

NO: R143

COUNCIL DATE: July 27, 2009

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 20, 2009**

FROM: **General Manager, Finance & Technology**

FILE: **1880-20**

SUBJECT: **Quarterly Financial Report - Second Quarter- 2009**

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 second quarter of 2009 and compare that activity with the 2009 Financial Plan.

DISCUSSION

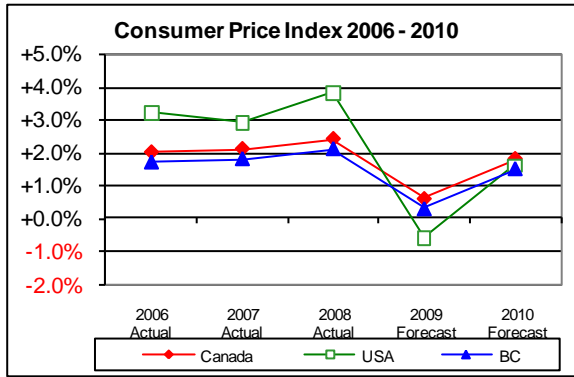
Surrey City Council adopted the 2009 Five-Year Financial Plan in December 2008. Since that time, the global economic environment has continued to change in a dramatic manner. In early 2009, it became apparent that the level of the growth-related revenues outlined in the Financial Plan would not be realized in 2009. Staff concluded that 'budget targets' had to be revised to more accurately reflect new economic forecasts for 2009. These revised budget targets were communicated informally to Council in mid-February 2009 and have been incorporated into departmental budgets.

Staff continues to monitor the City's actual budget performance very closely and report to the Senior Management Team on a month basis to discuss whether further adjustments are necessary.

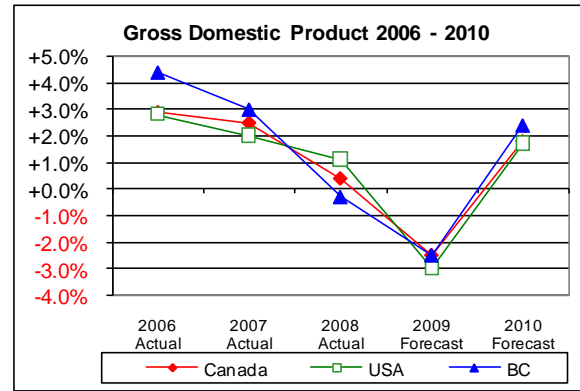
The following discussion provides an overall economic summary followed by an outline of Surrey's financial performance for the first six months of the year. It also includes an overview of the City's investment portfolio performance

International Overview

The financial crisis has deepened in the second quarter and become a truly global recession. Economic activity in the United States, Europe, and Japan has declined at an alarming rate, as well as in emerging countries in East Asia and Central Europe with the latter at risk of further financial turmoil. On a positive note, global auto industry statistics are pointing to a significant rebound and governments have been pumping money into economic systems at an unprecedented rate to stimulate growth.



Graph 1



Graph 2

United States Overview

The unemployment rate in June rose to 9.5%, the worst since 1983. The Federal Bank's most recent release on non-mortgage consumer loans continued in a downward trend, but is at least showing signs of decelerating. For the first time this year, commercial banks expanded credit card lending activity due to demand. This shows that some Americans are becoming a little more optimistic and are spending again rather than accumulating savings or reducing their household debt. On the supply side, commercial banks are now sitting on record cash holdings – almost 2.5 times larger than in August of last year – boosted by government liquidity injections. As the economic outlook improved in May, banks may have started getting more comfortable lending again.

Canada Overview

The economic downturn continues, but at a slower pace than the beginning of the year. Gross domestic product is expected to fall by 1.9% in 2009 and rise by 2.7% in 2010, a level weaker than historical post-recession growth levels. Nevertheless, conditions are moving in a positive direction.

Canadian employment dipped by 7,400 in June, edging the unemployment rate up to 8.6%. Manufacturers continue to reduce their payrolls, while the service sector remains stable. Canada's job losses are still sizeable, but the trend is slowing. The moderation mainly reflects a slower pace of job cuts in Quebec, Alberta and British Columbia; Ontario continues to post sizeable losses.

British Columbia Overview

Since mid 2008, the weakness in BC's economy has spread well beyond the forest products sector and into manufacturing, construction, mining and service industries such as transportation and retail trade. US housing construction will not be rebounding in the near future, so the Province's forest products sector is expected to remain in survival mode.

While there has been some activity in both new and used home sales this spring, the housing sector is still very fragile. Housing starts were at a nine-year low in January through April and have recovered to some extent in May and June.

