



2017 ANNUAL REPORT

City of Edmonton, Alberta, Canada
For the Year Ended December 31, 2017



Edmonton

TABLE OF CONTENTS

Introduction	4	Consolidated Schedule of Segment Disclosures	63
Our Organization	5	Supplementary Financial Information of Internally Restricted and Other Entities	65
Message from City Council	6		
Message from City Manager	8	Notes to Consolidated Financial Statements	66
Legislative and Administrative Organizational Chart	10		
Political and Administrative Structure	11		
Edmonton's Accomplishments in 2017	14		
Economic Performance	20		
 Financial Statement Discussion and Analysis	 22		
 Consolidated Financial Statements	 54		
Management's Responsibility for Financial Reporting	56		
Independent Auditors' Report	57		
Consolidated Statement of Financial Position	58		
Consolidated Statement of Operations and Accumulated Surplus	59		
Consolidated Statement of Change in Net Financial Assets	60		
Consolidated Statement of Cash Flows	61		
Consolidated Schedule of Tangible Capital Assets	62		
		Statistical Review	96
		General Municipal Data	98
		Assessment and Tax Levy	99
		Investment Funds	100
		Long-term Debt	101
		Consolidated Expenses	102
		Consolidated Revenue and Capital Financing	103
		Financial Position, Annual Surplus and Reserves	104
		 Related Boards and Authorities	 105



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For the Year Ended December 31, 2017**



INTRODUCTION



OUR ORGANIZATION

Every day, over 900,000 residents rely on the City of Edmonton for everything from police and fire services to waste collection and park maintenance.

Edmonton also serves as a hub and service centre for the Edmonton metropolitan region, home to nearly 1.3 million people.

Edmonton's elected City Council and Mayor set policy, approve budgets and provide direction for the City Manager who, along with the City Auditor, is one of two direct employees of Council.

Administration, directed by the City Manager, implements City Council's vision and administers public services. Administration is organized into departments that work cooperatively to manage complex and wide-ranging activities.

MESSAGE FROM CITY COUNCIL

Looking back 2017 was a year filled with challenges and changes. Edmontonians elected a new City Council and we have returned to growth while continuing to navigate shifting economic circumstances.

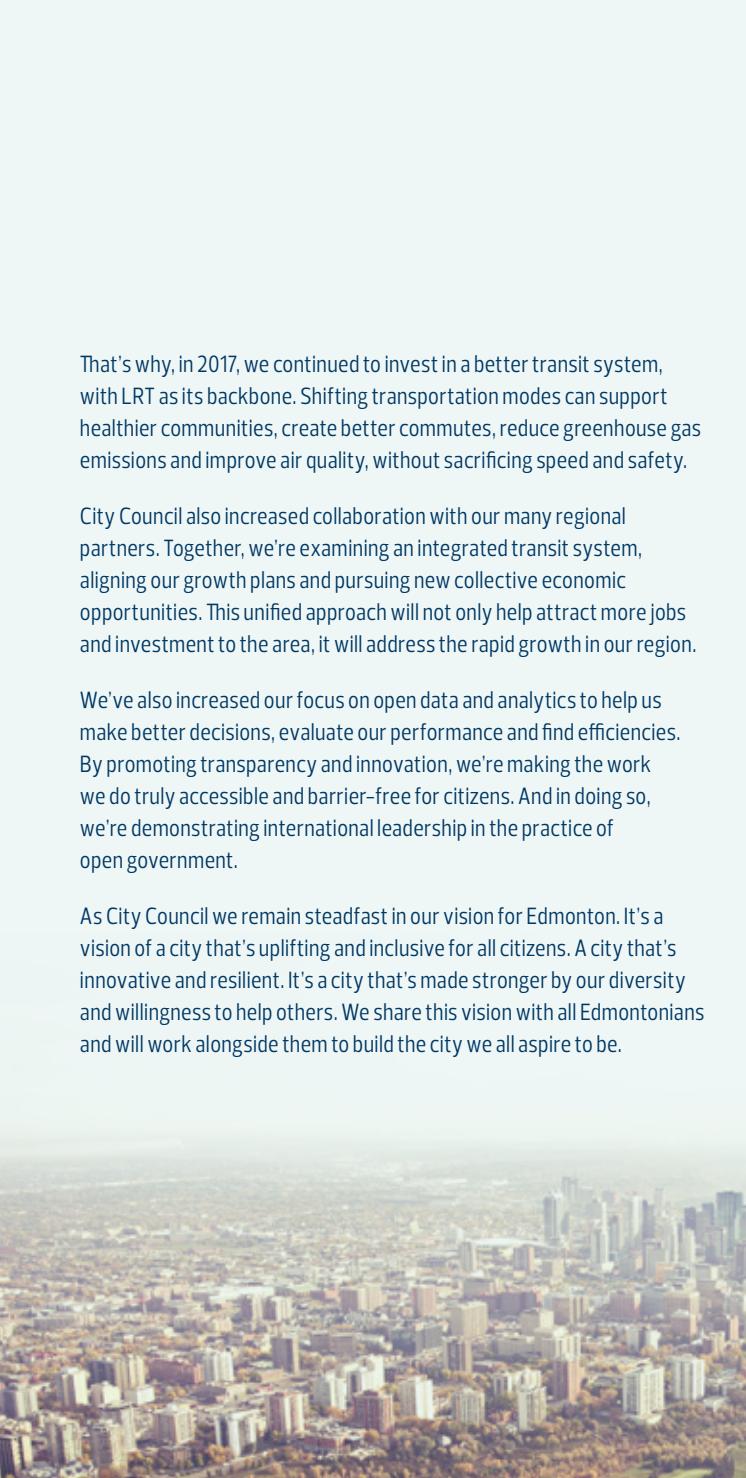


Back Row (left to right):
Ben Henderson - Ward 8
Tony Caterina - Ward 7
Scott McKeen - Ward 6
Mayor Don Iveson
Michael Walters - Ward 10
Sarah Hamilton - Ward 5
Jon Dziadyk - Ward 3

