



# Corporate Report

NO: R208

COUNCIL DATE: October 20, 2008

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## REGULAR COUNCIL

TO: Mayor & Council DATE: October 15, 2008  
FROM: General Manager, Finance & Technology FILE: 1880-20  
SUBJECT: Quarterly Financial Report – Third Quarter - 2008

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## RECOMMENDATION

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

## INTENT

The purpose of this report is to provide Council with an update on the City's financial activity for the first three quarters of 2008, 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 three quarters 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 economy is experiencing the most significant downturn in mature financial markets since the 1930s. The impact of the US sub prime mortgage collapse has been felt across the global financial system. In response, world authorities continue to take extraordinary measures aimed at stabilizing markets including massive liquidity provisions and interventions to sustain weak financial institutions. Looking ahead, financial conditions are likely to remain very difficult for some time. Global growth is projected to slow substantially in 2008, and a modest recovery may begin in the latter part of 2009.

### United States Overview:

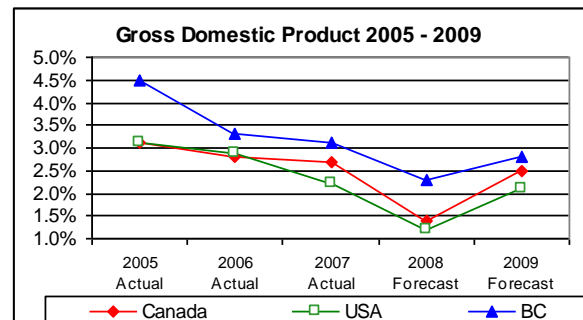
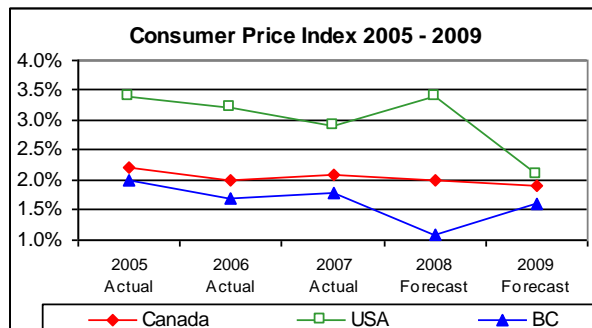
The downturn in the U.S. economy will continue for the remainder of 2008 and through early 2009, as the financial meltdown caused by sub prime mortgages continues to worsen. The inability to borrow is forcing employers to cut workers and significantly reduce spending. The unemployment rate is at its highest level since the fall of 2003 and is still rising. Manufacturing activity has fallen to its lowest level since September 2001. Home prices continue to drop, and foreclosures continue to rise. As credit standards tighten even further and confidence in financial markets plummet, consumer spending is set to fall for the first time since the early 1990s. Although the \$700 billion bailout plan by the US government and the emergency interest rate cut by the Federal Reserve may help to avert an even worse financial crisis, many economists think a recession is likely later this year.

### Canada Overview:

The Canadian economy is also beginning to see the effects of the global financial crisis and U.S. economic downturn. The job market has cooled and this softer employment trend is expected to continue over the next 12-18 months. Housing markets have also softened as existing home sales have dipped, and the average sale price has started to drop. Consumer spending will slow in the coming quarters due to weak job and housing markets and tighter credit conditions. Exporters in Canada will continue to feel the pain from worsening global conditions, a recession in the United States and a relatively strong Canadian dollar. The Bank of Canada has lowered the policy rate by half a percentage point to 2.5%. The economy is likely to grow by an average of 1% in the final quarter of 2008 and early 2009, well below the previous pace.

### British Columbia Overview:

British Columbia's economic conditions have also started to decline. Home resale activity is dropping in the province, reaching the lowest level since 2001. A surge in the supply of houses for sale is having a significant cooling effect on prices, and prices are expected to deteriorate further in the period ahead. Exports, especially the forest products sector, are posting significant declines so far this year. Job creation has virtually stalled since the spring, with losses in forestry and manufacturing offset by gains in services and construction. This appears to be affecting consumer spending with growth in retail sales slowing, led by declines in new motor vehicle purchases. Fortunately, British Columbia's economy remains well supported by heavy investment spending by both the private and public sectors as the construction for the 2010 Winter Olympic Games comes to a close. Overall, BC's economy will grow at a slow pace of 1.2% this year and 2.1% in 2009 in face of softening domestic conditions and the difficult external environment.