Governments continue to spend on public infrastructures in an effort to partly offset the weakness in the economy. It is hoped that this will allow for growth to return to more normal levels by next year. GDP in B.C. is expected to rebound 2.9% in 2010, partially as a result of the 2010 Olympic Games.

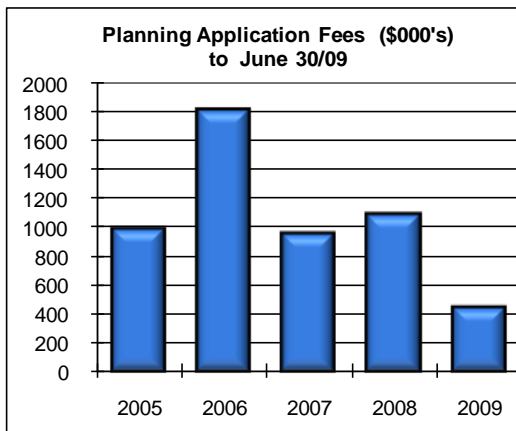
Surrey's Financial Performance

The level of new development in Surrey dropped significantly in the last quarter of 2008 and continues to remain slow into the first six months of 2009 when compared to the same timeframe in prior years. May and June however, have shown signs of a modest improvement, although not to the levels seen in 2008. It is noted that business growth remains level with 2008 but residential growth is much slower. The 2009 Financial Plan was adopted by Council in December 2008. Since that time, economic conditions throughout the world have deteriorated more than originally expected. The City's 2009 targeted revenues and corresponding expenditures have been adjusted to reflect the current conditions. Since both the revenues and expenditures have been adjusted by the same values, there is no overall change to the City's budgeted 'bottom-line'.

All of the following graphs indicate the actual revenue that has been collected by the City for the noted periods. The City's budget is based on recognized accounting principles, which require that development-related revenues be distributed over time to match the timing of related expenses that are incurred by the City.

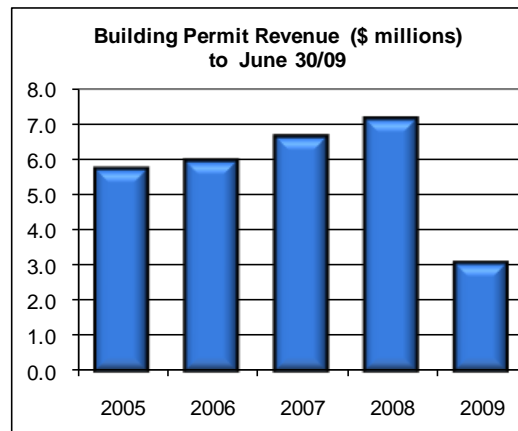
This revenue deferral process means that although there may be a significant reduction in the actual revenue collected in any given period, the effect of this reduction will not be recognized for sometime into the future, which in some cases will be in the following year. The timing difference between the collection of revenue and the actual recognition of that revenue allows staff to take early action to address future revenue projections and related workload demands.

The following graphs illustrate how the results for the first six months of 2009 compare to previous years' results for the same period:



Graph 3

Application fees collected in the first six months of the year are 59% lower than those collected for the same period last year. While the 2009 budget figures have been adjusted to reflect an anticipated reduction in overall revenues, the City is still expecting to see a short-fall as compared to the 2009 budget figures; on-going monitoring will be critical.



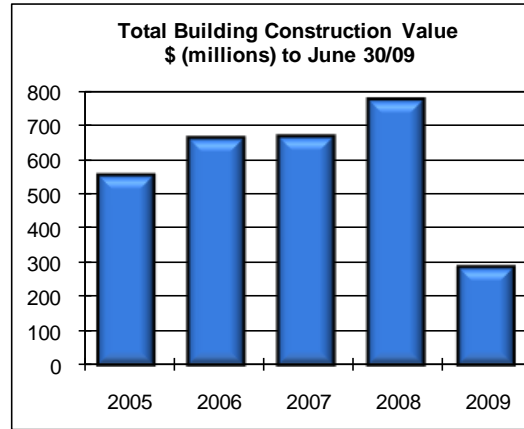
Graph 4

Building permit fees collected for the first six months of this year are 57% lower than those collected in the same period last year. Although the budget target for building permit revenue has been reduced to reflect economic conditions, measures have been taken to monitor activity throughout the balance of the year. Revenues are expected to meet the revised budget.