Front Row (left to right):
Aaron Paquette - Ward 4
Bev Esslinger - Ward 2
Andrew Knack - Ward 1
Mohinder Banga - Ward 12
Mike Nickel - Ward 11
Tim Cartmell - Ward 9

Strong citizens, strong communities and strong cities not only weather these changes and challenges – they adapt and thrive. Whether we're faced with changing demographics or challenging economics – Edmontonians always come together. We create opportunities, take risks and build something extraordinary.

Edmonton will soon be a city of a million people – not within 25 years but within the next five years. This growth brings exciting opportunities, but also comes with its share of challenges. We need to think, plan and build for this growth. While we'll need to build roads and recreation centres, transport citizens and deliver emergency services across a wider area, we'll also need to do it smarter. And we need to find new ways to make our city denser and more efficient.



That's why, in 2017, we continued to invest in a better transit system, with LRT as its backbone. Shifting transportation modes can support healthier communities, create better commutes, reduce greenhouse gas emissions and improve air quality, without sacrificing speed and safety.

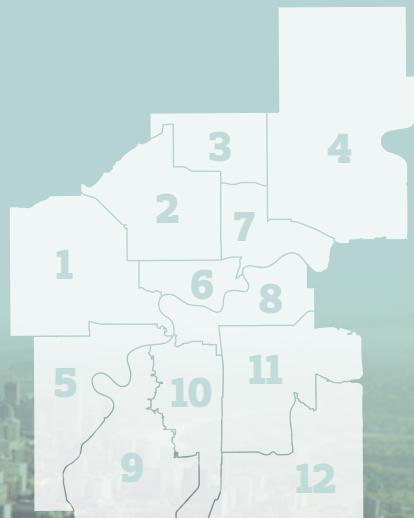
City Council also increased collaboration with our many regional partners. Together, we're examining an integrated transit system, aligning our growth plans and pursuing new collective economic opportunities. This unified approach will not only help attract more jobs and investment to the area, it will address the rapid growth in our region.

We've also increased our focus on open data and analytics to help us make better decisions, evaluate our performance and find efficiencies. By promoting transparency and innovation, we're making the work we do truly accessible and barrier-free for citizens. And in doing so, we're demonstrating international leadership in the practice of open government.

As City Council we remain steadfast in our vision for Edmonton. It's a vision of a city that's uplifting and inclusive for all citizens. A city that's innovative and resilient. It's a city that's made stronger by our diversity and willingness to help others. We share this vision with all Edmontonians and will work alongside them to build the city we all aspire to be.

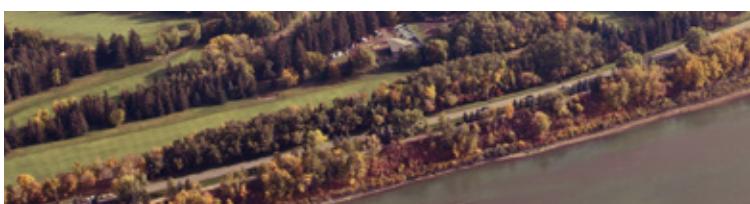
CITY COUNCILLOR REPRESENTATION BY WARD

Edmonton comprises 12 municipal wards, as outlined on this map. One councillor represents each ward. The Mayor is elected across all wards.



932,546

**POPULATION
OF EDMONTON**
2016 Census Canada



MESSAGE FROM CITY MANAGER

2017 was a year of notable accomplishments and ongoing evolution.

For the Extended Leadership Team, the year included many conversations about our corporate transformation plans. We continue to build out our framework for becoming a more open and responsive organization. The leadership team has been integral to the shifts and adjustments to strategies, structure, process and culture.

This annual report reflects the beginnings of our change journey and is a window on our priorities and management principles in action. It highlights the investment, collaboration and innovation required to realize growth. In 2017, that work included major infrastructure projects, regional development leadership, and the delivery of more than 300 on-going programs and services.

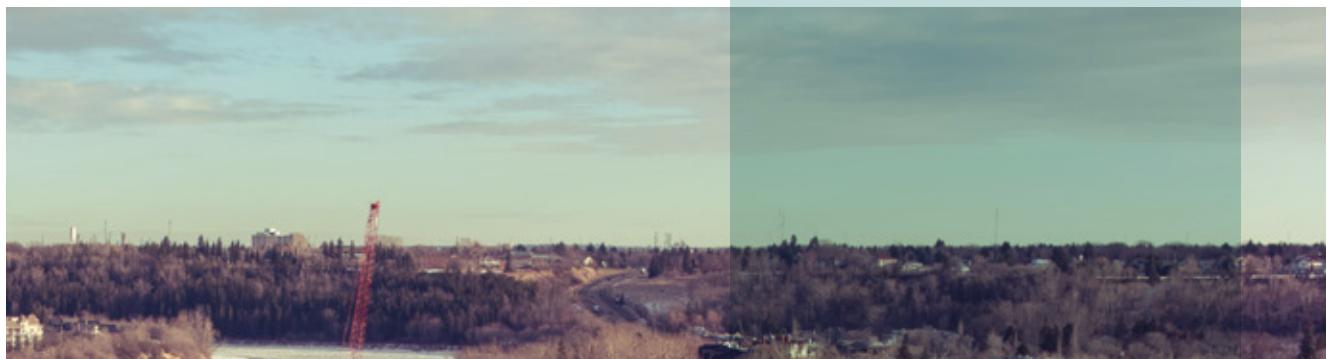
As agents of Council, Administration is squarely focused on enabling a better life for all Edmontonians and committed to excellence in city-building, to continuous improvement and to creating a positive experience for those we serve. Our work in delivering policies, recommendations, partnerships and programs supports Council's intention to realize smart, sustainable growth.

