



CORPORATE REPORT

NO: **R222**

COUNCIL DATE: **October 18, 2010**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **October 12, 2010**

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

FILE: **1880-20**

SUBJECT: **Quarterly Financial Report - Third 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 third 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.

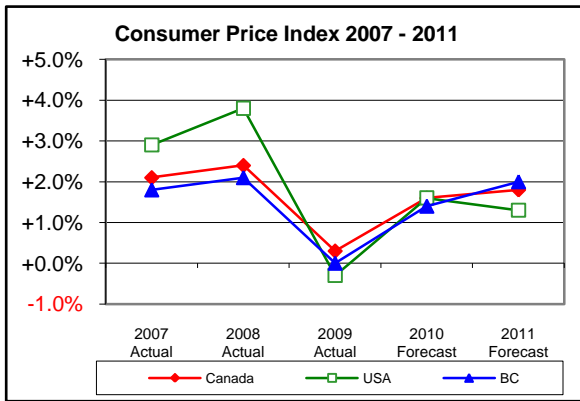
In 2009 the Province of BC announced its intention to harmonize the current Provincial Sales Tax (PST) with the Federal Goods and Services Tax (GST) to create a single value added tax known as the Harmonized Sales Tax (HST). The HST took effect on July 1, 2010 and is administered by the Federal Government. 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 nine months of 2010. It also includes an overview of the performance of the City's investment portfolio for the same time period.

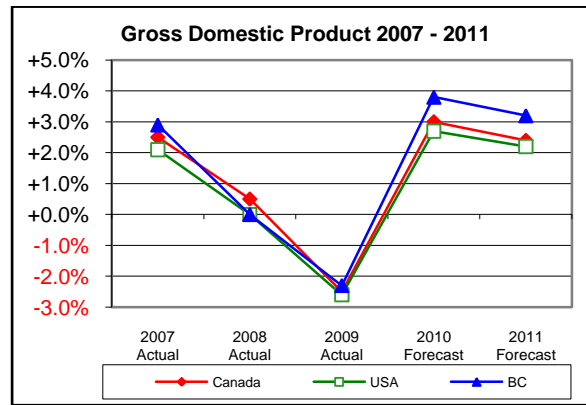
International Overview

While the global recovery continues with robust strength in emerging markets, economic growth through much of the industrialized world is beginning to slow. China has led the emerging markets since last year, and its economy remains strong, although it is showing some signs of slowing.

After a more subdued rebound in economic activity, most advanced economies have recently recorded softer economic indicators. In Japan, an unemployment rate of 5.2% will continue to slow private consumption. Although a weaker Euro has made Euro zone exports more competitive, this will be offset by both slower European and global demand for these exports.



Graph 1 Source: BMO Economics Oct 1, 2010



Graph 2 Source: BMO Economics Oct 1, 2010

United States Overview

Over the last three months there has been a softening in the U.S. recovery, as job creation and economic activity has grown at a slower pace. Of the 8.4 million jobs lost during the recession, less than 9% have been recovered. Housing markets continue to show weakness, with home sales dropping to a cyclical low in July and new home sales following suit. The percentage of mortgages seriously delinquent remained at historically high levels, thereby increasing the probability of more houses coming onto the market.

In the third quarter of 2010, there was an overall easing of lending standards for mortgages for the first time since the third quarter of 2006. This was accompanied by a modest increase in demand. The soft state of demand is likely related to the weak performance of the U.S. labour market this year.

Canadian Overview

After a strong start to 2010, the pace of the Canadian economy slowed noticeably to just 2.0% in the third quarter. The strong Canadian dollar, combined with the reduced pace of U.S. economic activity has created a further erosion in net exports and added to the competitive challenges already facing many export-focussed companies. Consumer spending has held up reasonably well on both sides of the border, supported in part, by aggressive retail pricing, most notably in the auto sector.