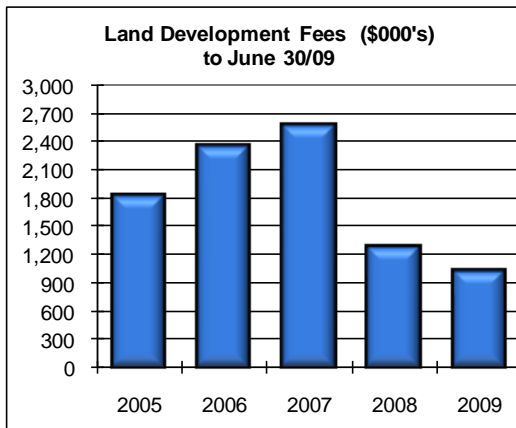
Graph 5

Construction value of commercial/industrial building permits for the first six months of 2009 has increased by 2.7% as compared to 2008 with the upward trend beginning in May and continuing in June.



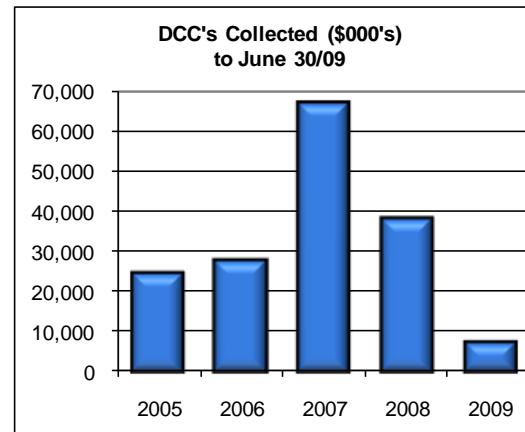
Graph 6

Overall, the value of new construction in the City for the first six months of the year is 63% lower than the same time period last year. This is primarily a result of a significant decline in the residential building activity.



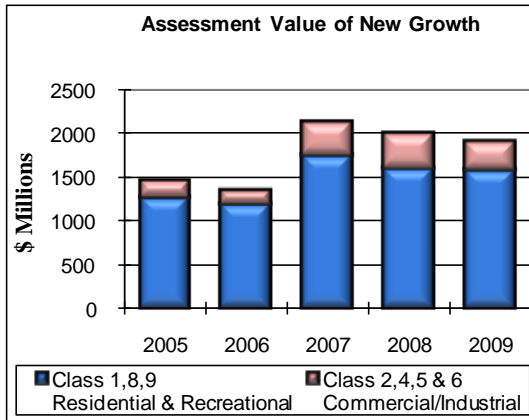
Graph 7

Engineering Land Development activity in the first six months of the year has decreased by 20% from the same period in 2008. 2007 saw an unusually high level of activity due to increased activity in advance of the DCC rate increase deadline of June 30/07. Activity is expected to remain flat throughout 2009 as a result of the slower economy. The 2009 budget has been amended to reflect an anticipated reduction in Land Development revenues.

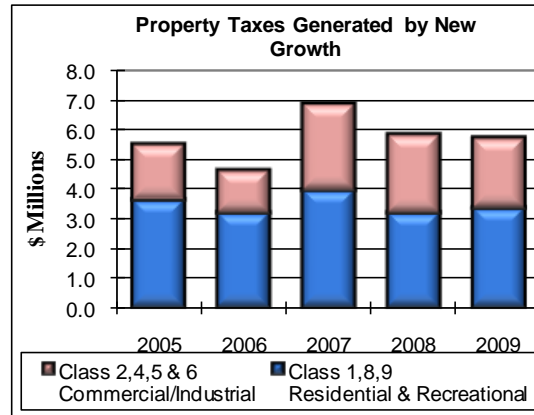


Graph 8

The Development Cost Charges that have been collected in the first six months of the year are 80% lower than those collected in the same period of 2008. The 2007 activity was unusually high due to the accelerated projects received in advance of the June 30/07 DCC deadline. The City collects DCC revenue throughout the year and distributes it to the related construction programs in the following year.

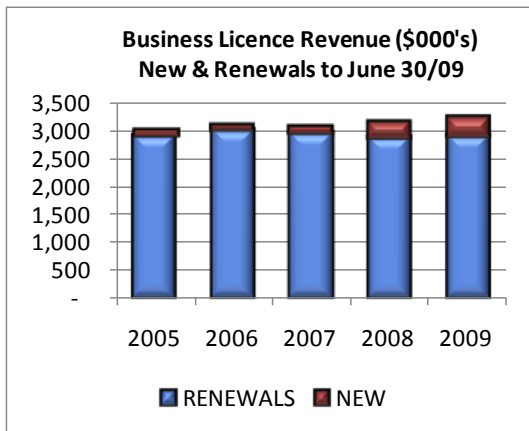


Graph 9



Graph 10

The value of new construction is converted into taxable assessed values and is considered to be 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 properties. 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. In 2009, increases in commercial assessment account for 17% of the assessment growth and 37% of the property tax growth while residential accounts for 83% of assessment growth and 59% of property tax growth.

