will exceed our 2006 budget figures.



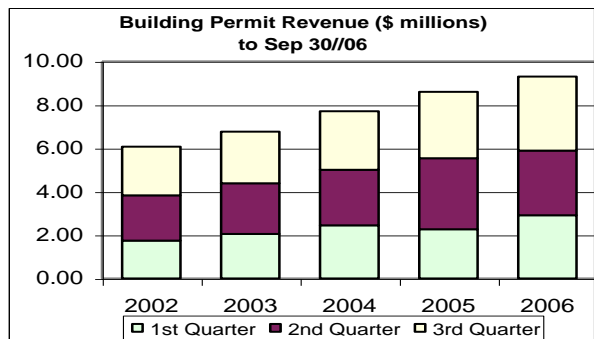
Graph 4

The Land Development activity for the first three quarters of the year has also increased significantly from previous years. This is primarily due to fees collected in association with development on the Highway 99 Corridor. It is expected that Land Development fees will exceed budget expectations for 2006.



Graph 5

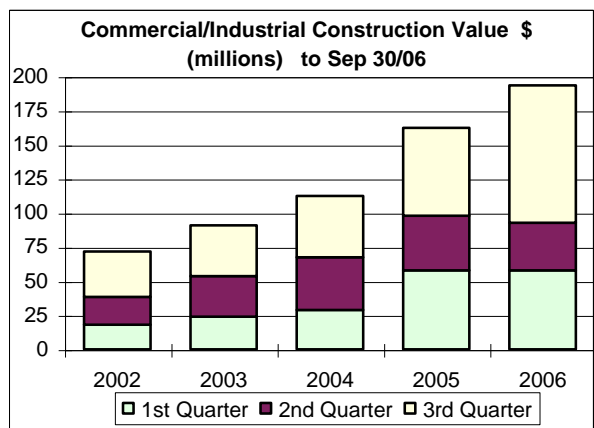
The Development Cost Charges that have been collected in the first three quarters of the year are higher than those collected in the same period of 2005 as construction continues to remain strong. It is expected that the 2006 target will be met.



Graph 6

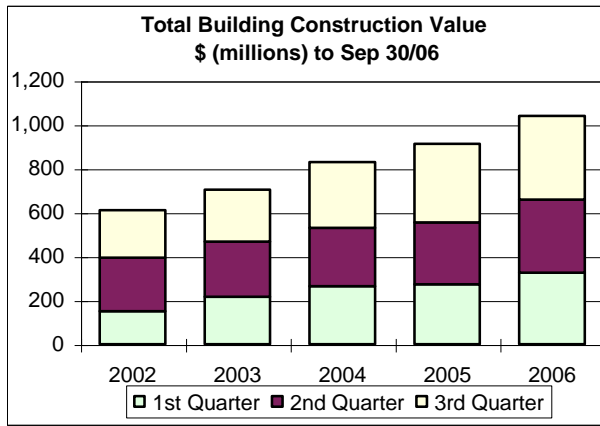
Building permit fees collected for the first three quarters of the year have also exceeded those collected in the same periods of previous years. Activity in the housing market has remained strong and it is expected that budget revenue targets will be exceeded again in 2006.

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.



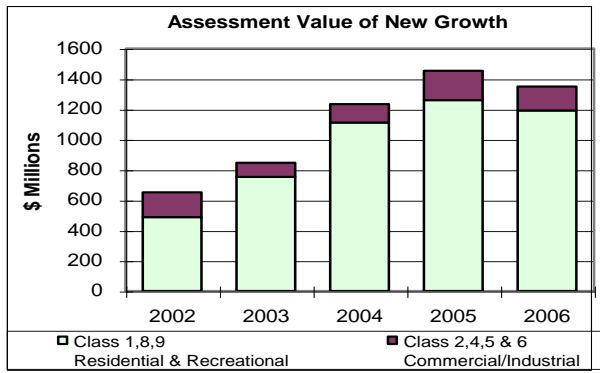
Graph 7

Construction value of commercial/industrial building permits for the first three quarter of the year has increased over previous years. Although the number of industrial building permits issued is unchanged, an increase in the cost of construction has driven up the permit values.



