



Corporate Report

NO: R147

COUNCIL DATE: July 28, 2008

REGULAR COUNCIL

TO: Mayor & Council DATE: July 22, 2008
FROM: General Manager, Finance & Technology FILE: 1880-20
SUBJECT: Quarterly Financial Report – Second Quarter 2008

RECOMMENDATION

The Finance & Technology Department recommends that Council receive this report as information.

INTENT

The intent of this report is to provide Council with an update on the City's financial activity for the first half of the year, along with projected results for year-end, as compared to the 2008 Financial Plan.

DISCUSSION

The following discussion provides an overall economic summary followed by an outline of Surrey's financial performance for the first half of the year. It also includes an overview of the City's investment portfolio performance.

Economic Summary:

This summary provides a high level overview of the international economy, followed by that of the United States, Canada and finally British Columbia.

International Overview:

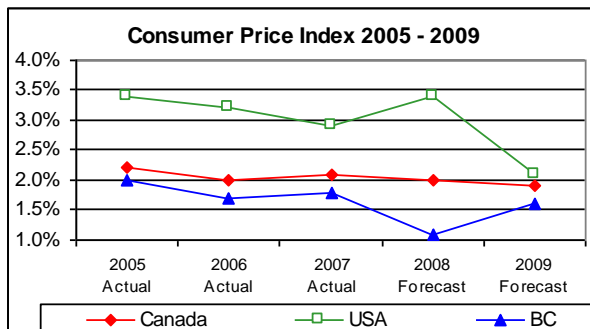
The world economy continued to slow down in the first half of 2008 due to the combined outcome of financial market turmoil, cooling housing markets and sharply higher commodity prices. The economic slowdown has been the greatest in the developed nations, particularly in the United States. The growth in Western Europe has also decelerated, although activity in Japan has been more resilient. The developing economies, like China and India, continue to grow. The oil price shock has raised the downside risk to economic growth globally in the last half of 2008. The world economy is expected to enter into a period of higher inflation and slow growth.

United States Overview:

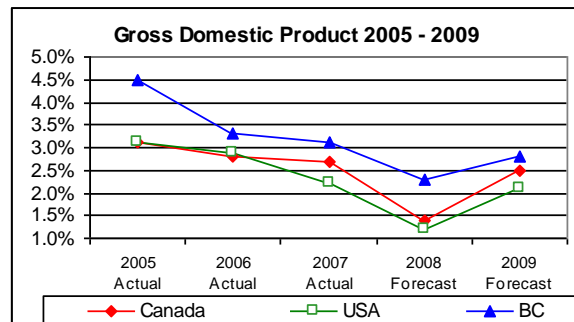
The U.S. economy has been hit hard by the worst housing downturn in decades, higher energy prices, a deteriorating labour market, and falling stock prices. Consumer confidence is nearing an 18-year low, threatening to cut consumer spending and send the economy into a deeper slump. Surging oil and food prices are boosting inflation and preventing the Federal Bank from cutting interest rates, even though the economy is on the brink of recession. However, the weak dollar continues to help increase export sales, keeping GDP growth on the positive side.

Canadian Overview:

The Canadian economy is showing signs of distress due to the continued economic downturn in the United States. The unemployment rate is now on the rise as 5,000 jobs were lost in June. The number of existing home sales has dipped and prices have stabilized during the first half of this year. Although new house prices rose in May it was at its slowest pace in almost six years. Exporters in Canada will continue to feel the pain from the lingering economic weakness in the United States combined with the higher Canadian dollar. Surging oil and food prices have pushed Canada's inflation rate to 2.2 per cent, which is the sharpest increase since January 2007. The Bank of Canada defied market expectations of a rate cut and kept the overnight rate steady in June in an effort to balance the risk of rising inflation and slowing economic growth. Canada's economy will struggle to maintain a modest expansion this year.



Graph 1 Source: BMO Capital Markets July/08
RBC Provincial Forecast July/08



Graph 2 Source: BMO Capital Markets July/08
RBC Provincial Forecast July/08

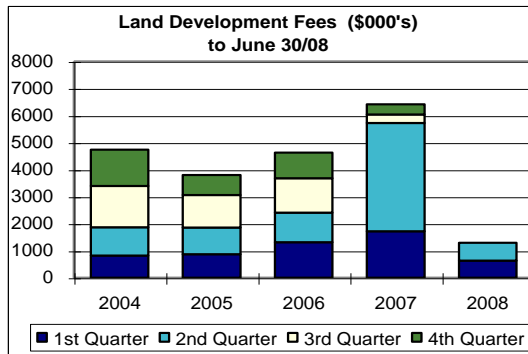
British Columbia Overview

BC's domestic economy continues to perform better than the national average, as the lead-up to the 2010 Olympic and Paralympics Winter Games. The booming resource sector is sustaining firm capital investment. The labour market is tight with the unemployment rate near a record low. In contrast, the export sector shows weakness along with the rest of Canada. Five of the top-six export categories, especially the forest industry, are posting significant declines so far this year. It is expected, that BC's domestic economy will slow in the second half of the year due to the cooling of the housing market where Greater Vancouver residential property sales declined in June. The value of BC's non-residential building permits fell sharply in the first four months of 2008 and retail sales have slipped in three of the last four months. Despite all these challenges, BC's economic growth is expected to reach 2.2% this year.