The Bank of Canada raised the overnight rate by 25 basis points (bps) at the June, July, and September meetings. The bank rate is now 1.0%, which remains historically low and continues to stimulate the economy.

Housing markets faced sharp declines in all provinces in the third quarter. Canadian housing starts fell 3.0% in September, marking the fourth consecutive monthly decline. Canada's unemployment rate, which rose in July to 8.0%, increased again in August to stand at 8.1%. So far this year, the economy has generated 335,000 jobs, although the majority have been part-time positions.

British Columbia Overview

Despite the persistence of the uncertainty surrounding the global economic environment, British Columbia's economy continues to demonstrate signs of strength. The B.C. economy is expected to grow by 3.3% in 2010.

Markets for commodities produced in the province have improved and prices for key commodities, such as softwood lumber, market pulp, coal, natural gas and copper, are all well above last year's levels. The recovery in the resource sector boosted the trade performance of the province. In addition, B. C.'s

tourism sector is expected to finish ahead of 2010 results, due to the lift provided by the 2010 Olympic and Paralympics Games.

The drop in housing resales in recent months likely reflects the unwinding of earlier demand from buyers who advanced purchases to lock in exceptionally low interest rates and beat the introduction of the HST in July. Rising interest rates have also contributed to less demand for housing in B. C.

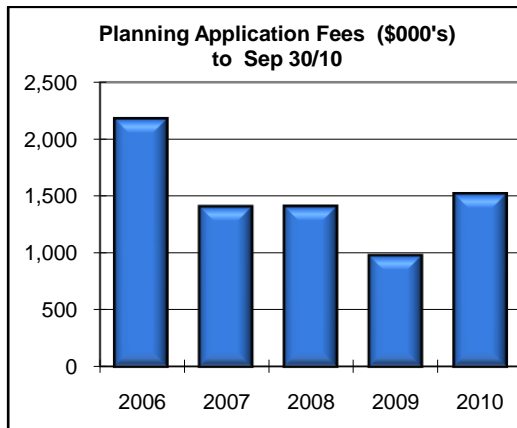
Surrey's Financial Performance

The level of new development activity has accelerated in the first three quarters of the year compared to 2009. Residential building activity continues to be a major component of growth.

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.

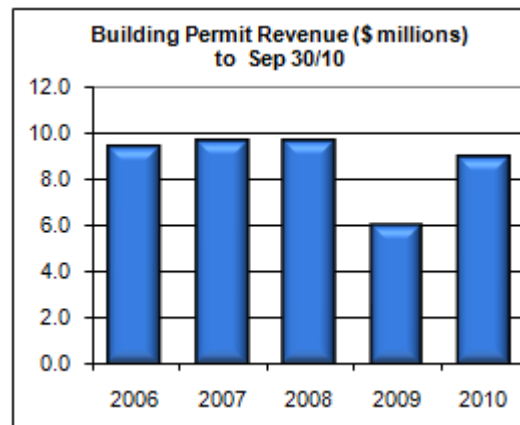
This revenue deferral process means that although there may be a significant reduction in the actual revenue collected in any given period, the effect of this reduction will not be recognized for some time into the future, which in some cases will be in the following year. The timing difference between 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 three quarters of 2010 compare to previous years' results for the same period:



Graph 3

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



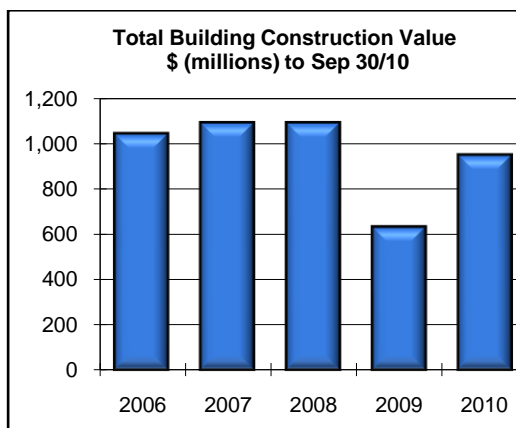
Graph 4

Building permit fees collected for the first nine 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 earlier this year. Revenues are expected to meet budget for the year.



