

2022 FINANCIAL REPORT TO RESIDENTS

Edmonton

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2022



2022 FINANCIAL REPORT TO RESIDENTS

The Financial Report to Residents provides highlights of the 2022 Annual Report and includes information on the 2022 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2022 Annual Report is available at edmonton.ca/annualreport.

More detailed information on the planning and budgeting process is available at edmonton.ca/budget.

The financial information presented in this report is consistent with the 2022 Annual Report, which includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS).

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MESSAGE FROM CITY COUNCIL

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Reflecting on 2022, Edmonton households and businesses felt the pressures of the COVID-19 pandemic and inflation—and it was no different for the City. The City of Edmonton is taking active approaches to support the organization's and Edmontonians' economic recovery.

In alignment with The City Plan, Council and Administration worked together in 2022 to make decisions that support making Edmonton a healthy, urban and climate resilient city. It was a busy year, with Council considering reports on public and transit safety, Downtown vibrancy, limiting the use of single-use items and temporary housing, as well as approving a four-year budget. Through finalizing and approving the 2022 budget, Council set numerous priorities in motion by investing in recreation centres, taking steps towards climate resiliency, keeping our transit system affordable and safe, and tackling social issues and downtown safety by providing more access to resources.

In March, the City celebrated the start of construction on the Coronation Park Sports and Recreation Centre and began early work on the Lewis Farms Facility and Park. Both projects represent the City's commitment to building vibrant spaces, communities and social hubs for Edmontonians.

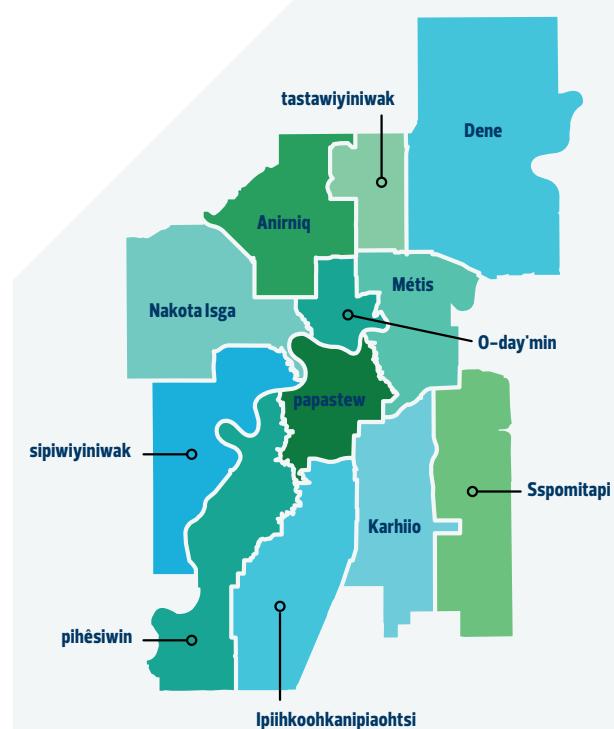
In 2022, we also took important steps towards addressing climate change. Through funding from Emissions Reductions Alberta, the City is in the process of testing hydrogen fuel cell electric bus technology as a part of a partnership under the Alberta Zero Emission Hydrogen Transit project. Council also approved adding recycling and food scraps collections to multi-unit residents and passed Edmonton's Single-use Item Reduction Bylaw. This bylaw will go into effect on July 1, 2023.

Council approved the Community Safety and Well-Being Strategy in May, which outlines the City's inclusive, connected and coordinated safety and

well-being planning, in alignment with The City Plan. The strategy included one-time grant funding that supported 25 community organizations in the advancement of community safety and well-being. With a combined value of \$1.58 million awarded, these projects supported initiatives that improve equality, help end poverty, eliminate racism, make progress toward truth and reconciliation, and create an inclusive and compassionate community. In addition, Edmonton's Downtown Core and Transit Safety Plan was developed to outline the ways in which the City is responding to changing conditions and keeping Edmontonians safe in the transit system, in Chinatown and Downtown, and in the broader community. In May, Council created a \$1 million vibrancy fund to help Chinatown recover post-COVID.

Downtown is one of the key places where tourism, festivals and events, arts and culture thrive, and accessible, well-activated public spaces flourish and bring people together. The City continued to support safety and vibrancy in the heart of our city, including shared streets initiative, introducing free parking, launching the Temporary Patio and Retail Extension Program, creating economic recovery and downtown construction grants, increasing cleaning and graffiti removal and creating temporary housing and support for people experiencing homelessness. In 2022, the Downtown Vibrancy Fund awarded \$6.5 million to 61 projects led by community stakeholders that focused on support of festivals, business support, placemaking, lighting and public safety.

As Edmonton's economy continues to recover, we will work to support local businesses, organizations and all Edmontonians. We look forward to continuing the work of The City Plan, providing Edmontonians with value for their tax dollars and highlighting our city as a place where everyone belongs.



INTRODUCTION

As we reflect on the year 2022, we can see that it was a year of both recovery and resiliency for both the City and Edmontonians. Like many cities, we continued to grapple with the profound economic and social impacts of the COVID-19 pandemic, which were compounded by global events such as the Russian invasion of Ukraine. As a result, Edmontonians faced some of the highest inflation rates in nearly four decades, rising energy costs, supply-chain issues and increasing interest rates. This meant that residents were once again forced to confront rising costs, putting pressure on the City to balance delivering essential services and construction projects while keeping property taxes, user fees and utility rates manageable.

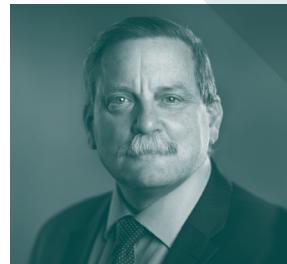
Despite these challenges, the City remained committed to supporting the recovery of our community while addressing critical issues such as community safety, well-being and climate change. This required us to adapt to the uncertain times by using sound financial management and leveraging The City Plan to respond to the immediate needs of today while advancing our goals for the future.

However, the year also brought new challenges for the City, such as increased costs to run our services and construction projects, as well as decreased revenues from services like recreation centres and transit ridership still recovering to pre-pandemic levels. Nonetheless, we remained focused on finding innovative solutions to these challenges and continue to prioritize the well-being of our community.

In this report, we will provide an overview of the City's financial performance in 2022. We hope that this report will provide residents with valuable insights into our financial management and help to foster a deeper understanding of the City's financial health.



Stacey Padbury,
Deputy City Manager and
Chief Financial Officer



Andre Corbould,
City Manager

ECONOMIC OVERVIEW

Edmonton and the Edmonton census metropolitan area (CMA) saw 2021's COVID-19 recovery momentum carry into 2022, with real gross domestic product (GDP) for both jurisdictions estimated to have surpassed pre-pandemic levels. Edmonton's real GDP is estimated to have grown 5.3 per cent in 2022, pushing the economy almost three per cent above 2019 levels. This was despite inflation pressures that were amplified by Russia's invasion of Ukraine and much higher borrowing costs from the Bank of Canada's interest rate increases, which weighed on consumers and businesses. While price pressures eased towards the end of 2022, elevated interest rates, supply chain pressures and geopolitical uncertainty remain.