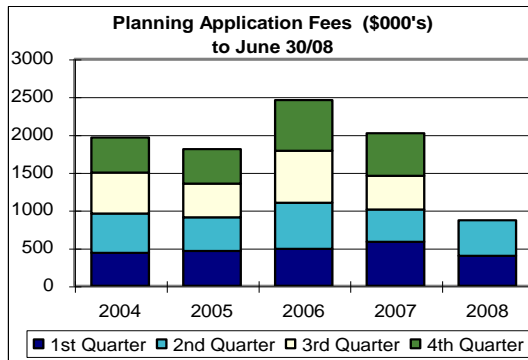
Surrey's Financial Performance

The level of new development activity was slower in the first half of the year when compared to the same timeframe in 2007. Residential housing starts still remains strong due to the general economic condition of the Lower Mainland coupled with the continued low interest rates. It is expected that activity levels will level off for the balance of the year.

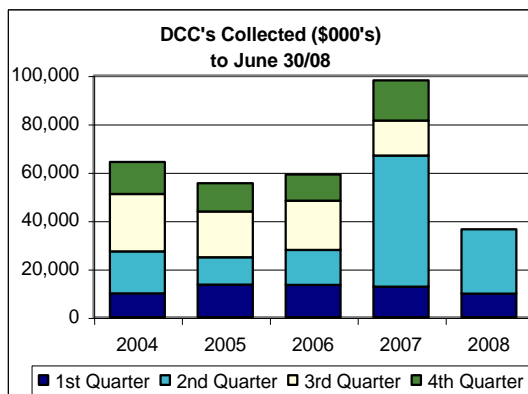
The following graphs show how the first half of the year compares to previous years' results for the same period:



Graph 3



Graph 4

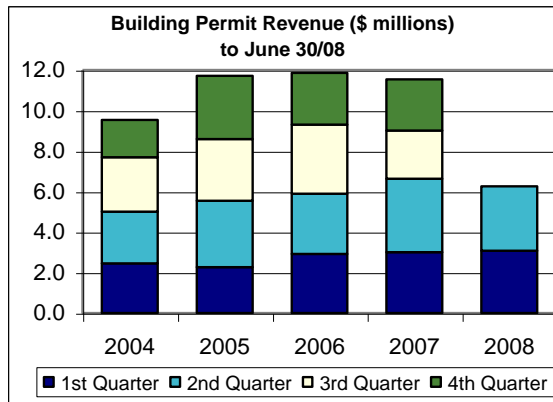


Graph 5

Land Development activity for the first half of the year has decreased significantly from previous years. This is primarily due to the increased activity in advance of the DCC fee increase deadline of June 30/07. Activity is expected to stabilize for the balance of the year; however, with the expectation of a slower Provincial economy, 2008 budgeted revenues are not expected to be achieved.

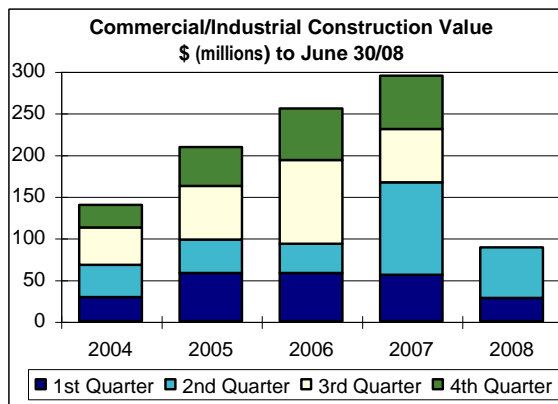
Application fees collected in the first half of the year are in-line with those collected for the same period in previous years. It is expected that the 2008 budget figures will be met.

The fees for Development Cost Charges that have been collected in the first half of the year are lower than those collected in the same period of 2007 but are comparable to those collected in previous years. The DCC deadline in 2007 brought in a surge of DCCs in the second quarter of 2007. It is expected that the 2008 fees collected will be in-line with those collected in previous years.



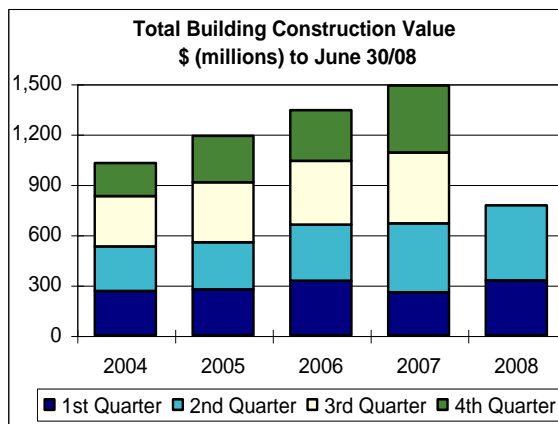
Graph 6

Building permit fees collected for the first half of the year are on par with those collected in the same periods of previous years. While the slow down in land development is expected to affect permit fees later this year, revenue is expected to meet budget.