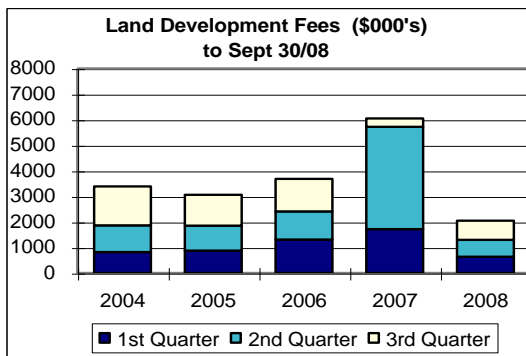


Graph 1 & 2 source: BMO Capital markets Sept/08

## Surrey's Financial Performance

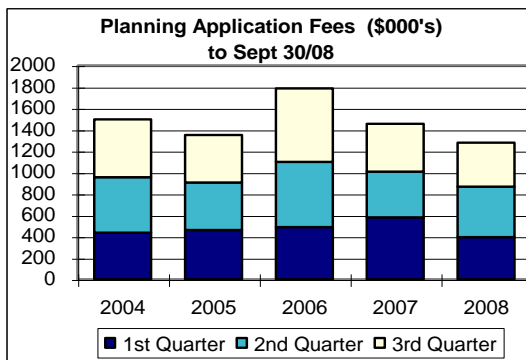
The level of new development activity has slowed significantly in each of the first three quarters of the year when compared to the same timeframe in prior years. Residential housing starts still remain strong due to the general economic condition of the Lower Mainland coupled with continued low interest rates. It is expected that activity levels will level off for the balance of the year, with housing starts falling in the early part of 2009.

The following graphs illustrate how the 3<sup>rd</sup> quarter of 2008 compares to previous years' results for the same period:



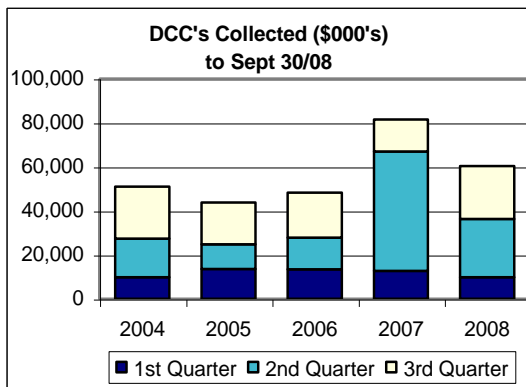
Graph 3

Land Development activity in each of the first three quarters 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.



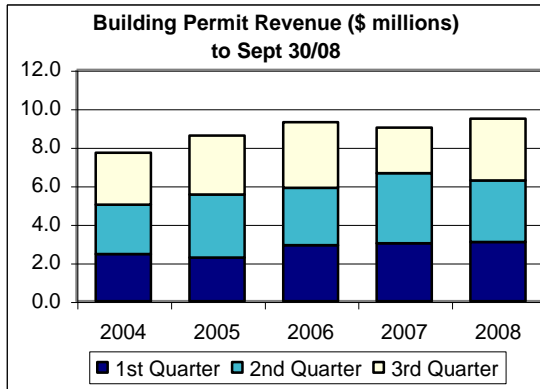
Graph 4

Application fees collected in the first three quarters of the year are slightly lower than those collected for the same period in previous years. It is expected that the City will not meet the 2008 budget figures.



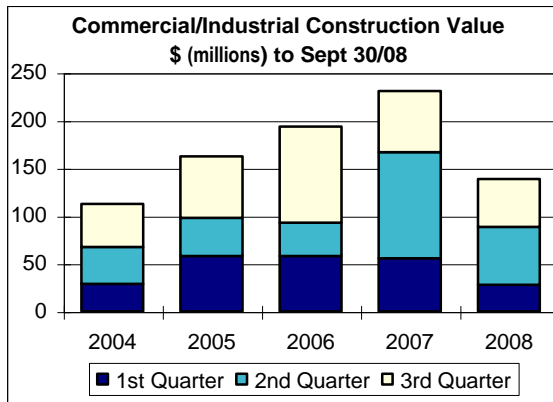
Graph 5

The Development Cost Charges that have been collected in the first three quarters of the year are lower than those collected in the same period of 2007, but exceed those collected in previous years. It is expected that the 2008 DCCs collected will be in line with the 2008 budget figures.