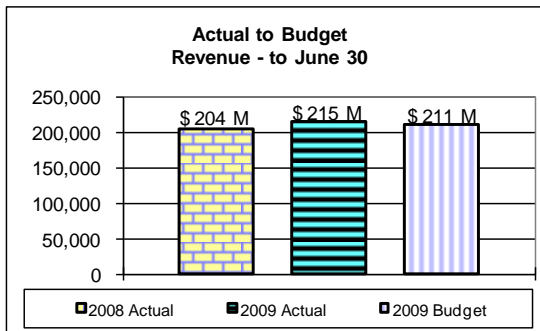


Graph 11

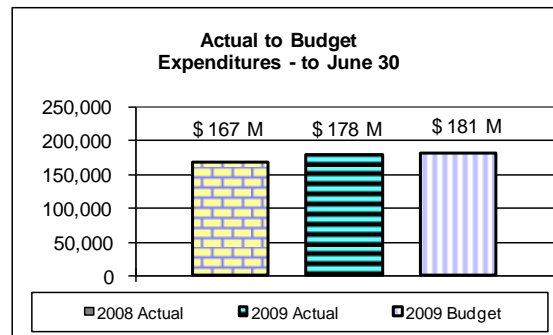
As Surrey continues to grow as a community, more businesses are required to support that growth as evidenced by the increases in business licenses that are renewed and issued each year.

Comparison of Actual Revenues and Expenditures versus the 2009 Budget (Financial Plan)

The following graphs illustrate the variances between the actual and the budgeted revenues and expenditures, excluding transfers to reserves, for the first six months of 2009.



Graph 12



Graph 13

Appendix A documents the general fund revenues and expenditures for the first six months of the year 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 revised 2009 Financial Plan:

RCMP currently shows a favourable variance of \$558,000. This is primarily due the timing of contract expenses and savings in municipal salaries and expenses. RCMP are projecting that they will reduce their variance to \$500,000 by year-end.

Fire Services has a favourable variance of \$66,000 as a result of savings generated from delays associated with recruitment. They are anticipating a favourable variance of \$300,000 from temporary salary vacancies and increased revenues.

Engineering Services currently has a negative variance of \$698,000. This variance is a result of lower than budgeted Land Development revenues and higher than anticipated maintenance costs for rental properties. It is projected that Engineering will finish the year with a negative variance of about \$300,000. Staff will continue to closely monitor expenses throughout the year in an attempt to reduce the variance.

Parks, Recreation & Culture Department is showing a favourable departmental variance of \$147,000. This is primarily due to timing associated with summer registration for recreation programs, reduced utility expenses and the timing of Parks Operations maintenance program. Parks, Recreation and Culture are anticipated to meet budget by year-end.

Library Services has a minor timing variance of \$35,000 and are on target to meet their 2009 budget.

Planning and Development Department, which also includes Civic Facilities, is reporting a negative variance of \$42,000. Temporary savings in Civic Facilities have helped to offset the short-fall in Area Planning revenues, however the variance at year-end is expected to increase to \$500,000 as a result of lower than anticipated application and permit fees.

Mayor and Council has a favourable variance of \$12,000 and is expected to meet budget at year-end.

City Manager's Department is currently reporting a favourable variance of \$361,000 due to some temporary vacancies, and revenue increases. It is expected that the City Manager's Department will have a \$100,000 favourable variance by year-end.

Finance & Technology Department currently has a favourable variance of \$147,000. This is primarily due to the timing of IT maintenance payments and some temporary salary vacancies. Finance & Technology are anticipating a favourable variance of \$100,000 by year-end.

Human Resources Department has a favourable variance of \$69,000 due primarily to the timing of expenses. The Department is expected to meet budget by year-end.

Appendix C outlines the allocations that have been made from the Council Initiatives Fund to date in 2009.

With the initiatives that have been taken to manage the 2009 budget it is anticipated that a small transfer from surplus of approximately \$200,000 may be required at the end of the year. Staff will continue to closely monitor all areas to ensure that immediate action is taken to address variances and will continue to reduce as much as possible, the budgeted transfer from surplus.

City Investment Portfolio

The schedules in *Appendix D* 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 2009. *Schedule 2* is a detailed listing of securities as at June 30, 2009 sub-totalled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$835 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 4.1%, while maintaining investment security as outlined in the investment policy. This is slightly higher than the investment interest return of 4.0% that was anticipated in our 2009 Financial Plan. A number of higher-yield investments will be maturing and will be replaced with new investments yielding lower interest rates. As the City continues to invest additional funds, interest income is expected to meet budget by year-end.

