



CORPORATE REPORT

NO: R173

COUNCIL DATE: July 26, 2010

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 26, 2010**

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

FILE: **1880-20**

SUBJECT: **Quarterly Financial Report - Second Quarter- 2010**

RECOMMENDATION

The Finance and 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 2010 and to compare that activity with the 2010 Financial Plan.

DISCUSSION

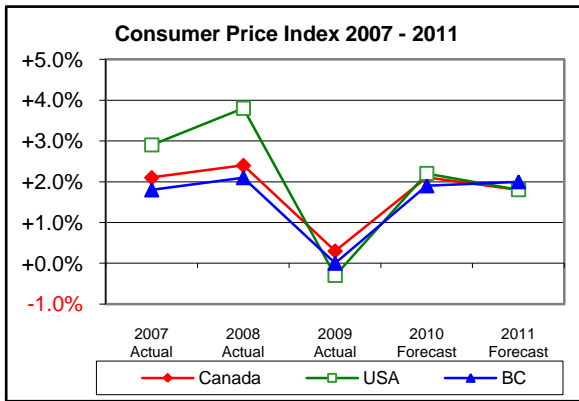
The 2010-2014 Financial Plan, which included the 2010 economic forecasts that took into consideration the economic recession that materialized in 2009, was adopted by Council on December 14, 2009.

In 2009 the Province of BC announced its intention to harmonize the current Provincial Sales Tax (PST) with the Federal Goods and Services Tax (GST) to create a single value added tax known as the Harmonized Sales Tax (HST). The HST took effect on July 1, 2010 and is administered by the Federal Government. The 2010-2014 Five Year Plan that was adopted by Council in December, 2009 reflects the anticipated impact of the implementation of the HST.

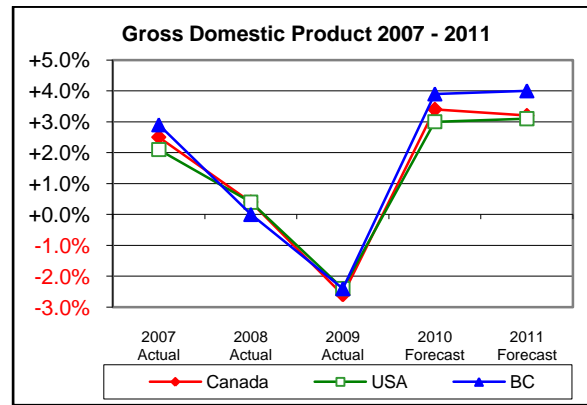
The following discussion provides a summary of current economic conditions followed by an outline of Surrey's financial performance for the first six months of the year. It also includes an overview of the performance of the City's investment portfolio.

International Overview

The global recovery continues despite the uncertainty associated with the European debt crisis, which has taken a toll on consumer confidence and exports. In Asia, the emerging economies have showed expected signs that momentum has slowed in the second quarter of 2010 following a period of very rapid expansion. The economies of China, India and Japan continue to remain strong showing exceptional rates of growth. Ultimately, this bodes well for the rest of Asia, which will continue to benefit from strong capital goods and commodity exports to these countries.



Graph 1 Source: BMO Economics Apr 1, 2010



Graph 2 Source: BMO Economics Apr 1, 2010

United States Overview

The US economy showed a stronger than expected increase in second-quarter GDP growth. This expansion has been anchored by an increase in consumer spending. The April and May employment reports showed monthly gains but unemployment remains elevated at 9.7%. Housing prices are no longer falling at a sharp pace although increases remain limited given the persistent oversupply of homes available for sale. The US dollar remains strong compared to the Euro given the prospect that the recovery in Europe will remain much slower than in the United States.

Canadian Overview

Canada is expected to show solid, yet less dramatic, growth through year-end, with expansion in consumption being supported by a strong recovery in employment and a relatively stable housing market. The Bank of Canada raised its policy rate 25 basis points to 0.50% on June 1, which was widely expected, particularly after it was reported the day before that real GDP grew at a decade-high 6.1% annual rate in Q1. The positive momentum in domestic demand will keep upward pressure on inflation, suggesting the Bank of Canada will continue to increase rates in the second half of the year.

The rapid pace of home sales has slowed in the first half of 2010, due to the erosion in affordability from rising interest rates and prices moving to record-breaking highs. The pace of sales will continue to slow in the second half of 2010 as interest rates move higher, the pent-up demand generated during the recession is exhausted and HST is implemented in Ontario and BC, causing an increase to both the selling price of new high-end properties and additional costs associated with buying a home.

The Canadian economy added 93,000 jobs in June and unemployment dropped below 8%, with employment gains mainly in the construction and service sectors. The oil spill on the Gulf Coast is expected to have a significant impact on Atlantic Canada, with prices and demand for Canadian seafood set to increase considerably.