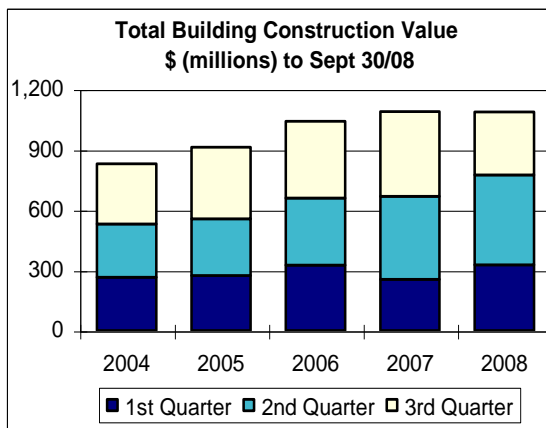
*Graph 6*

Building permit fees collected for the first three quarters of the year are on par with those collected in the same period of previous years. The 2008 revenue is expected to meet budget, however, the slow down in land development is expected to affect permit fees in 2009.



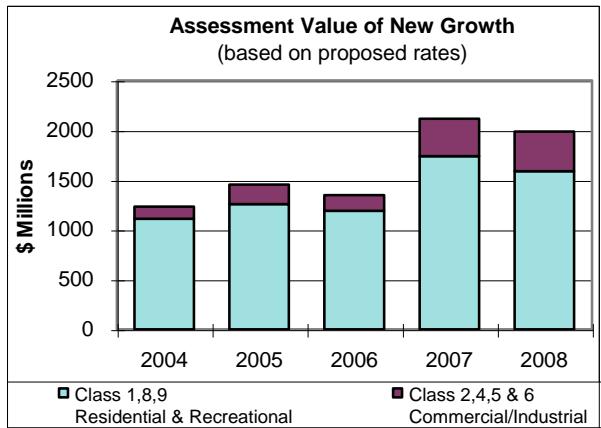
*Graph 7*

Construction value of commercial/industrial building permits for the first three quarters of 2008 has declined in comparison to the previous year. However, there are some major projects in the approval stream, which should boost this value significantly before year-end.

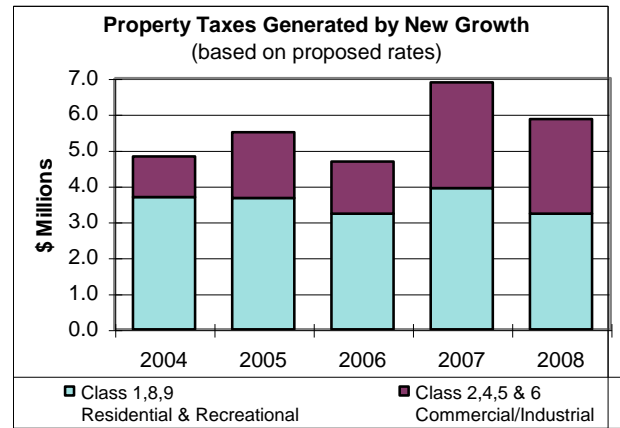


*Graph 8*

Overall, the value of new construction in the City for the first three quarters of the year is on par with the same time period in previous years. Staff is projecting a slightly higher level of construction value to be issued in 2008 than was issued in 2007.



Graph 9

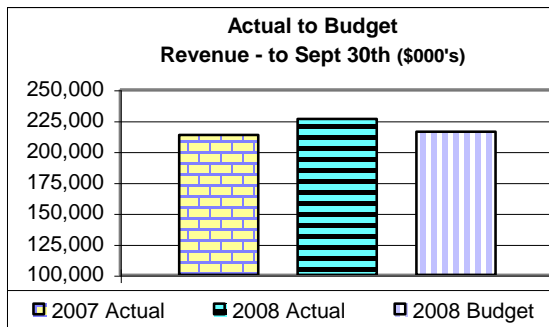


Graph 10

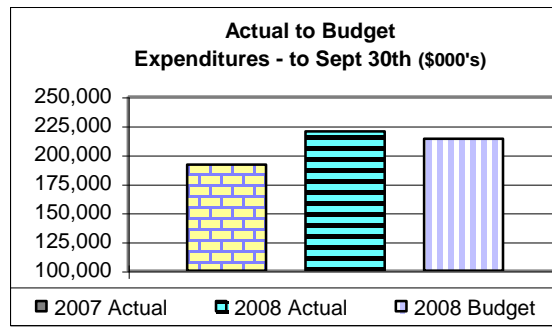
The value of new construction creates taxable property assessment, which becomes the ‘growth’ component of the City’s annual property tax levy. The tax rate for commercial/industrial properties is about three and a half times that of residential property. This means that a commercial property with the same assessed value as a residential property will generate three and a half times more property taxes than the residential property.

### Comparison of Actual Revenues and Expenditures versus the 2008 Budget (Financial Plan)

The graphs below illustrate the variances between the actual and the budgeted revenues and expenditures for the third 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. The following section provides an explanation on a Department-by-Department basis of variances from the adopted 2008 Financial Plan:

RCMP is currently at budget and is expected to remain in this position through to year-end.