Graph 8

Overall, the value of new construction in the City for the first three quarters of the year exceeds the first three quarters results for the same period for each of the last five years. In addition to an increase in construction values, the numbers of building permits and building units to be constructed have also increased.

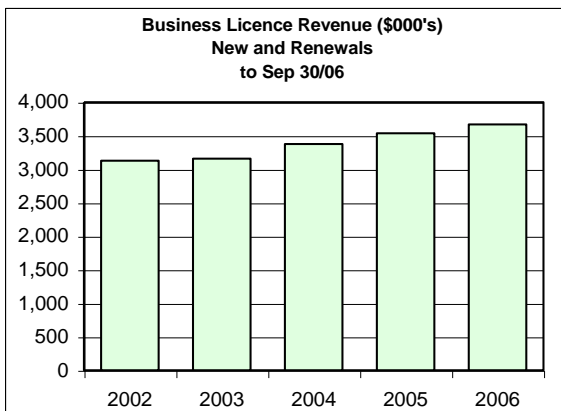


Graph 9



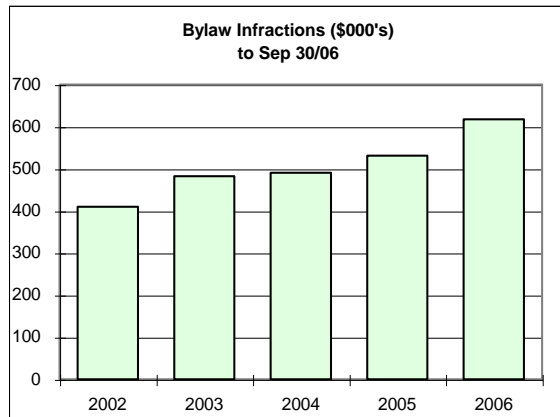
Graph 10

The overall assessed value of new growth is in line with that of the last three years. It is expected that assessed growth for 2007 will also continue at the same pace.



Graph 11

In 2006, we have continued to increase our business licensing revenues by renewing existing licenses and by actively pursuing new ones. Overall, we expect that our licensing revenue will meet our budgeted expectations.

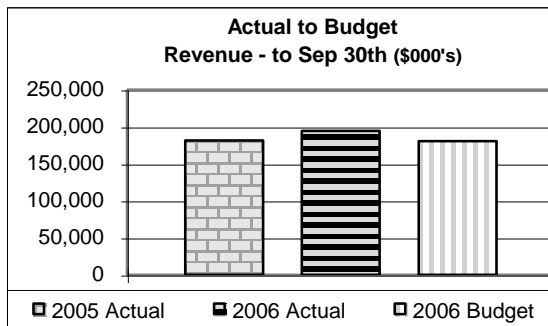


Graph 12

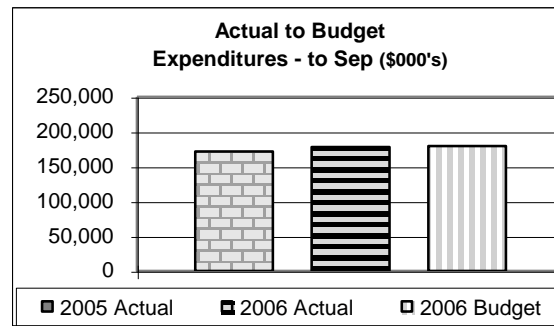
Bylaw infraction revenue has continued to increase mirroring the growth in the City.

1.2 Comparison of Actual versus Budget

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



Graph 13



Graph 14

Appendix A 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 2006 Financial Plan:

RCMP is currently showing a favourable variance of \$2.5 million. This is a result of the timing in filling new positions approved in the 2006 budget and the timing of contract expenditures. It is anticipated that there will be \$2.1 million in savings by year-end, which will be set-aside for future major RCMP capital initiatives.

Fire Services has a favourable variance of \$1.28 million due to the improved use of the staffing pool, and temporary vacancies as well as timing for departmental supplies. Their anticipated year-end savings of \$1.0 million will be set aside to address future fire building replacement needs.

Engineering is reporting a \$1.48 million favourable variance, due to increased Land Development activities, Solid Waste contract savings, and seasonal fluctuations for Roads activities. Year-end savings are expected to be approximately \$0.9 million.