British Columbia Overview

Economic indicators now suggest a broad-based sustainable recovery for British Columbia. The turnaround in the real estate market, improved conditions in the commodity and transportation sectors, along with the economic boost of the 2010 Winter Olympic Games are expected to push GDP growth to 3.8% in 2010.

The softwood lumber industry is benefiting from current market conditions that are finally showing signs of turning around, with prices recently hitting four year highs. A temporary suspension of export taxes on lumber to the United States is a welcome break for the industry. Solid employment gains and increased consumer confidence were positive results for retailers in the first half of 2010.

Although the pace of home re-sales began to cool in the first half of the year, the positive effects on new home construction were being felt. Some moderation is expected later this year, because of the introduction of HST on July 1.

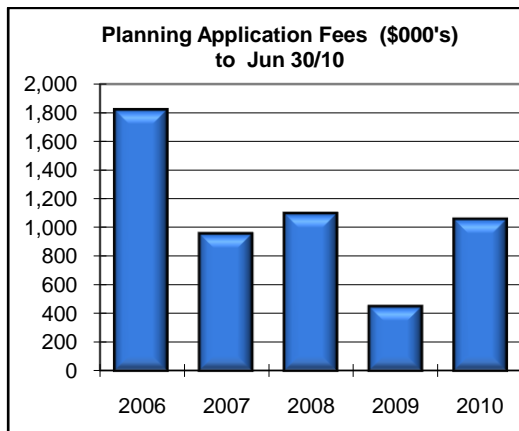
Surrey's Financial Performance

The level of new development activity has accelerated in the first half of the year compared to the prior year. Residential housing continues to be a major component of growth. Activity levels are expected to decrease in the second half of 2010 as the market adjusts to the interest rate increase and as the HST takes effect. Interest rates are expected to increase further later this year.

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.

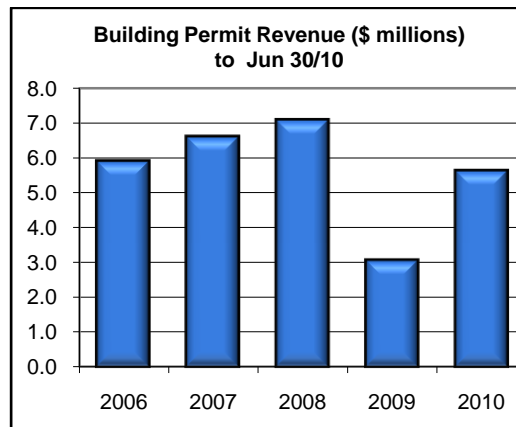
This revenue deferral process means that although there may be a significant reduction in the actual revenue collected in any given period, the effect of this reduction will not be recognized for some time into the future, which in some cases will be in the following year. The timing difference between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

The following graphs illustrate how the results for the first six months of 2010 compare to previous years' results for the same period:



Graph 3

Application fees collected in the first six months of the year are significantly higher than those collected for the same period last year. The increase is likely due to the low interest rates and the rush to beat the HST. It is expected that the 2010 budget will be met as interest rates rise and HST is implemented.



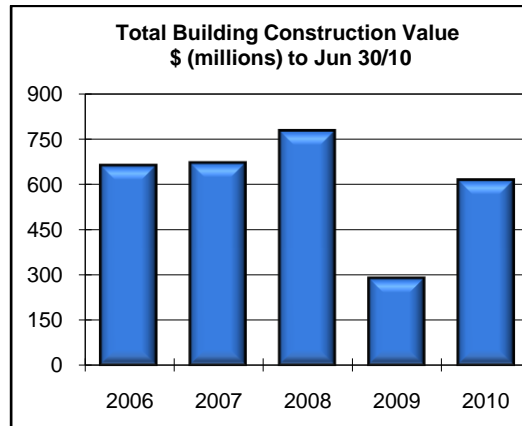
Graph 4

Building permit fees collected for the first six months of this year are significantly higher than those collected in the same period last year. The increase is likely due to low interest rates and the rush in home purchases to beat the HST. Revenues are expected to meet budget for the year.



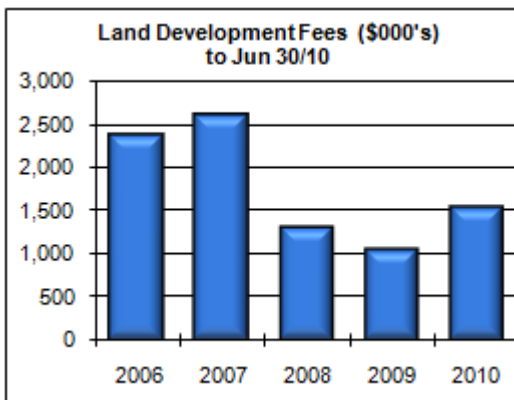
Graph 5

Construction value of commercial/industrial building permits for the first six months of 2010 have increased by 53% as compared to 2009 due to increased activity, demand and low interest rates.



