

2019 FINANCIAL REPORT TO CITIZENS

Edmonton

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2019



2019 FINANCIAL REPORT TO CITIZENS

The Financial Report to Citizens provides highlights of the 2019 Annual Report and includes information on the 2019 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2019 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 2019 Annual Report, which includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS).

This report presents financial information for 2019 and is prior to the COVID-19 global pandemic. Additional information on the impact to the City of Edmonton from the pandemic is discussed in the Subsequent Events section later in this report.

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MESSAGE FROM CITY COUNCIL

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In 2019 Edmonton continued to grow at a rapid pace. We've effectively become a city of a million people, with projections of adding another million in the coming decades. As we look to our future, it's important to build a city that can grow and adapt, with necessary services and up-to-date infrastructure. This mindset guided our planning and decision-making throughout 2019. And while 2019 brought surprises and city-building challenges, City Council remained united in our vision for a stronger and more connected Edmonton. Together we're building one of Canada's great cities: a 21st-century hub that is poised to help lead the way in this country.

We needed a new direction to build the Edmonton we envision for the future. While that sounds like a large task, Edmontonians were up for it. Thousands of citizens contributed their time, ideas and priorities to the development of the City's new strategic plan: ConnectEdmonton. Approved in April 2019, ConnectEdmonton outlines what we need to change today to realize our vision for Edmonton in 2050. Its four goals, based directly on feedback from Edmontonians, will require transformational change in the next decade: Healthy City, Urban Places, Regional Prosperity and Climate Resilience. Establishing these goals and a shared vision was critical to meeting the needs of our changing city.

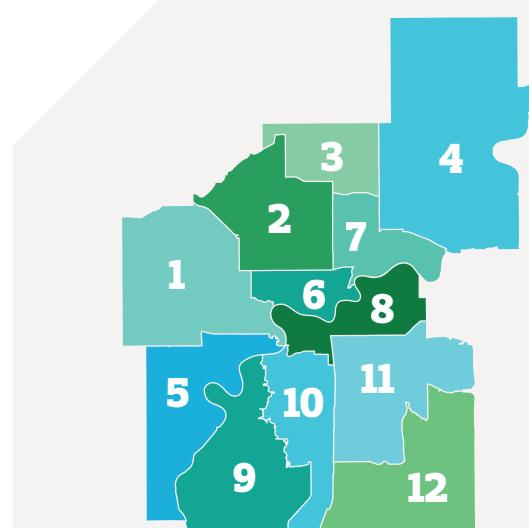
In conjunction with ConnectEdmonton, the City Plan was also drafted in 2019, and should be finalized in the coming year. This plan will chart out how to build a city that has the benefits we enjoy today and provides new opportunities for the future. The City Plan is about our spaces and places and how people experience and engage with our city. It is also about our community and what we need to do together to grow, adapt and succeed.

A huge piece of the City Plan involves the Big City Moves, which are an invitation to work together as a community to build our future city. These moves are bold, but they will guide our planning and development

for years to come. They stay true to Council's vision, and in light of any challenges we experienced over the past year or will experience in the future, we are confident we can continue building on these and stay focused on our end goal.

Staying focused on our shared goals is not just important when we are planning and envisioning for the future. It is perhaps even more important when we are setting our budget. There will always be things that affect our bottom line and in 2019 it was provincial budget cuts. Council worked through tough debate to rework our budget and make sure these cuts did not result in higher property taxes for Edmontonians. We also were very conscious of our shared goals and were committed to maintaining and delivering the infrastructure and services Edmontonians rely on each year. When cuts needed to be made, we made sure to protect investments that would contribute to our goals, and no choices were made lightly. We all acknowledge that there is a balancing act between showing restraint and maintaining the momentum our city needs to make transformational change.

At the end of 2019, the City bid farewell to its City Manager, Linda Cochrane. Linda was instrumental in transforming our City into a more open, responsive and modern municipal corporation. She led City staff through countless challenges and triumphs, and we thank her for her service to the City. We also want to express our gratitude to all City staff who continue to work tirelessly each day with passion for public service. And we thank you, our citizens, for your vision, enthusiasm, and inspiration as we continue to build Edmonton together.



INTRODUCTION

2019 started an exciting journey for Edmontonians. It was the first year of ConnectEdmonton, Edmonton's new strategic plan. Built from myriad conversations with thousands of Edmontonians, the plan points the way to the kind of city Edmontonians want for themselves and their families, and the people who come after them.

Edmontonians envisioned a Healthy, Urban, Climate Resilient city that supports a Prosperous Region. ConnectEdmonton also laid the foundation for a new City Plan, which – when finalized in 2020 – will outline the choices necessary for a city that respects and preserves the things we value today while also creating a city to attract and inspire its next million residents.

Throughout 2019, the City of Edmonton has maintained its financial health and the City's economic performance remains one of the best in the province.

In 2019, Standard and Poor downgraded the City from a credit rating of AA+ with a negative outlook, to AA and a stable outlook. The downgrade reflected the City of Edmonton's large capital spending plan and the associated growth in tax-supported debt. The number of significant

capital projects being constructed within the 2019–2022 period (including the overlapping of the Valley Line Southeast and West projects) are expected to lead to larger after-capital deficits from 2019 to 2022, and the associated borrowing for these projects means that Edmonton's tax-supported debt burden is more in line with 'AA' rated peers.

Robust financial policies, strategies, guiding principles and a healthy financial position ensure the continued sound fiscal management and long-term financial sustainability for the City of Edmonton.



Adam Laughlin
Interim City Manager



Mary Persson,
FCPA,FCMA,ICD.D,MBA
Deputy City Manager and
Chief Financial Officer

ECONOMIC OVERVIEW

Edmonton's real Gross Domestic Product (GDP) growth for 2019 is in the range of 0.6%. In 2019 Edmonton was gradually recovering from the recent economic downturn but looking ahead, Edmonton's economic growth prospects have been lowered significantly in response to the COVID-19 pandemic, with expected negative growth in the range of 6% in 2020. We are unlikely to see the kind of rapid expansion that took place before 2014 and as a City, it's a reminder that we need to focus on intelligent, cost-effective ways to maintain the high standard of living Edmontonians expect without relying on a booming economy.