CONCLUSION

Surrey City Council adopted the 2009 Five-Year Financial Plan in December 2008. Since that time, staff has adjusted 'budget targets' to reflect the new economic conditions for 2009. Staff will continue to closely monitor the City's financial performance against the budget targets over the remainder of the year and will take further actions that are considered necessary in relation to managing the City's net budget position.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

**2009 2nd QUARTER COUNCIL REPORT
GENERAL FUND - DEPARTMENTAL PROGRAMS
\$ 000's**

	2009 June YTD Actual	2009 June YTD Budget	2009 June Variance	2009 Projected	2009 Annual Budget	2009 Projected Variance
PROGRAM REVENUES						
R.C.M.P.	\$ 3,643	\$ 3,518	\$ (125)	\$ 7,240	\$ 7,040	(200)
Fire	92	75	(17)	1,437	1,337	(100)
Engineering Services	2,046	2,521	475	4,272	5,372	1,100
Parks, Recreation & Culture	11,128	10,537	(591)	18,201	16,901	(1,300)
Surrey Public Library	1,384	1,379	(5)	1,695	1,695	0
Planning & Development	7,747	7,710	(37)	14,910	15,210	300
City Manager	3,030	2,968	(62)	7,037	6,937	(100)
Finance & Technology	411	424	13	952	952	0
Human Resources	38	0	(38)	38	0	(38)
TOTAL PROGRAM REVENUES	\$ 29,519	\$ 29,132	\$ (387)	\$ 55,782	\$ 55,444	(338)
PROGRAM EXPENDITURES						
R.C.M.P.	\$ 43,934	\$ 44,367	\$ 433	\$ 92,614	\$ 92,914	300
Fire	22,838	22,887	49	47,103	47,303	200
Engineering Services	11,498	11,275	(223)	19,409	20,209	800
Parks, Recreation & Culture	23,923	23,185	(738)	50,217	48,917	(1,300)
Surrey Public Library	5,814	5,845	31	11,552	11,552	0
Planning & Development	9,043	8,964	(80)	18,643	18,443	(200)
Mayor & Council	535	547	12	1,161	1,161	0
City Grants	678	711	33	1,086	1,086	0
City Manager	5,221	5,520	299	12,444	12,444	0
Finance & Technology	8,296	8,456	160	15,206	15,306	100
Human Resources	1,229	1,260	31	2,559	2,521	(38)
Operating Contingency	0	0	0	169	4,246	4,077
TOTAL PROGRAM EXPENDITURES	\$ 133,011	\$ 133,017	\$ 5	\$ 272,163	\$ 276,102	\$ 3,939
NET PROGRAM						
R.C.M.P.	\$ 40,291	\$ 40,849	\$ 558	\$ 85,374	\$ 85,874	500
Fire	22,746	22,812	66	45,666	45,966	300
Engineering Services	9,452	8,754	(698)	15,137	14,837	(300)
Parks, Recreation & Culture	12,795	12,648	(147)	32,016	32,016	0
Surrey Public Library	4,430	4,466	35	9,857	9,857	0
Planning & Development	1,296	1,254	(42)	3,733	3,233	(500)
Mayor & Council	535	547	12	1,161	1,161	0
City Grants	678	711	33	1,086	1,086	0
City Manager	2,191	2,552	361	5,407	5,507	100
Finance & Technology	7,885	8,032	147	14,254	14,354	100
Human Resources	1,191	1,260	69	2,521	2,521	0
Operating Contingency	0	0	0	169	4,246	4,077
NET PROGRAM TOTAL	\$ 103,492	\$ 103,885	\$ 393	\$ 216,381	\$ 220,658	\$ 4,277



**2009 FINANCIAL PLAN
COUNCIL INITIATIVES**

Description	Amount	Allocation to date	Remaining
Carried Forward from Prior Year	119,397		
2009 Proposed Budget	250,000		\$ 369,397
Surrey Crime Prevention Society - Anti-Graffiti Program	30,000		
Canada West Chamber Orchestra	34,500		
BC High School Bhangra Society	1,500		
2009 CPGA City of Surrey Invitational Golf Tournament	32,500		
On-Site Corporate Hospitality	6,000		
Surrey Children's Choir (London and Wales)	5,000		
Peace Arch Hospital Foundation Gala	1,350		
BC Crime Prevention 31st Annual Symposium	5,000		
2009 Flavours of Surrey Event	15,000		
Red FM 3rd Annual Run	2,500		
2009 Mayor's Charity Ball	3,000		
2009 Surrey Regional Economic Summit	6,300		
Allocations for 2009		\$ 142,650	\$ 226,747