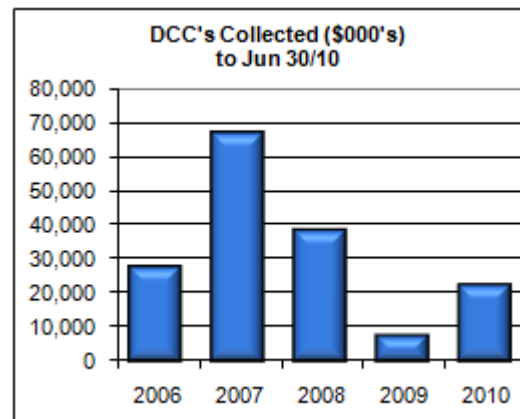
Graph 6

Overall, the value of new construction in the City for the first six months of the year is more than double the same time period last year.



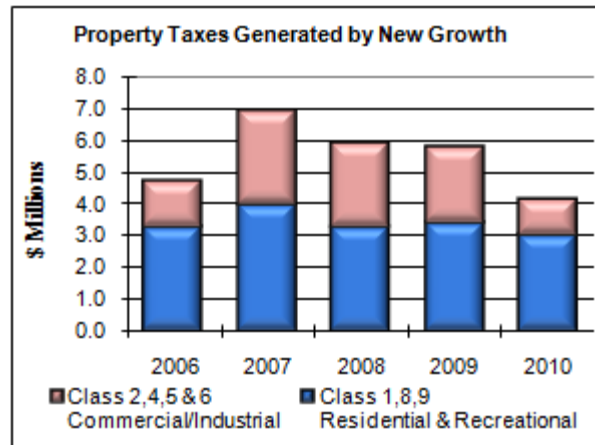
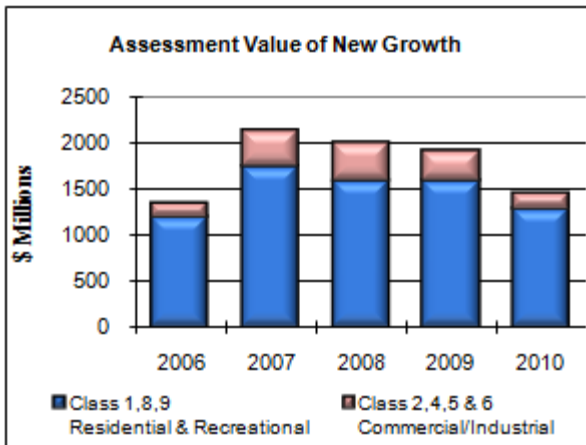
Graph 7

Engineering Land Development fees collected in the first six months of the year have increased by 48% from the same period in 2009. This is due to the economy recovering, as well as the revised 12 month deferral period of fees adopted to more accurately match expenditures to revenues.

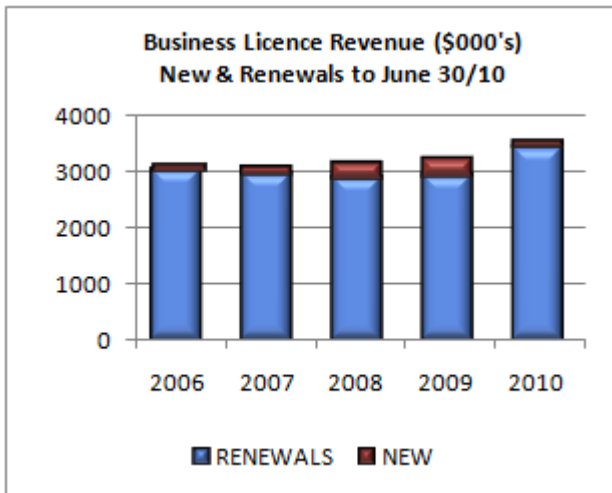


Graph 8

Development Cost Charges that have been collected in the first six months of the year are more than double those collected in the same period of 2009. This is again due to increased construction as a result of a strengthening economy. The City collects DCC revenue throughout the year and distributes it to the related construction programs in the following year.



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 2010, increases in commercial assessment accounted for 12% of the assessment growth and 28% of the property tax growth, while residential accounts for 88% of assessment growth and 72% of property tax growth.

