

NO: **R178**

COUNCIL DATE: **July 23, 2012**

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## REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 16, 2012**

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

FILE: **1880-20**

SUBJECT: **Quarterly Financial Report - Second Quarter- 2012**

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## 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 2012 and to compare that activity with the 2012 Financial Plan and the same period in prior years.

## DISCUSSION

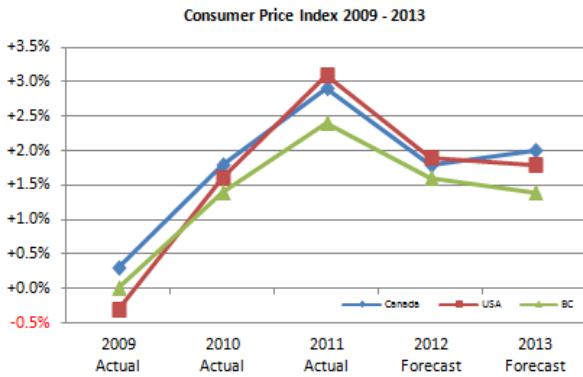
The 2012-2016 Five Year Financial Plan was adopted by Council on February 6<sup>th</sup>, 2012.

The following provides a summary of current economic conditions followed by an outline of Surrey's financial performance for the second quarter of 2012. It also includes an overview of the performance of the City's investment portfolio.

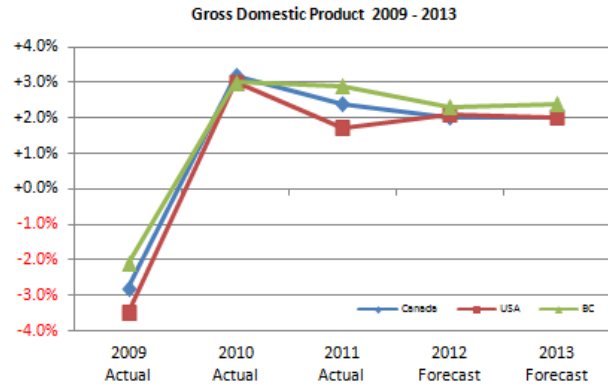
### International Overview

Growth trends have continued to slow in the global economy over the second quarter of 2012. The prolonged European debt crisis and uncertainties over the future of the European Union are causing instability in world financial markets. Greece's pending exit from the Euro Zone has been temporarily avoided by the election of its new government. It remains to be seen whether European leaders will offer additional time for Greece to meet strict financial targets imposed as a condition of its bailout loans.

The emerging markets of Brazil, Russia, India and China are facing challenges as their pace of growth slows due to trade limitations imposed by the debt crisis in the Euro zone. Russia's growth is further affected by falling oil prices. Purchasing power is diminishing in Brazil and India resulting from increased inflation. China is being affected by slow growth in exports, factory production and the housing market. Overall, economic growth projections have worsened in the second quarter in comparison to the first quarter.



Graph 1 Source: BMO Economics July 1, 2012



Graph 2 Source: BMO Economics July 1, 2012

### United States Overview

US job growth is behind market expectations for the second quarter of 2012. The unemployment rate has increased to 8.2% but is expected to improve slightly as the year progresses.

The debt crisis in Europe is affecting the US economic recovery as many businesses are holding back on investments and hiring due to reduced confidence in the global financial markets. The global uncertainty, combined with slower job growth, has led to reduced consumer spending in the second quarter of 2012. Consumer spending grew at an annualized rate of 2.1% in the second quarter, less than the annualized rate of 2.8% in the first quarter of the year.

### Canadian Overview

Growth for the Canadian economy has fallen well short of the Bank of Canada's forecast for the first half of 2012. Due to uncertainties in the international environment, the Bank of Canada continues to hold the overnight interest rate at 1.0%. It is projected to remain at that rate to the end of the year.

Although record low interest rates over the last few years have fuelled consumption, high household indebtedness remains the greatest financial risk domestically. Concerns loom that consumers will not be able to service their debt if interest or unemployment rates rise. In an attempt to address the rising rates of indebtedness, the Federal government has introduced new rules limiting the amortization period of federally-insured mortgages to 25 years and reduced the amount that homeowners can borrow against their home to 80% of the value of the home. With the ability of Canadians to shoulder additional debt diminishing, the economy cannot continue to rely on consumer consumption to sustain growth.

### British Columbia Overview

The British Columbia economy is expected to keep pace with the rest of Canada with GDP growth forecasted at 2.0% for 2012. The unemployment rate rose to 7.4% in the second quarter of 2012, a slight increase of 0.5% from the first quarter of the year and is forecasted to drop to 7.0% by the end of the year.

Home sales and listings have maintained a steady pace over the last few months. Many analysts believe that home prices in BC are over-valued and corrections are due over the next two to three years. Tighter mortgage rules will make it harder for first time home buyers to enter the market.