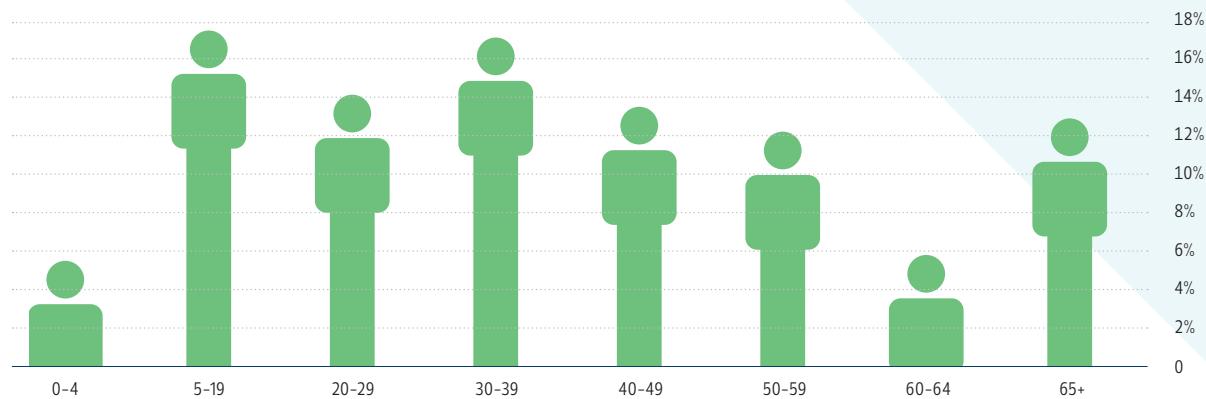
The path forward is shaping up to be quite different than the past. Edmonton's economic recovery is expected to be gradual and protracted, with risks that are heavily weighted on the downside. The impact of COVID-19 in 2020 has also muted the economic recovery going forward. In addition, over the next few years, oil prices will likely remain volatile, and interest rates will eventually rise. Perceptive planning, prudent money management and good relationships with our

partners in the community, other orders of government and business will be keys to creating economic stability within a changing world.

There are unique strengths in Edmonton. Edmonton is one of the youngest cities in Canada, with an average age of 37.9 in 2019. That youthful energy and flexibility comes across in the diversity of our industries, in the entrepreneurial spirit and in the year-round offerings of sports, culture and recreation festivals and events that make this city on latitude 53 a place where it makes sense to build the value of our lives. There are countless threads of work, play, innovation, community, culture and history in this forward-looking, optimistic city. The 2019–2022 Operating Budget is a game plan for how – in gratitude for what has been given to us to protect – we will bring it all together. The City will balance this optimism with the impacts of COVID-19 on the City's budget from 2020–2022. The City's budgets are reviewed and revised on an ongoing basis and in response to the pandemic will be adjusted as the City moves to relaunch and recover in 2020 and future years.

DEMOGRAPHICS

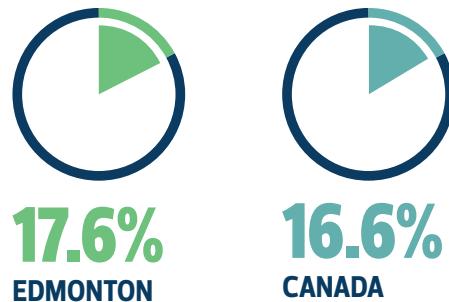
POPULATION AGE DISTRIBUTION (%) IN EDMONTON



AVERAGE AGE



% OF POPULATION AGE 14 AND UNDER



HOUSEHOLD FAMILY MEDIAN TOTAL INCOME



EMPLOYMENT

Between 2018 and 2019, employment in Metro Edmonton gained 8,500 positions, or growth of 1.1%. Employment gains were concentrated in full-time positions, supporting annual growth of almost 2% year-over-year in average weekly wages.

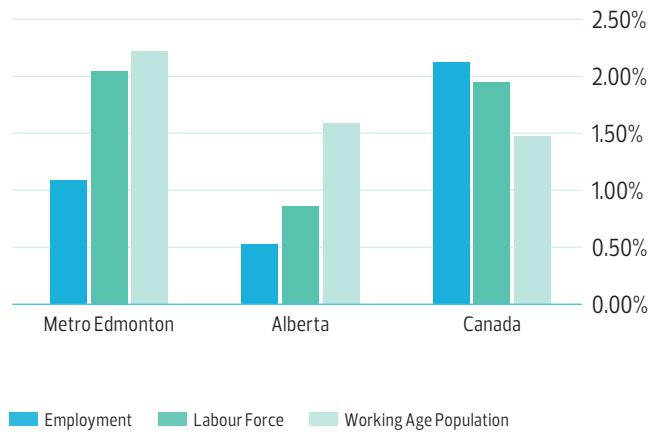
Employment in the trade sector saw the strongest growth in 2019, followed by gains in the health care sector. The manufacturing sector continued its recovery in employment, picking up close to 5,000 positions year-over-year in 2019.

Overall, Metro Edmonton had an average of 791,800 persons employed in 2019. The regional unemployment rate rose to 7.3% in 2019 from 6.4% in 2018 as employment growth was more than outpaced by growth in the labour force.

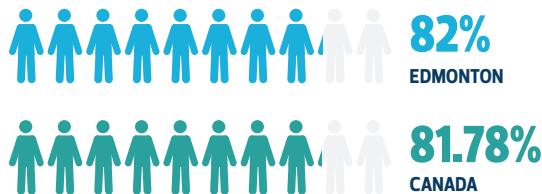
In the year ahead, employment is expected to decline as a result of the COVID-19 pandemic, with a gradual recovery anticipated through to early 2022. As the economy recovers, the unemployment rate will likely remain higher than is usual for Edmonton as any employment gains are likely to be met by labour force growth.

Labour Market Developments – 2019 Annual Change

Source: Statistics Canada



% OF POPULATION OF WORKING AGE



Source: 2016 Statistics Canada

Percentage of Workforce Employed by Industry for Metro Edmonton

Source: Statistics Canada

| Industry | % |
|---|------|
| Wholesale and Retail Trade | 15.8 |
| Health care and social assistance | 13.6 |
| Construction | 11.4 |
| Educational services | 7.3 |
| Professional, scientific and technical services | 6.9 |
| Public administration | 6.7 |
| Manufacturing | 6.4 |
| Accommodation and food services | 5.8 |
| Transportation and warehousing | 5.4 |
| Finance, insurance, real estate, rental and leasing | 4.7 |
| Other * | 16.0 |

*Other includes all other remaining industries such as mining and oil & gas, business, building and other support services, information, culture, and recreation, utilities and agriculture.