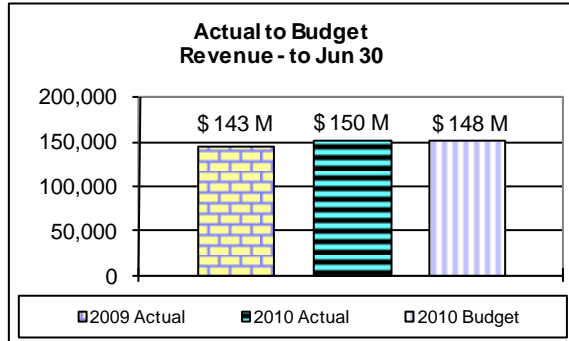


As Surrey continues to grow as a community, the growth creates more business potential, which results in new businesses being established and related increases in business licenses that are issued each year.

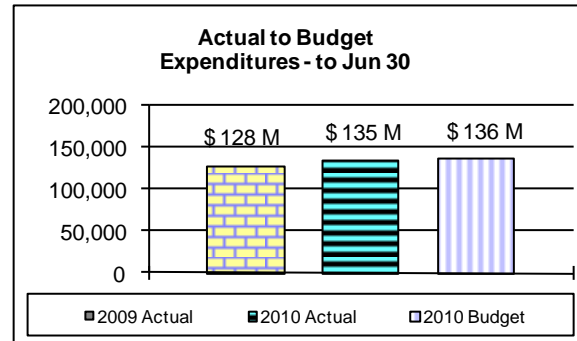
Graph 9

Comparison of Actual Revenues and Expenditures versus the 2010 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 2010.



Graph 10



Graph 11

Appendix A documents the general fund revenues and expenditures for the 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 year to date variances in relation to the 2010 Financial Plan:

RCMP currently shows a favourable variance of \$29,000. This is primarily due to the timing of contract expenses and savings in municipal salaries and expenses. The RCMP is anticipating that they will increase their variance to \$100,000 by year end.

Fire Services has a favourable variance of \$672,000 as a result of savings generated from delays associated with recruitment and timing in purchasing supplies. They are anticipating a favourable variance of \$890,000 from temporary vacancies and increased revenues by year end.

Engineering Services currently has a favourable variance of \$117,000. This variance is a result of savings in materials and supplies. It is projected that Engineering will finish the year with a positive variance of about \$150,000.

Parks, Recreation & Culture Department is showing a favourable departmental variance of \$392,000. This is primarily due to timing associated with summer registration for recreation programs and the timing of Parks Operations maintenance programs. Parks, Recreation and Culture is anticipated to show a favourable variance of \$700k by year end.

Library Services has a variance of \$80,000 and is projected to have a \$150,000 variance at year end. This is primarily due to temporary vacancies.

Planning and Development Department, which also includes Civic Facilities, is reporting a positive variance of \$189,000 due to increased building permit revenue and timing of expenditures. The Planning and Development Department is anticipating a favourable variance of \$300,000 at year end due to better economic conditions that is bringing increased application and construction activity.

Mayor and Council has a favourable variance of \$30,000 due to the timing of expenses, which will carry to year end.

City Manager's Department is currently reporting a favourable variance of \$205,000 due to revenue increases from fees and fines and the timing of some expenditures. It is expected that the City Manager's Department will have a \$250,000 favourable variance by year end.

Finance & Technology Department currently has a favourable variance of \$252,000. This is primarily due to some temporary vacancies and timing of expenses. Finance & Technology is anticipating a favourable variance of \$250,000 by year end.

Human Resources Department has a favourable variance of \$114,000 due primarily to some temporary vacancies and timing of expenses. The Department is projecting a favourable variance of \$50,000 at year end.

Staff will continue to closely monitor all areas to ensure that immediate action is taken to address unfavourable variances and to reduce, as much as possible, the 2010 budgeted transfer from surplus of \$4.0 million.

City Investment Portfolio

The schedules in **Appendix B** include a summary of the City's investment portfolio. **Schedule 1** is a summary of investments by issuer type, with comparative totals for each month-end from April through June 2010. **Schedule 2** is a detailed listing of securities as at June 30, 2010 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$776 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 3.93%, while maintaining investment security as outlined in the investment policy. This is on par with the investment interest return that was anticipated in the approved 2010 Financial Plan. As the City continues to invest additional funds, interest income is expected to meet budget expectations by year end.

CONCLUSION

Development activity experienced in the second quarter of 2010 is significantly higher than that of 2009. This is primarily due to the positive effects of the economic recovery that is creating among other things, a boom in the housing market. The 2010 adopted budget anticipates a transfer from surplus of \$4.0 million. Staff will continue to closely monitor all areas to ensure that immediate action is taken to address variances and to reduce as much as possible by year end this budgeted transfer from surplus.