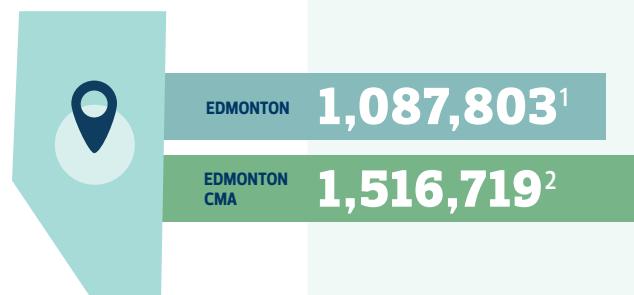
DEMOGRAPHICS

AREA IN SQUARE KILOMETRES (CITY OF EDMONTON)

Source: Statistics Canada, 2021 Census of Population.

765.6

POPULATION (AS OF JULY 1, 2022)



1. Alberta Office of Statistics and Information, Demography and Social Statistics; January 2023 version.

2. Statistics Canada.

Demographic trends in Edmonton saw a return to more normal conditions in 2022. Immigration backlogs from the pandemic continued to dissipate and Alberta attracted more people from other provinces. Edmonton's population was estimated to have reached 1,087,803 as of July 1, 2022, marking an increase of 2.9 per cent over 2021. This is the fastest growth since 2013 to 2014, with the city welcoming more than triple the number of new residents it did between 2020 and 2021.

% OF POPULATION AGE 14 AND UNDER (JULY 1, 2022)



17.8%
EDMONTON¹



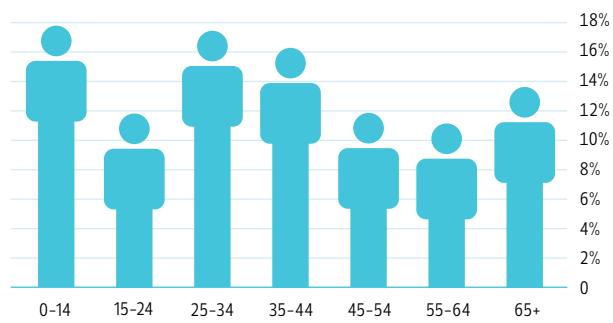
15.6%
CANADA²

AVERAGE AGE

Source: Federal Census of Population – 2021



EDMONTON POPULATION AGE DISTRIBUTION¹ (%)



MEDIAN TOTAL INCOME, ALL FAMILIES (2020)

Source: Statistics Canada



EDMONTON CMA	\$107,450
ALBERTA	\$105,960
CANADA	\$96,220

1. Alberta Office of Statistics and Information, Demography and Social Statistics; January 2023 version.

2. Statistics Canada



EMPLOYMENT

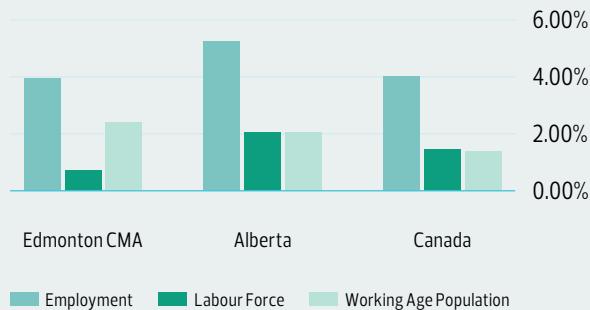
The Edmonton CMA labour market continued to strengthen in 2022, despite growth softening towards the end of the year. The annual employment level grew 3.9 per cent in 2022 and surpassed 800,000 individuals for the first time. With almost no growth in the labour force, there was a significant improvement in the unemployment rate. The number of unemployed in the Edmonton CMA fell to roughly 50,000 individuals in 2022, translating to an unemployment rate below six per cent. Employment gains were driven by a five per cent increase in full-time employment, with gains across all broad age groups for both men and women. This pushed full-time employment beyond 2019 levels for the first time on an annual basis. Part-time employment was virtually unchanged from 2021.

Edmonton's employment growth was broad-based, with the goods sector seeing an 11.7 per cent surge and services growing two per cent. Goods sector employment growth was a welcome development, after declining in 2021. Manufacturing was the biggest driver of growth, accounting for over 13,000 of the 18,000 increase in goods sector employment. A strong housing market provided a 3.7 per cent lift to construction employment. Services sector growth was driven by continued recovery in accommodation and food services and other private-sector services, which were all hit hard during the pandemic. Declines of 8.6 per cent in education and 11.1 per cent in public administration, though, dampened services sector growth.

Despite labour market tightness and rising costs for consumers, regional employment is expected to continue growing in 2023. This is expected to rise at a slower pace than the past couple years as the economy continues to normalize.

Labour Market Developments – 2022 Annual Change

Source: Statistics Canada



National and provincial labour market conditions improved in 2022, with a recovery in employment levels that also outpaced additions to the labour force. This resulted in downward pressure on the national and provincial unemployment rates. In 2022, the national unemployment rate averaged 5.3 per cent, down over two percentage points from an average of 7.5 per cent in 2021. In Alberta, the unemployment rate averaged 5.8 per cent in 2022, down from 8.6 per cent in 2021, as employment grew 5.2 per cent versus labour force growth of just over two per cent.

Percentage of Employment by Sector for Metro Edmonton, 2022

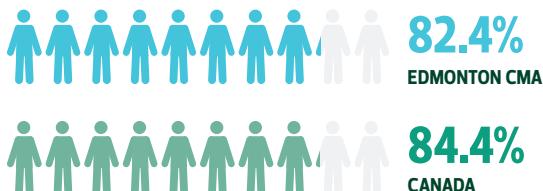
Source: Statistics Canada

Sector	%
Wholesale and retail trade	16.0
Health care and social assistance	14.1
Construction	11.0
Professional, scientific and technical services	8.7
Educational services	6.7
Manufacturing	6.4
Public Administration	6.0
Finance, insurance, real estate, rental and leasing	5.6
Accommodation and food services	5.3
Transportation and warehousing	5.0
Other *	15.2

* Other includes industries such as mining and oil & gas, administration, information, culture, and recreation.

% OF POPULATION OF WORKING AGE, 2022

Source: Statistics Canada



RESIDENTIAL CONSTRUCTION

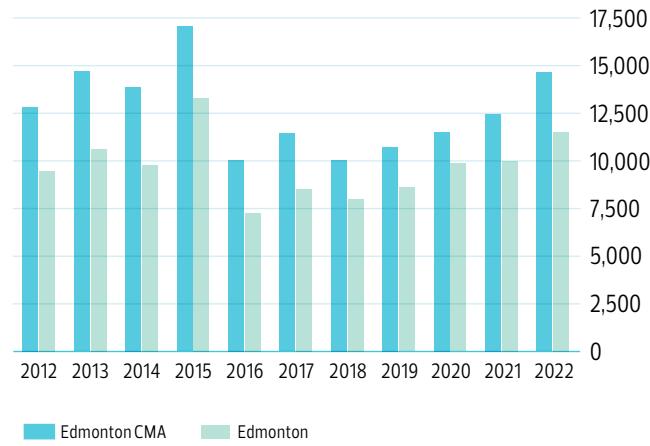
The Edmonton region's rebound in population growth and strengthening labour market continued to spur housing demand in 2022. The demand for new housing in particular was reflected in Edmonton CMA building permits. In 2022, the value of residential building permits reached \$3.6 billion, an almost 15 per cent increase over 2021.

This was driven by multi-unit permit values, which grew 19 per cent, while the value of single-detached permits grew 11 per cent. Including the non-residential sector, the total value of building permits in the Edmonton CMA rose 14 per cent in 2022, reaching \$5.1 billion. Some of the increase in the value of building permits was driven by rising construction prices, which contributed to an increase in the value per building permit and total value of building permits even as the number of residential permits issued fell four per cent.