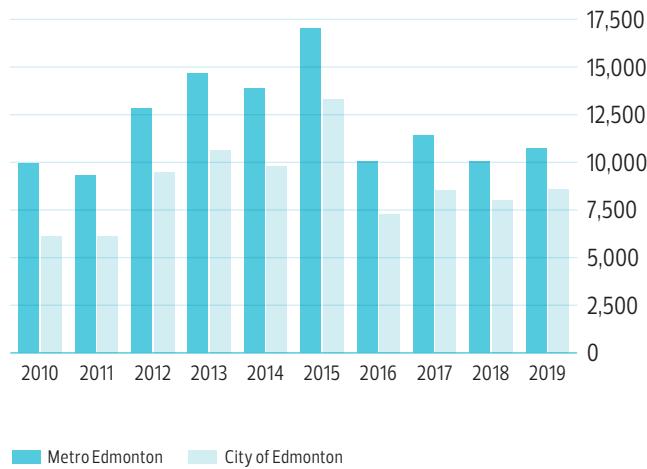
RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton picked up in 2019, driven solely by higher apartment starts, particularly for rental apartment units. The increased number of rental apartment starts reflects improving rental demand, a result of a growing population. Single housing starts were 14% lower year-over-year in 2019 as elevated inventory levels in both the existing and new home markets held back production in the first three quarters of the year. The Multiple Listing Service (MLS) single family detached median house price in 2019 for Metro Edmonton was \$342,000, slightly more than a 2% reduction from \$350,000 in 2018. Within City of Edmonton limits, the median house price in 2019 was \$338,000, down 2.3% from \$346,000 in 2018. Metro Edmonton's rental vacancy rate decreased from 5.3% in October 2018 to 4.9% in October 2019 as net in-flows of migrants boosted the demand for rental accommodation.

The value of building permits in Metro Edmonton dropped from \$4.9 billion in 2018 to \$3.9 billion in 2019. Both residential and non-residential building permit values saw double-digit declines year-over-year in 2019. Across residential segments, the reduction was most evident in single dwelling building permit values, which were almost 30% lower year-over-year in 2019. Non-residential building permit values saw a 23% reduction in 2019 compared to the previous year, largely due to a significant decline in commercial building permit values.

Annual Housing Starts

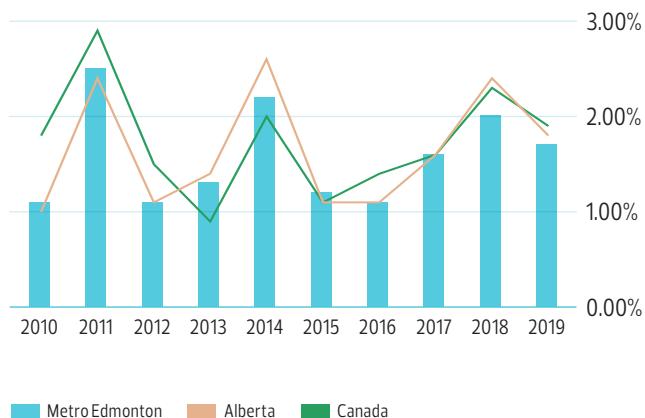
Source: Statistics Canada



INFLATION

Inflation levels in Metro Edmonton rose by approximately 1.7% in 2019 as a result of higher shelter costs, particularly for rented accommodation and water, fuel and electricity costs. Inflation, as measured by the Consumer Price Index, were driven higher by gasoline costs in 2018. Lower costs had the opposite effect in 2019, with year-over-year monthly declines for most of the year. For Alberta, the comparable figure was 1.8%, while Canada's annual inflation rate in 2019 was 1.9%.

Annual Consumer Price Index



2020 SUBSEQUENT EVENTS

IN JANUARY 2020, THE WORLD HEALTH ORGANIZATION (WHO) DECLARED A PUBLIC HEALTH EMERGENCY OF INTERNATIONAL CONCERN IN RESPONSE TO THE OUTBREAK OF A NOVEL CORONAVIRUS (COVID-19) AND SUBSEQUENTLY RECOGNIZED COVID-19 AS A GLOBAL PANDEMIC.

IN MARCH 2020, IN RESPONSE TO THE PANDEMIC, THE PROVINCE DECLARED A STATE OF PUBLIC HEALTH EMERGENCY UNDER THE PUBLIC HEALTH ACT.

In efforts to protect the health and well-being of City employees and the general public, the City declared a State of Local Emergency, activated the Emergency Operations Centre and implemented a series of measures including the closure of recreational, cultural and sports facilities, cancellation of public events with over 15 attendees, temporary suspension of parking fees and transit fare collection, deferral of utility payments and delay of property tax penalties.

This situation presents uncertainty over the City's future cash flows, and may have a significant impact on the City's future operations. Potential impacts on the City's business could include future decreases in revenue, future increases in expenses, impairment of investments or reduction in investment income, and delays in completing capital project work. On April 27, 2020, City Council approved one-time 2020

operating budget adjustments to mitigate the reduced revenue and increased costs resulting from the pandemic. The 2020 operating budget was adjusted to reflect a decrease of \$143,245 in revenues, an \$85,479 decrease in expenses, \$46,520 reduction in transfers to the Pay-As-You-Go reserve and an \$11,246 increase in transfers from reserves, including the planning and development and vehicle for hire reserves.

As the situation is dynamic and the ultimate duration and magnitude of the impact on the economy are not known, an estimate of the financial effect on the City is not determinable at this time. The City continues to closely monitor the COVID-19 developments and follow the guidelines issued by Alberta Health Services to ensure it can quickly and effectively respond to this evolving situation.

2019 FINANCIAL HIGHLIGHTS

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This section provides condensed financial information from the City of Edmonton's 2019 Annual Report, as well as highlights from the operating and capital budgets.

OPERATING BUDGET

In 2019, the City began the first year of the 2019–2022 multi-year operating budget. The 2019 operating budget saw a property tax increase of 2.6% to pay for civic programs, including 0.5% increase for Municipal Services, 1.2% dedicated to the Edmonton Police Service, 0.6% for the Valley Line LRT, and 0.3% dedicated to fund Alley Renewal, in alignment with City Council's (Council) priorities.

CAPITAL BUDGET

This year marks the first year of the City's four-year capital budget for 2019–2022. The 2019–2022 Capital Budget balances the infrastructure investment required to keep existing City assets in good repair while supporting ongoing growth needs. Approximately 41% of 2019–2022 capital investment is earmarked for renewing roads, neighbourhoods, parks, City-owned buildings and transit vehicles, with the remaining 59% to support planning and delivery of new infrastructure.

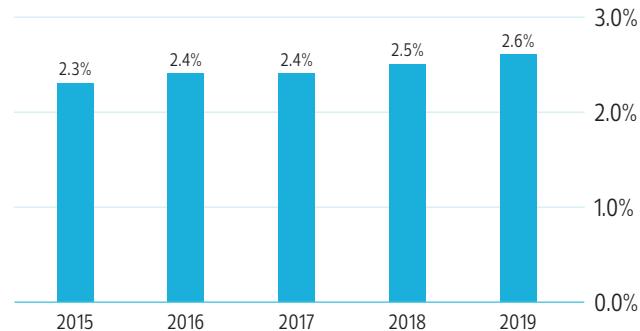
2019–2022 BUDGETS

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 Councillor 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 management. The approved operating budget resulted in a 2.6% general property tax increase in 2019. The budget reflects a 1.3%, 3.2%, and 2.4% general property tax increase in each of 2020, 2021 and 2022, respectively. The impacts of COVID-19 on the budget for 2020–2022 will be reviewed and revised on an ongoing basis as the City moves to relaunch and recover in 2020 and future years and could impact the currently approved property tax rates.