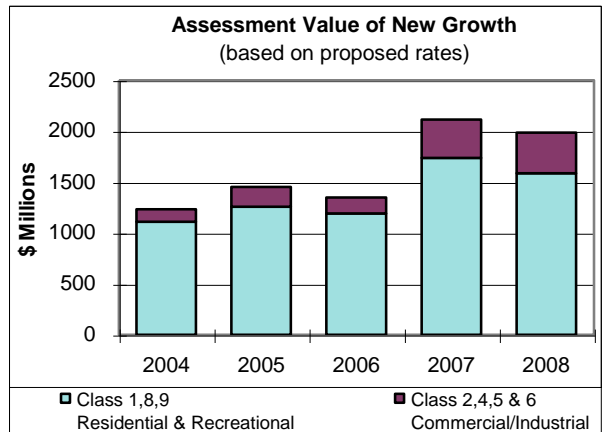
Graph 7

Construction value of commercial/industrial building permits for the first half of the year has declined in comparison to the previous year. However, there are several large projects in the approval process that will boost activity in this area significantly before the end of the year.

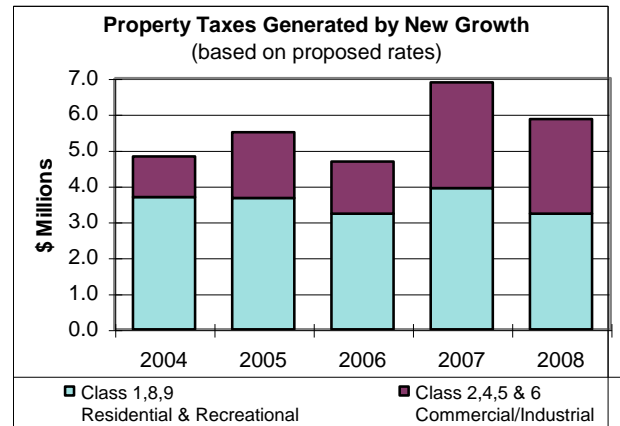


Graph 8

Overall, the value of new construction in the City for the first half of the year is higher than the same time period in previous years. This is expected to stabilize as the economy stabilizes and building permits continue to be issued as a result of the increased land development activity of the previous year. Staff is projecting a slightly higher level of construction value to be issued in 2008 than was issued in 2007.



Graph 9

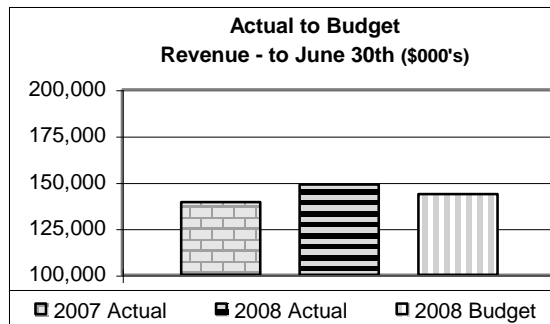


Graph 10

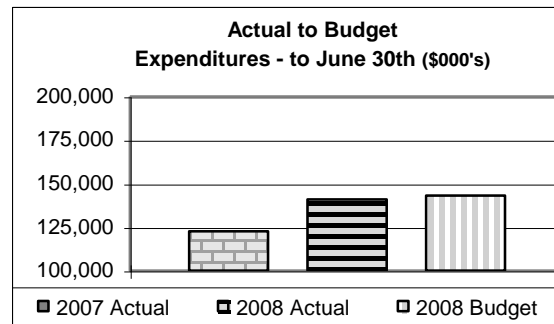
The value of new construction is converted into taxable assessed values and is considered to be the 'growth' component of our annual property tax levy. The number of permits issued may decline but this does not necessarily mean that our property tax growth will also decline. The tax rate for commercial/industrial properties is about three and a half times that of residential property. This means that a commercial property with the same assessed value as a residential property will generate three and a half times the amount in property taxes.

1.2 Comparison of Actual versus Budget

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



Graph 11



Graph 12

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 variances from the adopted 2008 Financial Plan:

RCMP is currently showing a favourable variance of \$1.7 million. This is a result of savings due to timing with the contract and the timing associated with filling new positions approved in the 2008 budget. With the increases in both RCMP members and civilian staff, this budget will need to be monitored throughout the year. It is anticipated that RCMP operations will result in a surplus of approximately \$1 million, which will be directed towards future capital projects related to the RCMP.