I am proud of the way Administration has embraced change and remained true to our goal of serving Council, Edmontonians and all employees.



Linda D.M. Cochrane .

Linda D.M. Cochrane
City Manager



1.8 M

CITIZEN CALLS
TO 311



LEGISLATIVE AND ADMINISTRATIVE ORGANIZATIONAL CHART

CITY COUNCIL MAYOR AND 12 COUNCILLORS

Community and Public Services Committee Four Councillors

Executive Committee Mayor and four Councillors

Urban Planning Committee Four Councillors

Utility Committee Four Councillors

Audit Committee Mayor, four Councillors and two external members

Other Committees Council has other committees to handle various tasks (e.g. Council Services)

Office of the City Auditor David Wiun, City Auditor

EPCOR Utilities Inc. Hugh Bolton, Chair

Police Commission Tim O'Brien, Chair

Edmonton Public Library Board Brian Heidecker, Chair

Edmonton Economic Development Corporation Angela Fong, Chair

Other Commissions, Agencies, Boards and Authorities

CITY OF EDMONTON ADMINISTRATION

City Manager Linda Cochrane

Citizen Services Rob Smyth, Deputy City Manager

City Operations Doug Jones, Deputy City Manager

Communications and Engagement Carolyn Campbell, Deputy City Manager

Financial and Corporate Services Todd Burge, Deputy City Manager and Chief Financial Officer

Integrated Infrastructure Services Adam Laughlin, Deputy City Manager

Urban Form and Corporate Strategic Development Leanne McCarthy, Deputy City Manager

Regional and Economic Development Gary Klassen, Deputy City Manager



POLITICAL AND ADMINISTRATIVE STRUCTURE

CITY COUNCIL

13 elected representatives make up Edmonton's City Council: one mayor and 12 councillors. Every four years, a civic election is held in which all Edmontonians elect the mayor and councillors are elected by voters in the wards they represent. On October 16, 2017, Edmontonians re-elected Don Iveson as Mayor, re-elected 8 councillors and elected four new councillors. Edmonton's next civic election will be in 2021.

City Council typically meets two or three times a month. Council also has standing committees to take a closer look at specific topics and make recommendations. Some examples are:

Audit Committee helps City Council meet its responsibility to oversee financial reporting, audit and enterprise risk management

Community and Public Services Committee oversees the delivery of City services, including neighbourhoods and communities, social development, recreational activities and facilities, cultural and social programs and activities, emergency services, municipal enforcement

Executive Committee oversees financial and corporate issues

Inter-municipal and Regional Development Committee makes recommendations to Council regarding regional development

Urban Planning Committee makes recommendations to Council related to sustainable city planning

Utility Committee makes recommendations to Council regarding the rates, governance, policies, and operations of all municipal and non-municipal public utilities

Meetings of City Council and committees are open to the public.

In addition to these Standing Committees, Edmonton citizens serve on more than 20 agencies, boards, commissions and task forces. These range from quasi-judicial or governing agencies to advisory and decision-making panels. All bring in unique perspectives and help to shape our community.

OFFICE OF THE CITY AUDITOR

The internal services provided by the Office of the City Auditor include independent audits and studies of civic departments and programs. This oversight helps to improve work done by Administration and to guide Council's decision-making. The delegated powers, duties, and functions of this position are established under the City Audit Committee Bylaw.

CITY ADMINISTRATION

City Administration is lead by the City Manager, who reports to City Council. The City Manager is the City of Edmonton's Chief Administrative Officer, carrying out Council's direction and administering public services. Linda Cochrane has had held this role since March 2016.

As well as the Office of the City Manager, City Administration has seven departments that work closely with each other in delivering public services. A department is made up of areas that have similar corporate functions. The City of Edmonton's departments are:

Citizen Services

City Operations

Communications and Engagement

Financial and Corporate Services

Integrated Infrastructure Services

Urban Form and Corporate Strategic Development

Regional and Economic Development

As well, the City owns subsidiaries and authorities that provide services to the City and to the public on the City's behalf.

CITY COUNCIL CONSISTS
OF 13 ELECTED
REPRESENTATIVES
INCLUDING ONE MAYOR
AND 12 COUNCILLORS.



\$3.6 B
INVESTMENT IN EPCOR





MORE THAN 260,000 CITIZENS REGULARLY USE THE EDMONTON PUBLIC LIBRARY. EPL PROMOTES LITERACY AND LIFE SKILLS WHILE SHARING INFORMATION, ENTERTAINMENT AND IDEAS.

EDMONTON ECONOMIC DEVELOPMENT CORPORATION

The Edmonton Economic Development Corporation (EEDC) is a multi-divisional, multi-location conglomerate agency of the City of Edmonton, aligned through unified purpose, vision, and values. EEDC leads and manages five divisions that work in unison on initiatives that generate economic impact and build the brand and reputation of our city, namely: Edmonton Tourism, the Shaw Conference Centre, a Trade and Investment division, and an Urban Economy division consisting of multiple entities such as Startup Edmonton and the Edmonton Research Park and a joint-venture with the University of Alberta called TEC Edmonton.