Driven by strength early in the year and a surge in apartment construction, total housing starts in Edmonton hit a seven-year high in 2022, reaching 11,401 units. This is largely reflective of stronger single detached and apartment housing starts. The strong performance of apartment starts, in particular, was highlighted by a surge in October 2022 that saw 1,160 units start construction. In recent years, the intended market for new apartment units in Edmonton has shifted away from condominiums towards purpose-built rentals. As of December 2022, there were 6,127 apartment units under construction in Edmonton. This is the highest year-end number since 2015. The share of apartment units under construction intended for the rental market was 83.9 per cent in December, which is more than double its 10-year historical average.

Annual Housing Starts

Source: Canada Mortgage and Housing Corporation



The market for existing homes in the Greater Edmonton area was also relatively strong over the first half of 2022 but weakened towards the end of the year. Multiple Listing Service (MLS)® residential sales for 2022 in the Greater Edmonton area decreased 1.8 per cent year-over-year in 2022, while the number of new listings increased 2.2 per cent. The MLS® Home Price Index composite benchmark price in the region climbed 8.3 per cent year-over-year by June 2022, reaching nearly \$420,000.

By December, the benchmark price had fallen to around \$373,000, a decline of nearly one per cent relative to the end of 2021. This development reflected the modest decline in sales in 2022 versus a slight rise in listings.

According to the Canada Mortgage and Housing Corporation, rental market conditions in Edmonton tightened in October 2022. Net migration, rising ownership costs and students returning to in-person learning were factors that lifted rental demand in Edmonton between 2021 and 2022. Greater rental demand more than offset an increase in purpose-built rental apartment supply, which brought the vacancy rate down in Edmonton. The vacancy rate across all bedroom types for purpose-built rental apartments declined from 7.6 per cent in October 2021 to 4.5 per cent in October 2022. The average rental rate for a two-bedroom purpose-built rental apartment in Edmonton was \$1,304 per month in October 2022, compared to \$1,272 monthly in 2021.

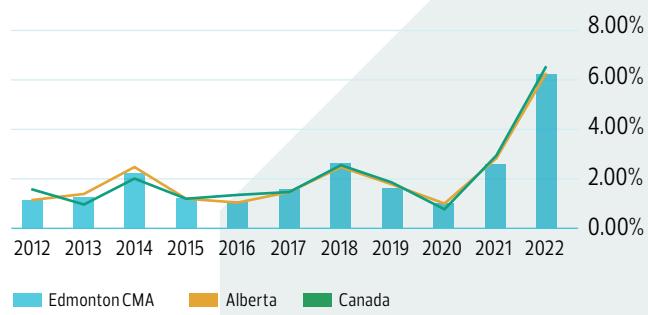
INFLATION

In 2022, consumers in the Edmonton CMA faced the strongest rate of inflation since 1982. Consumer price growth in the region climbed steadily in the first half of 2022, peaking at 8.5 per cent year-over-year in June, before easing towards the end of the year. Lingering supply chain issues and Russia's invasion of Ukraine, which upended commodity markets and consumer and business confidence, were the primary sources for soaring consumer prices and further accelerated food and energy inflation.

West Texas Intermediate (WTI), the North American benchmark oil price, was more than 60 per cent higher than 2021 over the first half of the year, and averaged 37 per cent growth for 2022. Similar trends across a number of commodities fed through to higher prices for consumer goods and services, including gasoline (+23 per cent in the Edmonton region in 2022). This supported the persistent strength in inflation that pushed the Bank of Canada to tighten monetary policy throughout 2022. The Bank's policy interest rate was lifted seven times in 2022, from 0.25 per cent to 4.25 per cent. These rising interest rates affected housing, large purchases and business investment as the year progressed.

Annual Consumer Inflation

Source: Statistics Canada



2022 FINANCIAL HIGHLIGHTS

OPERATING BUDGET

In 2022, the City began the fourth and final year of the 2019–2022 Operating Budget. The 2022 Operating Budget saw a tax increase of 1.9 per cent including a 1.4 per cent increase for municipal services, a 0.1 per cent increase for Valley Line LRT, a 0.3 per cent increase for Alley Renewal, and a 0.1 per cent increase for the Edmonton Police Service. The 2022 tax increase was lower than inflation and was one of the lowest tax increases amongst major Canadian municipalities.

CAPITAL BUDGET

This year also marks the fourth and final year of the City's 2019–2022 Capital Budget. The 2019–2022 Capital Budget balances the infrastructure investment required to keep existing City assets in good repair while supporting ongoing growth needs. Approximately 30 per cent of 2019–2022 capital investment is earmarked for renewing roads, neighbourhoods, parks, City-owned buildings and transit vehicles, with the remaining 70 per cent to support planning and delivery of new infrastructure.

2019–2022 BUDGETS

Guided by Edmonton's strategic plan, the 2019–2022 Operating and Capital Budgets assist Council in making strategic decisions about how to allocate City resources. This multi-year approach allows the City to align strategic plans, business plans and operating and capital budgets to ensure the dollars are spent to achieve City Council's vision. It also allows for better alignment with Council's election terms, providing the foundation for more informed and strategic financial decision making. Funding can be reallocated across different years of the budget and needs can be assessed over a longer term to allow for more prudent and informed financial decision-making, while building stable program and service delivery and infrastructure development.

The operating budget identifies how resources for the day-to-day costs required to run the city are allocated for services such as maintaining roads and public transit, police, bylaws and fire rescue services, as well as parks and waste services. The approved budget resulted in a 1.9 per cent general property tax increase in 2022.

The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It determines the investment in Edmonton's hard infrastructure, including the construction of buildings such as recreation centres and libraries, and transportation assets including LRT lines and bridges. The foundation of the 2019–2022 Capital Budget is the 2019–2028 Capital Investment Outlook, a high level overview of the City's capital investment requirements over the next ten years that supports the strategic direction of Council.

Municipal Taxes as a Per Cent of Household Income³



COST OF CITY SERVICE TO EDMONTONIANS

According to the City's analysis of the most recent Statistics Canada data, the average monthly expenditure for a typical Edmonton household was \$9,011 in 2019. This includes all expenses to live and enjoy life in Edmonton: food, shelter, household operations, clothing, transportation, health care, education and personal care, recreation and entertainment, insurance payments and pension contributions and taxes.

The average household spent \$3,133 per month on taxes, duties, premiums, levies and fees to all orders of government in Canada, amounting to 35 per cent of their monthly expenditure. Of this taxation expenditure, 64 per cent accrued to the federal government, 28 per cent accrued to the provincial government and the remaining eight per cent accrued to the City of Edmonton. Of this eight per cent City share, \$216 was municipal property tax and the remaining \$47 was municipal waste utility rates, which are paid for through EPCOR bills.

³. Property tax calculated for median assessed value of a single detached house. Data source: Statistics Canada Table 11-10-009-01. Estimates for 2021 and 2022 calculated by City of Edmonton.