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) APRIL/09	INVESTMENT (MILLIONS) MAY/09	INVESTMENT (MILLIONS) JUNE/09
<i>RBC Month End Balance</i>	43.3	4.8	63.8
<i>Overnight</i>	10.0	10.0	20.0
MAJOR BANKS			
Bank of Montreal	95.4	100.8	96.1
Bank of Nova Scotia	38.2	43.3	60.8
Canadian Imperial Bank of Commerce	128.4	133.6	127.7
Manulife Bank of Canada	35.0	35.0	35.0
National Bank of Canada	75.9	76.0	73.2
Royal Bank of Canada	90.0	89.9	90.9
Toronto Dominion	47.4	47.4	47.4
SUB TOTAL - MAJOR BANKS	<u>510.4</u>	<u>526.0</u>	<u>531.1</u>
CREDIT UNIONS			
Coast Capital Credit Union	15.0	15.0	15.0
Envision Credit Union	15.0	15.0	40.0
Gulf & Fraser Credit Union			5.0
Vancity Savings	25.0	25.0	50.0
Westminster Savings Credit Union	5.0	5.0	30.0
SUB TOTAL - CREDIT UNIONS	<u>60.0</u>	<u>60.0</u>	<u>140.0</u>
GOVERNMENT OF CANADA			
Gov't Cda Bonds/Cpns	2.0	2.0	2.0
SUB TOTAL - GOV'T OF CANADA	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
PROVINCES			
Alberta	1.3	1.3	1.3
British Columbia	6.9	6.9	5.0
Manitoba	4.0	4.0	4.0
New Brunswick	0.8	0.8	0.8
Newfoundland	5.1	5.0	5.0
Ontario	10.0	14.9	19.8
Quebec	26.5	38.5	33.5
SUB TOTAL - PROVINCES	<u>54.4</u>	<u>71.3</u>	<u>69.3</u>
OTHER			
MFA	9.3	9.3	9.3
SUB TOTAL - OTHER	<u>9.3</u>	<u>9.3</u>	<u>9.3</u>
TOTAL PORTFOLIO	<u>689.4</u>	<u>683.4</u>	<u>835.5</u>

SCHEDULE 2 - 1

MATURITY DATE	PURCHASE DATE	SECURITY	INTEREST RATE	# OF DAYS	PRINCIPAL	TOTAL
RBC Month End Balance				31-May-09	63,768,700.00	63,768,700.00
CALL LOAN						
01-Jun-09	29-May-09	Vancity Credit Union	1.000	3	20,000,000.00	20,000,000.00
MAJOR BANKS						
19-Aug-09	19-Aug-08	Bank of Montreal accrual note	4.980	365	10,000,000.00	
21-Jan-10	01-Nov-07	Bank of Montreal fixed floaters	4.985	812	4,974,160.48	
21-Jan-10	28-Jan-05	Bank of Montreal fixed floaters	4.000	1819	2,001,557.78	
31-Jan-11	06-Feb-09	Bank of Montreal deposit note	4.690	724	10,266,461.32	
13-Feb-12	13-Feb-09	Bank of Montreal step up	3.000	1095	10,000,000.00	
29-Feb-12	04-Mar-05	Bank of Montreal futures certificate of deposit	3.500	2553	3,000,000.00	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	5.200	1694	10,017,894.53	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	5.200	1694	5,008,949.21	
21-Jun-12	29-Aug-08	Bank of Montreal fixed floaters	5.200	1392	10,077,981.32	
15-Jul-12	15-Jul-05	Bank of Montreal step up	3.800	2557	10,000,000.00	
09-Apr-14	09-Apr-09	Bank of Montreal accrual note	3.380	1826	10,000,000.00	
10-Jun-15	01-May-09	Bank of Montreal deposit note	5.180	2231	5,399,859.70	
10-Jun-15	10-Jun-09	Bank of Montreal deposit note	5.180	2191	5,315,880.17	
*** BANK OF MONTREAL						96,062,744.51
27-Mar-13	10-Apr-08	Bank of Nova Scotia fixed floaters	4.990	1812	9,978,613.80	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floaters	4.990	1804	9,983,359.74	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floaters	4.990	1801	1,294,868.09	
27-Sep-13	24-Jun-09	Bank of Nova Scotia residuals	3.927	1556	1,050,191.60	
03-Oct-13	06-Oct-08	Bank of Nova Scotia fixed floaters	5.790	1823	705,372.11	
03-Oct-13	08-Oct-08	Bank of Nova Scotia fixed floaters	5.980	1821	5,003,585.37	
15-Apr-14	28-Apr-09	Bank of Nova Scotia fixed floaters	4.940	1813	2,026,537.54	
15-Apr-14	01-May-09	Bank of Nova Scotia fixed floaters	4.940	1810	5,126,826.66	
15-Apr-14	17-Jun-09	Bank of Nova Scotia fixed floaters	4.940	1763	5,199,517.87	
22-Jan-16	22-Jan-09	Bank of Nova Scotia fixed floaters	6.650	2556	1,999,681.26	
22-Jan-16	06-Feb-09	Bank of Nova Scotia fixed floaters	6.650	2541	2,058,470.16	
22-Jan-16	10-Feb-09	Bank of Nova Scotia fixed floaters	6.650	2537	5,160,618.84	
22-Jan-16	11-Jun-09	Bank of Nova Scotia fixed floaters	6.650	2416	11,207,001.91	
*** BANK OF NOVA SCOTIA						60,794,644.95
15-Oct-09	13-Jun-05	CIBC fixed floaters	4.500	1585	2,483,179.78	
15-Oct-09	17-Jun-05	CIBC fixed floaters	4.500	1581	5,011,721.77	
09-Sep-10	11-Dec-08	CIBC fixed floaters	3.750	637	5,982,066.57	
07-Mar-11	29-Aug-08	CIBC deposit note	4.400	920	9,978,660.87	
28-Mar-11	25-Sep-06	CIBC fixed floaters	4.550	1645	5,012,903.15	
28-Mar-11	10-Apr-08	CIBC fixed floaters	4.550	1082	9,925,232.21	
28-Mar-11	05-Jun-08	CIBC fixed floaters	4.550	1026	5,003,710.52	
28-Mar-11	11-Aug-08	CIBC fixed floaters	4.550	959	9,976,313.76	
23-Jun-11	23-Jun-08	CIBC accrual note	5.130	1095	10,000,000.00	
27-Jun-11	27-Jun-08	CIBC step up	5.000	1095	20,000,000.00	
27-Jun-11	27-Jun-08	CIBC step up	5.000	1095	9,962,105.72	
10-Sep-12	29-Feb-08	CIBC deposit note	5.000	1655	10,047,928.69	
10-Sep-12	10-Apr-08	CIBC deposit note	5.000	1614	5,004,697.78	
06-Jun-13	11-Aug-08	CIBC fixed floaters	5.150	1760	10,044,288.45	
16-Jun-13	11-May-09	CIBC residuals	3.887	1497	5,175,000.00	
31-Oct-14	12-Jun-09	CIBC residuals	4.690	1967	4,135,115.49	
*** CIBC						127,742,924.76