The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It reflects Council's decision to invest 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. The four-year capital budget will see investment of \$7.3 billion on infrastructure.

Municipal Taxes as a percent of Household Income



COST OF CITY SERVICE TO EDMONTONIANS

In 2019, the average household in Edmonton paid just over seven dollars a day – \$215 month – to enjoy both crucial services and valued amenities. Police and fire rescue services protected the growing city, while transit services and road and traffic management got residents and visitors where they needed to go. Beyond the basics, Edmontonians enjoyed North America's largest urban green space, neighbourhood parks, community recreation centres, an award-winning public library system, sports fields, popular attractions and many other services and facilities.

Monthly Average Household Spending

Source: Statistics Canada

| | Monthly \$ |
|---|-----------------|
| Shelter | 1,756 |
| Income tax - Provincial and Federal | 1,357 |
| Transportation | 1,300 |
| Food | 758 |
| Recreation and entertainment | 589 |
| Personal insurance payments and pension contributions | 514 |
| Household operations | 459 |
| Health and personal care | 363 |
| Clothing and accessories | 317 |
| Donations and support payments | 217 |
| Household furnishings and equipment | 207 |
| Municipal property tax | 215 |
| Miscellaneous expenditures | 182 |
| Education | 149 |
| Total | \$ 8,383 |



Where Your Municipal Tax Dollars Go

\$215 PER MONTH (note 2)



1. The Statistics Canada Income Tax amount has been adjusted by the City to identify the municipal property tax portion separately. The Municipal property tax is based on a typical household with a home assessed at \$399,500 for the 2019 tax year.

2. Distribution based on 2019 approved operating budget

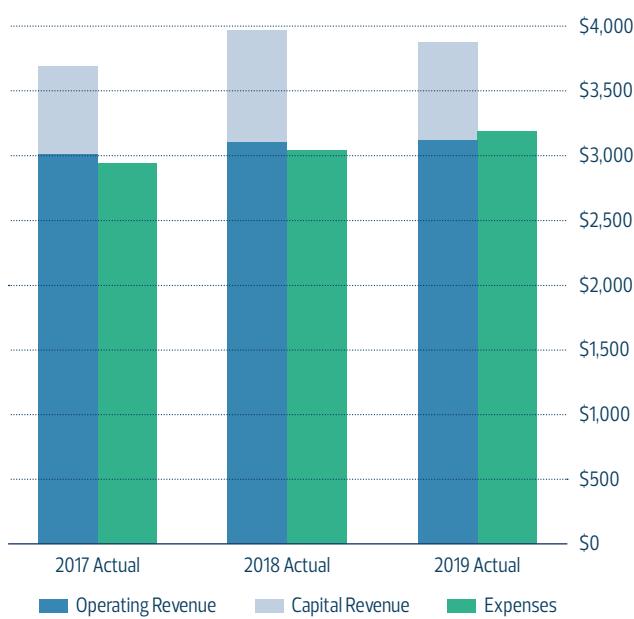
2019 FINANCIAL RESULTS

STATEMENT OF OPERATIONS

| December 31, 2019 (millions of \$) | | 2019 Budget | 2019 Actual | 2018 Actual | 2017 Actual |
|---|----|----------------|----------------|----------------|----------------|
| Operating Revenues | \$ | 3,210.0 | \$ 3,120.0 | \$ 3,050.3 | \$ 3,023.8 |
| Capital Revenues | | 779.0 | 749.8 | 941.8 | 687.0 |
| Operating Expenses | | 3,227.6 | 3,189.7 | 3,029.4 | 2,956.1 |
| Excess of Revenues over Expenses | \$ | 761.46 | \$ 680.1 | \$ 962.7 | \$ 754.7 |

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 3 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, and the related expenses will be reported in future years as the assets are used.

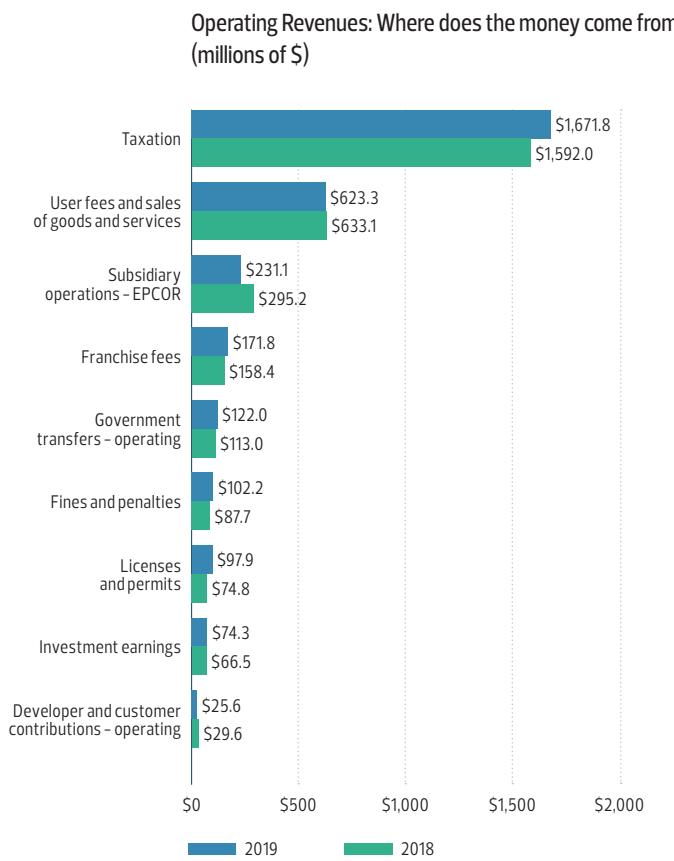
Revenue and Expenses
(millions of \$)



EDMONTON IS ON TRACK FOR A
POPULATION OF OVER

1,000,000
PEOPLE BY THE END OF 2020.

Over the past 3 years, operating revenue remained fairly consistent with a majority of revenue coming from property taxes, user fees and the City's growing investment in EPCOR. Capital revenues vary from year to year based on fluctuations in development activities and timing of significant capital projects. Expenses over the past 3 years reflect the demand for additional services and infrastructure that comes with a rapidly growing population.