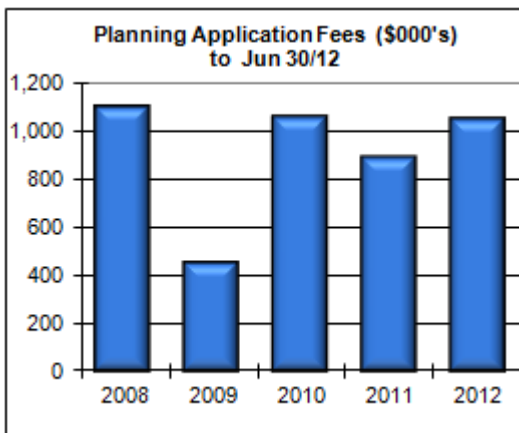
The growth of BC exports has slowed considerably in 2012 with decreases in exports to the US, Japan and the European Union. A slowdown in the Chinese housing market has led to decreased lumber exports.

### Surrey's Financial Performance

Development in Surrey continues to flourish. Applications for multi-family dwellings have increased as Surrey remains a relatively affordable market in the Region. The City's focus on City Centre is attracting investors looking for an opportunity to move into the area. The construction of new civic facilities identified as part of the 'Build Surrey' Program will also continue to bolster development. As a result, the level of new development activity in 2012 is expected to be slightly higher than 2011.

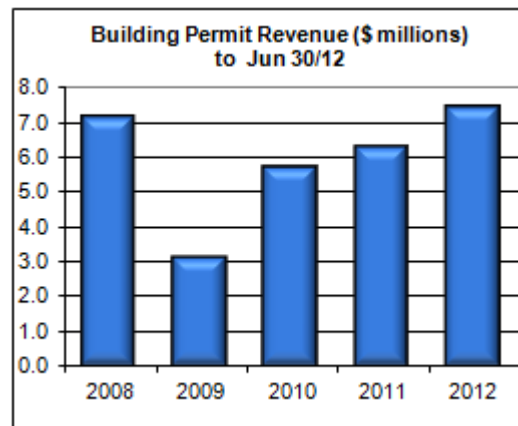
The following graphs show the actual revenue that was collected by the City in the first half of each of the noted years. The City's budget is based on accounting principles which require that development-related revenues be distributed over time to match the timing of the related expenses incurred by 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 revenue fluctuations.

The following graphs illustrate how the results for the first six months of 2012 compare to previous years' results for the same period:



Graph 3

Application fees collected in the second quarter of the year are 18% higher than those collected for the same period last year. Applications have increased due to investor and developer confidence in Surrey and demand for housing units coupled with low interest rates.



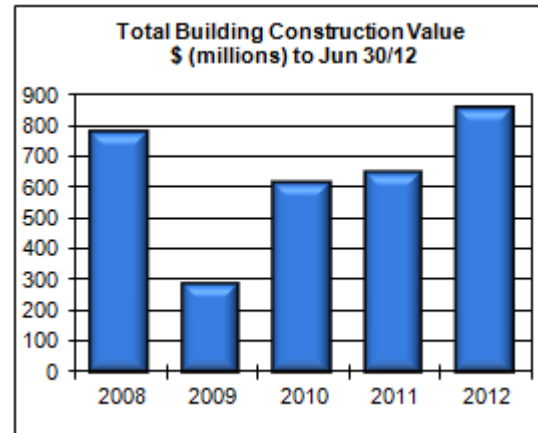
Graph 4

Building permit fees are 19% higher than those collected in the same period last year. This is attributable to the increase in the number of multi-housing units being built in the City and in part related to the permits related to the construction of the Surrey Pre-Trial Centre and the Surrey Memorial Hospital.



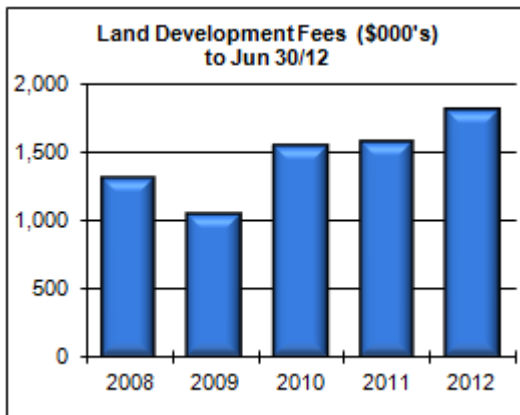
Graph 5

Construction value of commercial and industrial building permits for the first six months of 2012 is lower compared to 2011. The 2011 value included the new RCMP E-Division Headquarters. Construction value remains high in 2012 when compared to the years 2008 through 2010, due to the development in City Centre, the Guildford Wal-Mart expansion and development in Campbell Heights.