EEDC is a wholly owned subsidiary of the City of Edmonton and reports to a 14-member board of directors, including Edmonton's mayor. Members are appointed by City Council, from the private and public sectors.

EDMONTON POLICE COMMISSION

The Edmonton Police Commission consists of nine citizens and two city councillors, and provides independent civilian oversight for the Edmonton Police Service (EPS). Members are appointed by City Council and are given authority by the provincial *Police Act* which prescribes the powers, duties, functions and constraints of a municipal police commission and the City of Edmonton Bylaw 10440. One of their responsibilities is allocating funds from City Council to the Police Service, with the goal of maximizing the EPS' ability to reduce crime and increase public safety.

WASTE RE-SOLUTIONS

2492369 Canada Corporation, operating as Waste RE-solutions Edmonton, is a wholly-owned subsidiary of the City of Edmonton. It provides services related to infrastructure development, implementation and ongoing operation of waste management systems and facilities, as well as advisory and consulting services. Waste RE-solutions is governed by an external board of directors appointed by the shareholder.

EDMONTON PUBLIC LIBRARY

More than 260,000 citizens regularly use the Edmonton Public Library (EPL). EPL promotes literacy and life skills while sharing information, entertainment and ideas. A free membership provides access to library services online at epl.ca or at any of 20 locations, which will grow to 21 in the spring of 2018. This includes the temporary Enterprise Square downtown space in use until the Stanley A. Milner Library revitalization is complete. EPL shares a collection of 14 million digital and physical items with Edmontonians. *The Libraries Act of Alberta* provides authority for EPL's operations and EPL is governed by a 10-member board of trustees. This board is appointed by City Council and consists of nine citizens and one city councillor.

EPCOR UTILITIES INC.

EPCOR, through its subsidiaries, builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities, sanitary and stormwater systems, and infrastructure in Canada and the United States. The company also provides electricity, natural gas and water products and services to residential and commercial customers. EPCOR oversees Edmonton's complete water utility cycle, and assumed responsibility for the City's drainage services on September 1, 2017.

EPCOR is wholly owned by the City of Edmonton. City Council appoints EPCOR's Board of Directors, which operates independently and does not include any City employees or elected representatives. Headquartered in Edmonton, EPCOR employs about 3,400 employees across its operations.

OTHER BOARDS

From the Naming Committee to the City of Edmonton Youth Council, the City of Edmonton has over two dozen agencies, boards, committees and commissions that draw on the knowledge and dedication of hundreds of citizen volunteers. These commissions, agencies, boards and committees advise and provide leadership on a wide range of activities, including business development, assessment, transportation, housing, and historical preservation. They also provide needed perspectives from groups such as youth, women and seniors.

EDMONTON'S ACCOMPLISHMENTS IN 2017

Edmonton is supported by a strong public sector and robust industrial development. In 2017, signs of Edmonton's economic strength were everywhere, from the rising skyscrapers downtown to increased optimism among Edmonton's small and midsized business owners.

MOVING FORWARD

In 2017, Edmonton began to see signs of an emerging baby boom, thanks in part to the large numbers of millennials who have come to our city for work and are now raising families. Our population is young, diverse and growing quickly, and as we prepare to become a city of one million people, we must expand both our boundaries and our transportation options to meet increasing demands.

Building a sustainable and globally-competitive city in the 21st century means offering choice to Edmontonians of all ages and backgrounds. We are developing an interconnected, multi-modal transportation system designed to support the efficient movement of both people and goods – whether that means walking, biking, taking transit or driving. The steps we are taking today to encourage alternative or active transportation allow us to shape and create the city we want to become in the future.

BUILDING A SUSTAINABLE AND GLOBALLY-COMPETITIVE CITY IN THE 21ST CENTURY MEANS OFFERING CHOICE TO EDMONTONIANS OF ALL AGES AND BACKGROUNDS.



30,375

APPLICATIONS FOR
DEVELOPMENT, BUILDING
AND COMBINATION PERMITS



THE FUTURE OF TRANSIT

Although Edmonton's development has long been centred on the use of cars, our vision for the future includes a wide array of transportation options for residents to choose from. By developing our transit system based on what Edmontonians want, we are working to help residents find greater value in these alternative forms of transportation.

After an extensive, two-year public engagement campaign, we released Edmonton's Transit Strategy in June of 2017. The strategy is a high-level roadmap offering a comprehensive and integrated perspective on the future of transit in our city, including Light Rail Transit (LRT), bus and supplementary transit options. It also outlines a significant reworking of Edmonton's bus network to provide service that is safe, fast, convenient and reliable, focused on a network of high-frequency routes running in the core of the city with new crosstown routes and rapid-bus commuter routes for the suburbs. By supporting mobility, connectivity, integration and sustainability, the strategy outlines a vision for a future transit system that meets the needs of more Edmontonians. The Regional Smart Fare initiative supports the future direction of our public transportation system, with the development of a powerful electronic fare payment system for Edmonton, St. Albert and Strathcona County transit systems. Implementation is planned for 2020.

INVESTING IN INFRASTRUCTURE

Our river valley landscape transformed this year as the iconic Walterdale Bridge, which had stood in place since 1912, was removed from its perch above the North Saskatchewan. In its place, Edmontonians welcomed the opening of the new bridge, with its stunning 56 metre arches, in late September 2017. Dismantling of the old bridge began in October, helping to make way for a new shared-use path for pedestrians and cyclists which opened in December.