Property tax is the primary source of revenue available to the City to pay for municipal services. In 2019, net taxes available for municipal services of \$1,671.8 million accounted for 53.6% of total operating revenues; slightly higher than the 52.2% in 2018.

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 \$69.7 million from the prior year due to an increase of \$79.8 million in taxation revenue from a combined rate increase and growth, and an increase of \$35.7 million in investment earnings due to increased world equity market growth in 2019, partially offset by a decrease of \$64.1 million in EPCOR earnings due to increased income tax expense. There was also a net increase of \$18.3 million from various other revenue sources.

HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were lower than budget by \$90.0 million, or 2.8% of the revenue budget. This was primarily due to lower than budgeted net income for EPCOR, and lower than budgeted user fees and sales. User fees and sales were lower than budgeted mainly due to fewer than expected land sales due to market conditions and development for civic use.

39,172

**ACTIVE BUSINESS LICENCES
AS OF MARCH 2019**



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

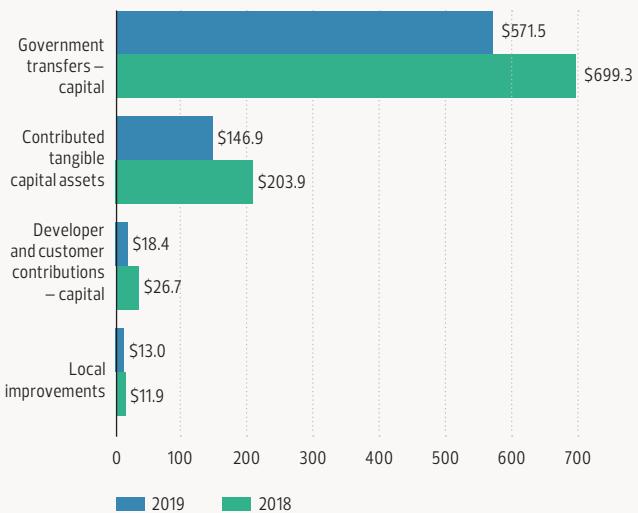
WHAT CHANGED FROM LAST YEAR?

Capital revenues decreased from the prior year by \$192.3 million due to a decrease in government transfers of \$128.1 million, and a decrease of \$57.0 million in contributed tangible capital assets. In 2018, larger portions of significant capital projects such as the Valley Line LRT and Bus Renewal and Replacement were funded through government transfers. Contributed tangible capital assets decreased from prior year due to the transfer of the EXPO Centre, Northlands Coliseum and Northlands Park to the City of \$82.5 million in 2018. This was offset by increased developer contributed infrastructure assets such as roads and sidewalks for new neighbourhoods constructed in 2019, and the annexation of land, buildings, and roads from Leduc County effective January 1, 2019.

HOW DOES THIS COMPARE WITH BUDGET?

Capital revenues of \$749.8 million were \$29.2 million lower than budget during the year. This is mainly due to \$64.5 million fewer than expected capital developer and customer contributions due to the timing of capital expenditures, which were partially offset by \$19.7 million greater than budgeted government transfers for the P3 Canada Fund capital grant revenues related to eligible expenditures incurred for the Valley Line Southeast LRT, and \$17.9 million greater than anticipated contributed tangible capital assets. Contributed assets are assets, such as roads and buildings, that are constructed by a third party and ownership is transferred to the City once the construction is complete.

Capital Revenues: Where does the money come from? (millions of \$)

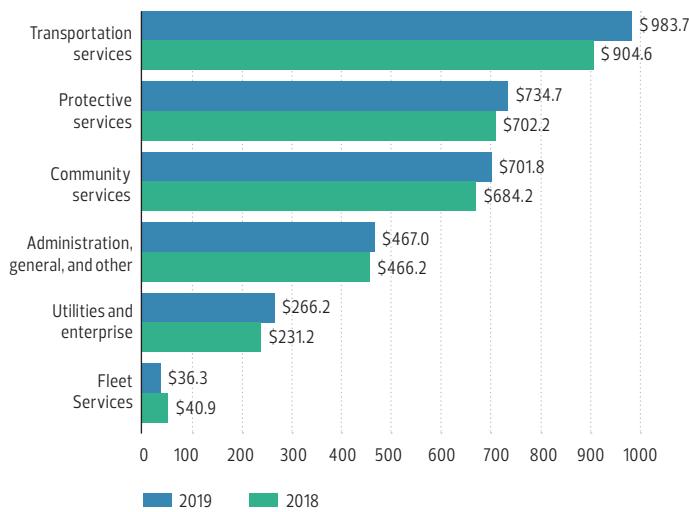


2,781,120

RESIDENTIAL PROPERTIES WERE ASSESSED FOR 2019



Expenses: Where does the money go? (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.

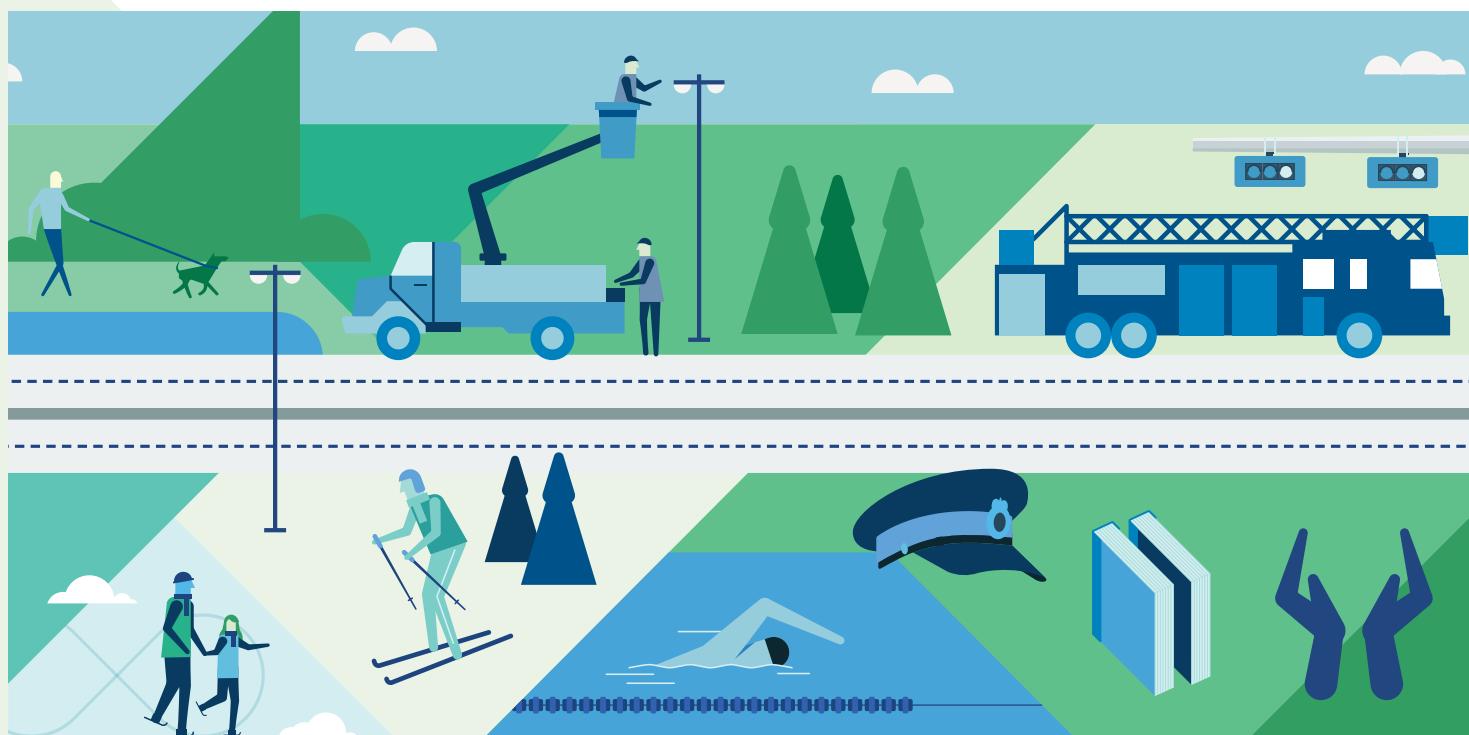
WHAT CHANGED FROM LAST YEAR?