Monthly Average Household Spending (Notes)

Source: Statistics Canada

	Monthly \$
Federal Taxes	2,007
Shelter	1,596
Transportation	1,041
Household Operations	960
Food	863
Provincial Taxes	863
Health Care, Education & Personal Care	499
Recreation & Entertainment	461
Clothing	272
Municipal property tax	216
Insurance Payments & Pension Contributions	187
Municipal Waste Utility Fees	47
Total	\$ 9,011

Notes

1. A typical household is defined as a dual-income earning, owner-occupied household, with primary earner earning 69% of gross household employment income, and the secondary earner earning 31% of gross household employment income. This split was determined by Statistics Canada census data (Table 98-400-X2016106).
2. Data Sources: Statistics Canada Survey of Household Spending in 2019 for Edmonton Census Subdivision; Statistics Canada Table 11-10-0028-01; Calculations by City of Edmonton.
3. Federal Taxes include federal income tax, goods and services tax, Canada Pension Plan contributions, Employment Insurance premiums, and excise taxes on fuel, alcohol, tobacco, gaming and cannabis (excise taxes are calculated based on consumption data from the 2019 Survey of Household Spending).
4. Provincial Taxes include provincial income tax, education property tax, Emergency 911 levy, excise duties on cannabis returned to the Province, provincial carbon tax (repealed May 30, 2019), and excise taxes on fuel, alcohol, tobacco, and gaming (excise taxes are calculated based on consumption data from the 2019 Survey of Household Spending).

Where Your Municipal Tax Dollars Go

\$231 PER MONTH (Note 1)



Corporate Expenditure:

(a) Corporate Supports includes Communications & Engagement, Legal Services, Employee Services and Financial & Corporate Services (excluding Real Estate Services)

(b) Corporate Expenditure includes Automated Enforcement, Capital Project Financing, and corporate wide expenditures

(c) Operational Support includes Integrated Infrastructures Services, Fleet & Facility Services and Real Estate Services

Note: 1. Distribution is based on the 2022 approved operating budget.

2022 FINANCIAL RESULTS

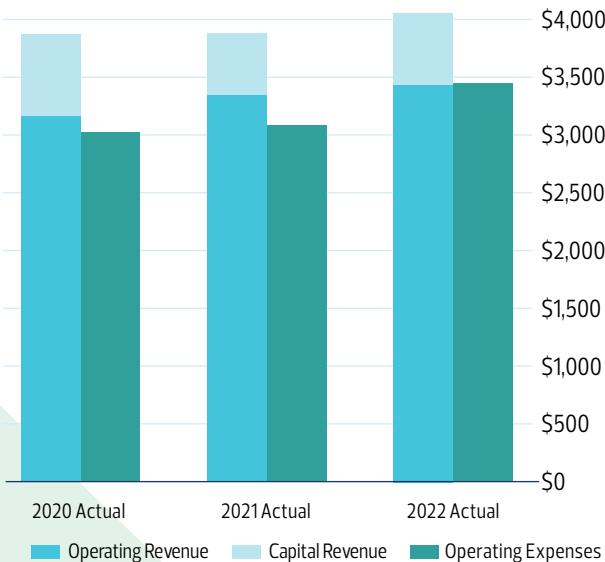
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STATEMENT OF OPERATIONS

For the year ended December 31 (millions of \$)	2022 Budget	2022 Actual	2021 Actual	2020 Actual	2019 Actual
Operating Revenues	\$ 3,357.5	\$ 3,433.8	\$ 3,358.5	\$ 3,170.6	\$ 3,120.0
Capital Revenues	1,102.4	633.5	527.1	717.4	749.8
	4,459.9	4,067.3	3,885.6	3,888.0	3,869.8
Operating Expenses	3,414.3	3,444.5	3,093.5	3,023.5	3,189.7
Excess of Revenues over Expenses	\$ 1,045.6	\$ 622.8	\$ 792.1	\$ 864.5	\$ 680.1

The Statement of Operations provides a summary of how much was received (revenues) and spent (expenses) over the course of the fiscal year. The Excess of Revenues over Expenses has been positive over the past four years, meaning that there was enough revenue to cover the City's expenses. The revenues include capital revenues that are used for funding assets, such as roadway systems and buildings, for which the related expenses will be reported in future years as the assets are used.

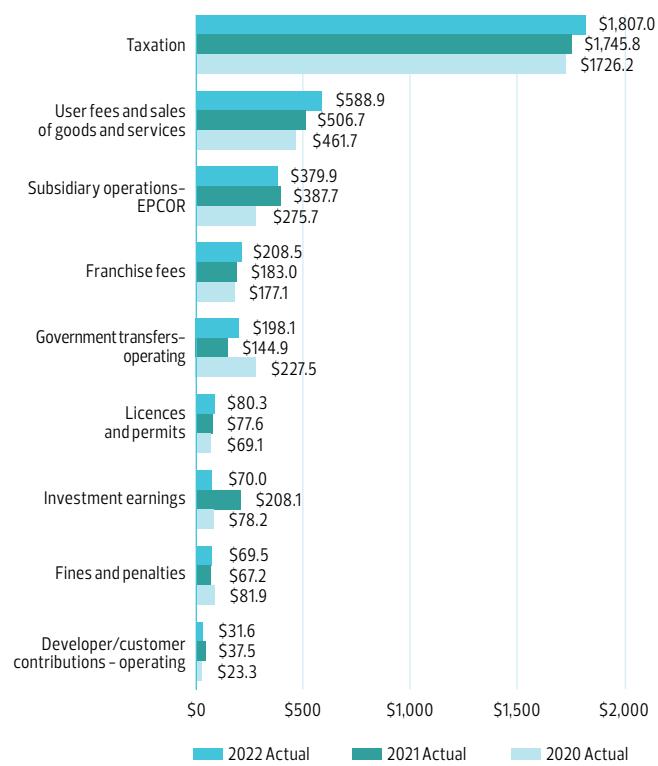
Revenue and Expenses
(millions of \$)



Over the past four years operating revenue has been trending upward with a majority of revenue coming from property taxes, user fees, the City's investment in EPCOR, franchise fees and government transfers—operating. Capital revenues vary from year to year based on fluctuations in development activities and timing of significant capital projects. Expenses over the past four years reflect the demand for additional services and infrastructure that comes with a rapidly growing population, with 2020 and 2021 being a notable exception when numerous City facilities and operations were operating under health restrictions (including facility closures) due to enhanced COVID-19 safety measures.

OPERATING REVENUES

Where does the money come from?
Year-over-year comparison (millions of \$)



Property tax is the primary source of revenue available to the City to pay for municipal services. In 2022, net taxes available for municipal services of \$1,807.0 million accounted for 52.6 per cent of total operating revenues; slightly higher than the 52.0 per cent in 2021.

Net taxes for municipal services are collected annually to support operations, with certain amounts directed towards specific programs such as neighbourhood renewal, community revitalization and LRT construction. The remaining tax revenues are applied generally across all departments.

WHAT CHANGED FROM LAST YEAR?

Overall, operating revenues increased by \$75.2 million from the prior year due to a \$67.0 million one-time injection of funds provided through the Government of Canada's Transit COVID-19 Funding Support (RESTOR funds). These funds were provided to help offset the financial impacts of the pandemic relating specifically to reduced transit ridership and the associated loss of transit fare revenue. User fees and sales were higher due to higher recreation facility and attractions revenue as COVID-19 restrictions were largely eliminated in 2022. There was higher conference and convention revenue as conferences and public events resumed after being placed on hold in 2021 due to COVID-19 restrictions, and higher transit and parking revenue due to increased transit ridership and parking in the City's downtown core. This is partially offset by lower investment earnings, as the prior year's accelerated economic growth with world economies reopening, was replaced with 2022's global market instability as a result of supply-chain issues, the conflict in Ukraine, as well as sharp increase in interest rates slowing growth in Canada.