Fire Services has a favourable variance of \$1.4 million. This favourable variance is due to positive variances in overtime and other salary savings. It is anticipated that Fire Services will achieve a year-end surplus of \$1.1 million, which will be directed towards the replacement of a fire hall in future years.

Engineering Services is reporting a \$2.5 million negative variance, which is expected to be reduced to \$500,000 by year-end. The third quarter variance is partly due to the timing of outside salary recoveries. Also, the Traffic Section continues to experience additional costs related to wire thefts that is expected to result in a year-end shortfall of \$0.4M. In addition, Land Development fees are expected to be \$1.0 million short of the 2008 Budget. This is mainly due to a significant reduction in revenues related to inspection fees, as developers are not moving forward with projects at the pace expected. 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 an attempt to reduce the magnitude of the variance as much as possible.

Parks, Recreation & Culture is showing a favourable departmental variance of \$1.3 million. This is primarily due to increases in revenue from the Surrey Sports and Leisure Complex and other community recreation facilities and the timing associated with sponsorships from the Cultural Capital Canada award, Canada Day, the Children's Festival and the Fusion Fest. Parks, Recreation, and Culture are expected to meet budget by year-end.

Library Services has achieved a favourable variance of \$289,000 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 \$252,000 due primarily to increased building permit revenue materializing from permit applications received prior to the increase in DCC rates. This variance is expected to increase to \$1.6 million by year-end.

Mayor and Council has a favourable variance of \$62,000 due to the timing of expenditures. This area is expected to meet budget at year-end.

City Manager's Department is currently reporting a favourable variance of \$640,000 due to revenue increases from fees and fines and some reduced expenditures. It is expected that this department will finish the year with a \$300,000 favourable variance.

Finance & Technology currently has a favourable variance of \$648,000. This is primarily due to temporary departmental vacancies and to the timing of the payments of IT maintenance contracts. The year-end variance is expected to be \$400,000.

Human Resources has a negative variance of \$69,000 due to the need to increase staff levels to support recruitment needs. The HR Department is expected to meet budget by year-end.

Council Initiatives: A summary of allocations that have been made from the Council Initiatives Fund to date in 2008 is attached as **Appendix B**.

Overall, it is expected that the budgeted transfer from surplus of \$4 million, will be reduced to \$0.9 million by the end of the year. However, to achieve this, departments will continue to closely monitor their expenditures for the remainder of the year.

## **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, 2008 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$787 million, most of these funds have either been committed to specific capital projects or 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 4.35%, while maintaining investment security as outlined in the investment policy. This is slightly higher than the investment interest return of 4.30% that was anticipated in our 2008 Financial Plan. As the City continues to invest additional funds, interest income is expected to meet budget by year-end.

## **CONCLUSION**

The 2008 adopted budget anticipated a transfer from surplus of \$4.0 million. Based on the activity in the first three quarters of the year, it is expected that this transfer from surplus will be reduced to \$0.9 million by the end of the year.

Vivienne Wilke, CGA  
General Manager,  
Finance & Technology

APPENDIX A-1

	<b>2008 3rd QUARTER COUNCIL REPORT</b> <b>EXECUTIVE SUMMARY</b> <b>REVENUES &amp; EXPENDITURES</b> <b>\$ 000's</b>
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REVENUE SUMMARY	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Net Taxation	\$ 141,629	\$ 140,289	\$ (1,340)	\$ 188,351	\$ 187,051	\$ (1,300)
Non-Tax Revenues	13,579	12,827	(752)	17,170	17,170	0
Provincial Casino Revenue Sharing	2,712	3,300	588	4,000	4,400	400
Utility Recoveries	2,627	2,729	102	3,639	3,639	0
Program Revenues	65,069	59,446	(5,623)	85,367	77,867	(7,500)
<b>TOTAL REVENUES</b>	<b>\$ 225,616</b>	<b>\$ 218,592</b>	<b>\$ (7,024)</b>	<b>\$ 298,527</b>	<b>\$ 290,127</b>	<b>\$ (8,400)</b>

EXPENDITURE SUMMARY	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Program Expenditures	\$ 207,217	\$ 203,737	\$ (3,480)	\$ 281,493	\$ 276,893	\$ (4,600)
Council Projects	202	187	(15)	250	250	0
Crime Reduction Strategy	77	413	336	553	553	0
City Beautification	638	734	96	978	978	0
Community Health Care	0	1,538	1,538	2,050	2,050	0
Social Well-Being Plan	322	712	390	949	949	0
Sustainability	0	150	150	200	200	0
2010 Opportunities	46	115	69	150	150	0
Fiscal Services	800	843	43	1,139	1,124	(15)
Interest Allocations	453	546	93	728	728	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 209,755</b>	<b>\$ 208,975</b>	<b>\$ (780)</b>	<b>\$ 288,490</b>	<b>\$ 283,875</b>	<b>\$ (4,615)</b>