Vivienne Wilke, CGA
General Manager,
Finance & Technology

**2010 2nd QUARTER COUNCIL REPORT
EXECUTIVE SUMMARY
\$ 000's**

REVENUES SUMMARY	2010 2nd Qtr - Jun Actual	2010 2nd Qtr - Jun Budget	2010 2nd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Net Taxation	\$ 107,712	\$ 107,362	\$ (350)	\$ 215,424	\$ 214,724	\$ (700)
Non-Tax Revenues	10,722	11,015	293	19,506	20,206	700
Provincial Casino Revenue Sharing	1,464	1,400	(64)	2,800	2,800	0
Utility Recoveries	2,028	2,028	0	4,056	4,056	0
Program Revenues	28,083	27,101	(982)	55,782	54,632	(1,150)
TOTAL REVENUES	\$ 150,009	\$ 148,906	\$ (1,103)	\$ 297,568	\$ 296,418	\$ (1,150)

EXPENDITURES SUMMARY	2010 2nd Qtr - Jun Actual	2010 2nd Qtr - Jun Budget	2010 2nd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Program Expenditures	\$ 132,105	\$ 133,199	\$ 1,094	\$ 269,581	\$ 271,301	\$ 1,720
Council Projects	70	70	0	250	250	0
City Beautification	915	904	(11)	1,808	1,808	0
Crime Reduction	90	90	0	560	560	0
Social Well-Being Plan	608	645	37	1,285	1,285	0
Sustainability	110	200	90	400	400	0
Fiscal Services	603	607	4	1,215	1,215	0
Interest Allocations	38	62	24	73	123	50
TOTAL EXPENDITURES	\$ 134,539	\$ 135,777	\$ 1,238	\$ 275,172	\$ 276,942	\$ 1,770

TRANSFER SUMMARY	2010 2nd Qtr - Jun Actual	2010 2nd Qtr - Jun Budget	2010 2nd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Transfer to Capital Program	\$ 2,850	\$ 2,850	\$ 0	\$ 5,700	\$ 5,700	\$ 0
Transfer to Capital Program - Gaming	1,464	1,400	(64)	2,800	2,800	0
Transfers To(From) Own Sources	7,108	7,106	(2)	15,005	15,005	0
BALANCED BUDGET	\$ 11,422	\$ 11,356	\$ (66)	\$ 23,505	\$ 23,505	\$ 0

PROJECTED FAVOURABLE BALANCE	\$ 2,920
BUDGETED TRANSFER FROM SURPLUS	(4,028)
PROJECTED TRANSFER FROM SURPLUS	\$ (1,108)

2010 2nd QUARTER COUNCIL REPORT
DEPARTMENTAL DETAIL
\$ 000's

	2010 2nd Qtr - Jun Actual	2010 2nd Qtr - Jun Budget	2010 2nd Quarter Variance	Projected Actual	2010 Annual Budget	2010 Projected Variance
PROGRAM REVENUES						
R.C.M.P.	\$ 3,639	\$ 3,561	\$ (78)	\$ 7,170	\$ 7,070	(100)
Fire	111	49	(62)	1,402	1,332	(70)
Engineering Services	2,258	2,223	(35)	4,862	4,762	(100)
Parks, Recreation & Culture	10,052	9,723	(329)	18,537	18,237	(300)
Surrey Public Library	807	773	(34)	1,629	1,549	(80)
Planning & Development	7,529	7,264	(265)	14,827	14,527	(300)
City Manager	3,229	3,084	(145)	6,319	6,169	(150)
Finance & Technology	453	421	(32)	1,031	981	(50)
Human Resources	5	3	(2)	5	5	0
TOTAL PROGRAM REVENUES	\$ 28,083	\$ 27,101	\$ (982)	\$ 55,782	\$ 54,632	(1,150)
PROGRAM EXPENDITURES						
R.C.M.P.	\$ 49,282	\$ 49,232	\$ (50)	\$ 98,350	\$ 98,350	0
Fire	22,615	23,225	610	47,222	48,042	820
Engineering Services	2,720	2,802	82	5,500	5,550	50
Parks, Recreation & Culture	24,356	24,419	63	52,310	52,710	400
Surrey Public Library	5,911	5,958	47	11,640	11,710	70
Planning & Development	9,339	9,263	(76)	18,514	18,514	0
Mayor & Council	592	622	30	1,216	1,246	30
City Grants	900	900	0	1,086	1,086	0
City Manager	5,647	5,707	60	11,396	11,496	100
Finance & Technology	9,428	9,648	220	19,727	19,927	200
Human Resources	1,311	1,423	112	2,620	2,670	50
TOTAL PROGRAM EXPENDITURES	\$ 132,105	\$ 133,199	\$ 1,094	\$ 269,581	\$ 271,301	1,720
NET PROGRAM						
R.C.M.P.	\$ 45,642	\$ 45,671	\$ 29	\$ 91,180	\$ 91,280	100
Fire	22,504	23,176	672	45,820	46,710	890
Engineering Services	462	579	117	638	788	150
Parks, Recreation & Culture	14,304	14,696	392	33,773	34,473	700
Surrey Public Library	5,105	5,185	80	10,011	10,161	150
Planning & Development	1,810	1,999	189	3,687	3,987	300
Mayor & Council	592	622	30	1,216	1,246	30
City Grants	900	900	0	1,086	1,086	0
City Manager	2,418	2,623	205	5,077	5,327	250
Finance & Technology	8,975	9,227	252	18,696	18,946	250
Human Resources	1,306	1,420	114	2,615	2,665	50
NET PROGRAM TOTAL	\$ 104,022	\$ 106,098	\$ 2,076	\$ 213,799	\$ 216,669	2,870