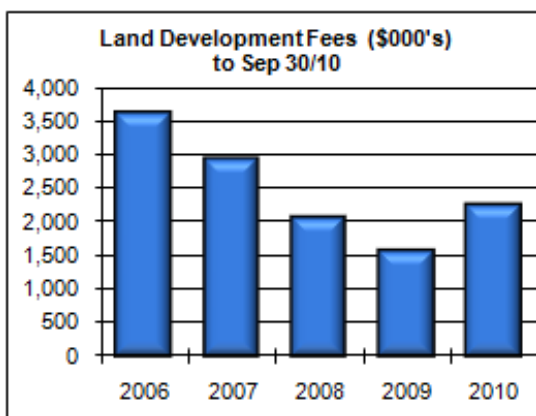
Graph 5

Construction value of commercial/industrial building permits for the first nine months of 2010 have increased by 34% as compared to 2009.



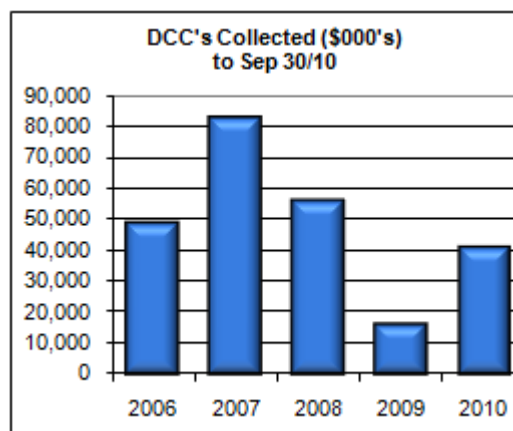
Graph 6

Overall, the value of new construction in the City for the first nine months of the year is almost double the amount for same time period last year.



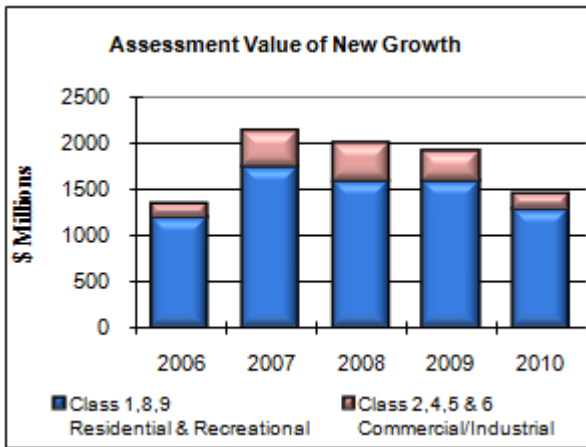
Graph 7

Engineering Land Development fees collected in the first nine months of the year have increased by 42% from the same period in 2009. This is primarily due to the economic recovery that has been experienced.

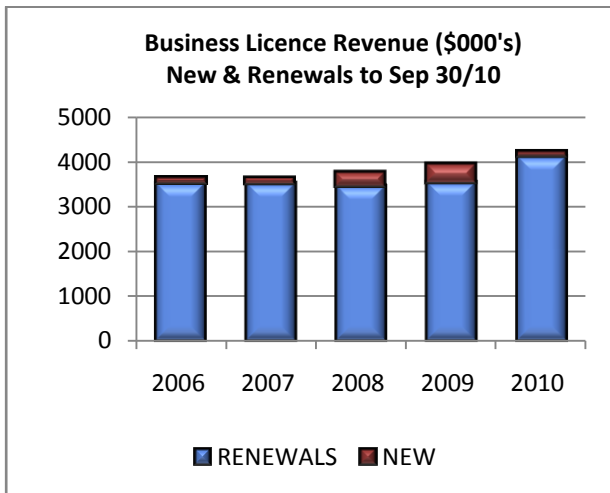


Graph 8

Development Cost Charges that have been collected in the first nine 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 accounted for 88% of assessment growth and 72% of property tax growth.