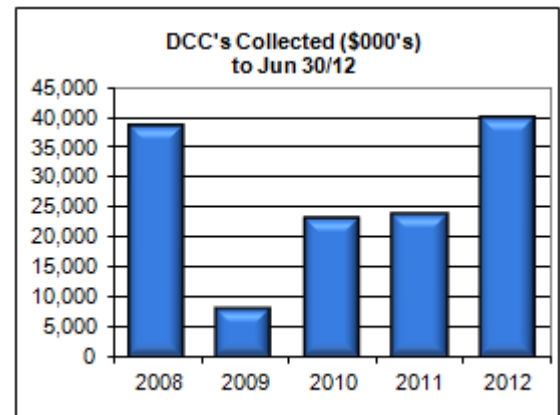
Graph 6

Overall, the value of new construction in the City for the first six months of the year is 33% more than the same time period last year. The overall increase is primarily due to the increase in the number of multi-family dwellings being constructed.



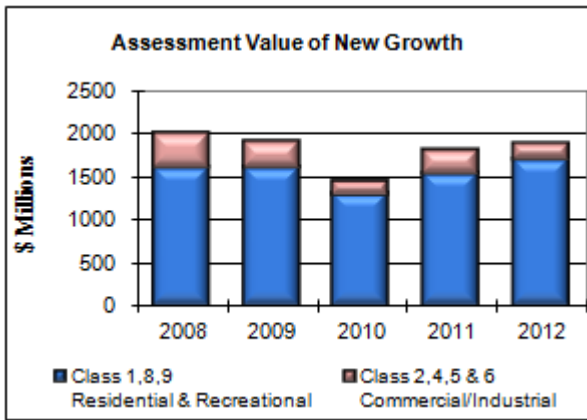
Graph 7

Engineering Land Development fees collected in the first six months of the year are 16% higher than the same period in 2011. The number of servicing agreements has increased as a result of an increase in building permits.

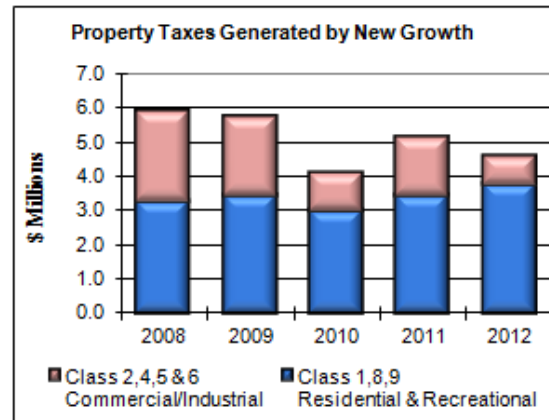


Graph 8

Development Cost Charges that have been collected in the first six months of the year are 69% higher than those collected in the same period of 2011. The City collects DCC revenue throughout the year and distributes it to related construction programs in the following year.

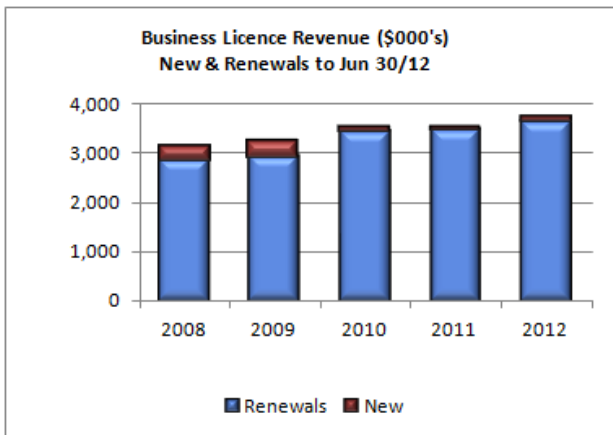


Graph 9



Graph 10

The value of new construction is converted into taxable assessed values and is the 'growth' component of the City's annual property tax levy. The tax rate for commercial/industrial properties is about three times that of residential properties. This means that a commercial property with the same assessed value as a residential property will generate three times property taxes. In 2012, increases in commercial assessment will account for 10% of the assessment growth and 25% of the property tax growth, while residential assessment will account for 90% of the assessment growth and 75% of property tax revenue growth.

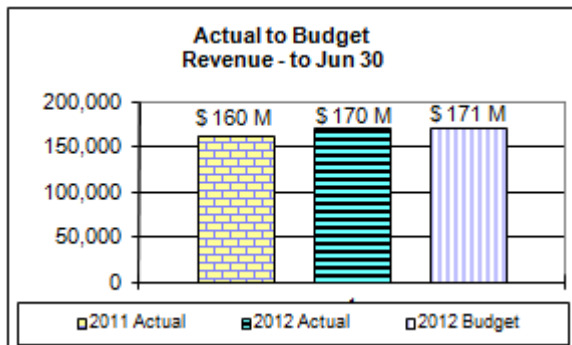


Graph 11

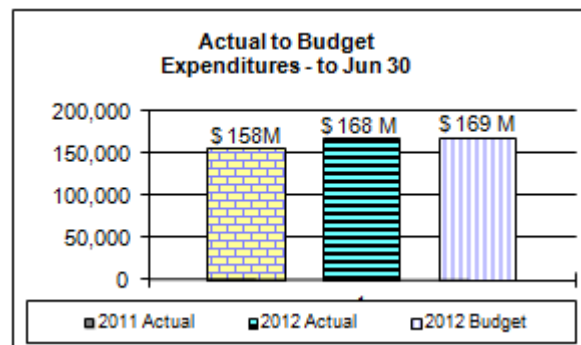
Business license revenue is higher in 2012 than the same period for 2011.