Parks, Recreation & Culture is showing a favourable departmental variance of \$1.34 million. This is primarily due to timing variances, temporary vacancies, and improved CLS & Filming revenues. The Parks, Recreation & Culture department is expected to have a \$0.8 million favourable variance by year-end.

Library Services has also incurred a \$400,000 savings due to the timing of security expenditures and program specific revenues that will be deferred into 2007.

Planning and Development, which also includes Civic Facilities Management, is reporting a favourable variance of \$2.8 million due primarily to increased development activity. This variance is expected to reach \$3 million by year-end.

Mayor and Council is on target for the third quarter and is expected to align with budget by year-end.

City Manager's Department is currently reporting a favourable variance of \$1.1 million. This is primarily due to departmental expenditure savings as a result of timing as well as revenue increases from licenses, fines and clean-up activities. By year-end, this variance is expected to fall to \$1.0 million.

Finance & Technology is currently under budget by \$950,000. This is primarily due to temporary departmental vacancies and timing for insurance premiums. This department is expected to report a similar variance at year-end.

Human Resources is on target for the third quarter and is expected to align with budget by year-end.

Council Projects: As additional information, we have also included an update of allocations that have been made by Council to date in 2006. The details of those allocations are located in Appendix B.

As part of the second quarter financial review, Staff identified \$1.5 million in surplus funding, which Council directed towards specific one-time capital needs. Since that time, staff have been able to identify a further \$1 million. It is recommended that the one-time funding as a result of the 2006 operating savings be used to fund future capital needs which will be identified as part of the 2007 Budget Process.

1.3 City Investment Portfolio

The schedules in Appendix C 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 July through September. Schedule 2 is a detailed listing of securities as at September 30, 2006 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$680 million, most of these funds have either been committed to specific capital projects or they are operating funds that have already been collected and invested until the appropriate expenditures are required.

The City's investment portfolio is currently earning a combined rate of approximately 4.40%, while maintaining investment security as outlined in the investment policy. This is slightly higher than the investment interest return of 4.25% that was anticipated in our 2006 Financial Plan, due to a higher than expect prime bank rate, however it is expected that interest revenue will meet the budgeted projections this year.

CONCLUSION

The development activity experienced in 2005 has continued in the first three quarters of 2006 and is expected to continue for the remainder of the year. The 2006 adopted budget required a transfer from surplus of \$2.9 million. Based on the favourable first three quarters 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. In addition, it is expected that a further \$2 million will be available to be used in the 2007 Capital Budget, should Council approve the recommendations within this report.

Vivienne Wilke, CGA
General Manager,
Finance & Technology



2006 3RD QUARTER COUNCIL REPORT
EXECUTIVE SUMMARY - REVENUES & EXPENDITURES
\$ 000's

REVENUE SUMMARY	2006 3rdQtr Actual	2006 3rd Qtr Budget	3rd Qtr Variance	2006 Projected Actual	2006 Total Budget	Projected Variance
Net Taxation	\$ 122,594	\$ 122,675	\$ (53)	\$ 163,564	\$ 163,567	\$ 3
Non-Tax Revenues	10,510	10,055	(455)	13,640	13,340	(300)
Gaming Revenue	2,400	1,800	(600)	3,200	2,400	(800)
Utility Recoveries	2,717	2,572	(145)	3,430	3,430	0
Program Revenues	56,857	48,514	(8,343)	71,790	61,622	(10,168)
TOTAL REVENUES	\$ 195,078	\$ 185,616	\$ (9,596)	\$ 255,624	\$ 244,359	\$ (11,265)

EXPENDITURE SUMMARY	2006 3rdQtr Actual	2006 3rd Qtr Budget	3rd Qtr Variance	2006 Projected Actual	2006 Total Budget	Projected Variance
Program Expenditures	\$ 172,639	\$ 176,554	\$ 3,915	\$ 238,404	\$ 238,136	\$ (268)
Council Projects	189	187	(2)	250	250	0
Social Plan Initiatives	199	434	235	579	579	0
Fiscal Services	622	511	(111)	981	681	(300)
TOTAL EXPENDITURES	\$ 173,649	\$ 177,686	\$ 4,037	\$ 240,214	\$ 239,646	\$ (568)