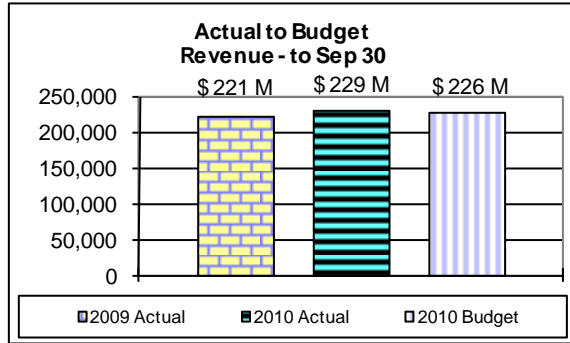


As Surrey continues to grow as a community, the growth creates more business potential, which results in new businesses being established and related increases in business licenses that are issued each year.

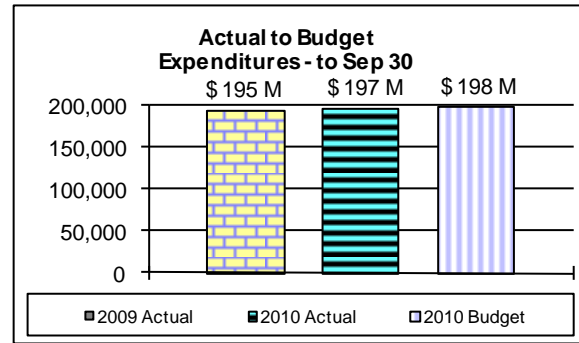
Graph 9

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 nine months of 2010.



Graph 10



Graph 11

Appendix A documents the general fund revenues and expenditures for the first nine 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 component of the Five-Year Financial Plan:

RCMP currently shows a favourable variance of \$144,000. This is primarily due to the timing of contract expenses and savings in municipal salaries and expenses. The RCMP is projecting to meet budget by year-end.

Fire Services has a favourable variance of \$78,000 as a result of temporary vacancies and timing in purchasing supplies. They are anticipating meeting budget by year end.

Engineering Services currently has an unfavourable variance of \$128,000. This variance is a result of timing of expenditures and recoveries. It is projected that Engineering will meet budget by year-end.

Parks, Recreation & Culture Department is showing a favourable variance of \$142,000. This is primarily due to the timing of Parks Operations maintenance programs and related expenditures. The Parks, Recreation and Culture Department is anticipated to show a favourable variance of \$200,000 by year end.

Library Services has a favourable variance of \$318,000 due to timing of expenditures and is expected to meet budget at year end.

Planning and Development Department, which also includes Civic Facilities, is reporting a positive variance of \$411,000 due to increased building permit fee revenue and timing of expenditures. The Planning and Development Department is anticipating a favourable variance of \$500,000 at year end due to better economic conditions that is bringing increased development application and construction activity.

Mayor and Council has a favourable variance of \$21,000 due to the timing of expenses and is expected to meet budget at year end.

City Manager's Department is currently reporting a favourable variance of \$427,000 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 \$500,000 favourable variance by year end.

Finance & Technology Department currently has a favourable variance of \$314,000. This is primarily due to some temporary vacancies and timing of expenses. Finance & Technology is anticipating a favourable variance of \$500,000 by year end.

Human Resources Department has a favourable variance of \$91,000 due primarily to some temporary vacancies and timing of expenses. The Department is projecting a favourable variance of \$100,000 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 July through September 2010. **Schedule 2** is a detailed listing of securities as at September 30, 2010 sub-totalled by issuer type.