**Comparison of Actual Revenues and Expenditures versus the 2012 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 2012.



Graph 10



Graph 11

**Appendix A** documents the general fund revenues and expenditures for the second quarter of 2012 at a more detailed level. Each of the City Departments is closely monitoring their actual financial results on a monthly basis. The following is an explanation on a department-by-department basis of year to date variances in relation to the 2012 Financial Plan:

RCMP currently shows an unfavourable variance of \$606,000. This is due to an increase in RCMP contract costs. It is expected that this department will have an unfavourable variance of \$500,000 at year end.

Fire Services has a favourable variance of \$591,000 as a result of vacancy gapping and the timing in purchasing supplies. It is expected that Fire Services will have a favourable variance of about \$400,000 at year end.

Engineering Services currently has a favourable variance of \$133,000, which is due primarily to an increase in Land Development revenue. It is expected that the Department will have a positive variance of about \$200,000 at year end.

Parks, Recreation & Culture Department is showing a favourable variance of \$300,000, which is primarily due to the timing of revenue received for programming and the timing of related expenditures. It is expected that this Department will have a favourable variance of about \$500,000 at year end.

Library Services has a positive variance of \$185,000 due to vacancies and timing of expenses. It is expected that Library Services will have a positive variance of about \$100,000 by year end.

Planning and Development Department, which also includes Civic Facilities, is reporting a favourable variance of \$613,000 due to vacancies and timing of maintenance costs. It is expected that this Department will have a favourable variance of about \$900,000 at the end of the year.

Mayor and Council has a favourable variance of \$8,000, due to timing of expenditures. It is expected that this Department will meet budget by year end.

City Grants has a positive variance of \$70,000, due to timing of grant payments. City Grants are expected to meet budget at the end of the year.

City Manager's Department is currently reporting a favourable variance of \$466,000 due to revenue increases from fees and fines, vacancies and the timing of expenditures. It is expected that City Manager's Department will have a favourable variance of about \$600,000 at year end.

Investment & Intergovernmental Relations Department is currently reporting a favourable variance of \$3,000. This department is expected to meet budget at the end of the year.

Finance & Technology Department currently has a favourable variance of \$270,000. This is primarily due to the timing of the payments on IT maintenance contracts. It is expected that this Department will have a favourable variance of about \$400,000 at year end.

Human Resources Department has a positive variance of \$4,000 due primarily to the timing of expenses. It is expected that the Human Resources Department will meet budget at the end of the year.

Staff will continue to closely monitor all areas to ensure that immediate action is taken to address negative financial variances in comparison to budget and to reduce as much as possible, the 2012 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 2012. **Schedule 2** is a detailed listing of securities as at June 30, 2012 sub-totaled by issuer type.

It is important to note that although the investment portfolio is currently valued at \$804 million, most of these funds have either been committed to specific capital projects or are operating funds that have been invested until they are needed to pay operating expenses.

The City's investment portfolio is currently earning a combined rate of approximately 3.2%, while maintaining investment security as outlined in the City's investment policy. This is currently in line with the budget amount for returns on investment as anticipated in the 2012 Financial Plan. Interest revenue is expected to meet budget targets for 2012.

## CONCLUSION

Development activity experienced in the second quarter of 2012 is higher than that of the same period in 2011. This is primarily due to low interest rates and the construction of more multi-family residential units in response to market demands. The 2012 adopted Financial Plan 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 negative variances and to reduce as much as possible by year end this budgeted transfer from surplus.