TRANSFER SUMMARY	3rdQtr Actual	3rd Qtr Budget	3rd Qtr Variance	Projected Actual	Total Budget	Projected Variance
Transfer to Capital Program	\$ 6,072	\$ 3,825	\$ (2,247)	\$ 9,795	\$ 5,100	\$ (4,695)
Transfer to Capital Program re: Gaming Policy	2,400	1,800	(600)	3,200	2,400	(800)
Transfers To/(From) Own Sources	244	139	(105)	1,415	188	(1,227)
TOTAL TRANSFERS	\$ 8,716	\$ 5,764	\$ (2,952)	\$ 14,410	\$ 7,688	\$ (6,722)

PROJECTED SURPLUS	3,975
BUDGETED TRANSFER FROM SURPLUS	(2,975)
AVAILABLE FOR ALLOCATION	\$ 1,000



2006 3rd QUARTER COUNCIL REPORT

\$ 000's

	2006 3rd Qtr Actual	2006 3rd Qtr Budget	3rd Qtr Variance	2006 Projected Actual	2006 Total Budget	Projected Variance
PROGRAM REVENUES						
R.C.M.P.	\$ 4,104	\$ 3,782	\$ (322)	\$ 5,420	\$ 5,048	\$ (372)
Fire	639	616	(23)	670	645	(25)
Engineering Services	20,993	19,231	(1,762)	27,200	24,942	(2,258)
Parks, Recreation & Culture	10,428	9,450	(978)	12,700	11,295	(1,405)
Surrey Public Library	1,621	1,356	(265)	1,600	1,510	(90)
Planning & Development	13,505	9,372	(4,133)	17,700	12,495	(5,205)
City Manager	4,683	4,136	(547)	5,500	4,869	(631)
Finance & Technology	884	571	(313)	1,000	818	(182)
TOTAL PROGRAM REVENUES	\$ 56,857	\$ 48,514	\$ (8,343)	\$ 71,790	\$ 61,622	\$ (10,168)

	2006 3rd Qtr Actual	2006 3rd Qtr Budget	3rd Qtr Variance	2006 Projected Actual	2006 Total Budget	Projected Variance
PROGRAM EXPENDITURES						
R.C.M.P.	\$ 52,852	55,042	\$ 2,190	\$ 72,668	\$ 74,396	\$ 1,728
Fire	28,679	29,938	1,259	40,029	41,004	975
Engineering Services	24,619	24,337	(282)	34,088	32,730	(1,358)
Parks, Recreation & Culture	26,437	26,803	366	37,326	36,721	(605)
Surrey Public Library	8,148	8,284	136	11,252	11,162	(90)
Planning & Development	11,632	10,371	(1,261)	16,706	14,501	(2,205)
Mayor & Council	667	670	3	871	871	0
City Grants	558	508	(50)	600	600	0
City Manager	6,701	7,210	509	9,274	9,643	369
Finance & Technology	10,960	11,597	637	13,159	14,077	918
Human Resources	1,342	1,344	2	1,834	1,834	0
Operating Contingency	44	450	406	597	597	0
TOTAL PROGRAM EXPENDITURES	\$ 172,639	\$ 176,554	\$ 3,915	\$ 238,404	\$ 238,136	\$ (268)

	2006 3rd Qtr Actual	2006 3rd Qtr Budget	3rd Qtr Variance	2006 Projected Actual	2006 Total Budget	Projected Variance
NET PROGRAM						
R.C.M.P.	\$ 48,748	\$ 51,260	\$ 2,512	\$ 67,248	\$ 69,348	\$ 2,100
Fire	28,040	29,322	1,282	39,359	40,359	1,000
Engineering Services	3,626	5,106	1,480	6,888	7,788	900
Parks, Recreation & Culture	16,009	17,353	1,344	24,626	25,426	800
Surrey Public Library	6,527	6,928	401	9,652	9,652	0
Planning & Development	(1,873)	999	2,872	(994)	2,006	3,000
Mayor & Council	667	670	3	871	871	0
City Grants	558	508	(50)	600	600	0
City Manager	2,018	3,074	1,056	3,774	4,774	1,000
Finance & Technology	10,076	11,026	950	12,159	13,259	1,100
Human Resources	1,342	1,344	2	1,834	1,834	0
Operating Contingency	44	450	406	597	597	0
NET PROGRAM TOTAL	\$ 115,782	\$ 128,040	\$ 12,258	\$ 166,614	\$ 176,514	\$ 9,900