Developments have been taking shape in the City's north side with upgrades planned for Yellowhead Trail. As part of Edmonton's Transportation Master Plan, these upgrades will encourage more free-flowing traffic along the 25-kilometre stretch of the Trans-Canada Highway that runs through Edmonton. In February 2017, Council approved \$519 million





1,666
**DATA SETS IN THE CITY'S
OPEN DATA CATALOGUE**



THIS PAST YEAR ALSO BROUGHT NEW VITALITY INTO OUR DOWNTOWN CORE WITH THE CONSTRUCTION AND LAUNCH OF EDMONTON'S NEW DOWNTOWN BIKE NETWORK

towards the \$1-billion Yellowhead Trail upgrade, which will see this vital artery turned into a freeway. The project will include three new interchanges, upgrades to two interchanges and Fort Road and the closure of intersections to increase roadway capacity and safety while reducing travel time.

A BUSTLING DOWNTOWN

This past year also brought new vitality into our downtown core with the construction and launch of Edmonton's new downtown bike network. With more than 7.8 kilometer of protected bike lanes, shared roadways and paths, the network is designed to be safer for pedestrians, cyclists and drivers as congestion increases in our downtown core. After construction began in April, the \$7.5-million project opened ahead of schedule in June 2017, offering cyclists easy passage along 99, 100 and 105 avenues and 96, 99, 103, 106 and 110 streets.

The bike grid is just one of many new downtown developments built in 2017. Edmonton's downtown has changed for the better over the past few years, becoming a popular destination for tourists and locals. When the Edmonton Tower opened in late 2016, it became the one-stop destination for most city services. More than 200,000 people visited the Edmonton Service Centre in 2017 to apply for permits, pay their taxes and buy ETS passes.

Rogers Place, the jewel of ICE District, exceeded expectations in its first full year of operations, hosting hundreds of events, concerts and hockey games.

The Mechanized River Valley Access, more commonly known as the funicular, opened on time and on budget in December 2017. The 100 Street Funicular, which runs from 100 Street near the Hotel MacDonald into the river valley trail system, provides an essential connection for those with limited mobility and opens up new options for commuters traveling on foot and bicycle. The promenade, pedestrian bridge and the Frederick G. Todd lookout give Edmontonians a new way to explore and experience the river valley.

Just a few blocks from the funicular, an Edmonton institution is under renovation. The revitalization of the Stanley Milner Library began last year and is expected to be completed in 2020.



82.5 M

RIDES ON BUS AND
LRT IN 2017



HEALTHY NEIGHBOURHOODS

Increasing our city's supply of affordable housing is vital to ending homelessness and reducing poverty. In 2017, the federal government announced it would commit \$40 billion over the next 10 years to a national housing strategy, which could have game-changing effects for Edmontonians looking to find affordable and accessible housing. Edmonton was also fortunate to be selected as a site for the Carter Work Project spearheaded by Habitat for Humanity, former president Jimmy Carter and former first lady Rosalynn Carter. As part of the project, 75 new homes were constructed in the Edmonton region.

City Council recently approved the framework for a renewable energy utility in the Blatchford community. Construction on the first stage of development on the 217 hectare site of the former downtown airport began in 2017. A District Energy Sharing System, will provide energy efficient heating, cooling and domestic hot water to homes and other types of buildings. Combined with energy efficient building standards, the system will make great strides in achieving the vision for a community that uses 100% renewable energy and aims to be carbon neutral. Blatchford will be a model for low carbon community design. The construction of the first geothermal field and Energy Center for the community will start in early 2018.

The City of Edmonton is committed to building vibrant and accessible neighbourhoods for all. In 2017, six more neighbourhoods underwent neighbourhood renewal, receiving upgrades to their sidewalks, roads and streetlights. This program helps to replace aging infrastructure and also enhances community connectivity by filling in missing links in sidewalks and cycling infrastructure.

REGIONAL PROGRESS

Our regional partners are recovering from the economic downturn, which means even stronger results are on the horizon for our city. The establishment of the Edmonton Metro Region Board in June of 2017 brought together leaders from 13 regional municipalities, representing a total of 1.3 million people, to work towards more powerful collaboration and a resilient regional economy.

In August we saw the launch of Edmonton Global, the Metro Region's new regional economic development corporation, and the organization has made a running start promoting the region to the world with a strong and united voice.

Edmonton is a gathering place, a city at the heart of Treaty 6 territory, home to diverse indigenous communities with long and rich histories. The signing of a Memorandum of Understanding between the Enoch Cree Nation and the City of Edmonton in March of 2017 will help to ensure better regional cooperation and development between the signatories, imbued with the spirit of reconciliation and a focus on joint prosperity.

BIG CITY CHARTER

Together, Edmonton and Calgary are home to half of the province of Alberta's population, but both cities are governed by the same rules as small hamlets and villages, set out in Alberta's Municipal Government Act (MGA). We've been working with the City of Calgary and the provincial government since 2014 to develop a City Charter which would give us more tools and flexibility to address local issues.

There was significant progress for the City Charter initiative in 2017, including the release of the draft Charter Regulation and the signing of the historic collaboration agreement between Edmonton, Calgary and the Province of Alberta, committing the three parties to collaborate on complex portfolios like environmental and social policy. It's expected that, by the summer of 2018, parts of the City Charters will be completed and in place.

ANNEXATION PROGRESS

Edmonton is one of Canada's fastest growing cities and it looks like that growth will only continue. In June of 2017, we signed an Annexation Agreement with Leduc County, and submitted a formal application for annexation to the Municipal Government Board in September. This proposed extension to our city's boundaries will help us to plan for future growth and infrastructure in a strategic and sustainable way.

The signing of the Airport Accord in June by the City of Edmonton, Leduc County, the City of Leduc and the Edmonton Regional Airports Authority will help to coordinate land use around the airport and leverage the airport as a regional asset for economic development.