Vivienne Wilke, CGA  
General Manager,  
Finance & Technology

**2012 2ND QUARTER COUNCIL REPORT  
EXECUTIVE SUMMARY - REVENUES & EXPENDITURES  
\$ 000's**

	2012 2nd Qtr - June Actual	2012 2nd Qtr - June Budget	2012 2nd Quarter Variance	2012 Projected Actual	2012 Annual Budget	2012 Projected Variance
<b>REVENUE SUMMARY</b>						
Net Taxation	\$ 119,261	\$ 120,326	\$ 1,065	\$ 238,652	\$ 240,652	\$ 2,000
Non-Tax Revenues	11,200	11,701	501	23,812	23,612	(200)
Provincial Casino Revenue Sharing	1,486	1,500	14	3,000	3,000	0
Build Surrey Program	2,414	2,414	0	7,243	7,243	0
Utility Recoveries	2,240	2,240	0	4,480	4,480	0
Program Revenues	33,103	32,462	(641)	64,696	63,996	(700)
<b>TOTAL REVENUES</b>	<b>\$ 169,704</b>	<b>\$ 170,643</b>	<b>\$ 939</b>	<b>\$ 341,883</b>	<b>\$ 342,983</b>	<b>\$ 1,100</b>
<b>EXPENDITURE SUMMARY</b>						
Program Expenditures	\$ 147,028	\$ 148,477	\$ 1,449	\$ 302,315	\$ 304,215	\$ 1,900
Council Projects	73	73	0	250	250	0
City Beautification	1,296	1,296	0	2,734	2,734	0
Crime Reduction	83	83	0	300	300	0
Social Well-Being Plan	639	639	0	1,735	1,735	0
Clean Energy	29	29	0	185	185	0
Sustainability	125	125	0	250	250	0
Build Surrey Program	2,414	2,414	0	7,243	7,243	0
Fiscal Services	548	548	0	1,241	1,241	0
<b>TOTAL EXPENDITURES</b>	<b>\$ 152,235</b>	<b>\$ 153,684</b>	<b>\$ 1,449</b>	<b>\$ 316,253</b>	<b>\$ 318,153</b>	<b>\$ 1,900</b>
<b>TRANSFER SUMMARY</b>						
Transfer to Capital Program	\$ 2,900	\$ 2,900	\$ 0	\$ 5,800	\$ 5,800	\$ 0
Transfer to Capital Program - Gaming	1,486	1,500	14	3,000	3,000	0
Transfers To(From) Own Sources	10,728	10,572	(156)	20,028	20,028	0
<b>TOTAL TRANSFERS</b>	<b>\$ 15,114</b>	<b>\$ 14,972</b>	<b>\$ (142)</b>	<b>\$ 28,828</b>	<b>\$ 28,828</b>	<b>\$ 0</b>

PROJECTED SURPLUS (DEFICIT)	\$ 800
BUDGETED TRANSFER FROM SURPLUS	(3,998)
<b>ANTICIPATED SURPLUS (DEFICIT) AT YEAR END</b>	<b>\$ (3,198)</b>



**2012 2ND QUARTER COUNCIL REPORT  
DEPARTMENTAL DETAIL  
\$ 000's**

	2012 2nd Qtr - June Actual	2012 2nd Qtr - June Budget	2012 2nd Quarter Variance	2012 Projected Actual	2012 Annual Budget	2012 Projected Variance
<b>PROGRAM REVENUES</b>						
R.C.M.P.	\$ 3,735	\$ 3,600	\$ (135)	\$ 7,296	\$ 7,196	\$ (100)
Fire	190	164	(26)	1,546	1,446	(100)
Engineering Services	3,050	3,000	(50)	5,400	5,200	(200)
Parks, Recreation & Culture	11,602	11,648	46	21,908	22,408	500
Surrey Public Library	805	802	(3)	1,593	1,593	0
Planning & Development	9,457	9,016	(441)	18,431	17,631	(800)
City Manager	3,718	3,726	8	7,286	7,386	100
Finance & Technology	536	500	(36)	1,226	1,126	(100)
Human Resources	10	6	(4)	10	10	0
<b>TOTAL PROGRAM REVENUES</b>	<b>\$ 33,103</b>	<b>\$ 32,462</b>	<b>\$ (641)</b>	<b>\$ 64,696</b>	<b>\$ 63,996</b>	<b>\$ (700)</b>

	2012 2nd Qtr - June Actual	2012 2nd Qtr - June Budget	2012 2nd Quarter Variance	2012 Projected Actual	2012 Annual Budget	2012 Projected Variance
<b>PROGRAM EXPENDITURES</b>						
R.C.M.P.	\$ 56,270	\$ 55,529	\$ (741)	\$ 112,383	\$ 111,783	\$ (600)
Fire	24,758	25,323	565	52,794	53,094	300
Engineering Services	3,329	3,412	83	6,335	6,335	0
Parks, Recreation & Culture	25,326	25,672	346	56,997	57,997	1,000
Surrey Public Library	5,858	6,040	182	11,735	11,835	100
Planning & Development	11,229	11,401	172	23,318	23,418	100
Mayor & Council	633	641	8	1,280	1,280	0
City Grants	869	939	70	1,239	1,239	0
City Manager	5,066	5,540	474	11,106	11,806	700
Investment & Intergov Rel	791	794	3	1,584	1,584	0
Finance & Technology	11,456	11,743	287	20,673	20,973	300
Human Resources	1,443	1,443	0	2,871	2,871	0
<b>TOTAL PROGRAM EXPENDITURES</b>	<b>\$ 147,028</b>	<b>\$ 148,477</b>	<b>\$ 1,449</b>	<b>\$ 302,315</b>	<b>\$ 304,215</b>	<b>\$ 1,900</b>