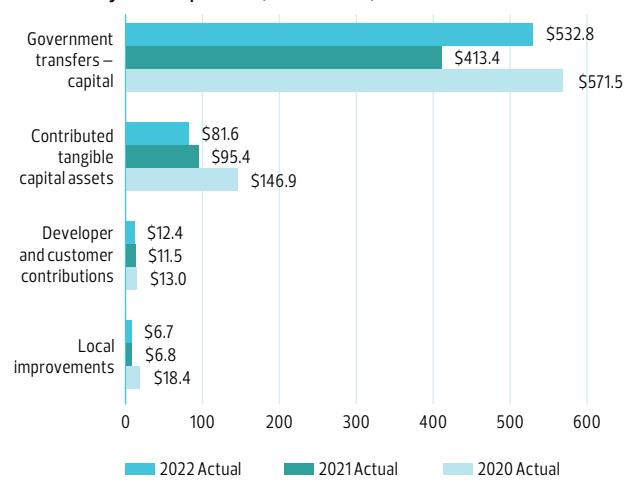
HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were higher than budget by \$76.2 million, or 2.3 per cent of the revenue budget. This was primarily due to \$77.8 million higher than budgeted EPCOR income (wholly owned by the City) resulting from higher electricity prices and more than expected US services revenue due to higher construction revenue, customer growth, water rates in Arizona and natural gas consumption due to colder weather.

CAPITAL REVENUES

Where does the money come from?

Year-over-year comparison (millions of \$)



Capital revenues are composed of funding sources for capital projects as approved by City Council through the capital budget process.

WHAT CHANGED FROM LAST YEAR?

Capital revenues increased from the prior year by \$106.4 million, this is mostly due to a \$119.4 million increase in government transfers from increased capital activity in 2022, including LRT construction on Valley Line West, Valley Line Southeast and Capital Line South extension and advancement on the Yellowhead Trail Upgrade project. Revenue is recognized as expenses are incurred on these projects with significant advancement made on these projects during 2022. This is partially offset by lower contributed tangible capital assets as there were fewer developer contributed infrastructure assets such as roads, sidewalks and street lights for new neighbourhoods constructed.

HOW DOES THIS COMPARE WITH BUDGET?

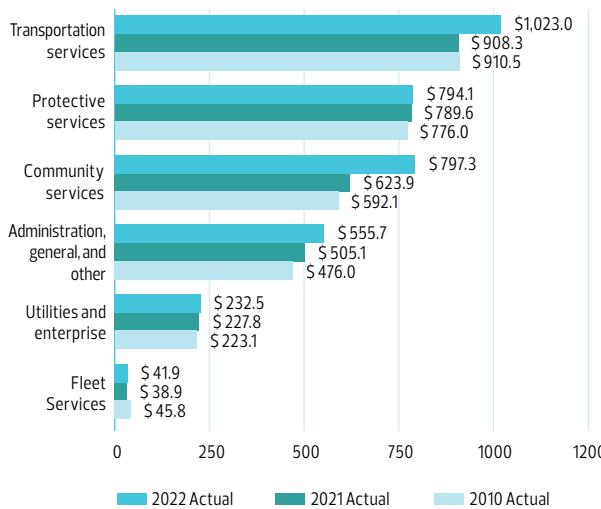
Capital revenues of \$633.5 million were \$468.9 million lower than budget during the year primarily the result of lower government transfers due to the timing of eligible grant expenditures. This includes the Investing Canada Infrastructure Program (ICIP) related to new LRT projects (NAIT to Blatchford, Century to Heritage Valley, Downtown to Lewis Farms) that are still in design phase or early stages of construction, provincial funding related to Terwillegar Drive Expressway and federal and provincial grants for the 50th Street Grade Separation project. In addition, Developer and customer contributions—capital were lower than budget also largely from the timing of capital expenditures that are partner or developer funded. This includes dry pond land acquisition (funded by EPCOR) and slower than expected progress on capital improvements at the Telus World of Science.



OPERATING EXPENSES

Where does the money go?

Year over year comparison (millions of \$)



The City of Edmonton provides a full range of local government services: maintaining the roads and public transit that move people; police, bylaws and fire rescue services to keep people safe; parks and waste management to keep our communities clean and healthy; and social programs and leisure activities to make Edmonton a great place in which to live, work and visit.

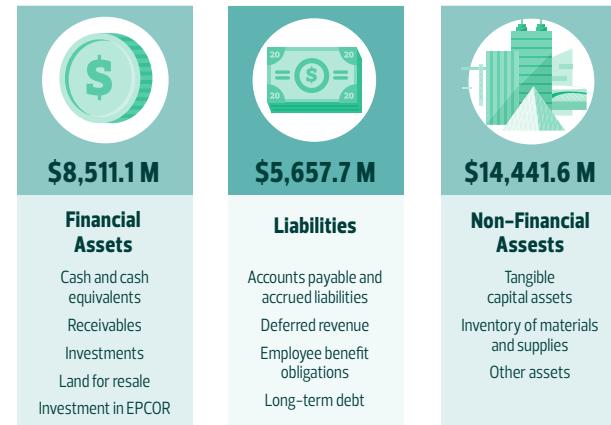
WHAT CHANGED FROM LAST YEAR?

Operating expenses increased by \$351.0 million compared to the prior year. Community Service's higher expenses were due to transfer of land and assets related to permanent supportive housing of approximate value of \$70 million to Homeward Trust. In addition, salary, material and general service costs increased as recreation facilities and attractions fully re-opened in 2022, compared to 2021 when the facilities were operating under health restrictions. Transportation services incurred higher salary for snow and ice clearing, due to higher snowfall, as well as higher costs associated with residential blading/ cul de sac work as a part of the bare pavement pilot project. Transportation services also experienced higher overall operating costs resulting from increased ridership in 2022, and Corporate administration saw higher costs due to higher debt servicing costs as a result of increased cost for new borrowing.

HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$3,444.5 million were higher than the budget by \$30.2 million, or 0.9 per cent of the consolidated expenses budget. This was primarily due to the unbudgeted transfer of land and assets related to permanent supportive housing of approximate value of \$70 million to Homeward Trust. This was partly offset by lower than budgeted expenditures in Corporate administration, general municipal and other. These savings were for financial strategies which are used to manage risk and provide flexibility for unknown amounts over the four-year budget cycle. In 2022, these savings were largely due to less than expected budget required for fuel and utility costs and other corporate-wide costs. As well, land enterprises costs were lower than budget as a result of lower cost of land sold. Lower land sales in 2022 were in part due to lower than expected market demand and higher interest rates.





Statement of Financial Position

As at December 31

(millions of \$)

	2022	2021
Financial Assets	\$ 8,511.1	\$ 8,093.8
Liabilities	5,657.7	5,370.8
Non-financial Assets	14,441.6	13,839.1
Accumulated Surplus	\$ 17,295.0	\$ 16,562.1

FINANCIAL ASSETS (WHAT WE OWN)

Financial assets are those that can be used to discharge existing liabilities or finance future operations, and are considered to be fairly liquid. The City's financial assets are mainly made up of an investment in EPCOR, investments, receivables, and cash and cash equivalents investments.

In 2022, the City's financial assets were \$8,511.1 million, an increase of \$417.3 million over the prior year. This is mainly due to an increase in the City's investment in EPCOR and receivables, partially offset by a decrease in investments and cash and cash equivalents.

EPCOR UTILITIES

The City's investment in EPCOR Utilities Inc. (wholly owned by the City of Edmonton) was \$4,561.7 million at the end of 2022, a \$338.3 million increase from the prior year. The net increase is due to EPCOR's reported net income of \$379.9 million for 2022, \$25.3 million of tangible capital assets contributed to EPCOR by the City and other comprehensive income of \$122.8 million. This is offset by \$2.7 million in amortization of contributed assets and a dividend of \$177.0 million paid to the City. EPCOR's financial performance is further discussed in EPCOR's annual report for 2022 available on the company's website.