2006 FINANCIAL PLAN COUNCIL INITIATIVES

Description	Amount	Allocation to date	Remaining
Carried Forward from Prior Year	\$ 444,500		
2006 Adopted Budget	\$ 250,000		\$ 694,500
Surrey Crime Prevention Society - Graffiti Removal	25,000		
2010 Community Opportunities Strategy	20,000		
Surrey RCMP Veterans Project - Operation Remembrance	2,550.00		
Cascadia Mayor's Council Annual Meeting	15,000.00		
Whalley Athletic Park Capital Improvement	125,000.00		
"I Love Surrey" Campaign	30,000.00		
Surrey Soccer Club	5,000.00		
CPGA's Greater Vancouver Charity Classic Golf Tournament	25,000.00		
Critter Care Wildlife Society	5,000.00		
Canada Cup Futures Tournament and Showcase Under 16 Tournament	3,835.00		
2006 Mayor's Charity Ballon Sept 15, 2006	2,500.00		
Fraser Valley Heritage Railway Society	50,000.00		
SFU Surrey Opening Gala Dinner	1,900.00		
Extreme Weather Task Group/ hiring of a Response Ccoordinator	13,200.00		
Spirit Bears / bid at the upcoming Gala event	10,000.00		
Recommended Allocations for 2006		\$ 333,985	\$ 360,515

APPENDIX C

SCHEDULE 1

DESCRIPTION	INVESTMENT	INVESTMENT	INVESTMENT
	(MILLIONS) JULY 31/06	(MILLIONS) AUG 31/06	(MILLIONS) SEPT 30/06
<i>BANK BALANCE</i>	173.0	76.0	116.7
<i>OVERNIGHT TERM DEPOSITS</i>	10.0	10.0	10.0
MAJOR BANKS			
Bank of Montreal	34.2	34.2	29.2
Bank of Nova Scotia	32.7	32.7	32.6
Canadian Imperial Bank of Commerce	30.3	40.3	35.4
Manulife Bank of Canada	15.0	15.0	15.0
National Bank of Canada	37.1	37.1	37.0
Royal Bank of Canada	30.5	30.5	30.4
Toronto Dominion	19.8	39.8	39.7
<i>SUB TOTAL - MAJOR BANKS</i>	199.6	229.6	219.3
SCHEDULE B BANKS			
Citibank of Canada	9.9	9.9	-
Hong Kong Bank of Canada (HSBC)	24.6	24.6	14.7
<i>SUB TOTAL - SCHEDULE B BANKS</i>	34.5	34.5	14.7
CREDIT UNIONS			
Coast Capital Credit Union	2.0	2.0	2.0
Credit Union Central BC	2.0	2.0	2.0
Envision Credit Union	2.0	2.0	2.0
Vancity Savings	4.0	4.0	4.0
<i>SUB TOTAL - CREDIT UNIONS</i>	10.0	10.0	10.0
GOVERNMENT OF CANADA			
Gov't Cda Bonds/Cpns	106.2	106.2	106.2
<i>SUB TOTAL - GOV'T OF CANADA</i>	106.2	106.2	106.2
PROVINCES			
Alberta	21.3	21.3	21.3
British Columbia	23.7	23.7	20.3
Manitoba	39.1	39.1	39.1
New Brunswick	2.9	2.9	2.9
Newfoundland	20.2	20.2	20.2
Nova Scotia	2.7	2.7	2.7
Ontario	27.1	27.1	27.1
Quebec	60.1	60.1	60.0
Saskatchewan	5.1	5.1	5.1
<i>SUB TOTAL - PROVINCES</i>	202.2	202.2	198.7
OTHER			
MFA	5.0	5.0	5.0
<i>SUB TOTAL - OTHER</i>	5.0	5.0	5.0
TOTAL PORTFOLIO	740.5	673.5	680.6