	2012 2nd Qtr - June Actual	2012 2nd Qtr - June Budget	2012 2nd Quarter Variance	2012 Projected Actual	2012 Annual Budget	2012 Projected Variance
<b>NET PROGRAM</b>						
R.C.M.P.	\$ 52,535	\$ 51,929	\$ (606)	\$ 105,087	\$ 104,587	\$ (500)
Fire	24,568	25,159	591	51,248	51,648	400
Engineering Services	279	412	133	935	1,135	200
Parks, Recreation & Culture	13,724	14,024	300	35,089	35,589	500
Surrey Public Library	5,053	5,238	185	10,142	10,242	100
Planning & Development	1,772	2,385	613	4,887	5,787	900
Mayor & Council	633	641	8	1,280	1,280	0
City Grants	869	939	70	1,239	1,239	0
City Manager	1,348	1,814	466	3,820	4,420	600
Investment & Intergov Rel	791	794	3	1,584	1,584	0
Finance & Technology	10,920	11,244	324	19,447	19,847	400
Human Resources	1,433	1,437	4	2,861	2,861	0
<b>NET PROGRAM TOTAL</b>	<b>\$ 113,925</b>	<b>\$ 116,016</b>	<b>\$ 2,091</b>	<b>\$ 237,619</b>	<b>\$ 240,219</b>	<b>\$ 2,600</b>

SCHEDULE 1

DESCRIPTION	INVESTMENT (MILLIONS) APRIL/12	INVESTMENT (MILLIONS) MAY/12	INVESTMENT (MILLIONS) JUN/12
<i>RBC Month End Balance</i>	29.5	28.7	89.0
<i>RBC USD Month End Balance (CAD\$)</i>	6.9	6.7	6.7
<i>Overnight</i>	20.0	20.0	20.0
<b>MAJOR BANKS - SCHEDULE I</b>			
Bank of Montreal	81.5	84.5	59.4
Bank of Nova Scotia	106.7	106.6	107.0
Canadian Imperial Bank of Commerce	49.8	49.8	49.8
Canadian Western Bank	10.1	10.1	10.1
Laurentian Bank of Canada	5.1	5.1	5.1
Manulife Bank of Canada	0.0	0.0	0.0
National Bank of Canada	19.9	22.9	27.9
Royal Bank of Canada	54.3	46.8	54.3
Toronto Dominion	80.7	87.7	92.7
<b>SUB TOTAL - SCHEDULE I BANKS</b>	<b>408.1</b>	<b>413.4</b>	<b>406.2</b>
<b>MAJOR BANKS - SCHEDULE II</b>			
HSBC Bank of Canada	10.0	10.0	10.0
<b>SUB TOTAL - SCHEDULE II BANKS</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
<b>CREDIT UNIONS</b>			
Coast Capital Credit Union	10.0	19.7	74.7
Envision Credit Union	30.0	30.0	50.0
Gulf & Fraser Credit Union	5.0	5.0	10.0
North Shore Credit Union	5.0	5.0	20.6
Vancity Savings	57.1	37.5	55.0
Westminster Savings Credit Union	20.0	20.0	20.0
<b>SUB TOTAL - CREDIT UNIONS</b>	<b>127.1</b>	<b>117.2</b>	<b>230.3</b>
<b>PROVINCES</b>			
British Columbia	2.6	2.6	2.6
Ontario	25.0	25.0	25.0
Quebec	14.4	14.4	14.4
<b>SUB TOTAL - PROVINCES</b>	<b>42.0</b>	<b>42.0</b>	<b>42.0</b>
<b>OTHER</b>			
MFA	1.0	0.0	0.0
<b>SUB TOTAL - OTHER</b>	<b>1.0</b>	<b>0.0</b>	<b>0.0</b>
<b>TOTAL PORTFOLIO</b>	<b>644.6</b>	<b>638.1</b>	<b>804.2</b>