SCHEDULE 2 - 2

04-Dec-09	04-Dec-08	Manulife GIC	3.550	365	35,000,000.00	
*** MANULIFE BANK OF CANADA						35,000,000.00
10-Sep-09	10-Sep-03	National Bank deposit note	4.660	2192	4,999,823.79	
10-Sep-09	19-Mar-04	National Bank deposit note	4.660	2001	5,007,808.75	
10-Sep-09	17-Jun-05	National Bank deposit note	4.660	1546	5,009,907.70	
02-Nov-11	26-Nov-07	National Bank fixed floaters	4.456	1437	9,830,527.15	
02-Nov-11	27-Nov-07	National Bank fixed floaters	4.456	1436	9,854,211.34	
02-Nov-11	10-Apr-08	National Bank fixed floaters	4.456	1301	19,754,774.56	
15-Nov-13	05-Jun-08	National Bank fixed floaters	5.550	1989	5,065,458.15	
22-Dec-14	29-Feb-08	National Bank fixed floaters	4.926	2488	3,922,784.58	
22-Dec-14	29-Feb-08	National Bank fixed floaters	4.926	2488	9,775,779.51	
*** NATIONAL BANK OF CANADA						73,221,075.53
27-Sep-10	06-Feb-09	Royal Bank deposit note	5.130	598	10,311,117.06	
25-Jan-10	02-Jun-03	Royal Bank fixed floaters	7.100	2429	5,060,415.66	
25-Jan-10	14-Jan-04	Royal Bank fixed floaters	7.100	2203	5,064,377.36	
24-Jun-10	01-Nov-07	Royal Bank fixed floaters	5.015	966	9,880,351.54	
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	6.300	1842	5,145,330.08	
12-Apr-11	01-Nov-07	Royal Bank fixed floaters	6.300	1258	5,101,349.76	
30-Apr-12	01-Nov-07	Royal Bank fixed floaters	4.580	1642	4,932,459.96	
30-Apr-12	05-Jun-08	Royal Bank fixed floaters	4.580	1425	4,976,864.12	
30-Apr-12	11-Dec-08	Royal Bank fixed floaters	4.580	1236	3,818,473.89	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	4.840	1788	9,941,323.67	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	4.840	1788	4,966,438.34	
11-Mar-13	05-Jun-08	Royal Bank fixed floaters	4.840	1740	5,001,360.05	
04-Nov-13	15-Apr-08	Royal Bank fixed floaters	5.450	2029	1,782,140.88	
04-Nov-13	15-Oct-08	Royal Bank fixed floaters	5.450	1846	3,943,381.04	
04-Nov-13	24-Jun-09	Royal Bank residuals	3.883	1594	1,006,335.00	
17-Mar-14	17-Mar-09	Royal Bank step up	3.680	1826	9,957,604.05	
*** ROYAL BANK OF CANADA						90,889,322.46
18-Jan-11	27-Mar-06	Toronto Dominion Bank fixed floaters	4.317	1758	3,491,980.52	
01-Nov-12	11-Apr-08	Toronto Dominion Bank fixed floaters	5.382	1665	10,109,921.15	
01-Nov-12	11-Dec-08	Toronto Dominion Bank fixed floaters	5.382	1421	9,974,103.65	
01-Nov-12	21-Apr-08	Toronto Dominion Bank fixed floaters	5.382	1655	5,045,647.73	
01-Nov-12	08-Apr-09	Toronto Dominion Bank residuals	4.389	1303	8,645,300.00	
06-Jun-13	08-Apr-09	Toronto Dominion Bank residuals	4.757	1520	4,924,435.00	
02-Apr-15	28-Apr-09	Toronto Dominion Bank fixed floaters	5.480	2165	5,204,418.78	
*** TORONTO DOMINION						47,395,806.83
CREDIT UNIONS						
27-Jan-10	27-Jan-09	Coast Capital Credit Union	2.600	365	15,000,000.00	
20-Jul-09	21-Jan-09	Envision Credit Union	2.650	180	40,000,000.00	
22-Sep-09	24-Jun-09	Gulf & Fraser Credit Union	0.900	90	5,000,000.00	
15-Jan-10	16-Jan-09	Vancity Savings Credit Union	3.000	364	50,000,000.00	
13-Jul-09	15-May-09	Westminster Savings Credit Union	1.100	59	30,000,000.00	
*** CREDIT UNIONS						140,000,000.00