INVESTMENTS

Performance of the City's investment funds ranged from 2 per cent (Money Market Fund) to negative 7.4 per cent (Balanced Fund), reflecting each fund's asset mix.

High inflation, aggressive policy tightening and escalating geopolitical risks resulted in dramatic declines in both equities and bonds in 2022.

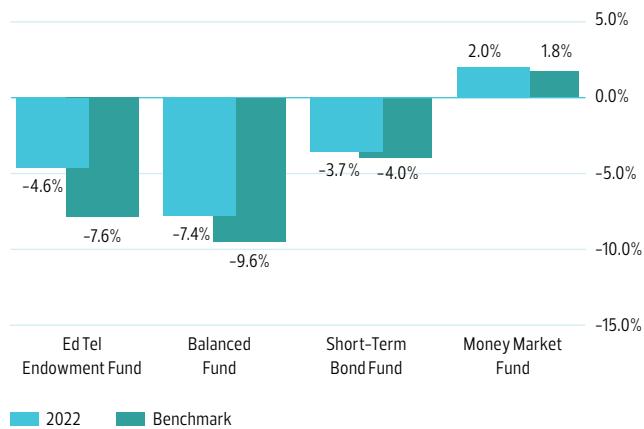
Global equities fell 16.4 per cent for the year, and U.S. equities lost 18.1 per cent. Canadian equities performed relatively well as they were down 5.8 per cent, compared to a gain of 25.1 per cent from the year before. Oil prices spiked in the middle of the year and closed four per cent higher amid the Ukraine conflict and with economies beginning to reopen. The Canadian dollar depreciated seven per cent against the U.S. dollar.

Finally, Canadian fixed income securities fell 11.7 per cent for the year, which was the worst year in several decades.

The Statement of Financial Position is a summary of what the City owns (assets) and owes (liabilities) at the end of each year.

As a result, the Ed Tel Endowment Fund and Balanced Fund, both of which are invested in a mix of fixed income and equity markets in accordance with the City's investment policy, saw returns of negative 4.6 per cent and negative 7.4 per cent, respectively. Conversely, the Money Market Fund and Short-Term Bond Fund, which are invested solely in less volatile fixed income securities, had returns of 2.0 per cent and negative 3.7 per cent, respectively. Overall, the market value of the City's investment portfolio at year-end was \$2,203.9 million, 1.35 per cent below the investment cost.

2022 Performance vs Benchmark



The majority of the City's investment funds outperformed their benchmarks in 2022. Low returns were primarily due to global market instability as a result of supply-chain disruptions, the Russian invasion of Ukraine, as well as sharp increases in interest rates, which created a volatile market environment.

The Ed Tel Endowment fund provided dividends of \$54.0 million in 2022, the largest annual dividend paid in the fund's history, including a \$10.8 million special dividend that was approved by City Council on November 30, 2021. In accordance with Bylaw 11713, City Council may authorize a payment of a special dividend when the market value of the fund is more than 15 per cent above the inflation adjusted principal. Since its inception, total dividends from the fund are \$969.0 million. The fund ended the year with an investment book value of \$867.4 million compared to a market value of \$891.7 million. More detailed information on investment performance and benchmarks is available in the Investment Committee 2022 Annual Report at edmonton.ca/investments.

LIABILITIES (WHAT WE OWE)

The City ended 2022 with total liabilities of \$5,657.7 million, an increase of \$286.9 million over the prior year, mainly as a result of increased long-term debt, this is partially offset by lower deferred revenue. Tax-supported debt was borrowed to finance various capital projects, including the Valley Line and Metro Line LRT construction, Yellowhead Trail Freeway Conversion and continued progression of Downtown and Quarters Community Revitalization Levy funded projects.

Deferred revenue is largely made up of government transfers provided to fund operating and capital expenditures, and are externally restricted until related expenses are incurred. The year-over-year decrease in deferred revenue is mainly due to one-time additional funding received in 2021 under the Canada Community Building Fund and the Municipal Sustainability Initiative grant program, where funds were received in advance of project expenditures. As a result, amounts were deferred in 2021 and recognized in 2022 to match capital expenditures as they were incurred.

DEBT

The City of Edmonton uses debt to finance capital expenditures under principles and limits established within the City's Debt Management Fiscal Policy. The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The debt is used to strategically move priority capital projects ahead and to capitalize on low interest rates.

The City of Edmonton Charter Regulation AR39/2018 allows the City to establish its own debt limits provided the City obtains an external credit rating and develop a Council-approved debt policy. The City obtains a credit rating annually from Standard and Poor's. On November 14, 2022, City Council approved revised Debt Management Fiscal Policy (DMFP) (City Policy C203D). With the approval of the policy the debt and debt servicing limits in the Municipal Government Act regulation AR 255/2000 are no longer applicable for the City of Edmonton.

The City's policies and strategies with respect to debt management are documented in a debt discussion paper that is available on the City of Edmonton's website. The discussion paper comments on the City's use of debt financing to optimize resources dedicated to the acquisition, creation and rehabilitation of infrastructure.

The majority of the City borrowing is through the Government of Alberta's department of Treasury Board and Finance, using rates available to large municipalities in the bond market to determine the City's cost of borrowing. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. The other non-substantial City's borrowings are related to the loan from the Canada Infrastructure Bank for Electric Buses - ZEB Program; the loan from the Federation of Canadian Municipalities for the Commercial Energy Efficient Rebate Program; and the loan from TransEd Partners General Partnership for Valley Line LRT from Millwoods to Downtown. Such borrowings were acquired on a competitive basis and under the most beneficial financing terms for the municipality.

Debt Servicing Limits – Debt Management Fiscal Policy

(millions of \$)

	2022	2021
Total debt servicing limit (26%)	\$ 799.0	\$ 777.2
Total debt servicing	341.9	289.1
Percentage used (%)	42.8	37.2
Total debt servicing limit (21%)	\$ 645.3	\$ 627.7
Total debt servicing	341.9	289.1
Percentage used (%)	53.0	46.1
Tax supported debt servicing limit (18%)	\$ 461.3	\$ 406.5
Tax-supported debt servicing	267.7	237.4
Percentage used (%)	58.0	58.4

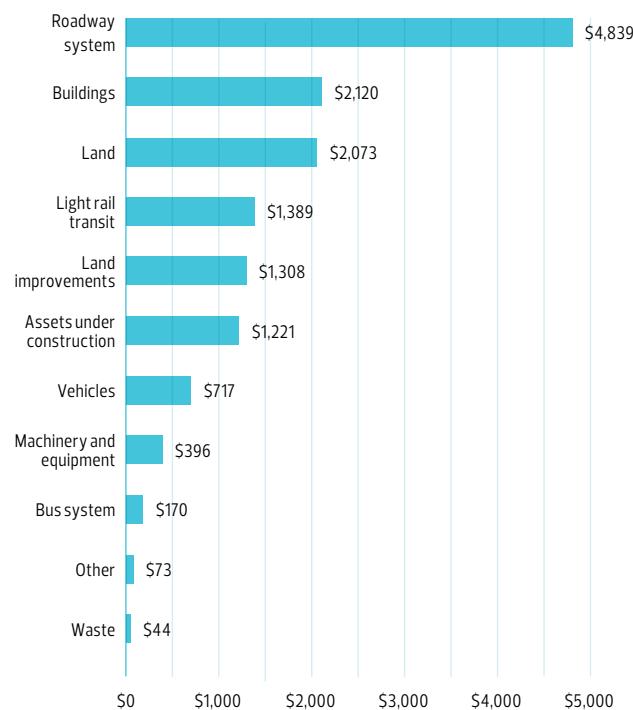
NON-FINANCIAL ASSETS (WHAT WE OWN)

Non-financial assets are physical assets that will be used for future services and extend beyond the current year, such as land and buildings. Public infrastructure is essential to all residents and businesses in the city of Edmonton and critical to the competitiveness of our economy, the quality of life citizens enjoy and the delivery of public services.