Fire Services has a favourable variance of \$1.6 million. This favourable variance is due to the fact that the union contract settlements have not been fully implemented and also to some temporary vacancies. It is anticipated that Fire Services may achieve a year-end surplus of \$500,000, which will be directed towards future capital projects related to Fire Services.

Engineering Services is reporting a \$1.3 million negative mid-year variance, which is expected to be reduced to \$0.5 million by year-end. The mid-year variance is partly due to additional costs related to garbage collection, which are expected to be recovered by the end of the year. Also, the Traffic Section continues to experience additional costs related to wire thefts that is expected to result in a year-end shortfall of \$0.3M. In addition, Land Development fees are expected to be \$0.6 million short of the 2008 Budget. This is mainly due to a significant reduction in revenues related to inspection fees as developers have rushed to complete the required works to meet last year's DCC deadline but are now waiting to start the actual construction. This shortfall will be partially offset by a projected increase in lease revenues of \$0.4 million in Realty Services. Staff will be closely monitoring expenses for the remainder of the year in order that the variance will be reduced as much as possible.

Parks, Recreation & Culture is showing a favourable departmental variance of \$0.8 million. This is primarily due to increases in revenue from the Surrey Sports and Leisure Complex and the timing associated with sponsorships from Cultural Capital Canada, Canada Day, Children's Fest and the Fusion Fest. Parks, Recreation and Culture are expected to meet their 2008 operating budget.

Library Services has also achieved a favourable variance of \$114,000 due to the timing of the purchase of branch supplies. They are expected to meet budget for 2008.

Planning and Development, which also includes Civic Facilities Management, is reporting a favourable variance of \$177,000 due primarily to increased building permit revenue materializing from permit applications received prior to the increase in DCC rates, off-set by increased costs for studies. This variance is expected to increase to \$1.2 million by year-end.

Mayor and Council has a favourable variance of \$23,000 due to the timing of expenditures and is expected to meet budget at year-end.

City Manager's Department is currently reporting a favourable variance of \$446,000 due to revenue increases from fees and fines and also some reduced expenditures. It is expected that this department will finish the year with a \$250,000 favourable variance.

Finance & Technology currently has a favourable variance of \$300,000. This is primarily due to temporary departmental vacancies and to timing of the payments of IT maintenance contracts. The year-end variance is expected to be \$450,000.

Human Resources has an unfavourable variance of \$52,000 due to the need to increase staff levels to support recruitment needs. They are expected to exceed budget by \$150,000 by year-end.

Council Initiatives: An update of allocations that have been made by Council to date in 2008 is attached as **Appendix B**.

Overall, it is expected that the budgeted transfer from surplus of \$4 million, will be significantly reduced by year-end. However, in order to achieve this, departments will be required to closely monitor their expenditures for the rest of the year.

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 April through June. *Schedule 2* is a detailed listing of securities as at June 30, 2008 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$800 million, most of these funds have either been committed to specific capital projects or they are operating funds that have been invested until needed to pay operating expenses.

The City's investment portfolio is currently earning a combined rate of approximately 4.15%, while maintaining investment security as outlined in the investment policy. This is lower than the investment interest return of 4.20% that was anticipated in our 2008 Financial Plan. As the City continues to invest additional funds, this rate is expected to meet budget by year-end.

CONCLUSION

The 2008 adopted budget requires a transfer from surplus of \$4.0 million. Based on the activity in the first half of the year, it is expected that this transfer will be significantly reduced by the end of the year.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

APPENDIX A-1



**2008 2nd QUARTER COUNCIL REPORT
EXECUTIVE SUMMARY - REVENUES & EXPENDITURES
\$ '000's**

REVENUE SUMMARY	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Net Taxation	\$ 94,883	\$ 93,525	\$ (1,358)	\$ 188,451	\$ 187,051	\$ (1,400)
Non-Tax Revenues	8,148	8,285	137	17,170	17,170	0
Provincial Casino Revenue Sharing	1,950	2,200	250	4,000	4,400	400
Utility Recoveries	1,752	1,820	68	3,639	3,639	0
Program Revenues	42,000	39,780	(2,220)	83,187	77,867	(5,320)
TOTAL REVENUES	\$ 148,733	\$ 145,610	\$ (3,123)	\$ 296,447	\$ 290,127	\$ (6,320)

EXPENDITURE SUMMARY	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Program Expenditures	\$ 136,341	\$ 137,502	\$ 1,161	\$ 280,963	\$ 276,893	\$ (4,070)
Council Projects	204	250	46	250	250	0
Crime Reduction Strategy	51	277	226	553	553	0
City Beautification	360	489	129	978	978	0
Community Health Care	0	0	0	2,050	2,050	0
Social Well-Being Plan	185	474	289	949	949	0
Sustainability	0	0	0	200	200	0
2010 Opportunities	40	80	40	150	150	0
Fiscal Services	463	562	99	1,089	1,124	35
Interest Allocations	302	364	62	728	728	0
TOTAL EXPENDITURES	\$ 137,946	\$ 139,998	\$ 2,052	\$ 287,910	\$ 283,875	\$ (4,035)