THE CITY OF EDMONTON
IS COMMITTED TO
BUILDING VIBRANT
AND ACCESSIBLE
NEIGHBOURHOODS
FOR ALL.

ECONOMIC PERFORMANCE

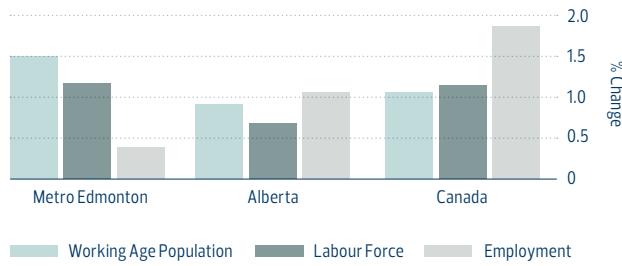
The City of Edmonton demonstrated its relative diversity and resilience in 2017 with solid job gains and a return to economic growth.

OVERALL PERFORMANCE

Employment in Metro Edmonton was up marginally between 2016 and 2017 with a net gain of 3,000 positions. Since January 2017 employment in Metro Edmonton has trended higher, fully making up the losses seen in the second half of 2016. These job gains were all full-time positions with many in relatively high-paying sectors. A partial recovery of employment in manufacturing, construction and professional services was complemented with continuing expansion in health care and education sectors. Overall, Metro Edmonton had an average employment level of 764,000 positions for 2017. However Metro Edmonton's unemployment rate increased from 7.4 per cent in 2016 to 8.1 per cent in 2017 as the region's working age population and labour force continued to expand.

Labour Market Developments – 2017 Annual Change

Source: Statistics Canada



At the provincial level, the modest recovery in energy prices helped to stabilize investment in the oil and gas sector. This, combined with growth in forestry, food processing, health care and education, boosted Alberta's employment by approximately 23,000 positions or approximately 1 per cent between 2016 and 2017. As a result Alberta's unemployment rate fell from 8.1 per cent in 2016 to 7.8 per cent in 2017.

For Canada as a whole, there was very solid growth in employment of 1.9 per cent driven by improving conditions in manufacturing, business investment and continued strength in consumer spending. This led to a fall in the national unemployment rate from 7.0 per cent in 2016 to 6.3 per cent in 2017 as employment growth far outstripped the expansion of Canada's active labour force.

Average Annual Oil Prices – West Texas Intermediate

Source: Bloomberg



After bottoming below \$30.00 per barrel in February 2016 the US benchmark oil price (West Texas Intermediate or WTI) has made a significant recovery, reaching approximately \$64 per barrel in January 2018. This has acted to stabilize investment levels in the energy sector. However it should be noted that, due to ongoing constraints on Alberta's ability to move oil out of the province, a very significant discount opened up between Canadian and US benchmark oil prices in late 2017. If this discount persists, investment levels in Alberta's energy sector could be adversely affected with negative implications for economic activity and employment.

While energy prices have improved in 2017, their levels remain well below the peaks seen in the period between 2010 and 2014. The implication for Metro Edmonton and Alberta is that investment activity in the energy sector will remain muted, resulting in relatively modest growth prospects over the medium term.

RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton improved over 2017 as continuing population growth driven by strong international immigration and intraprovincial migration, boosted demand. The Multiple Listing Service (MLS) average house price in the fourth quarter of 2017 was up 2.4 per cent on a year-over-year basis. However Metro Edmonton's rental vacancy rate remains elevated at 7.0 per cent in 2017 compared to 7.1 per cent in 2016 as new supply matched increasing demand for rental accommodation.

The value of building permits in Metro Edmonton slipped in 2017 to about \$5.2 billion. Elevated office and industrial space vacancy rates led to a sharp decline in the value of industrial and commercial building permits which outweighed growth in residential and institutional permits. Institutional permits were up by 40 per cent as a number of infrastructure projects received approval to proceed.

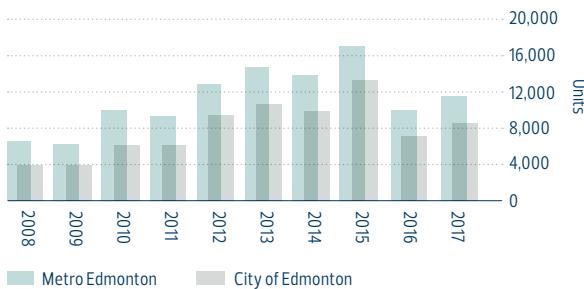
Alberta also saw weaker building permit values as the value of permits issued for commercial buildings fell by 24 per cent between 2016 and 2017. At the national level, the value of permits was up by approximately 8 per cent as double-digit growth in industrial and institutional permits boosted the overall value of permits issued in 2017.

HOUSING STARTS

Both the city and Metro Edmonton saw housing starts rise between 2016 and 2017. In the city, construction started on 8,506 units compared with 7,263 units in 2016 – a gain of approximately 17 per cent. Throughout Metro Edmonton, there were 11,435 housing starts in 2017 up from 10,036 in 2016 – an increase of approximately 14 per cent. The key drivers for the higher starts in both the city and Metro Edmonton were higher single family and dedicated rental starts.