SCHEDULE 2 - 1

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
OVERNIGHT					
02-Oct-06	29-Sep-06	RBC Bank Balance	3	116,723,800.00	116,723,800.00
02-Oct-06	29-Sep-06	Vancity Credity Union call	3	10,000,000.00	10,000,000.00
MAJOR BANKS					
15-Jul-12	15-Jul-05	Bank of Montreal step up	2557	9,988,195.21	
04-Apr-07	03-Apr-06	Bank of Montreal step up	366	10,000,000.00	
20-Dec-08	23-Mar-04	Bank of Montreal residuals	1733	4,207,500.00	
21-Jan-10	28-Jan-05	Bank of Montreal fixed floater	1819	2,009,172.17	
29-Feb-12	04-Mar-05	Bank of Montreal futures cd	2553	3,000,000.00	
		*** BANK OF MONTREAL			29,204,867.38
24-Mar-09	24-Mar-04	Bank of Nova Scotia mtn step up	1826	10,000,000.00	
19-Apr-08	19-Apr-04	Bank of Nova Scotia step up	1461	8,000,000.00	
16-Jul-07	30-Jun-03	Bank of Nova Scotia fixed floaters	1477	2,460,525.06	
16-Jul-07	18-Jun-03	Bank of Nova Scotia fixed floaters	1489	5,085,328.98	
16-Jul-07	01-Dec-00	Bank of Nova Scotia fixed floaters	2418	3,996,344.40	
22-Jul-08	21-Nov-05	Bank of Nova Scotia fixed floaters	974	3,085,102.05	
		*** BANK OF NOVA SCOTIA			32,627,300.49
23-Oct-06	02-Jul-03	CIBC fixed floaters	1209	506,983.35	
20-Apr-07	25-Apr-06	CIBC bankers acceptance	360	4,797,500.00	
26-Feb-08	27-Mar-02	CIBC fixed floaters	2162	2,433,394.10	
10-Mar-08	10-Mar-04	CIBC step up	1461	5,000,000.00	
21-Aug-09	21-Aug-06	CIBC step up	1096	10,000,000.00	
15-Oct-09	13-Jun-05	CIBC fixed floaters	1585	2,550,995.88	
15-Oct-09	17-Jun-05	CIBC fixed floaters	1581	5,120,165.08	
28-Mar-11	25-Sep-06	CIBC fixed floaters	1645	5,033,298.48	
		*** CIBC			35,442,336.89
03-Aug-08	03-Aug-05	Manulife Bank step up	1096	10,000,000.00	
18-Aug-08	18-Aug-05	Manulife Bank step up	1096	5,000,000.00	
		*** MANULIFE BANK OF CANADA			15,000,000.00
31-Oct-07	03-Apr-01	National Bank of Canada fixed floaters	2402	2,505,702.11	
04-Jun-08	20-Feb-06	National Bank of Canada bearer deposit note	835	1,089,264.00	
16-Apr-09	13-Jun-05	National Bank of Canada fixed floaters	1403	1,719,582.61	
16-Apr-09	14-Jun-05	National Bank of Canada fixed floaters	1402	5,264,387.29	
16-Apr-09	04-Jul-05	National Bank of Canada fixed floaters	1382	5,270,734.28	
16-Apr-09	06-Jul-05	National Bank of Canada fixed floaters	1380	3,162,474.02	
30-Jun-09	20-Feb-06	National Bank of Canada bearer deposit note	1226	2,767,392.00	
10-Sep-09	10-Sep-03	National Bank of Canada bearer deposit note	2192	4,997,445.08	
10-Sep-09	19-Mar-04	National Bank of Canada bearer deposit note	2001	5,103,091.75	
10-Sep-09	17-Jun-05	National Bank of Canada bearer deposit note	1546	5,145,461.85	
		*** NATIONAL BANK OF CANADA			37,025,534.99
04-Jun-07	10-Dec-02	Royal Bank fixed floaters	1637	5,066,257.07	
22-Jan-08	21-Jun-04	Royal Bank fixed floaters	1310	5,105,124.04	
22-Jan-08	19-Jul-04	Royal Bank fixed floaters	1282	4,097,593.44	
25-Jan-10	02-Jun-03	Royal Bank fixed floaters	2429	5,348,706.39	
25-Jan-10	14-Jan-04	Royal Bank fixed floaters	2203	5,373,040.17	
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	1842	5,369,275.24	
		*** ROYAL BANK OF CANADA			30,359,996.35