TRANSFER SUMMARY	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Transfer to Capital Program	\$ 2,899	\$ 2,900	\$ 1	\$ 5,800	\$ 5,800	-
Transfer to Capital Program - Gaming	1,950	2,200	250	4,000	4,400	400
Transfers To(From) Own Sources	20	18	(2)	37	37	0
TOTAL TRANSFERS	\$ 4,869	\$ 5,118	\$ 249	\$ 9,837	\$ 10,237	\$ 400

PROJECTED SURPLUS	\$ 2,685
BUDGETED TRANSFER FROM SURPLUS	(3,985)
ANTICIPATED TRANSFER FROM SURPLUS	\$ (1,300)



2008 2nd QUARTER COUNCIL REPORT
\$ 000's

PROGRAM REVENUES	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Annual Budget	2008 Projected Variance
R.C.M.P.	\$ 3,556	\$ 3,366	\$ (190)	\$ 6,926	\$ 6,736	\$ (190)
Fire	89	67	(22)	1,360	1,280	(80)
Engineering Services	13,737	14,216	479	28,270	28,470	200
Parks, Recreation & Culture	9,933	9,396	(537)	16,421	15,941	(480)
Surrey Public Library	957	793	(164)	1,673	1,583	(90)
Planning & Development	10,056	8,744	(1,312)	21,604	17,274	(4,330)
Mayor & Council	0	0	0	0	0	0
City Grants	0	0	0	0	0	0
City Manager	3,222	2,800	(422)	5,945	5,675	(270)
Finance & Technology	450	398	(52)	988	908	(80)
Human Resources	0	0	0	0	0	0
Operating Contingency	0	0	0	0	0	0
TOTAL PROGRAM REVENUES	\$ 42,000	\$ 39,780	\$ (2,220)	\$ 83,187	\$ 77,867	\$ (5,320)

PROGRAM EXPENDITURES	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Annual Budget	2008 Projected Variance
R.C.M.P.	\$ 40,678	\$ 42,190	\$ 1,512	\$ 87,313	\$ 87,123	\$ (190)
Fire	20,957	22,520	1,563	45,749	45,669	(80)
Engineering Services	22,051	20,593	(1,458)	37,689	37,389	(300)
Parks, Recreation & Culture	21,205	21,479	274	46,291	45,811	(480)
Surrey Public Library	6,258	6,208	(50)	12,399	12,309	(90)
Planning & Development	9,508	8,374	(1,134)	20,110	16,980	(3,130)
Mayor & Council	504	526	22	1,053	1,053	0
City Grants	528	711	183	1,086	1,086	0
City Manager	5,541	5,565	24	10,995	10,975	(20)
Finance & Technology	7,475	7,722	247	14,962	15,332	370
Human Resources	1,366	1,314	(52)	2,716	2,566	(150)
Operating Contingency	270	300	30	600	600	0
TOTAL PROGRAM EXPENDITURES	\$ 136,341	\$ 137,502	\$ 1,161	\$ 280,963	\$ 276,893	\$ (4,070)

NET PROGRAM	2008 2nd Qtr Actual	2008 2nd Qtr Budget	2008 2nd Qtr Variance	2008 Annual Projected	2008 Annual Budget	2008 Projected Variance
R.C.M.P.	\$ 37,122	\$ 38,824	\$ 1,702	\$ 80,387	\$ 80,387	\$ 0
Fire	20,868	22,453	1,585	44,389	44,389	0
Engineering Services	7,713	6,377	(1,336)	9,419	8,919	(500)
Parks, Recreation & Culture	11,272	12,083	811	29,870	29,870	0
Surrey Public Library	5,301	5,415	114	10,726	10,726	0
Planning & Development	(547)	(370)	177	(1,494)	(294)	1,200
Mayor & Council	504	526	22	1,053	1,053	0
City Grants	528	711	183	1,086	1,086	0
City Manager	2,319	2,765	446	5,050	5,300	250
Finance & Technology	7,024	7,324	300	13,974	14,424	450
Human Resources	1,366	1,314	(52)	2,716	2,566	(150)
Operating Contingency	270	300	30	600	600	0
NET PROGRAM TOTAL	\$ 93,740	\$ 97,722	\$ 3,982	\$ 197,776	\$ 199,026	\$ 1,250