At the end of 2022, the City owned \$14,441.6 million in non-financial assets, an increase of \$602.5 million over the prior year, with a majority of the assets being roadway systems, buildings, land, assets under construction and light rail transit. In 2022, the City made progress on significant capital projects such the expansion of Terwillegar Drive, Valley Line Southeast and West LRT construction, Yellowhead Trail Freeway Conversion, Fort Edmonton Park as well as investments in the City's park spaces.

AA CREDIT RATING FROM STANDARD AND POOR'S

2022 Net Book Value of Tangible Capital Assets by Category (millions of \$)



ACCUMULATED SURPLUS (ASSETS MINUS LIABILITIES)

Accumulated surplus is an indicator of the City's overall financial health. The City maintained a strong accumulated surplus, ending 2022 with a total of \$17,295.0 million. The accumulated surplus includes a number of reserves, one of the largest being the Financial Stabilization Reserve.

RESERVE BALANCE

This City's consolidated reserve balance (balances designated for future operating and capital expenditures) is \$993.1 million at the end of 2022, a decrease of \$12.9 million over the prior year balance of \$1,006.0 million.

FINANCIAL STABILIZATION RESERVE (FSR)

The FSR provides flexibility in addressing financial risks associated with revenue instability and emergent financial issues, and to ensure the orderly provision of services to citizens.

As of December 31, 2022, the unappropriated FSR balance is \$68.4 million. During the year, the general government surplus from 2021 of \$52.3 million was transferred to the reserve, of which \$19.4 million was appropriated within the FSR to provide funding in 2022 for projects and initiatives not completed in 2021. During November and December 2022, as a part of the 2023–2026 budget deliberations, City Council approved the use of close to \$67.0 million from the unappropriated FSR to fund priority initiatives over 2023 to 2026 on a one-time basis. This resulted in a reserve balance of \$68.4 million on December 31, 2022, which was temporarily below the minimum balance of \$123.5 million required by policy. Council made these decisions knowing that the 2022 year-end tax-supported surplus would be sufficient to bring the reserve above its minimum balance. The 2022 general government surplus of \$81.6 million will be transferred to the FSR in the first quarter 2023 with \$21.8 million then appropriated for funding within the 2023 operating budget. After reflecting the approved transactions, the balance of the reserve will be \$128.2 million exceeding the minimum level as set within the policy of \$123.5 million but below the target level of \$205.1 million.

Financial Stabilization Reserve (millions of \$)



2022 ACCOMPLISHMENTS

ADAPTING TO CHANGE

2022 was a year of recovery and resiliency. The City adapted its financial strategies in response to the economic and social uncertainty caused by the pandemic and other world events. In recognition of the financial challenges faced by many Edmontonians, Council approved a 1.9 per cent tax increase. This increase was lower than originally planned and one of the lowest among major Canadian cities in 2022. The City's ongoing efforts to manage expenses helped to ensure that the low tax increase did not result in unintended decreases to existing programs and services. Action was taken to freeze transit fares, tickets and passes in recognition of how important it was to provide affordable transportation options to Edmontonians and encourage transit use. To support pandemic recovery in the community, the City covered half the fees for Business Improvement Area associations and added support for arts organizations. Council redirected a planned increase to the police of \$10.9 million, instead funding community safety and well-being initiatives. Continued increased costs and decreased revenues faced by the City during the recovery were offset with one-time financial strategies to avoid any impact on taxpayers.

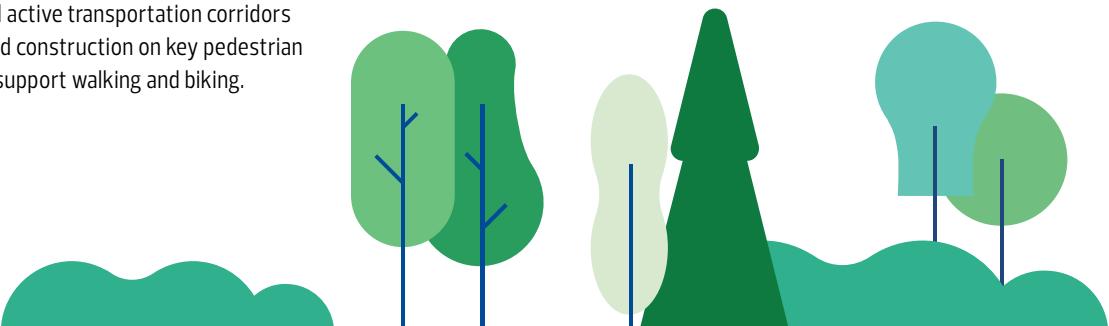
The City ended the year with a surplus of \$81.5 million, which represents 2.6 per cent of the overall \$3 billion tax-supported budget. While variances are to be expected, finishing this close to budget showed sound financial management. This surplus puts the City in a strong position to weather the continued financial uncertainties and pressures expected in the next budget cycle.

The City also made strides in its efforts to adapt its mobility networks and respond to climate change, in alignment with its plans for being a healthy, urban and climate resilient city of a million more people. In November, the City launched Arc, an electronic fare system for the region's transit system, to Standard Adult fare riders. Progress was also made on expanding the LRT network, with work continuing on building the Capital Line South extension, the Metro Line extension into Blatchford, the Valley Line Southeast and the Valley Line West. While the opening of the Valley Line Southeast LRT was further delayed in 2022, Edmontonians' investment is protected through a fixed-price contract and the contractor is responsible for the financial consequences of the delay. These efforts will make it easier for Edmontonians to use the sustainable option of transit to get around. The City also expanded active transportation corridors in the downtown core, and advanced construction on key pedestrian bridges, streetscapes and trails to support walking and biking.

Significant action was taken in 2022 to support homeowners and businesses to reduce emissions through energy retrofit rebates and home solar rebates. The Clean Energy Improvement Program (CEIP), kicked off 2022 to provide residents with access to low-cost financing to make energy efficient updates or add renewable energy installations to their properties. The demand for this two-year pilot project was quickly met, showing just how motivated many Edmontonians are to do their part to move closer to the goal of having net zero greenhouse gas emissions by 2050.

12,000 PROPERTIES TOOK PART IN CLIMATE REBATE PROGRAMS

22,000 TREES, SHRUBS AND WILDFLOWERS WERE PLANTED THROUGH THE ROOTS FOR TREES PROGRAM



SUPPORTING EDMONTONIANS

Edmontonians continued to count on the City for support in 2022, including for businesses, communities and our most vulnerable residents. In 2022, as a result of capital and operating budget allocations, the City surpassed its 2019–2022 targets of supporting the creation or renovation of 2,500 affordable housing units, 600 of which would be dedicated to supportive housing. These housing units will stimulate new growth in Edmonton communities and add critical social infrastructure to increase stability. In 2022, the City transferred five new supportive housing sites to Homeward Trust, the first of three hotel conversions to supportive housing was completed and an investment of \$34.4 million in capital grants were approved for ten other affordable housing projects through the City's Affordable Housing Investment Plan. These projects pushed the City past its four-year targets, with supported projects adding 2,728 affordable housing units with 644 dedicated to supportive housing throughout Edmonton.