TRANSFER SUMMARY	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
Transfer to Capital Program	\$ 4,350	\$ 4,350	\$ 0	\$ 6,900	\$ 5,800	(1,100)
Transfer to Capital Program - Gaming	2,712	3,300	588	4,000	4,400	400
Transfers To(From) Own Sources	118	28	(90)	37	37	0
<b>TOTAL TRANSFERS</b>	<b>\$ 7,180</b>	<b>\$ 7,678</b>	<b>\$ 498</b>	<b>\$ 10,937</b>	<b>\$ 10,237</b>	<b>\$ (700)</b>

PROJECTED SURPLUS	\$ 3,085
BUDGETED TRANSFER FROM SURPLUS	(3,985)
<b>ANTICIPATED SHORTFALL</b>	<b>\$ (900)</b>



APPENDIX A-2



2008 3rd QUARTER COUNCIL REPORT  
\$ 000's

	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
<b>PROGRAM REVENUES</b>						
R.C.M.P.	\$ 5,319	\$ 5,048	\$ (271)	\$ 7,036	\$ 6,736	\$ (300)
Fire	1,290	1,243	(47)	1,380	1,280	(100)
Engineering Services	21,404	21,343	(61)	29,470	28,470	(1,000)
Parks, Recreation & Culture	14,616	12,596	(2,020)	17,141	15,941	(1,200)
Surrey Public Library	1,680	1,425	(255)	1,783	1,583	(200)
Planning & Development	15,356	13,009	(2,347)	21,574	17,274	(4,300)
City Manager	4,673	4,184	(489)	5,975	5,675	(300)
Finance & Technology	731	598	(133)	1,008	908	(100)
Human Resources	0	0	0	0	0	0
<b>TOTAL PROGRAM REVENUES</b>	<b>\$ 65,069</b>	<b>\$ 59,446</b>	<b>\$ (5,623)</b>	<b>\$ 85,367</b>	<b>\$ 77,867</b>	<b>\$ (7,500)</b>

	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
<b>PROGRAM EXPENDITURES</b>						
R.C.M.P.	\$ 63,862	\$ 63,592	\$ (270)	\$ 87,423	\$ 87,123	\$ (300)
Fire	31,588	32,994	1,406	44,669	45,669	1,000
Engineering Services	30,119	27,567	(2,552)	38,889	37,389	(1,500)
Parks, Recreation & Culture	34,048	33,307	(741)	47,011	45,811	(1,200)
Surrey Public Library	9,042	9,076	34	12,509	12,309	(200)
Planning & Development	14,404	12,309	(2,095)	19,680	16,980	(2,700)
Mayor & Council	711	773	62	1,053	1,053	0
City Grants	795	872	77	1,086	1,086	0
City Manager	8,322	8,473	151	10,975	10,975	0
Finance & Technology	12,225	12,740	515	15,032	15,332	300
Human Resources	1,973	1,904	(69)	2,566	2,566	0
Operating Contingency	128	130	2	600	600	0
<b>TOTAL PROGRAM EXPENDITURES</b>	<b>\$ 207,217</b>	<b>\$ 203,737</b>	<b>\$ (3,480)</b>	<b>\$ 281,493</b>	<b>\$ 276,893</b>	<b>\$ (4,600)</b>

	2008 3rd Qtr Actual	2008 3rd Qtr Budget	2008 3rd Qtr Variance	2008 Annual Projected	2008 Total Budget	2008 Projected Variance
<b>NET PROGRAM</b>						
R.C.M.P.	\$ 58,543	\$ 58,543	-	\$ 80,387	\$ 80,387	\$ 0
Fire	30,298	31,751	1,453	43,289	44,389	1,100
Engineering Services	8,715	6,224	(2,491)	9,419	8,919	(500)
Parks, Recreation & Culture	19,432	20,711	1,279	29,870	29,870	0
Surrey Public Library	7,362	7,651	289	10,726	10,726	0
Planning & Development	(952)	(700)	252	(1,894)	(294)	1,600
Mayor & Council	711	773	62	1,053	1,053	0
City Grants	795	872	77	1,086	1,086	0
City Manager	3,649	4,289	640	5,000	5,300	300
Finance & Technology	11,494	12,142	648	14,024	14,424	400
Human Resources	1,973	1,904	(69)	2,566	2,566	0
Operating Contingency	128	130	2	600	600	0
<b>NET PROGRAM TOTAL</b>	<b>\$ 142,148</b>	<b>\$ 144,290</b>	<b>\$ 2,142</b>	<b>\$ 196,126</b>	<b>\$ 199,026</b>	<b>\$ 2,900</b>