2008 FINANCIAL PLAN COUNCIL INITIATIVES

Description	Amount	Allocation to date	Remaining
Carried Forward from Prior Year	61,371		
2008 Proposed Budget	250,000		\$ 311,371
Fraser Valley Heritage Railway Society	75,000		
Cloverdale BIA - Santa Claus Parade			
Balance of Currie and Parr Houses relocation			
Peace Arch Hospital & Community Health Foundation 2008 - In Caring Gala April 26, 2008	1,600		
Surrey Crime Prevention Society - Anti-Graffiti Program	29,000		
2010 Community Opportunities Strategy	20,000		
Surrey Foundation Annual Event - Feb 29, 2008	1,600		
City Grants - Property Taxes	16,300		
SFFC & YJC (South Fraser Family Court & Youth Justice Centre)	6,500		
Steering Committee of the Community Literacy Plan/DIVERSEcity Co	5,000		
Farmers Market	5,000		
Greater Vancouver Charity Classic (GVCC)	30,000		
1st Annual Nightshift Charity Golf Classic - May 23, 2008	100		
"Flavours of Surrey" Event	3,000		
2008 BC Cup Bicycle Race At Tom Binnie Park	9,000		
2008 Mayor's Charity Ball	3,000		
Allocations for 2008		\$ 205,100	\$ 106,271

APPENDIX C

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) APRIL 30/08	INVESTMENT (MILLIONS) MAY 31/08	INVESTMENT (MILLIONS) JUNE 30/08
<i>RBC Month End Balance</i>	40.0	20.2	16.1
<i>Overnight</i>	20.0	20.0	25.0
MAJOR BANKS			
Bank of Montreal	49.2	49.2	49.2
Bank of Nova Scotia	31.3	31.3	31.2
Canadian Imperial Bank of Commerce	52.7	52.7	97.5
Manulife Bank of Canada	15.0	15.0	15.0
National Bank of Canada	96.6	96.2	90.6
Royal Bank of Canada	52.2	52.2	62.0
Toronto Dominion	25.3	24.9	24.9
SUB TOTAL - MAJOR BANKS	<u>322.3</u>	<u>321.5</u>	<u>370.5</u>
SCHEDULE B BANKS			
Hong Kong Bank of Canada (HSBC)	0.0	0.0	19.6
SUB TOTAL - SCHEDULE B BANKS	<u>0.0</u>	<u>0.0</u>	<u>19.6</u>
CREDIT UNIONS			
Coast Capital Credit Union	13.5	13.5	13.5
Envision Credit Union	10.0	10.0	15.0
Vancity Savings	10.0	10.0	15.0
Westminster Savings Credit Union	5.0	5.0	5.0
SUB TOTAL - CREDIT UNIONS	<u>38.5</u>	<u>38.5</u>	<u>48.5</u>
GOVERNMENT OF CANADA			
Gov't Cda Bonds/Cpns	69.1	69.1	69.1
SUB TOTAL - GOVT OF CANADA	<u>69.1</u>	<u>69.1</u>	<u>69.1</u>
PROVINCES			
Alberta	21.3	21.3	21.3
British Columbia	6.9	6.9	6.9
Manitoba	29.0	29.0	29.0
New Brunswick	0.8	0.8	0.8
Newfoundland	5.2	5.2	5.2
Nova Scotia	2.7	2.7	2.7
Ontario	15.0	10.0	10.0
Quebec	40.9	40.9	40.7
SUB TOTAL - PROVINCES	<u>121.7</u>	<u>116.7</u>	<u>116.5</u>
OTHER			
BCMFA	89.3	89.3	169.3
SUB TOTAL - OTHER	<u>89.3</u>	<u>89.3</u>	<u>169.3</u>
TOTAL PORTFOLIO	<u><u>700.9</u></u>	<u><u>675.3</u></u>	<u><u>834.7</u></u>