Operating expenses increased by \$160.3 million compared to the prior year. This was due to an accounting adjustment to write-down the value of the Thales signalling system on the Metro Line LRT, unbudgeted non-cash expense related to an increase in the Clover Bar Landfill post closure liability for future closure expenses, increased personnel costs for additional staff to meet service level needs for the Edmonton Police Service and Fire Rescue Service, and the compensation payment to Leduc County related to the annexation of land.

HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$3,189.7 million lower than budget by \$37.9 million, or 1.2% of the consolidated expenses budget.

This was primarily related to lower Revolving Industrial Servicing Fund debt servicing costs due to less than expected borrowing, lower than budgeted reimbursement to EPCOR for Sanitary Servicing Fund projects due to slower than expected progress on projects, lower than anticipated grant payments related to the Affordable Housing Investment Program (AHIP) as grant payments are delayed until 2020, lower than budgeted consulting costs due to timing of various projects, such as Bike Strategy and Envision 109, and lower expenses for Corporate financial strategies expenses, which is budgeted to provide flexibility for unknown amounts. These favourable variances are partially offset with higher expenses due to an accounting adjustment to write-down the value of the Thales signalling system on the Metro Line LRT, and unbudgeted non-cash expense related to an increase in the Clover Bar Landfill post-closure liability for future closure expenses.



Capital Revenues: Where does the money come from?

December 31, 2019

(millions of \$)

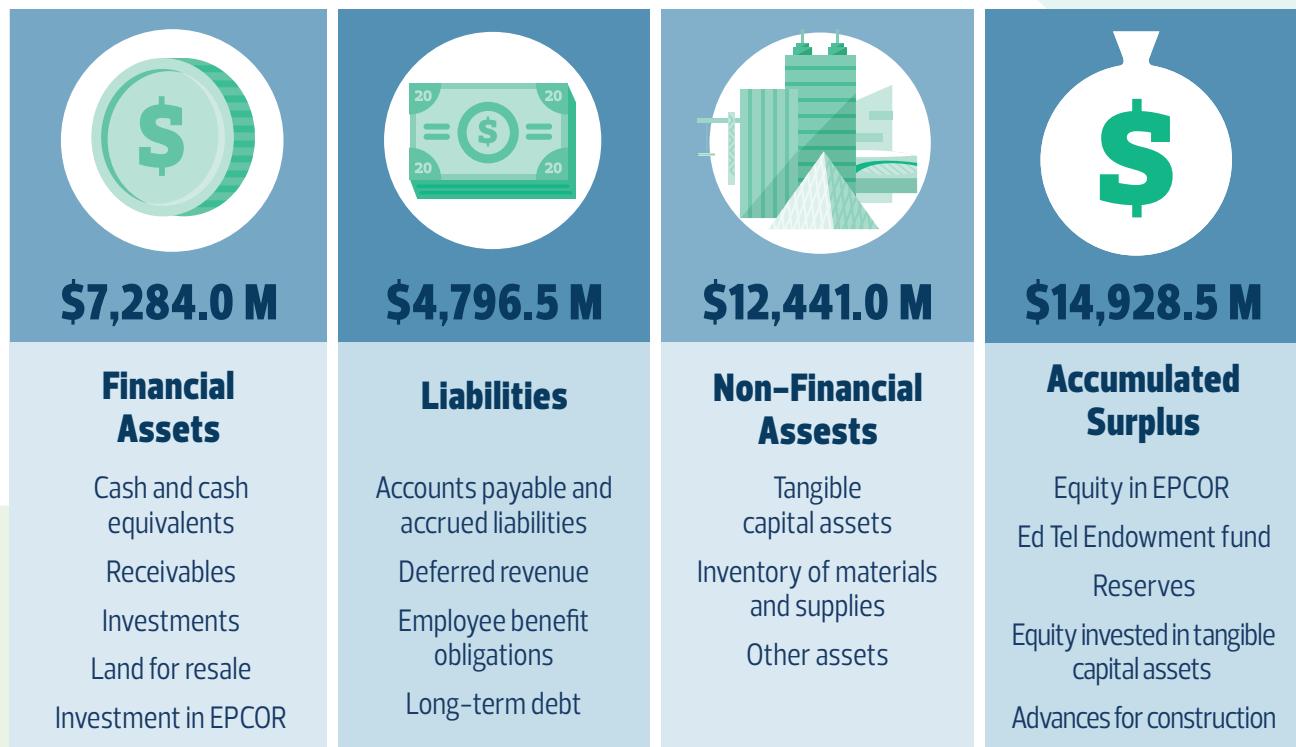
| | 2019 | 2018 |
|----------------------------|--------------------|------------|
| Financial Assets | \$ 7,284.0 | \$ 7,237.7 |
| Liabilities | (4,796.5) | (4,699.5) |
| Non-financial Assets | 12,441.0 | 11,758.3 |
| Accumulated Surplus | \$ 14,928.5 | 14,296.5 |

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

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, and receivables and cash and cash equivalents investments.

In 2019, the City's financial assets were \$7,284.0 million, an increase of \$46.3 million over the prior year. This increase is mainly due to an increase in the City's investment in EPCOR, trade and other receivables and investments in 2019, partially offset by a decrease in cash and cash equivalents. The change in cash and cash equivalents is due to the timing differences between expenditures and funding sources.