It is important to note that although the investment portfolio is currently valued in excess of \$749 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 3.94%, while maintaining investment security as outlined in the City's 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 third 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 strong 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 3rd QUARTER COUNCIL REPORT
EXECUTIVE SUMMARY - REVENUES & EXPENDITURES
\$ 000's**

REVENUE SUMMARY	2010 3rd Qtr - Sep Actual	2010 3rd Qtr - Sep Budget	2010 3rd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Net Taxation	\$ 161,427	\$ 161,043	\$ (384)	\$ 215,574	\$ 214,724	\$ (850)
Non-Tax Revenues	15,705	15,623	(82)	19,756	20,206	450
Provincial Casino Revenue Sharing	2,170	2,100	(70)	2,900	2,800	(100)
Utility Recoveries	3,042	3,042	0	4,056	4,056	0
Program Revenues	46,753	44,324	(2,429)	57,632	54,632	(3,000)
TOTAL REVENUES	\$ 229,097	\$ 226,132	\$ (2,965)	\$ 299,918	\$ 296,418	\$ (3,500)
EXPENDITURE SUMMARY	2010 3rd Qtr - Sep Actual	2010 3rd Qtr - Sep Budget	2010 3rd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Program Expenditures	\$ 194,306	\$ 193,698	\$ (608)	\$ 272,401	\$ 271,301	\$ (1,100)
Council Projects	84	187	103	250	250	0
City Beautification	1,519	1,354	(165)	1,808	1,808	0
Crime Reduction	152	417	265	260	560	300
Social Well-Being Plan	966	964	(2)	1,285	1,285	0
Sustainability	195	297	102	400	400	0
Fiscal Services	268	911	643	1,187	1,215	28
Interest Allocations	0	92	92	23	123	100
TOTAL EXPENDITURES	\$ 197,490	\$ 197,920	\$ 430	\$ 277,614	\$ 276,942	\$ (672)
TRANSFER SUMMARY	2010 3rd Qtr - Sep Actual	2010 3rd Qtr - Sep Budget	2010 3rd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
Transfer to Capital Program	\$ 5,494	\$ 4,275	\$ (1,219)	\$ 7,100	\$ 5,700	\$ (1,400)
Transfer to Capital Program - Gaming	2,170	2,100	(70)	2,900	2,800	(100)
Transfers To(From) Own Sources	9,810	10,853	1,043	12,205	15,005	2,800
BALANCED BUDGET	\$ 17,474	\$ 17,228	\$ (246)	\$ 22,205	\$ 23,505	\$ 1,300