SCHEDULE 2 - 1

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
RBC Month End Balance					
30-Jun-08		Royal Bank		16,143,800.00	16,143,800.00
CALL LOAN					
02-Jul-08	30-Jun-08	VanCity Credit Union	2	25,000,000.00	25,000,000.00
MAJOR BANKS					
20-Dec-08	23-Mar-04	Bank of Montreal residuals	1733	4,207,500.00	
21-Jan-10	01-Nov-07	Bank of Montreal fixed floater	812	4,928,041.02	
21-Jan-10	28-Jan-05	Bank of Montreal fixed floater	1819	2,004,331.93	
07-Dec-11	07-Dec-06	Bank of Montreal accrual note	1826	10,000,000.00	
29-Feb-12	04-Mar-05	Bank of Montreal futures cd	2553	3,000,000.00	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floater	1694	10,023,906.04	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floater	1694	5,011,955.59	
15-Jul-12	15-Jul-05	Bank of Montreal step up	2557	10,000,000.00	
*** BANK OF MONTREAL					49,175,734.58
22-Jul-08	21-Nov-05	Bank of Nova Scotia fixed floater	974	3,002,961.19	
05-Dec-11	05-Dec-06	Bank of Nova Scotia step up	1826	7,000,000.00	
27-Mar-13	10-Apr-08	Bank of Nova Scotia fixed floater	1812	9,971,691.97	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floater	1804	9,978,062.55	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floater	1801	1,293,244.59	
*** BANK OF NOVA SCOTIA					31,245,960.30
01-Jun-09	21-Apr-08	CIBC fixed floater	406	9,985,673.59	
15-Oct-09	13-Jun-05	CIBC fixed floater	1585	2,506,780.43	
15-Oct-09	17-Jun-05	CIBC fixed floater	1581	5,051,159.38	
28-Mar-11	25-Sep-06	CIBC fixed floater	1645	5,020,314.09	
28-Mar-11	10-Apr-08	CIBC fixed floater	1082	9,873,191.46	
28-Mar-11	05-Jun-08	CIBC fixed floater	1026	5,005,853.80	
10-Sep-12	29-Feb-08	CIBC deposit note	1655	10,063,738.03	
10-Sep-12	10-Apr-08	CIBC deposit note	1,614	5,006,476.37	
10-Oct-13	10-Oct-06	CIBC accrual note	2557	5,000,000.00	
23-Jun-15	23-Jun-08	CIBC accrual note	2556	10,000,000.00	
27-Jun-18	27-Jun-08	CIBC step up	3652	20,000,000.00	
27-Jun-18	27-Jun-08	CIBC step up	3652	9,950,041.07	
*** CIBC					97,463,228.22
03-Aug-08	03-Aug-05	Manulife step up	1096	10,000,000.00	
18-Aug-08	18-Aug-05	Manulife step up	1096	5,000,000.00	
*** MANULIFE BANK OF CANADA					15,000,000.00
16-Apr-09	13-Jun-05	National Bank fixed floater	1403	1,658,060.86	
16-Apr-09	14-Jun-05	National Bank fixed floater	1402	5,082,816.69	
16-Apr-09	04-Jul-05	National Bank fixed floater	1382	5,084,804.82	
16-Apr-09	06-Jul-05	National Bank fixed floater	1380	3,050,893.36	
30-Jun-09	20-Feb-06	National Bank bearer deposit note	1226	2,767,392.00	
10-Sep-09	10-Sep-03	National Bank dep note	2192	4,998,958.59	
10-Sep-09	19-Mar-04	National Bank dep note	2001	5,037,187.40	
10-Sep-09	17-Jun-05	National Bank dep note	1546	5,059,212.17	
02-Nov-11	26-Nov-07	National Bank bond	1437	9,758,136.76	
02-Nov-11	27-Nov-07	National Bank bond	1436	9,791,937.67	
02-Nov-11	10-Apr-08	National Bank fixed floater	1301	19,627,885.97	
15-Nov-13	05-Jun-08	National Bank fixed floater	1989	5,080,475.62	
22-Dec-14	29-Feb-08	National Bank fixed floater	2488	3,907,925.73	
22-Dec-14	29-Feb-08	National Bank fixed floater	2488	9,732,631.96	
*** NATIONAL BANK OF CANADA					90,638,319.60