SCHEDULE 2 - 2

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
04-Sep-07	27-Sep-02	Toronto Dominion fixed floaters	1803	5,018,103.16	
04-Sep-07	26-May-03	Toronto Dominion fixed floaters	1562	5,039,942.39	
05-Sep-08	09-Sep-03	Toronto Dominion fixed floaters	1823	5,002,520.84	
05-Sep-08	01-Dec-03	Toronto Dominion fixed floaters	1740	1,203,291.19	
22-Aug-09	22-Aug-06	Toronto Dominion step up	1096	20,000,000.00	
18-Jan-11	27-Mar-06	Toronto Dominion fixed floaters	1758	3,477,793.33	
*** TORONTO DOMINION					39,741,650.91
SCHEDULE B BANKS					
26-Mar-10	26-Mar-04	HSBC step up depnote	2191	5,000,000.00	
17-Nov-06	17-Nov-05	HSBC bearer deposit note	365	4,816,950.00	
08-Dec-06	15-Jun-06	HSBC bankers acceptance	176	4,894,250.00	
*** Hong Kong Bank of Canada (HSBC)					14,711,200.00
CREDIT UNIONS					
18-Dec-06	19-Sep-06	Coast Capital Credit Union	90	2,000,000.00	
13-Oct-06	15-Jun-06	Credit Union Central BC	120	2,000,000.00	
05-Dec-06	06-Sep-06	Envision Credit Union	90	2,000,000.00	
20-Dec-06	21-Sep-06	Vancity Savings	90	4,000,000.00	
*** CREDIT UNIONS					10,000,000.00
FEDERAL GUARANTEED PAPER					
23-Apr-11	23-Apr-04	Export Dev. Corp. step up	2556	10,000,000.00	
01-Oct-14	01-Oct-04	Farm Credit Corp. dyno	3652	2,000,000.00	
25-Apr-12	25-Apr-05	Farm Credit Corp. dyno step up frm	2557	5,000,000.00	
31-Jan-07	08-Feb-05	Export Dev. Corp accrual note	722	5,593,297.29	
10-Feb-15	10-Feb-05	Farm Credit Corp step up accrual note	3652	10,000,000.00	
06-Jul-12	06-Jul-05	Farm Credit Corp. accrual note	2557	10,000,000.00	
06-Jan-07	06-Jul-05	Farm Credit Corp. accrual note	549	10,000,000.00	
03-Aug-12	03-Aug-05	Export Dev. Corp. accrual note	2557	10,000,000.00	
01-Dec-06	01-Jun-04	Farm Credit Corp. tarn	913	5,000,000.00	
01-Dec-06	02-Jun-04	Farm Credit Corp. tarn	912	5,000,000.00	
11-Dec-06	11-Jun-04	Farm Credit Corp. tarn	913	10,000,000.00	
17-Jun-15	17-Jun-05	Export Dev. Corp accrual note	3652	9,987,304.30	
01-Dec-06	30-May-01	CMHC	2011	4,546,412.24	
03-Dec-07	02-Jul-03	CMHC	1615	2,541,369.20	
15-Sep-08	13-Jun-05	CMB Residuals	1190	4,522,100.00	
15-Mar-10	28-Jan-05	CMB Bond	1872	2,000,000.00	
*** FEDERAL GUARANTEED					106,190,483.03
PROVINCIAL GUARANTEED PAPER					
23-Dec-13	23-Jun-05	Alberta Capital Finance step up accrual note	3105	10,000,000.00	
28-Dec-06	28-Jun-05	Alberta Capital Finance accrual note	548	9,985,537.22	
20-Aug-10	21-Nov-03	Alberta Capital Finance	2464	1,291,378.26	
*** ALBERTA					21,276,915.48
24-Mar-08	04-Jun-03	BCMFA	1755	5,106,500.68	
18-Jun-09	05-Apr-02	Prov. Of BC coupons	2631	1,849,474.07	
01-Dec-09	05-Apr-02	Prov. Of BC bonds	2797	5,038,184.44	
03-Oct-09	03-Oct-03	BCMFA	2192	799,010.60	
03-Oct-10	03-Oct-03	BCMFA	2557	1,797,167.17	
03-Oct-10	10-Oct-03	BCMFA	2550	698,391.36	
01-Jun-11	11-Apr-01	BCMFA	3703	4,991,868.52	
*** BRITISH COLUMBIA					20,280,596.84