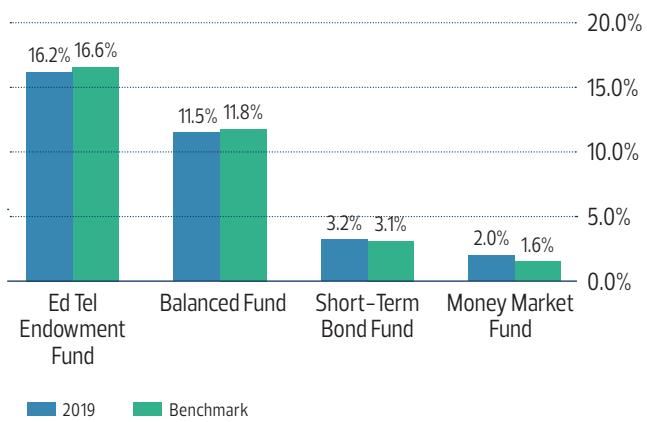
THE CITY OF
EDMONTON
SCORED

98.82%

IN PUBLIC SECTOR DIGEST'S OPEN CITIES INDEX REPORT – FAR ABOVE THE AVERAGE OF 29.4 PER CENT

INVESTMENTS

In a sharp reversal to 2018, financial markets across the globe showed surprising strength in 2019. Supportive monetary policy, easing trade tensions and stabilizing global growth contributed to the strength in capital markets during the year. Canadian equities were up 22.9% for the year as the Canadian dollar rose 5% versus the U.S. dollar and the price of oil surged by 34% – all reversing the declines experienced in 2018. Performance of funds ranged from 2.0% (Money Market Fund) to 16.2% (Ed Tel Endowment Fund), depending on each fund's asset mix. Given the outsized gains over the last year, capital market returns are expected to be much more moderate going forward.



The Ed Tel Endowment fund provided dividends of \$48.5 million in 201, including a \$9.7 million special dividend that was approved by City Council on September 4, 2018. The special dividend was used to fund capital projects consistent with the budget strategy to redirect investment earnings to capital. 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% above the inflation adjusted principal. Since inception, total dividends from the fund are \$832.6 million. The fund ended the year with an investment book value of \$823.4 million compared to a market value of \$861.6 million.

More detailed information on investment performance and benchmarks is available in the Investment Committee 2019 Annual Report at edmonton.ca/investments



LIABILITIES (WHAT WE OWE)

The City ended 2019 with total liabilities of \$4,796.5 million, an increase of \$97.0 million over the prior year, mainly as a result of increased long-term debt and accounts payable and accrued liabilities. This increase is partially offset by a decrease in deferred revenue.

Debt was borrowed to finance projects such as the Kathleen Andrews Transit Garage construction, revitalization of the Stanley A. Milner Library, continued construction of Downtown and Quarters Community Revitalization Levy funded projects, and design and land acquisition related to the Yellowhead Trail Freeway Conversion.

Accounts payable and accrued liabilities increased due to timing differences in the payment of outstanding invoices and an overall increase in capital expenditures compared to 2018. This increase is partially offset by a decrease in payroll remittances compared to the prior year.

Deferred Revenue is largely made up of government transfers provided to fund operating and capital expenditures and are externally restricted until the related expenses are incurred. The decrease is mainly due to reduced Municipal Sustainability Initiative (MSI) grant funding received in 2019 compared to 2018 and the use of the provincial Climate Leadership Plan Grant received in 2018 to fund Valley Line LRT expenditures; these are partially offset by Federal Gas Tax grant proceeds received in advance of eligible expenditures.

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.

Interest rates have remained low and are fixed throughout the term, eliminating risk from changing interest rates. Although debt will continue to be used to finance major projects, the City carries debt and incurs debt servicing costs well below the legislated limits for municipalities in Alberta. A Regulation under Section 271 of the Municipal Government Act establishes limits for municipal debt levels and annual debt servicing costs.

Debt and Debt Service Limits – Municipal Government Act

(millions of \$)

| | 2019 | 2018 |
|-------------------------|------------|------------|
| Debt limit | \$ 5,840.6 | \$ 5,587.4 |
| Debt limit used | 3,202.8 | 3,046.2 |
| Percentage used (%) | 54.8 | 54.5 |
| Debt service limit | \$ 1,022.1 | \$ 977.8 |
| Debt service limit used | 301.1 | 284.3 |
| Percentage used (%) | 29.5 | 29.1 |

54.8%

**MGA DEBT
LIMIT USED
BY THE CITY**

Debt Service Limits – Debt Management Fiscal Policy

(millions of \$)

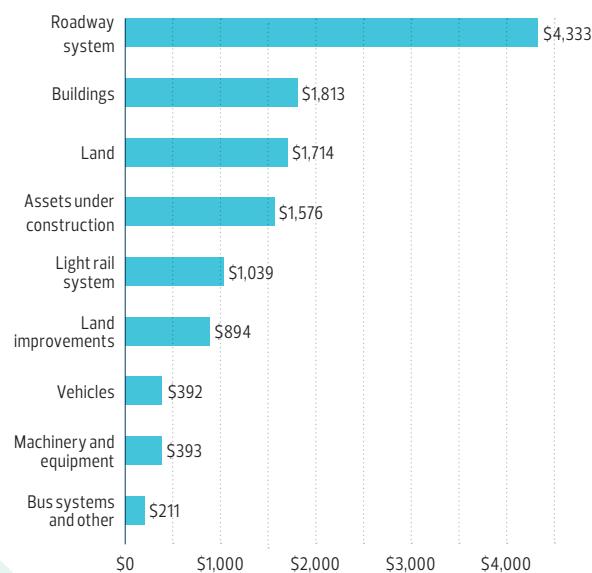
| | 2019 | 2018 |
|----------------------------------|----------|----------|
| Total debt service limit | \$ 642.5 | \$ 614.6 |
| Debt service limit used | 283.2 | 269.7 |
| Percentage used (%) | 44.1 | 43.9 |
| Tax supported debt service limit | \$ 397.8 | \$ 380.0 |
| Debt service limit used | 232.4 | 219.0 |
| Percentage used (%) | 58.4 | 57.6 |

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 2019, the City owned \$12,365.0 million in capital assets, an increase of \$678.0 million over prior year, with a majority of the assets being roadway systems, buildings, and land. The increase is mainly due to progress on significant capital projects this year, such as the neighbourhood renewal program, roadway systems across the City, construction of the Kathleen Andrews transit garage, Northwest Police Campus, Stanley A. Milner Library and the Valley Line Southeast LRT.