PROJECTED SURPLUS	\$ 4,128
BUDGETED TRANSFER FROM SURPLUS	(4,028)
ANTICIPATED SURPLUS AT YEAR END	\$ 100

**2010 3rd QUARTER COUNCIL REPORT
DEPARTMENTAL DETAIL
\$ 000's**

	2010 3rd Qtr - Sep Actual	2010 3rd Qtr - Sep Budget	2010 3rd Quarter Variance	2010 Projected Actual	2010 Annual Budget	2010 Projected Variance
PROGRAM REVENUES						
R.C.M.P.	\$ 5,463	\$ 5,426	\$ (37)	\$ 7,070	\$ 7,070	\$ 0
Fire	1,389	1,306	(83)	1,332	1,332	0
Engineering Services	3,689	3,572	(117)	4,762	4,762	0
Parks, Recreation & Culture	16,039	15,313	(726)	19,537	18,237	(1,300)
Surrey Public Library	1,464	1,380	(84)	1,549	1,549	0
Planning & Development	12,643	11,895	(748)	15,927	14,527	(1,400)
City Manager	5,156	4,626	(530)	6,369	6,169	(200)
Finance & Technology	903	802	(101)	1,081	981	(100)
Human Resources	7	4	(3)	5	5	0
TOTAL PROGRAM REVENUES	\$ 46,753	\$ 44,324	\$ (2,429)	\$ 57,632	\$ 54,632	\$ (3,000)
PROGRAM EXPENDITURES						
R.C.M.P.	\$ 73,168	\$ 73,275	\$ 107	\$ 98,350	\$ 98,350	\$ 0
Fire	34,050	34,045	(5)	48,042	48,042	0
Engineering Services	4,305	4,061	(244)	5,550	5,550	0
Parks, Recreation & Culture	37,365	36,782	(583)	53,810	52,710	(1,100)
Surrey Public Library	8,180	8,414	234	11,710	11,710	0
Planning & Development	12,724	12,387	(337)	19,414	18,514	(900)
Mayor & Council	849	870	21	1,246	1,246	0
City Grants	1,043	1,043	0	1,086	1,086	0
City Manager	7,628	7,526	(102)	11,096	11,496	400
Finance & Technology	13,132	13,345	213	19,527	19,927	400
Human Resources	1,862	1,950	88	2,570	2,670	100
TOTAL PROGRAM EXPENDITURES	\$ 194,306	\$ 193,698	\$ (608)	\$ 272,401	\$ 271,301	\$ (1,100)
NET PROGRAM						
R.C.M.P.	\$ 67,705	\$ 67,849	\$ 144	\$ 91,280	\$ 91,280	\$ 0
Fire	32,661	32,739	78	46,710	46,710	0
Engineering Services	617	489	(128)	788	788	0
Parks, Recreation & Culture	21,327	21,469	142	34,273	34,473	200
Surrey Public Library	6,716	7,034	318	10,161	10,161	0
Planning & Development	81	492	411	3,487	3,987	500
Mayor & Council	849	870	21	1,246	1,246	0
City Grants	1,043	1,043	0	1,086	1,086	0
City Manager	2,473	2,900	427	4,727	5,327	600
Finance & Technology	12,229	12,543	314	18,446	18,946	500
Human Resources	1,855	1,946	91	2,565	2,665	100
NET PROGRAM TOTAL	\$ 147,556	\$ 149,374	\$ 1,818	\$ 214,769	\$ 216,669	\$ 1,900

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) JULY/10	INVESTMENT (MILLIONS) AUGUST/10	INVESTMENT (MILLIONS) SEPTEMBER/10
<i>RBC Month End Balance</i>	116.2	44.8	56.5
<i>Overnight</i>	20.0	20.0	20.0
MAJOR BANKS			
Bank of Montreal	83.7	63.7	63.7
Bank of Nova Scotia	66.2	84.4	84.4
Canadian Imperial Bank of Commerce	123.0	123.0	116.9
National Bank of Canada	58.5	58.5	58.5
Royal Bank of Canada	75.5	81.0	71.0
Toronto Dominion	77.7	77.7	77.7
<i>SUB TOTAL - MAJOR BANKS</i>	484.6	488.3	472.2
CREDIT UNIONS			
Coast Capital Credit Union	15.0	15.0	15.0
Envision Credit Union	40.0	40.0	40.0
Gulf & Fraser Credit Union	5.0	5.0	5.0
Vancity Savings	50.0	50.0	50.0
Westminster Savings Credit Union	30.0	30.0	30.0
<i>SUB TOTAL - CREDIT UNIONS</i>	140.0	140.0	140.0
PROVINCES			
Alberta	1.3	0.0	0.0
British Columbia	2.6	2.6	2.6
Manitoba	4.0	4.0	0.0
New Brunswick	0.8	0.8	0.8
Ontario	30.2	30.2	30.1
Quebec	23.8	18.5	18.5
<i>SUB TOTAL - PROVINCES</i>	62.7	56.1	52.0
OTHER			
MFA	8.5	8.5	8.5
<i>SUB TOTAL - OTHER</i>	8.5	8.5	8.5
TOTAL PORTFOLIO	832.0	757.7	749.2