Annual Housing Starts

Source: Canada Mortgage and Housing Corporation

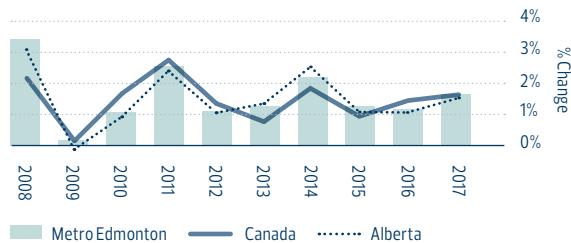


INFLATION

Inflation levels in Metro Edmonton moved up modestly in 2017. Inflation, as measured by the Consumer Price Index, came in at 1.6 per cent in 2017, compared to 1.1 per cent in 2016. The higher inflation outcome for Metro Edmonton was largely the result of a run up in gasoline and home heating costs. For Alberta the comparable figure was 1.6 per cent, while Canada's annual inflation rate in 2017 was 1.6 per cent.

Annual Consumer Price Index

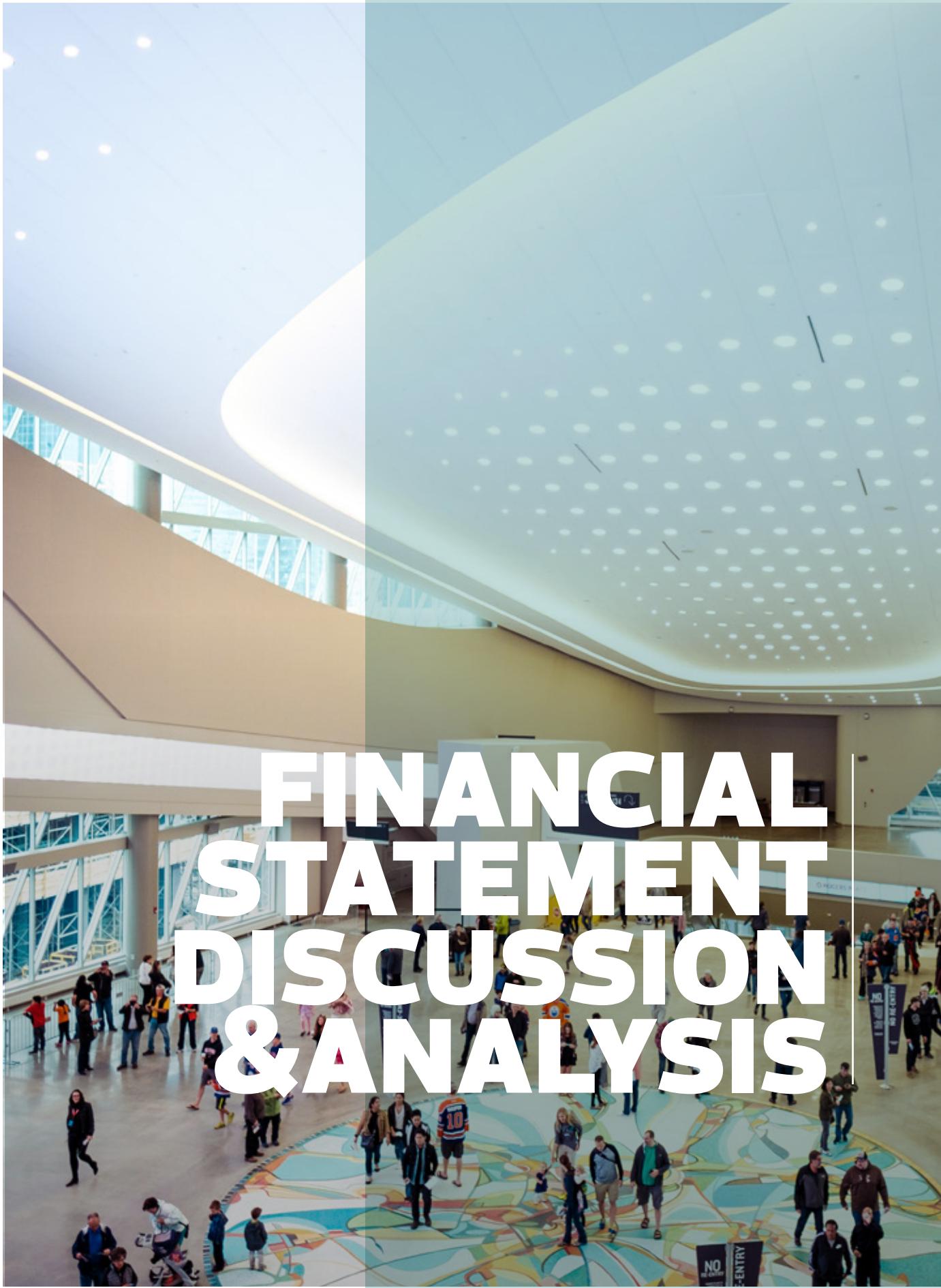
Source: Statistics Canada



SUMMARY

The city's economic performance in 2017 was one of the best in the province. Solid employment gains fully made up for job losses seen in late 2016. This, combined with continuing population growth and rising incomes, brought growth to the residential construction sector and stabilized other components of the consumer side of Metro Edmonton's economy. Looking forward, growth will continue for both Metro Edmonton and Alberta in 2018. In the coming year, employment will expand, bringing down Metro Edmonton's unemployment rate. Improved economic conditions in Metro Edmonton and Alberta will stimulate in-migration from other parts of Canada and international immigration will remain strong, providing a solid foundation for housing and consumer spending in the region.

EMPLOYMENT IN METRO EDMONTON WAS UP MARGINALLY BETWEEN 2016 AND 2017 WITH A NET GAIN OF 3,000 POSITIONS.





The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton to provide municipal services and infrastructure.

It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2017 financial performance, as well as significant financial policies, strategies and plans to address financial risk and sustainability.

The financial statement discussion and analysis provides a financial overview of the 2017 City operations and also discusses the City's financial practices related to control, accountability, long-term sustainability and risk management.