SCHEDULE 2 - 2

25-Jan-10	02-Jun-03	Royal Bank fixed floater	2429	5,165,448.84
25-Jan-10	14-Jan-04	Royal Bank fixed floater	2203	5,176,832.73
24-Jun-10	01-Nov-07	Royal Bank fixed floater	966	9,758,533.74
12-Apr-11	27-Mar-06	Royal Bank fixed floater	1842	5,226,920.20
12-Apr-11	01-Nov-07	Royal Bank fixed floater	1258	5,158,217.79
30-Apr-12	01-Nov-07	Royal Bank fixed floater	1642	4,908,629.99
30-Apr-12	05-Jun-08	Royal Bank fixed floater	1425	4,968,659.65
11-Mar-13	18-Apr-08	Royal Bank fixed floater	1788	9,922,423.16
11-Mar-13	18-Apr-08	Royal Bank fixed floater	1788	4,955,627.65
11-Mar-13	05-Jun-08	Royal Bank fixed floater	1740	5,001,725.10
04-Nov-13	15-Apr-08	Royal Bank fixed floater	2029	1,789,067.50
*** ROYAL BANK OF CANADA				62,032,086.35
05-Sep-08	09-Sep-03	Toronto Dominion fixed floater	1823	5,000,243.42
05-Sep-08	01-Dec-03	Toronto Dominion fixed floater	1740	1,200,317.82
18-Jan-11	27-Mar-06	Toronto Dominion fixed floater	1758	3,486,811.70
01-Nov-12	11-Apr-08	Toronto Dominion fixed floater	1665	10,149,679.16
01-Nov-12	21-Apr-08	Toronto Dominion fixed floater	1655	5,061,817.91
*** TORONTO DOMINION				24,898,870.01
Schedule B Banks				
09-Jan-09	30-Jun-08	HSBC bearer deposit note	193	19,648,800.00
*** Hong Kong Bank of Canada (HSBC)				19,648,800.00
CREDIT UNIONS				
28-Oct-08	28-Apr-08	Coast Capital Credit Union term deposit	183	13,500,000.00
25-Jul-08	28-Mar-08	Envision Credit Union term deposit	119	10,000,000.00
14-Nov-08	30-Jun-08	Envision Credit Union term deposit	137	5,000,000.00
28-Oct-08	28-Apr-08	Vancity Savings term deposit	183	10,000,000.00
14-Nov-08	30-Jun-08	Vancity Savings term deposit	137	5,000,000.00
28-Oct-08	28-Apr-08	Westminster Savings C.U. term deposit	183	5,000,000.00
*** CREDIT UNIONS				48,500,000.00
FEDERAL GUARANTEED PAPER				
06-Jul-08	06-Jul-05	Farm Credit Corp. accrual note	1096	10,000,000.00
31-Jul-08	08-Feb-05	Export Dev. Corp accrual note	1269	5,600,000.00
15-Sep-08	13-Jun-05	Canada Mortgage resids	1190	4,522,100.00
15-Mar-10	28-Jan-05	Canada Mortgage bond	1872	2,000,000.00
25-Apr-12	25-Apr-05	Farm Credit Corp. dyno step up	2557	5,000,000.00
06-Jul-12	06-Jul-05	Farm Credit Corp. accrual note	2557	10,000,000.00
03-Aug-08	03-Aug-05	Export Dev. Corp accrual note	1096	10,000,000.00
01-Oct-14	01-Oct-04	Farm Credit Corp. dyno	3652	2,000,000.00
10-Feb-15	10-Feb-05	Farm Credit Corp step up accrual note	3652	10,000,000.00
17-Jun-15	17-Jun-05	Export Dev. Corp accrual note	3652	10,000,000.00
*** OTHER FEDERAL GUARANTEED				69,122,100.00
PROVINCIAL GUARANTEED PAPER				
28-Dec-08	28-Jun-05	Alberta Capital Finance accrual note	1279	10,000,000.00
20-Aug-10	21-Nov-03	Alberta Capital Finance bond	2464	1,295,249.24
23-Dec-13	23-Jun-05	Alberta Capital Finance step up accrual note	3105	10,000,000.00
*** ALBERTA				21,295,249.24
18-Jun-09	05-Apr-02	BC coupons	2631	1,849,474.07
01-Dec-09	05-Apr-02	BC bonds	2797	5,017,164.89
*** BRITISH COLUMBIA				6,866,638.96
02-Mar-09	10-Mar-05	Manitoba bond	1453	5,052,086.65
15-Mar-10	15-Mar-05	Manitoba accrual note	1826	9,979,496.16
05-Sep-10	01-Dec-03	Manitoba residuals	2,470	3,972,705.00
30-Jun-08	30-Jun-05	Manitoba step up	1096	10,000,000.00
*** MANITOBA				29,004,287.81

SCHEDULE 2 - 3

17-Dec-10	17-Dec-03	New Brunswick Municipal Finance Authority	2,557	763,953.01	
		*** NEW BRUNSWICK			763,953.01
03-Nov-09	02-Feb-04	Newfoundland Bond	2101	5,152,798.68	
		*** NEWFOUNDLAND			5,152,798.68
19-Feb-10	01-Apr-04	Nova Scotia step up	2150	2,700,000.00	
		***NOVA SCOTIA			2,700,000.00
19-May-10	04-Apr-05	Ontario bond	1871	4,991,898.36	
19-Nov-10	21-Nov-03	Ontario bond	2555	4,999,999.53	
		*** ONTARIO			9,991,897.89
01-Dec-08	28-Jan-05	Quebec Municipal Finance Authority	1403	10,087,387.74	
01-Dec-08	08-Feb-05	Quebec Municipal Finance Authority	1392	4,034,117.82	
01-Jun-09	13-Jun-05	Quebec bond	1449	5,093,494.82	
01-Dec-09	21-Oct-03	Quebec Municipal Finance Authority	2233	4,002,211.84	
01-Dec-09	21-Oct-03	Quebec Municipal Finance Authority	2233	3,000,000.00	
01-Dec-09	09-Jan-04	Quebec Municipal Finance Authority	2153	5,016,918.71	
16-Aug-10	05-Mar-04	Hydro Quebec coupon	2355	5,305,300.00	
01-Dec-10	28-Jan-05	Quebec bond	2133	4,192,185.64	
		*** QUEBEC			40,731,616.57
09-Jul-08	18-Jun-08	BCMFA term deposit	21	50,000,000.00	
22-Jul-08	23-May-08	BCMFA term deposit	60	15,000,000.00	
01-Aug-08	05-May-08	BCMFA term deposit	88	65,000,000.00	
29-Aug-08	25-Jun-08	BCMFA term deposit	65	30,000,000.00	
03-Oct-09	03-Oct-03	BCMFA bond	2192	799,554.30	
03-Oct-10	03-Oct-03	BCMFA bond	2557	1,798,351.54	
03-Oct-10	10-Oct-03	BCMFA bond	2550	699,091.90	
01-Jun-11	11-Apr-01	BCMFA bond	3703	4,994,909.49	
open	17-Dec-03	BCMFA investment pool - money marke	1843	1,000,000.00	
		*** BCMFA			169,291,907.23
		TOTAL PORTFOLIO			834,667,248.45