SCHEDULE 2 - 3

FEDERAL GUARANTEED PAPER

15-Mar-10	28-Jan-05	Canada Mortgage bond	3.750	1872	2,000,000.00	
		*** FEDERAL GUARANTEED				2,000,000.00

PROVINCIAL GUARANTEED PAPER

20-Aug-10	21-Nov-03	alberta cap fin bond	4.500	2464	1,297,467.87	
		*** ALBERTA				1,297,467.87
01-Dec-09	05-Apr-02	bc bonds	6.250	2797	5,005,074.98	
		*** BRITISH COLUMBIA				5,005,074.98
05-Sep-10	01-Dec-03	manitoba resids	4.870	2,470	3,972,705.00	
		*** MANITOBA				3,972,705.00
17-Dec-10	17-Dec-03	nbmfa	4.750	2,557	764,312.15	
		*** NEW BRUNSWICK				764,312.15
03-Nov-09	02-Feb-04	nfd bond	6.700	2101	5,038,916.09	
		*** NEWFOUNDLAND				5,038,916.09
19-May-10	04-Apr-05	prov ont	4.000	1871	4,996,198.20	
19-Nov-10	21-Nov-03	prov ont	4.842	2555	4,999,999.53	
02-Dec-14	10-Jun-09	prov ont cpn	4.078	2001	4,903,800.00	
02-Jun-15	01-May-09	ont cpn	3.765	2223	4,880,820.00	
		*** ONTARIO				19,780,817.73
01-Dec-09	21-Oct-03	finque	4.750	2233	4,000,653.95	
01-Dec-09	21-Oct-03	finque	4.750	2233	3,000,000.00	
01-Dec-09	09-Jan-04	finque	4.750	2153	5,004,996.94	
16-Aug-10	05-Mar-04	hydro quebec- cpn	4.951	2355	5,305,300.00	
01-Dec-10	28-Jan-05	quebec bond	6.250	2133	4,112,777.87	
01-Jun-15	11-May-09	prov que cpn	3.928	2212	4,038,650.00	
16-Jul-15	01-May-09	prov que cpn	4.006	2267	4,003,850.00	
15-Aug-15	11-May-09	hydro que cpn	3.900	2287	4,018,150.00	
		*** QUEBEC				33,484,378.76
03-Oct-09	03-Oct-03	bcmfa	4.250	2192	799,901.61	
03-Oct-10	03-Oct-03	bcmfa	4.500	2557	1,799,030.35	
03-Oct-10	10-Oct-03	bcmfa	4.500	2550	699,493.41	
01-Jun-11	11-Apr-01	bcmfa	5.900	3703	4,996,652.41	
open	17-Dec-03	mfa investment pool - money market fund	3.23	2208	1,000,000.00	
		*** BCMFA				9,295,077.78

TOTAL PORTFOLIO

835,513,969.40