**SCHEDULE 2 - 1**

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
<b>ROYAL BANK MONTH END BALANCE</b>					
30-Jun-12		Royal Bank		88,978,801.86	
30-Jun-12		Royal Bank USD Account (CAD\$)		6,747,663.75	
					<b>95,726,465.61</b>
<b>CALL LOAN</b>					
03-Jul-12	29-Jun-12	VanCity Savings Credit Union Call Loan	4	20,000,000.00	<b>20,000,000.00</b>
<b>MAJOR BANKS - SCHEDULE I</b>					
22-Apr-15	14-Jan-10	Bank of Montreal fixed floater	1924	2,597,006.82	
10-Jun-15	10-Jun-09	Bank of Montreal deposit note	2191	1,701,383.39	
21-Apr-16	15-Jan-10	Bank of Montreal residual	2288	4,675,938.00	
08-Jul-16	24-Aug-11	Bank of Montreal fixed floater	1780	2,874,653.81	
18-Jul-16	18-Jul-11	Bank of Montreal step up note	1827	10,000,000.00	
08-Sep-16	08-Sep-11	Bank of Montreal step up note	1827	10,000,000.00	
01-Sep-17	01-Sep-11	Bank of Montreal step up note	2192	5,000,000.00	
26-Sep-17	14-Jan-10	Bank of Montreal fixed floater	2812	10,686,276.97	
26-Sep-17	26-Jan-10	Bank of Montreal fixed floater	2800	5,387,142.10	
21-Mar-22	21-Mar-12	Bank of Montreal step up note	3652	1,000,000.00	
28-Mar-18	15-Mar-12	Bank of Montreal residual	2204	2,509,500.00	
23-May-18	23-May-12	Bank of Montreal step up note	2191	3,000,000.00	
		<b>*** BANK OF MONTREAL</b>			<b>59,431,901.09</b>
31-Dec-12	29-Jun-12	Bank of Nova Scotia investment savings account	185	10,500,000.00	
01-Nov-12	24-Aug-11	Bank of Nova Scotia residual	435	3,333,122.00	
27-Mar-13	10-Apr-08	Bank of Nova Scotia fixed floater	1812	9,995,776.08	
27-Mar-13	18-Apr-08	Bank of Nova Scotia fixed floater	1804	9,996,713.52	
27-Mar-13	21-Apr-08	Bank of Nova Scotia fixed floater	1801	1,298,986.49	
27-Sep-13	24-Jun-09	Bank of Nova Scotia residual	1556	1,050,191.60	
03-Oct-13	06-Oct-08	Bank of Nova Scotia fixed floater	1823	701,587.85	
03-Oct-13	08-Oct-08	Bank of Nova Scotia fixed floater	1821	5,001,059.97	
03-Oct-13	31-Jul-09	Bank of Nova Scotia fixed floater	1525	513,528.80	
15-Apr-14	28-Apr-09	Bank of Nova Scotia fixed floater	1813	2,010,020.62	
15-Apr-14	01-May-09	Bank of Nova Scotia fixed floater	1810	5,047,387.74	
15-Apr-14	17-Jun-09	Bank of Nova Scotia fixed floater	1763	5,074,505.71	
15-Apr-14	31-Jul-09	Bank of Nova Scotia fixed floater	1719	5,101,693.60	
15-Apr-14	19-Aug-10	Bank of Nova Scotia fixed floater	1335	7,552,285.23	
16-Jul-14	19-Aug-10	Bank of Nova Scotia deposit note	1427	10,150,262.06	
22-Jan-16	22-Jan-09	Bank of Nova Scotia fixed floater	2556	1,999,827.18	
22-Jan-16	06-Feb-09	Bank of Nova Scotia fixed floater	2541	2,031,732.06	
22-Jan-16	10-Feb-09	Bank of Nova Scotia fixed floater	2537	5,087,144.22	
22-Jan-16	11-Jun-09	Bank of Nova Scotia fixed floater	2416	10,650,142.21	
13-Dec-21	13-Dec-11	Bank of Nova Scotia step up note	3653	9,929,147.29	
		<b>*** BANK OF NOVA SCOTIA</b>			<b>107,025,114.23</b>
10-Sep-12	10-Apr-08	CIBC deposit note	1614	5,000,511.34	
10-Sep-12	31-Mar-11	CIBC deposit note	529	10,101,032.60	
06-Jun-13	11-Aug-08	CIBC fixed floater	1760	10,010,505.33	
06-Jun-13	31-Jul-09	CIBC fixed floater	1406	3,042,284.09	
06-Jun-13	11-May-09	CIBC residual	1487	5,175,000.00	
31-Oct-14	12-Jun-09	CIBC residual	1967	4,135,115.49	
31-Oct-14	19-Mar-10	CIBC residual	1687	2,410,240.00	
02-Mar-15	19-Mar-10	CIBC deposit note	1809	4,975,543.28	
02-Nov-15	24-Aug-11	CIBC fixed floater	1531	2,802,506.82	
06-Jun-18	26-Jan-10	CIBC residual	3053	2,122,890.00	
		<b>*** CIBC</b>			<b>49,775,628.95</b>