## 2008 FINANCIAL PLAN COUNCIL INITIATIVES

Description	Amount	Allocation to date	Remaining
Carried Forward from Prior Year	61,371		
<b>2008 Proposed Budget</b>	<b>250,000</b>		<b>\$ 311,371</b>
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 Coi	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		
Red FM Annual Run	2,500		
SFU President's Annual Surrey Gala Dinner - Oct 29, 2008	2,000		
<b>Allocations for 2008</b>		<b>\$ 209,600</b>	<b>\$ 101,771</b>

APPENDIX C

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) JULY 31/08	INVESTMENT (MILLIONS) AUGUST 31/08	INVESTMENT (MILLIONS) SEPT 30/08
<i>RBC Month End Balance</i>	16.1	16.2	20.9
<i>Overnight</i>	25.0	25.0	25.0
<b>MAJOR BANKS</b>			
Bank of Montreal	49.2	69.4	69.3
Bank of Nova Scotia	28.2	28.2	28.2
Canadian Imperial Bank of Commerce	97.5	127.9	127.4
Citizens Bank of Canada	0.0	0.0	0.0
Manulife Bank of Canada	15.0	0.0	0.0
National Bank of Canada	90.6	90.6	90.6
Royal Bank of Canada	62.0	62.0	62.0
Toronto Dominion	24.9	24.9	18.7
<b><i>SUB TOTAL - MAJOR BANKS</i></b>	<b>367.5</b>	<b>403.1</b>	<b>396.3</b>
<b>SCHEDULE B BANKS</b>			
Hong Kong Bank of Canada (HSBC)	19.6	19.6	19.6
<b><i>SUB TOTAL - SCHEDULE B BANKS</i></b>	<b>19.6</b>	<b>19.6</b>	<b>19.6</b>
<b>CREDIT UNIONS</b>			
Coast Capital Credit Union	13.5	13.5	13.5
Envision Credit Union	15.0	15.0	15.0
Vancity Savings	15.0	15.0	15.0
Westminster Savings Credit Union	5.0	5.0	5.0
<b><i>SUB TOTAL - CREDIT UNIONS</i></b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>
<b>GOVERNMENT OF CANADA</b>			
Gov't Cda Bonds/Cpns	69.1	69.1	64.6
<b><i>SUB TOTAL - GOV'T OF CANADA</i></b>	<b>69.1</b>	<b>69.1</b>	<b>64.6</b>
<b>PROVINCES</b>			
Alberta	21.3	21.3	21.3
British Columbia	6.9	6.9	6.9
Manitoba	29.0	29.0	19.0
New Brunswick	0.8	0.8	0.8
Newfoundland	5.2	5.2	5.1
Nova Scotia	2.7	0.0	0.0
Ontario	10.0	10.0	10.0
Quebec	40.7	40.7	40.6
<b><i>SUB TOTAL - PROVINCES</i></b>	<b>116.5</b>	<b>113.8</b>	<b>103.7</b>
<b>OTHER</b>			
BCMFA	199.3	109.3	109.3
<b><i>SUB TOTAL - OTHER</i></b>	<b>199.3</b>	<b>109.3</b>	<b>109.3</b>
<b>TOTAL PORTFOLIO .....</b>	<b>861.7</b>	<b>804.7</b>	<b>787.8</b>