SCHEDULE 2 - 1

MATURITY PURCHASE		SECURITY	# OF DAYS	PRINCIPAL	TOTAL
DATE	DATE				
Royal Bank Month End Balance					
30-Sep-10		Royal Bank		56,518,300.00	56,518,300.00
CALL LOAN					
01-Oct-10	30-Sep-10	VanCity Savings Credit Union Call Loan	1	20,000,000.00	20,000,000.00
MAJOR BANKS					
31-Jan-11	06-Feb-09	Bank of Montreal deposit note	724	10,070,218.18	
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	10,010,881.09	
21-Jun-12	01-Nov-07	Bank of Montreal fixed floaters	1694	5,005,441.79	
21-Jun-12	29-Aug-08	Bank of Montreal fixed floaters	1392	10,047,389.84	
22-Apr-15	14-Jan-10	Bank of Montreal fixed floaters	1924	2,660,286.28	
10-Jun-15	10-Jun-09	Bank of Montreal deposit note	2191	1,733,383.28	
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	10,926,569.84	
26-Sep-17	26-Jan-10	Bank of Montreal fixed floaters	2800	5,522,485.92	
*** BANK OF MONTREAL					63,652,594.22
27-Mar-13	10-Apr-08	Bank of Nova Scotia fixed floaters	1812	9,985,288.02	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floaters	1804	9,988,552.84	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floaters	1801	1,296,469.69	
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	703,900.49	
03-Oct-13	08-Oct-08	Bank of Nova Scotia fixed floaters	1821	5,002,603.27	
03-Oct-13	31-Jul-09	Bank of Nova Scotia fixed floaters	1525	533,230.90	
15-Apr-14	28-Apr-09	Bank of Nova Scotia fixed floaters	1813	2,020,281.42	
15-Apr-14	01-May-09	Bank of Nova Scotia fixed floaters	1810	5,095,911.60	
15-Apr-14	17-Jun-09	Bank of Nova Scotia fixed floaters	1763	5,150,797.53	
15-Apr-14	31-Jul-09	Bank of Nova Scotia fixed floaters	1719	5,205,825.10	
15-Apr-14	19-Aug-10	Bank of Nova Scotia fixed floaters	1335	7,935,235.37	
16-Jul-14	19-Aug-10	Bank of Nova Scotia deposit note	1427	10,317,132.18	
22-Jan-16	22-Jan-09	Bank of Nova Scotia fixed floaters	2556	1,999,738.08	
22-Jan-16	06-Feb-09	Bank of Nova Scotia fixed floaters	2541	2,048,059.58	
22-Jan-16	10-Feb-09	Bank of Nova Scotia fixed floaters	2537	5,131,983.96	
22-Jan-16	11-Jun-09	Bank of Nova Scotia fixed floaters	2416	10,984,670.25	
*** BANK OF NOVA SCOTIA					84,449,871.88
07-Mar-11	29-Aug-08	CIBC deposit note	920	9,993,472.38	
28-Mar-11	25-Sep-06	CIBC fixed floaters	1645	5,004,257.03	
28-Mar-11	10-Apr-08	CIBC fixed floaters	1082	9,975,411.29	
28-Mar-11	05-Jun-08	CIBC fixed floaters	1026	5,001,220.26	
28-Mar-11	11-Aug-08	CIBC fixed floaters	959	9,992,210.34	
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	9,984,378.46	
10-Sep-12	10-Apr-08	CIBC deposit note	1614	5,002,982.78	
06-Jun-13	11-Aug-08	CIBC fixed floaters	1760	10,031,150.57	
06-Jun-13	31-Jul-09	CIBC fixed floaters	1406	3,125,382.55	
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	4,958,706.80	
16-Jun-18	26-Jan-10	CIBC residuals	3063	2,122,890.00	
*** CIBC					116,912,417.95