The City continued its work to address public safety. At the beginning of the year, Council approved a \$3.9 million investment in the Transit Safety and Security Plan. Led by a tripartite leadership committee consisting of the City of Edmonton, the Edmonton Police Service and the Bent Arrow Traditional Healing Society, the plan focuses on coordinated strategies and responses to prevent crime, avoid the use of the transit system for shelter by connecting people experiencing homelessness to housing options and mental health and addictions support. In June, Edmonton's Downtown Core and Transit System Safety Plan was launched. This plan focuses on improving public safety and addressing the underlying causes of crime and social disorder in the Downtown core, Chinatown and transit spaces through actions like establishing a Healthy Streets Operations Centre, installing temporary public washrooms, improving social services supports and stimulating economic development.

Through the Permits and Licensing Initiative, service improvements and timeline reductions were implemented, which are estimated to save applicants \$5.3 million and 67,600 days collectively each year in 2022 and 2023. The savings are in addition to the 261,000 days and \$4.6 million customers already saved in delay costs annually based on demonstrated reductions in permit timelines from the red tape reduction efforts implemented between 2018 and 2021. Edmonton is home to over 30,000 businesses, and each of them contribute to vibrant and thriving communities.

COUNCIL APPROVED THE TRANSIT SAFETY PLANS, INCLUDING A THREE-YEAR PILOT PROGRAM TO EXPAND THE COMMUNITY OUTREACH TRANSIT TEAM

**38,000 +
BUSINESS
LICENCES AND
28,000+
DEVELOPMENTS
AND BUILDING
PERMITS ISSUED**

**1,002,453
INQUIRIES
TO 311**

PREPARING FOR THE FUTURE

As the City's 2019–2022 budget cycle was drawing to a close, the organization focused on planning for the next four-year budget cycle. This work involved analysis of the economy and the City's financial position, as well as careful prioritization of services and engagement with Council and Edmontonians. Council and Administration worked together to balance what was possible given economic realities, rising costs and the gradual recovery of revenues. In December 2022, Council approved the 2023–2026 Budget, with a focus on maintaining the services that Edmontonians need and expect, as well as delivering the transformational projects and investing in key priorities that will help to achieve the City's long-term goals.

The City of Edmonton is recognized as one of the first cities in Canada to implement a carbon budget, as part of The City Plan, and was honoured at the American Planning Association Sustainable Communities Division Awards in May for its innovative work. In the fall, the City presented a carbon budget alongside its proposed financial plans for 2023–2026; this was the first time presenting a carbon budget alongside financial budgets. The budget showed the greenhouse gas impacts of budget requests, which allowed Council to weigh climate change impacts when making budget decisions. It also allows the City to track its progress towards the emissions targets outlined in the Community Energy Transition Strategy and Action Plan.

The City also continued to build Edmonton, and invested \$1.4 billion in capital projects. The construction season was one of the most ambitious in the City's history, with work underway on more than 300 projects. The City completed three neighbourhood renewal projects—renewing more than 100 kilometres of roadways—as well as four new and renewed park projects and seven trail renewals. In addition to renewal, the City also finished the Edmonton South Soccer Centre Expansion providing additional space for community sports, and kihcikaw aski (Sacred Land), the first permanent urban Indigenous cultural and ceremonial grounds in Canada. The City also made exciting progress on major transformational projects, including Yellowhead Trail freeway conversation, the Terwillegar Drive expansion, city bridges and LRT construction. Construction also began on two new recreation centres in Coronation and Lewis Farms. The community of Blatchford celebrated its grand opening in June.

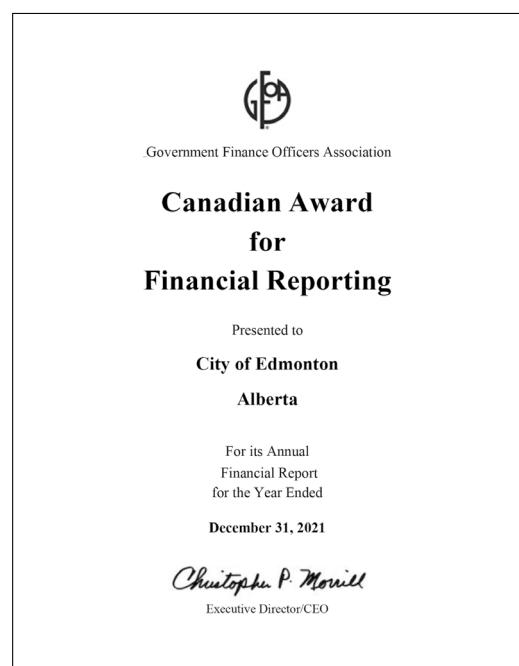
As we look towards the future, the 2023–2026 Budget strikes a strong balance between maintaining, rehabilitating and improving critical infrastructure in the city and core public services that Edmontonians rely on. The City will continue to advance new transformational projects that will support an adaptable and resilient home for a million more residents. Over the next four years and beyond, the City will focus on being a safe, well-run city with a big vision for growth. Council will stay focused on what's needed right now, have a strong plan for how to get things done in alignment with The City Plan and a commitment to achieving results that makes life better for all Edmontonians. Being proactive is not just advisable, it's essential, as we welcome our second million residents.

RECOGNITION FOR ACHIEVEMENT

Award programs in the financial sector continue to recognize the City of Edmonton for a high standard of achievement.

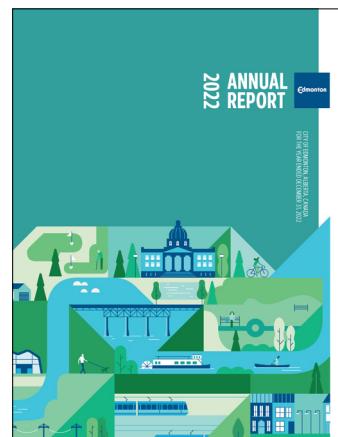
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award for Financial Reporting to the City of Edmonton for its annual financial report for the fiscal year, ending December 31, 2021. The Canadian Award for Financial Reporting program was established to encourage Canadian municipal governments to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. To receive a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report that conforms to program standards. Such reports should go beyond the minimum requirements of public sector accounting standards and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs. A Canadian Award for Financial Reporting is valid for a period of one-year, and in 2021 Edmonton received this award for the 29th consecutive year.

The GFOA established the Popular Annual Financial Reporting Awards Program to recognize local governments that produce high quality summarized annual financial reports. The reports must be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City received the Popular Annual Financial Reporting Award for the 2021 Financial Report to Residents for the eighth consecutive year.



Distinguished Budget Presentation

The City also received the GFOA award for Distinguished Budget Presentation for the 2019–2022 fiscal years beginning January 1, 2019 and ending December 31, 2022. To be eligible for this award, a governmental unit must publish a budget document of the highest quality that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.



Learn more about the City's financial performance and related information regarding significant financial policies, strategies and events.



Gain insight into investment fund performance and see how the City's investment assets are managed.

THE CITY OF EDMONTON IS RECOGNIZED AS ONE OF THE FIRST CITIES IN CANADA TO IMPLEMENT A CARBON BUDGET





For more information about the City of Edmonton,
visit www.edmonton.ca or call **311**.

If have questions about the 2022 Financial Report to Residents,
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