**SCHEDULE 2 - 1**

<b>MATURITY DATE</b>	<b>PURCHASE DATE</b>	<b>SECURITY</b>	<b># OF DAYS</b>	<b>PRINCIPAL</b>	<b>TOTAL</b>
<b>RBC Month End Balance</b>					
30-Sep-08		Royal Bank		20,857,200.00	<b>20,857,200.00</b>
<b>CALL LOAN</b>					
01-Oct-08	30-Sep-08	VanCity Credit Union Call Loan	1	25,000,000.00	<b>25,000,000.00</b>
<b>MAJOR BANKS</b>					
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 floaters	812	4,939,570.89	
21-Jan-10	28-Jan-05	Bank of Montreal fixed floaters	1819	2,003,633.97	
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 certificate of deposit	2553	3,000,000.00	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	1694	10,022,403.16	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	1694	5,011,203.99	
21-Jun-12	29-Aug-08	Bank of Montreal fixed floaters	1392	10,097,772.98	
15-Jul-12	15-Jul-05	Bank of Montreal step up	2557	10,000,000.00	
19-Aug-13	19-Aug-08	Bank of Montreal accrual note	1826	10,000,000.00	
		<b>*** BANK OF MONTREAL</b>			<b>69,282,084.99</b>
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 floaters	1812	9,973,722.69	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floaters	1804	9,979,598.35	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floaters	1801	1,293,713.11	
		<b>*** BANK OF NOVA SCOTIA</b>			<b>28,247,034.15</b>
01-Jun-09	21-Apr-08	CIBC fixed floaters	406	9,990,122.51	
15-Oct-09	13-Jun-05	CIBC fixed floaters	1585	2,500,404.54	
15-Oct-09	17-Jun-05	CIBC fixed floaters	1581	5,041,208.72	
07-Mar-11	29-Aug-08	CIBC deposit note	920	9,969,078.27	
28-Mar-11	25-Sep-06	CIBC fixed floaters	1645	5,018,461.35	
28-Mar-11	10-Apr-08	CIBC fixed floaters	1082	9,888,459.17	
28-Mar-11	05-Jun-08	CIBC fixed floaters	1026	5,005,315.78	
28-Mar-11	11-Aug-08	CIBC fixed floaters	959	9,965,525.22	
10-Sep-12	29-Feb-08	CIBC deposit note	1655	10,059,582.61	
10-Sep-12	10-Apr-08	CIBC deposit note	1614	5,005,954.57	
06-Jun-13	11-Aug-08	CIBC fixed floaters	1760	10,053,204.74	
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	9,951,300.66	
		<b>*** Canadian Imperial Bank of Commerce</b>			<b>127,448,618.14</b>
16-Apr-09	13-Jun-05	National Bank fixed floaters	1403	1,649,189.39	
16-Apr-09	14-Jun-05	National Bank fixed floaters	1402	5,056,634.09	
16-Apr-09	04-Jul-05	National Bank fixed floaters	1382	5,057,993.68	
16-Apr-09	06-Jul-05	National Bank fixed floaters	1380	3,034,803.36	
30-Jun-09	20-Feb-06	National Bank bearer deposit note	1226	2,767,392.00	
10-Sep-09	10-Sep-03	National Bank deposit note	2192	4,999,176.84	
10-Sep-09	19-Mar-04	National Bank deposit note	2001	5,027,683.95	
10-Sep-09	17-Jun-05	National Bank deposit note	1546	5,046,774.91	
02-Nov-11	26-Nov-07	National Bank bond	1437	9,776,234.36	
02-Nov-11	27-Nov-07	National Bank bond	1436	9,807,506.09	
02-Nov-11	10-Apr-08	National Bank fixed floaters	1301	19,665,112.55	
15-Nov-13	05-Jun-08	National Bank fixed floaters	1989	5,076,705.88	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	3,911,831.32	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	9,743,973.12	
		<b>*** NATIONAL BANK OF CANADA</b>			<b>90,621,011.54</b>