SCHEDULE 2 - 2

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
02-Nov-11	26-Nov-07	National Bank fixed floaters	1437	9,914,982.57	
02-Nov-11	27-Nov-07	National Bank fixed floaters	1436	9,926,863.92	
02-Nov-11	10-Apr-08	National Bank fixed floaters	1301	19,877,123.92	
15-Nov-13	05-Jun-08	National Bank fixed floaters	1989	5,048,009.53	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	3,939,229.12	
22-Dec-14	29-Feb-08	National Bank fixed floaters	2488	9,823,531.69	
*** NATIONAL BANK OF CANADA					58,529,740.75
12-Apr-11	27-Mar-06	Royal Bank fixed floaters	1842	5,050,129.22	
12-Apr-11	01-Nov-07	Royal Bank fixed floaters	1258	5,035,003.76	
30-Apr-12	01-Nov-07	Royal Bank fixed floaters	1642	4,960,261.58	
30-Apr-12	05-Jun-08	Royal Bank fixed floaters	1425	4,986,396.86	
30-Apr-12	11-Dec-08	Royal Bank fixed floaters	1236	3,852,065.07	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	9,959,852.67	
11-Mar-13	18-Apr-08	Royal Bank fixed floaters	1788	4,977,036.48	
11-Mar-13	05-Jun-08	Royal Bank fixed floaters	1740	5,000,935.85	
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	1,775,392.74	
04-Nov-13	15-Oct-08	Royal Bank fixed floaters	1846	3,958,578.18	
04-Nov-13	19-Aug-10	Royal Bank fixed floaters	1173	5,520,331.13	
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	9,968,118.83	
*** ROYAL BANK OF CANADA					70,974,872.37
18-Jan-11	27-Mar-06	Toronto Dominion fixed floaters	1758	3,498,011.58	
01-Nov-12	11-Apr-08	Toronto Dominion fixed floaters	1665	10,071,506.69	
01-Nov-12	11-Dec-08	Toronto Dominion fixed floaters	1421	9,983,153.67	
01-Nov-12	21-Apr-08	Toronto Dominion fixed floaters	1655	5,029,695.01	
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	5,164,372.58	
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	4,984,740.36	
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	4,986,151.40	
07-Jul-20	07-Jul-10	Toronto Dominion step up	3653	9,950,922.93	
*** TORONTO DOMINION					77,677,210.22
CREDIT UNIONS					
30-Sep-11	30-Sep-10	Coast Capital Credit Union	365	15,000,000.00	
05-Oct-10	31-Aug-10	Envision Credit Union	35	40,000,000.00	
15-Mar-11	20-Sep-10	Gulf & Fraser Credit Union	176	5,000,000.00	
21-Oct-10	14-Sep-10	Vancity Savings Credit Union	37	50,000,000.00	
27-Oct-10	27-Sep-10	Westminster Savings Credit Union	30	30,000,000.00	
*** CREDIT UNIONS					140,000,000.00
PROVINCIAL GUARANTEED PAPER					
09-Jul-15	19-Jan-10	BC residuals	1997	2,552,912.00	
*** BRITISH COLUMBIA					2,552,912.00
17-Dec-10	17-Dec-03	New Brunswick MFA	2,557	764,843.77	
*** NEW BRUNSWICK					764,843.77

SCHEDULE 2 - 3

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
19-Nov-10	21-Nov-03	Ontario bond	2555	4,999,999.53	
08-Mar-14	29-Mar-10	Ontario bond	1440	5,359,297.35	
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			30,143,916.71
01-Dec-10	28-Jan-05	Quebec bond	2133	4,020,038.29	
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			18,452,611.29
03-Oct-10	03-Oct-03	BCMFA bond	2557	1,799,924.71	
03-Oct-10	10-Oct-03	BCMFA bond	2550	699,963.49	
01-Jun-11	11-Apr-01	BCMFA bond	3703	4,998,686.09	
open	17-Dec-03	BCMFA investment pool-money market fund	2574	1,000,000.00	
		*** BCMFA			8,498,574.29
TOTAL PORTFOLIO					749,127,865.45