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) APRIL/10	INVESTMENT (MILLIONS) MAY/10	INVESTMENT (MILLIONS) JUNE/10
<i>RBC Month End Balance</i>	17.7	12.0	95.6
<i>Overnight</i>	20.0	20.0	20.0
MAJOR BANKS			
Bank of Montreal	83.8	83.8	83.7
Bank of Nova Scotia	66.3	66.3	66.3
Canadian Imperial Bank of Commerce	133.0	133.0	123.0
Royal Bank of Canada	85.6	85.5	75.5
Toronto Dominion	67.7	67.7	67.7
Manulife Bank of Canada	0.0	0.0	0.0
National Bank of Canada	58.4	58.5	58.5
Citizens Bank of Canada	0.0	0.0	0.0
SUB TOTAL - MAJOR BANKS	<u>494.8</u>	<u>494.8</u>	<u>474.7</u>
SCHEDULE B BANKS			
Banque Nationale de Paris	0.0	0.0	0.0
Citibank of Canada	0.0	0.0	0.0
Hong Kong Bank of Canada (HSBC)	0.0	0.0	0.0
JP Morgan Canada	0.0	0.0	0.0
Societe Generale Canada	0.0	0.0	0.0
SUB TOTAL - SCHEDULE B BANKS	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
CREDIT UNIONS			
Coast Capital Credit Union	0.0	0.0	15.0
Central1 (CUCBC)	0.0	0.0	0.0
Envision Credit Union	15.0	15.0	15.0
Gulf & Fraser Credit Union	0.0	0.0	5.0
Vancity Savings	0.0	0.0	50.0
Westminster Savings Credit Union	15.0	15.0	30.0
SUB TOTAL - CREDIT UNIONS	<u>30.0</u>	<u>30.0</u>	<u>115.0</u>
GOVERNMENT OF CANADA			
Canada Treasury Bills	0.0	0.0	0.0
Gov't Cda Bonds/Cpns	0.0	0.0	0.0
SUB TOTAL - GOV'T OF CANADA	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
PROVINCES			
Alberta	1.3	1.3	1.3
British Columbia	2.6	2.6	2.6
Manitoba	4.0	4.0	4.0
New Brunswick	0.8	0.8	0.8
Newfoundland	0.0	0.0	0.0
Nova Scotia	0.0	0.0	0.0
Ontario	35.2	30.2	30.2
Quebec	23.8	23.8	23.8
Saskatchewan	0.0	0.0	0.0
SUB TOTAL - PROVINCES	<u>67.7</u>	<u>62.7</u>	<u>62.7</u>
OTHER			
GVHD	0.0	0.0	0.0
GVRD	0.0	0.0	0.0
MFA	8.5	8.5	8.5
SUB TOTAL - OTHER	<u>8.5</u>	<u>8.5</u>	<u>8.5</u>
TOTAL PORTFOLIO	<u>638.7</u>	<u>628.0</u>	<u>776.5</u>