**SCHEDULE 2 - 2**

25-Jan-10	02-Jun-03	Royal Bank fixed floaters	2429	5,139,022.99	
25-Jan-10	14-Jan-04	Royal Bank fixed floaters	2203	5,148,539.49	
24-Jun-10	01-Nov-07	Royal Bank fixed floaters	966	9,788,988.19	
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	1842	5,206,392.51	
12-Apr-11	01-Nov-07	Royal Bank fixed floaters	1258	5,144,000.78	
30-Apr-12	01-Nov-07	Royal Bank fixed floaters	1642	4,914,587.49	
30-Apr-12	05-Jun-08	Royal Bank fixed floaters	1425	4,970,719.16	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	9,927,902.91	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	4,958,761.95	
11-Mar-13	05-Jun-08	Royal Bank fixed floaters	1740	5,001,633.47	
04-Nov-13	15-Apr-08	Royal Bank fixed floaters	2029	1,787,050.22	
		<b>*** ROYAL BANK OF CANADA</b>			<b>61,987,599.16</b>
18-Jan-11	27-Mar-06	Toronto Dominion Bank fixed floaters	1758	3,488,112.15	
01-Nov-12	11-Apr-08	Toronto Dominion Bank fixed floaters	1665	10,138,031.83	
01-Nov-12	21-Apr-08	Toronto Dominion Bank fixed floaters	1655	5,057,151.25	
		<b>*** TORONTO DOMINION</b>			<b>18,683,295.23</b>
<b>SCHEDULE B BANKS</b>					
09-Jan-09	30-Jun-08	HSBC bearer deposit note	193	19,648,800.00	
		<b>*** Hong Kong Bank of Canada (HSBC)</b>			<b>19,648,800.00</b>
<b>CREDIT UNIONS</b>					
28-Oct-08	28-Apr-08	Coast Capital Credit Union	183	13,500,000.00	
14-Nov-08	30-Jun-08	Envision Credit Union	137	5,000,000.00	
25-Nov-08	25-Jul-08	Envision Credit Union	123	10,000,000.00	
28-Oct-08	28-Apr-08	Vancity Savings Credit Unon	183	10,000,000.00	
14-Nov-08	30-Jun-08	Vancity Savings Credit Unon	137	5,000,000.00	
28-Oct-08	28-Apr-08	Westminster Savings Credit Union	183	5,000,000.00	
		<b>*** CREDIT UNIONS</b>			<b>48,500,000.00</b>
<b>FEDERAL GUARANTEED PAPER</b>					
06-Jan-09	06-Jul-05	Farm Credit Corp accrual note	1280	10,000,000.00	
31-Jan-09	08-Feb-05	Export Dev. Corp accrual note	1453	5,600,000.00	
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-Feb-09	03-Aug-05	Export Dev. Corp accrual note	1280	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	
		<b>*** OTHER FEDERAL GUARANTEED</b>			<b>64,600,000.00</b>
<b>PROVINCIAL GUARANTEED PAPER</b>					
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	1,295,807.44	
23-Dec-13	23-Jun-05	Alberta Capital Finance step up accrual note	3105	10,000,000.00	
		<b>*** ALBERTA</b>			<b>21,295,807.44</b>
18-Jun-09	05-Apr-02	BC coupons	2631	1,849,474.07	
01-Dec-09	05-Apr-02	BC bonds	2797	5,014,133.86	
		<b>*** BRITISH COLUMBIA</b>			<b>6,863,607.93</b>
02-Mar-09	10-Mar-05	Manitoba bond	1453	5,032,607.09	
05-Sep-10	01-Dec-03	Manitoba residuals	2,470	3,972,705.00	
30-Dec-08	30-Jun-05	Manitoba step up	1279	10,000,000.00	
		<b>*** MANITOBA</b>			<b>19,005,312.09</b>
17-Dec-10	17-Dec-03	Now Brunswick Municipal Finance Authority	2,557	764,043.37	
		<b>*** NEW BRUNSWICK</b>			<b>764,043.37</b>

**SCHEDULE 2 - 3**

03-Nov-09	02-Feb-04	Newfoundland/Labrador bond	2101	5,124,226.57	
		<b>*** NEWFOUNDLAND</b>			<b>5,124,226.57</b>
19-May-10	04-Apr-05	Ontario bond	1871	4,992,980.18	
19-Nov-10	21-Nov-03	Ontario bond	2555	4,999,999.53	
		<b>*** ONTARIO</b>			<b>9,992,979.71</b>
01-Dec-08	28-Jan-05	Quebec Municipal Finance Authority	1403	10,035,518.89	
01-Dec-08	08-Feb-05	Quebec Municipal Finance Authority	1392	4,013,867.25	
01-Jun-09	13-Jun-05	Quebec bond	1449	5,067,971.01	
01-Dec-09	21-Oct-03	Quebec Municipal Finance Authority	2233	4,001,821.26	
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	5,013,925.40	
16-Aug-10	05-Mar-04	Hydro Quebec coupon	2355	5,305,300.00	
01-Dec-10	28-Jan-05	Quebec bond	2133	4,172,207.02	
		<b>*** QUEBEC</b>			<b>40,610,610.83</b>
22-Oct-08	22-Jul-08	BCMFA term deposit	92	15,000,000.00	
24-Oct-08	08-Aug-08	BCMFA term deposit	77	25,000,000.00	
05-Nov-08	01-Aug-08	BCMFA term deposit	96	60,000,000.00	
03-Oct-09	03-Oct-03	BCMFA bond	2192	799,632.70	
03-Oct-10	03-Oct-03	BCMFA bond	2557	1,798,522.33	
03-Oct-10	10-Oct-03	BCMFA bond	2550	699,192.92	
01-Jun-11	11-Apr-01	BCMFA bond	3703	4,995,348.00	
<b>open</b>	17-Dec-03	BCMFA investment pool - money market fund	1843	1,000,000.00	
		<b>*** BCMFA</b>			<b>109,292,695.95</b>
<b>TOTAL PORTFOLIO</b>					<b><u><u>787,824,927.10</u></u></b>