SCHEDULE 2 - 3

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
15-Oct-06	15-Apr-05	Manitoba step up	548	10,000,000.00	
30-Jun-15	30-Jun-05	Manitoba step up	3652	10,000,000.00	
02-Mar-09	10-Mar-05	Manitoba bond	1453	5,187,173.17	
15-Mar-10	15-Mar-05	Manitoba accrual note	1826	9,958,532.30	
05-Sep-10	01-Dec-03	Manitoba residuals	2470	3,972,705.00	
		*** MANITOBA			39,118,410.47
17-Dec-07	17-Dec-03	New Brunswick mfa	1461	2,100,669.13	
17-Dec-10	17-Dec-03	New Brunswick mfa	2557	763,326.41	
		*** NEW BRUNSWICK			2,863,995.54
01-Dec-06	30-Jul-02	Nfid/Labrador Hydro	1585	4,661,764.64	
01-Dec-06	25-Jun-04	Nfid Hydro	889	5,010,286.84	
12-Dec-07	18-Jun-03	Prov. Nfid bond	1638	5,137,984.83	
03-Nov-09	02-Feb-04	Prov. Nfid bond	2101	5,350,940.03	
		*** NEWFOUNDLAND			20,160,976.34
19-Feb-10	01-Apr-04	Prov. Nova Scotia step up	2150	2,700,000.00	
		***NOVA SCOTIA			2,700,000.00
05-May-08	05-May-04	Prov. Ontario step up	1461	5,000,000.00	
07-Sep-07	07-Sep-04	Prov. Ontario step up	1095	5,000,000.00	
12-Sep-07	02-Jul-03	Prov. Ontario bond	1533	5,104,649.71	
02-Dec-07	18-Jun-03	Prov. Ontario coupon	1628	1,962,684.21	
19-May-10	04-Apr-05	Prov. Ontario bond	1871	4,984,396.18	
19-Nov-10	21-Nov-03	Prov. Ontario bond	2555	4,999,999.53	
		*** ONTARIO			27,051,729.63
15-Jan-07	19-Jul-04	Hydro Quebec coupon	910	4,578,450.00	
15-Feb-07	24-Jan-97	Hydro Quebec coupon	3674	1,000,000.00	
01-Oct-07	11-Jul-03	Prov. Quebec bond	1543	5,117,354.37	
29-Nov-07	02-Jul-03	Prov. Quebec bond	1611	3,475,480.13	
15-Apr-08	24-Jun-04	Hydro Quebec coupon	1391	4,242,500.00	
01-Dec-08	28-Jan-05	Quebec MFA	1403	10,447,086.95	
01-Dec-08	08-Feb-05	Quebec MFA	1392	4,174,551.15	
01-Jun-09	13-Jun-05	Prov. Quebec bond	1449	5,270,496.89	
01-Dec-09	21-Oct-03	Quebec MFA	2233	4,004,920.42	
01-Dec-09	21-Oct-03	Quebec MFA	2233	3,000,000.00	
01-Dec-09	09-Jan-04	Quebec MFA	2153	5,037,676.68	
16-Aug-10	05-Mar-04	Hydro Quebec coupon	2355	5,305,300.00	
01-Dec-10	28-Jan-05	Prov. Quebec bond	2133	4,330,733.02	
		*** QUEBEC			59,984,549.61
09-Mar-07	03-Jun-03	Prov. Sask. Bond	1375	5,052,690.89	
		*** SASKATCHEWAN			5,052,690.89
open	17-Dec-03	MFA Investment pool - money market fund	1113	1,000,000.00	
	17-Dec-03	MFA Investment pool - intermediate fund	1113	4,000,000.00	
		*** MFA			5,000,000.00
Total Portfolio					680,517,034.84