2019 Net Book Value of Tangible Capital Assets by Category (millions of \$)



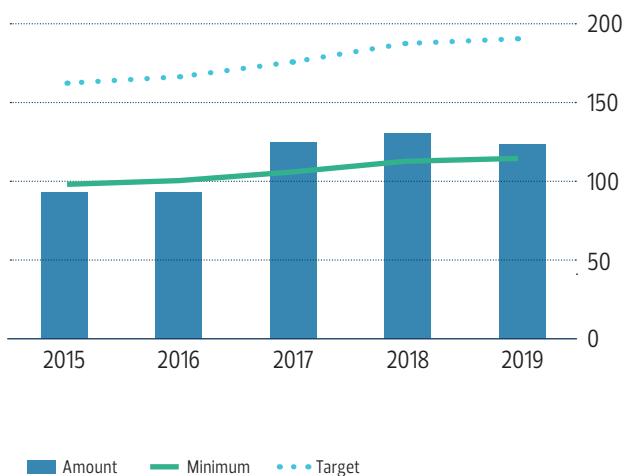
ACCUMULATED SURPLUS (ASSETS MINUS LIABILITIES)

Accumulated surplus is an indicator of the City's overall financial health. The City maintained a strong accumulated surplus, ending 2018 with a total of \$14,928.5 million. The accumulated surplus includes a number of reserves, one of the largest being the Financial Stabilization Reserve.

Financial Stabilization Reserve (FSR)

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

The overall FSR balance as of December 31, 2019 was \$123.9 million. A contribution of \$16.3 million will be made to the FSR in 2020 due to the 2019 tax-supported operating surplus of \$20.1 million less funding of \$3.8 million in 2019 operating projects not completed by year-end with commitments outstanding in 2020 as approved by City Council. After reflecting the above approved transactions, the reserve balance of \$140.2 million will exceed the minimum level as set within the policy of \$115.3 million but will be below the target level of \$191.3 million.



2019 ACCOMPLISHMENTS

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RESPONSIVE AND RESILIENT

In August 2019, City Council officially declared a climate emergency, thus paving the way for the City to take critical action to respond to the impacts of climate change and protect people, business and infrastructure. Council also voted to bolster the City's Energy Transition Strategy by increasing Greenhouse Gas (GHG) emission reduction targets. Edmonton is working to ensure our annual per capita GHG emissions are reduced to three tonnes by 2030, with a goal of being carbon neutral by 2050.

This year Blatchford's first community energy centre, Energy Centre One, was completed, which will use renewable energy sources to provide environmentally-friendly heating, cooling and hot water to the neighbourhood's homes and buildings. Blatchford will set the standard for how we can work to achieve our GHG reduction goals through thoughtful urban design, high efficiency systems, and by using innovative technologies.

HEALTHY COMMUNITIES IN A HEALTHY CITY

In 2019, the City launched SafeCityYEG, an online mapping tool that gives people an opportunity to anonymously share their perceptions of safety in public spaces. Users place a pin on a map and identify their safety concerns, with an option to include details of why they feel unsafe, whether due to poor lighting, street harassment or any other issue. Alternatively, users can also pin the map for places they feel comfortable and safe. The original goal for SafeCityYEG was to gather 5,000 pins in one year, and to date there have been 7,913 validated pins.

Other highlights from this year include the long-anticipated opening of Nature's Wild Backyard Phase 1 at the Edmonton Valley Zoo, which offers visitors an opportunity to learn about food sustainability and agriculture through interactive activities, demonstrations and events, and the 10-kilometre Commonwealth Walkway loop aims to connect our city with Commonwealth countries around the world.

PROSPERING TOGETHER

The City changed the way it provides planning and development services by improving customer service and meeting the ever-changing demands of building a modern city. Improvements include reducing red tape for builders with good track records by reducing thousands of inspections, saving time and cost. We also reduced the timelines for rezoning, subdivision and endorsements, and setting targets to measure and maintain service and reduced the time it takes for development permits.

URBAN, VIBRANT AND THRIVING

In March, public registration opened to purchase lots in the Meadows of Laurel. This community is the newest sustainable development located in Southeast Edmonton, just off of 17th Street at 19th Avenue. The Meadows of Laurel will be made up of sustainably designed and environmentally sensitive homes in a range of attractive styles. All homes in this neighbourhood will comply with a set of sustainability and architectural guidelines, including building a photovoltaic solar-ready home and obtaining third-party certification that the home has achieved an EnerGuide rating of 15 per cent lower than a typical new home.

On November 26, 2019, City Council approved Edmonton's new transit network. The new network is designed to deliver safe, fast, convenient and reliable service to better connect Edmontonians to places and to each other. It will also balance the needs of transit users and long-term City-building goals by creating a more efficient system and improving service levels.



RECOGNITION FOR ACHIEVEMENT

The City of Edmonton has been recognized for a high standard of achievement by the following award programs:

Canadian Award for Financial Reporting

Received for the City's annual financial report for the fiscal year ended December 31, 2018. Awarded by the The Government Finance Officers Association of the United States and Canada.

Awarded to a financial report that is easily readable and efficiently organized, whose contents clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

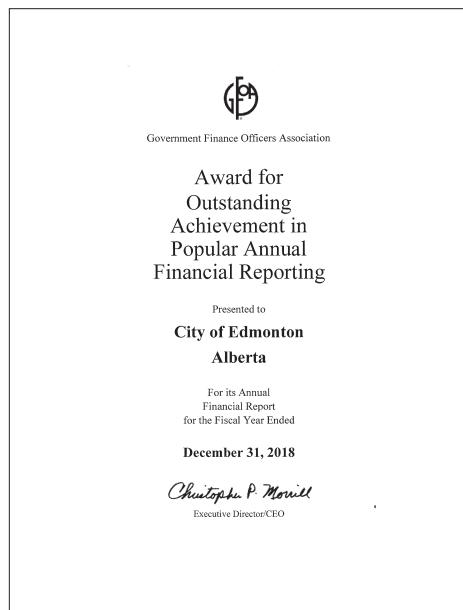
This is the twenty-sixth consecutive year that the City of Edmonton has received this award.

Popular Annual Financial Reporting Award

Received for the 2018 Financial Report to Citizens. Awarded by the Government Finance Officers Association of the United States and Canada.

Awarded to a high quality summarized annual financial report that is readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

This is the sixth consecutive year that the City has received this award.



Distinguished Budget Presentation

Received for the City's annual budget publication for the 2019–2022 fiscal years beginning January 1, 2019 and ending December 31, 2022. Awarded by the Government Finance Officers Association of the United States and Canada.

Awarded to a budget document 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.



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

If have questions about the 2019 Financial Report to Citizens,
mail or phone:

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