**SCHEDULE 2 - 2**

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
16-Jul-12	17-Jan-12	Canadian Western Bank term deposit	181	5,000,000.00	
30-Nov-15	30-Nov-10	Canadian Western Bank fixed floater	1826	2,008,608.07	
30-Nov-15	23-Jun-11	Canadian Western Bank fixed floater	1621	3,044,551.60	
		<b>*** CANADIAN WESTERN BANK</b>			<b>10,053,159.67</b>
02-Nov-15	23-Jun-11	Laurentian Bank fixed floater	1593	1,008,886.24	
02-Nov-15	28-Jun-11	Laurentian Bank fixed floater	1588	4,049,088.16	
		<b>*** LAURENTIAN BANK OF CANADA</b>			<b>5,057,974.40</b>
31-Dec-12	29-Jun-12	National Bank investment savings account	185	5,000,000.00	
15-Nov-13	05-Jun-08	National Bank fixed floater	1989	5,020,590.27	
22-Dec-14	29-Feb-08	National Bank fixed floater	2488	3,965,070.54	
22-Dec-14	29-Feb-08	National Bank fixed floater	2488	9,898,570.83	
11-Apr-17	11-Apr-12	National Bank fixed floater	1826	1,004,948.45	
11-Apr-17	01-May-12	National Bank fixed floater	1806	3,010,519.45	
		<b>*** NATIONAL BANK OF CANADA</b>			<b>27,899,699.54</b>
31-Dec-12	29-Jun-12	Royal Bank investment savings account	185	7,500,000.00	
11-Mar-13	18-Apr-08	Royal Bank fixed floater	1788	9,988,969.67	
11-Mar-13	18-Apr-08	Royal Bank fixed floater	1788	4,993,690.70	
11-Mar-13	05-Jun-08	Royal Bank fixed floater	1740	5,000,269.25	
06-Jun-13	08-Apr-09	Royal Bank residual	1520	4,924,435.00	
04-Nov-13	15-Apr-08	Royal Bank fixed floater	2029	1,764,788.52	
04-Nov-13	15-Oct-08	Royal Bank fixed floater	1846	3,982,459.40	
04-Nov-13	19-Aug-10	Royal Bank fixed floater	1173	5,186,459.97	
04-Nov-13	24-Jun-09	Royal Bank residual	1594	1,006,335.00	
17-Mar-14	17-Mar-09	Royal Bank step up note	1826	9,984,609.81	
		<b>*** ROYAL BANK OF CANADA</b>			<b>54,332,017.32</b>
31-Dec-12	29-Jun-12	Toronto Dominion investment savings account	185	5,000,000.00	
01-Nov-12	11-Apr-08	Toronto Dominion fixed floater	1665	10,013,802.29	
01-Nov-12	11-Dec-08	Toronto Dominion fixed floater	1421	9,996,748.19	
01-Nov-12	21-Apr-08	Toronto Dominion fixed floater	1655	5,005,731.59	
01-Nov-12	08-Apr-09	Toronto Dominion residual	1303	8,645,300.00	
01-Nov-12	24-Aug-11	Toronto Dominion residual	435	1,078,363.00	
04-Aug-14	05-Aug-09	Toronto Dominion residual	1825	3,964,656.00	
02-Apr-15	28-Apr-09	Toronto Dominion fixed floater	2165	5,098,692.24	
02-Apr-15	12-Feb-10	Toronto Dominion residual	1875	9,284,000.00	
09-Jul-18	26-Jan-10	Toronto Dominion residual	3086	2,114,700.00	
09-Jul-18	27-Jun-11	Toronto Dominion fixed floater	2569	5,559,125.36	
07-Jul-21	07-Jul-11	Toronto Dominion step up note	3653	4,977,470.56	
28-Nov-21	28-Nov-11	Toronto Dominion step up note	3653	9,976,485.06	
17-May-22	17-May-12	Toronto Dominion step up note	3652	9,950,783.82	
04-May-19	04-May-12	Toronto Dominion step up note	2556	1,993,165.68	
		<b>*** TORONTO DOMINION BANK</b>			<b>92,659,023.79</b>
<b>MAJOR BANKS - SCHEDULE II</b>					
08-Apr-21	08-Apr-11	HSBC step up note	3653	10,000,000.00	
		<b>*** HSBC BANK CANADA</b>			<b>10,000,000.00</b>

**SCHEDULE 2 - 3**

MATURITY DATE	PURCHASE DATE	SECURITY	# OF DAYS	PRINCIPAL	TOTAL
<b>CREDIT UNIONS</b>					
27-Aug-12	26-Jun-12	Coast Capital Credit Union term deposit	62	35,000,000.00	
06-Sep-12	08-Jun-12	Coast Capital Credit Union term deposit	90	20,000,000.00	
22-Nov-12	25-May-12	Coast Capital Credit Union term deposit	181	19,738,318.45	
16-Jul-12	15-Jun-12	Envision Credit Union term deposit	31	30,000,000.00	
23-Jul-12	22-Jun-12	Envision Credit Union term deposit	31	20,000,000.00	
22-Oct-12	25-Apr-12	Gulf & Fraser Credit Union term deposit	180	5,000,000.00	
02-Jan-13	22-Jun-12	Gulf & Fraser Credit Union term deposit	194	5,000,000.00	
18-Jul-12	18-Jun-12	North Shore Credit Union term deposit	30	15,555,050.00	
30-Jul-12	30-Jan-12	North Shore Credit Union term deposit	182	5,000,000.00	
20-Jul-12	20-Jun-12	Vancity Savings Credit Union term deposit	30	17,500,000.00	
25-Jul-12	22-Jun-12	Vancity Savings Credit Union term deposit	33	37,500,000.00	
06-Jul-12	08-Jun-12	Westminster Savings Credit Union term deposit	28	20,000,000.00	
<b>*** CREDIT UNIONS</b>					<b>230,293,368.45</b>
<b>PROVINCIAL GUARANTEED PAPER</b>					
09-Jul-15	19-Jan-10	BC residual	1997	2,552,912.00	
<b>*** BRITISH COLUMBIA</b>					<b>2,552,912.00</b>
08-Mar-14	29-Mar-10	Ontario bond	1440	5,172,040.79	
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	
<b>*** ONTARIO</b>					<b>24,956,660.62</b>
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	
<b>*** QUEBEC</b>					<b>14,432,573.00</b>
<b>TOTAL PORTFOLIO</b>					<b>\$ 804,196,498.67</b>