SCHEDULE 2 - 1

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
Royal Bank Month End Balance					
30-Jun-10		Royal Bank		95,632,100.00	95,632,100.00
CALL LOAN					
02-Jul-10	30-Jun-10	VanCity Savings Credit Union Call Loan	2	20,000,000.00	20,000,000.00
MAJOR BANKS					
31-Jan-11	06-Feb-09	Bank of Montreal deposit note	724	10,098,198.16	
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 floaters	1694	10,011,883.01	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	1694	5,005,942.85	
21-Jun-12	29-Aug-08	Bank of Montreal fixed floaters	1392	10,051,760.06	
07-Aug-14	07-Aug-09	Bank of Montreal accrual note	1826	10,000,000.00	
07-Aug-14	07-Aug-09	Bank of Montreal accrual note	1826	10,000,000.00	
22-Apr-15	14-Jan-10	Bank of Montreal fixed floaters	1924	2,666,030.74	
10-Jun-15	10-Jun-09	Bank of Montreal deposit note	2191	1,736,292.36	
21-Apr-16	15-Jan-10	Bank of Montreal residuals	2288	4,675,938.00	
26-Sep-17	14-Jan-10	Bank of Montreal fixed floaters	2812	10,948,535.84	
26-Sep-17	26-Jan-10	Bank of Montreal fixed floaters	2800	5,534,772.34	
*** BANK OF MONTREAL					83,729,353.36
27-Mar-13	10-Apr-08	Bank of Nova Scotia fixed floaters	1812	9,984,334.56	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floaters	1804	9,987,810.96	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floaters	1801	1,296,240.89	
27-Sep-13	24-Jun-09	Bank of Nova Scotia residuals	1556	1,050,191.60	
03-Oct-13	06-Oct-08	Bank of Nova Scotia fixed floaters	1823	704,110.73	
03-Oct-13	08-Oct-08	Bank of Nova Scotia fixed floaters	1821	5,002,743.57	
03-Oct-13	31-Jul-09	Bank of Nova Scotia fixed floaters	1525	535,022.00	
15-Apr-14	28-Apr-09	Bank of Nova Scotia fixed floaters	1813	2,021,214.22	
15-Apr-14	01-May-09	Bank of Nova Scotia fixed floaters	1810	5,100,322.86	
15-Apr-14	17-Jun-09	Bank of Nova Scotia fixed floaters	1763	5,157,733.15	
15-Apr-14	31-Jul-09	Bank of Nova Scotia fixed floaters	1719	5,215,291.60	
22-Jan-16	22-Jan-09	Bank of Nova Scotia fixed floaters	2556	1,999,729.98	
22-Jan-16	06-Feb-09	Bank of Nova Scotia fixed floaters	2541	2,049,543.90	
22-Jan-16	10-Feb-09	Bank of Nova Scotia fixed floaters	2537	5,136,060.30	
22-Jan-16	11-Jun-09	Bank of Nova Scotia fixed floaters	2416	11,015,081.89	
*** BANK OF NOVA SCOTIA					66,255,432.21
09-Sep-10	11-Dec-08	CIBC fixed floaters	637	6,054,794.50	
07-Mar-11	29-Aug-08	CIBC deposit note	920	9,991,356.44	
28-Mar-11	25-Sep-06	CIBC fixed floaters	1645	5,005,492.19	
28-Mar-11	10-Apr-08	CIBC fixed floaters	1082	9,968,242.85	
28-Mar-11	05-Jun-08	CIBC fixed floaters	1026	5,001,576.02	
28-Mar-11	11-Aug-08	CIBC fixed floaters	959	9,989,939.40	
23-Jun-11	23-Jun-08	CIBC accrual note	1095	10,000,000.00	
27-Jun-11	27-Jun-08	CIBC step up	1095	20,000,000.00	
27-Jun-11	27-Jun-08	CIBC step up	1095	9,981,196.64	
10-Sep-12	10-Apr-08	CIBC deposit note	1614	5,003,227.78	
06-Jun-13	11-Aug-08	CIBC fixed floaters	1760	10,033,027.41	
06-Jun-13	31-Jul-09	CIBC fixed floaters	1406	3,132,936.95	
16-Jun-13	11-May-09	CIBC residuals	1497	5,175,000.00	
31-Oct-14	12-Jun-09	CIBC residuals	1967	4,135,115.49	
31-Oct-14	19-Mar-10	CIBC residuals	1687	2,410,240.00	
02-Mar-15	19-Mar-10	CIBC deposit note	1809	4,964,377.98	
16-Jun-18	26-Jan-10	CIBC residuals	3063	2,122,890.00	
*** CIBC					122,969,413.65

SCHEDULE 2 - 2

02-Nov-11	26-Nov-07	National Bank fixed floaters	1437	9,902,917.51	
02-Nov-11	27-Nov-07	National Bank fixed floaters	1436	9,916,484.98	
02-Nov-11	10-Apr-08	National Bank fixed floaters	1301	19,859,645.44	
15-Nov-13	05-Jun-08	National Bank fixed floaters	1989	5,050,502.19	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	3,936,879.90	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	9,816,709.95	
*** NATIONAL BANK OF CANADA					58,483,139.97
27-Sep-10	06-Feb-09	Royal Bank deposit note	598	10,061,079.59	
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	1842	5,063,702.78	
12-Apr-11	01-Nov-07	Royal Bank fixed floaters	1258	5,044,481.76	
30-Apr-12	01-Nov-07	Royal Bank fixed floaters	1642	4,956,289.92	
30-Apr-12	05-Jun-08	Royal Bank fixed floaters	1425	4,985,035.04	
30-Apr-12	11-Dec-08	Royal Bank fixed floaters	1236	3,847,266.33	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	9,957,205.67	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	4,975,522.46	
11-Mar-13	05-Jun-08	Royal Bank fixed floaters	1740	5,000,996.45	
06-Jun-13	08-Apr-09	Royal Bank residuals	1520	4,924,435.00	
04-Nov-13	15-Apr-08	Royal Bank fixed floaters	2029	1,776,356.76	
04-Nov-13	15-Oct-08	Royal Bank fixed floaters	1846	3,956,407.16	
04-Nov-13	24-Jun-09	Royal Bank residuals	1594	1,006,335.00	
17-Mar-14	17-Mar-09	Royal Bank step up	1826	9,966,619.65	
*** ROYAL BANK OF CANADA					75,521,733.57
18-Jan-11	27-Mar-06	Toronto Dominion fixed floaters	1758	3,497,151.68	
01-Nov-12	11-Apr-08	Toronto Dominion fixed floaters	1665	10,076,994.47	
01-Nov-12	11-Dec-08	Toronto Dominion fixed floaters	1421	9,981,860.81	
01-Nov-12	21-Apr-08	Toronto Dominion fixed floaters	1655	5,031,973.97	
01-Nov-12	08-Apr-09	Toronto Dominion residuals	1303	8,645,300.00	
04-Aug-14	05-Aug-09	Toronto Dominion residuals	1825	3,964,656.00	
02-Apr-15	28-Apr-09	Toronto Dominion fixed floaters	2165	5,170,343.52	
02-Apr-15	12-Feb-10	Toronto Dominion residuals	1875	9,284,000.00	
08-Oct-16	08-Oct-09	Toronto Dominion step up	2557	4,984,324.02	
09-Jul-18	26-Jan-10	Toronto Dominion residuals	3086	2,114,700.00	
24-Nov-19	24-Nov-09	Toronto Dominion step up	3652	4,985,901.54	
*** TORONTO DOMINION					67,737,206.01
CREDIT UNIONS					
30-Jul-10	31-May-10	Envision Credit Union	60	15,000,000.00	
11-Aug-10	28-Jun-10	Vancity Savings Credit Union	44	50,000,000.00	
25-Aug-10	30-Jun-10	Westminster Savings Credit Union	56	30,000,000.00	
30-Aug-10	29-Jun-10	Coast Capital Credit Union	62	15,000,000.00	
20-Sep-10	22-Jun-10	Gulf & Fraser Credit Union	90	5,000,000.00	
*** CREDIT UNIONS					115,000,000.00
PROVINCIAL GUARANTEED PAPER					
20-Aug-10	21-Nov-03	Alberta capital finance bond	2464	1,299,687.87	
*** ALBERTA					1,299,687.87
09-Jul-15	19-Jan-10	BC residuals	1997	2,552,912.00	
*** BRITISH COLUMBIA					2,552,912.00
05-Sep-10	01-Dec-03	Manitoba residuals	2470	3,972,705.00	
*** MANITOBA					3,972,705.00
17-Dec-10	17-Dec-03	New Brunswick MFA	2557	764,754.07	
*** NEW BRUNSWICK					764,754.07

SCHEDULE 2 - 3

19-Nov-10	21-Nov-03	Ontario bond	2555	4,999,999.53	
08-Mar-14	29-Mar-10	Ontario bond	1440	5,390,792.27	
02-Dec-14	10-Jun-09	Ontario coupon	2001	4,903,800.00	
02-Dec-14	22-Apr-10	Ontario coupon	1685	9,999,999.83	
02-Jun-15	01-May-09	Ontario coupon	2223	4,880,820.00	
		*** ONTARIO			30,175,411.63
16-Aug-10	05-Mar-04	Quebec Hydro coupon	2355	5,305,300.00	
01-Dec-10	28-Jan-05	Quebec bond	2133	4,033,542.33	
30-Mar-14	29-Mar-10	Quebec coupon	1462	2,222,500.00	
15-Jul-14	29-Mar-10	Quebec Hydro coupon	1569	2,631,810.00	
01-Jun-15	11-May-09	Quebec coupon	2212	4,038,650.00	
16-Jul-15	01-May-09	Quebec coupon	2267	1,521,463.00	
15-Aug-15	11-May-09	Quebec Hydro coupon	2287	4,018,150.00	
		*** QUEBEC			23,771,415.33
03-Oct-10	03-Oct-03	BCMFA bond	2557	1,799,783.35	
03-Oct-10	10-Oct-03	BCMFA bond	2550	699,894.91	
01-Jun-11	11-Apr-01	BCMFA bond	3703	4,998,396.13	
open	17-Dec-03	BCMFA investment pool-money market fund	2574	1,000,000.00	
		*** BCMFA			8,498,074.39
TOTAL PORTFOLIO					<u>776,363,339.06</u>