The 2017 Annual Report includes the consolidated financial statements (the financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS). KPMG LLP have audited the financial statements and have provided the accompanying Independent Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the Municipal Government Act (MGA) of Alberta. The following financial statement discussion and analysis should be read in conjunction with the financial statements. Both have been prepared by and are the responsibility of Management of the City of Edmonton. A five year statistical review of key information has also been provided.



Todd Burge, CPA, CMA
Deputy City Manager and
Chief Financial Officer

SIGNIFICANT TRENDING

The City of Edmonton (the City) continues to see growth and net in-migration into the area. Between 2013 and 2017, the City grew by 14.1 per cent with the largest percentage of the population being in the 30 to 39 age range, a group that has been steadily increasing over the last five years. Total taxable assessment increased by \$27.2 billion over the same period.

With the rapidly growing population comes the demand for additional services and infrastructure. The City's cost of service delivery increased by \$535.7 million since 2013, with a majority of resources required in Community, Protective and Transportation services. Net capital asset additions were \$6,525.2 million over the same time period. The cost to provide these services and infrastructure were largely paid for with property taxes, user fees, grants and debt. Historically capital government transfers are one of the more significant funding sources for the City's capital additions. However, due to the economic slowdown, government funding has been decreasing and has been replaced by other City funding sources such as tax-supported debt, investment earnings and property taxes. The City is faced with the challenge of continued infrastructure investment during a time of growth and fiscal constraint. This is discussed further in the Long-Term Sustainability and Risk Management section of this discussion.

From 2013 to 2017 operating revenues increased by \$610.3 million. The largest increases in revenues were in the areas of property taxes, subsidiary operations – EPCOR, and user fees and sale of goods and services. Debt increased by a net \$419.7 million, or 16.8 per cent, between 2013 and 2017 in order to advance priority infrastructure projects.

The City maintains a healthy accumulated surplus balance mainly due to its continued investment in infrastructure, its growing investment in EPCOR and the accumulation of annual excess of revenues over expenses. Financial assets are steadily growing due to growth in investments and the City's investment in EPCOR, resulting in a healthy and stable net financial asset position.

Refer to the Statistical Review section of the annual financial report for further information on these trends as well as other statistical data.

2017 FINANCIAL HIGHLIGHTS

In 2017, the City continued to execute its business plan and budget as expected. Investment in key infrastructure projects continued during the third year of the four year capital budget cycle for 2015–2018. The capital budget strikes a balance between growth and renewal and advances work on significant capital projects, including new and upgraded libraries, fire stations, a police campus, a transit garage, and the renewal and upgrade of recreation facilities. The budget also allocates funding for the construction of new transportation assets such as the Valley Line LRT, roads and bridges as well as the reconstruction of infrastructure such as streetscapes and sidewalks through the neighbourhood renewal program.

The 2017 operating budget advanced Council priorities with a property tax increase for civic programs at 2.8 per cent, including 1.5 per cent dedicated to fund neighbourhood renewal, and 0.6 per cent dedicated to fund the Valley Line LRT.

The City ended the year with a \$31.2 million surplus (1.2 per cent of budgeted tax-supported expenses) for general government (tax-supported) operations relative to the overall expense budget. The surplus is primarily a result of lower than budgeted snow and ice control costs, personnel savings, an increased dividend from EPCOR as a result of the transfer of the City's Drainage Utility to EPCOR on September 1, 2017, and other net favourable variances across City programs. These favourable variances were partially offset by lower than budgeted transit fare revenue, lower than budgeted admissions, program and rental revenues, and various other net unfavourable program variances.

The City maintains a healthy financial position with an overall accumulated surplus of \$13,299.3 million. The City continues to monitor its financial performance and strategies to address growth and increased demand for services, and continues to monitor the impacts of the economic slowdown. An expanded discussion of these challenges is included in the Long-Term Sustainability and Risk Management portion of this document.

On April 12, 2017, City Council approved the transfer of the net assets and operations of the City's Drainage Utility to EPCOR, effective September 1, 2017, with the terms of the transfer established within the Asset and Liability Transfer Agreement. Drainage Utility net assets of \$3,575.7 million were transferred to EPCOR effective September 1, 2017. Upon the transfer, EPCOR recognized a capital equity contribution of \$787.9 million after adjusting net assets to align with International Financial Reporting Standards (IFRS) and recognizing the transition cost compensation fee of \$75 million and promissory note payable of \$592.8 million in accordance with the Asset and Liability Transfer Agreement. The IFRS adjustments resulted in a decrease in the net assets of \$2,120.0 million which was recognized as a reduction to accumulated surplus on the Statement of Operations and Accumulated Surplus within the financial statements. The most significant IFRS adjustment relates to the difference in the accounting treatment for contributed tangible capital assets. PSAS requires revenues related to contributed tangible capital assets to be recognized at their fair value on contribution of the asset to the City where IFRS requires deferred recognition of revenues related to contributed tangible capital assets. Additional detail with respect to the transfer is included in Note 26 to the financial statements. These financial statements include financial results for the Drainage Utility to August 31, 2017, while it was still being managed and operated by the City.

On December 5, 2017, City Council approved the termination and release of the EXPO Center loan agreement between the City and Northlands, effective January 1, 2018. A Staged Surrender Agreement was also approved transferring ownership of the EXPO Center and Northlands Coliseum to the City, effective January 1, 2018, and Northlands Park later in 2018. As of December 31, 2017 the loan to Northlands is reflected within Other Assets on the Statement of Financial Position as Advances Secured by Tangible Capital Assets with a value of \$47.4 million, and in 2018 it will be reclassified to Tangible Capital Assets.

COMPARATIVE INFORMATION

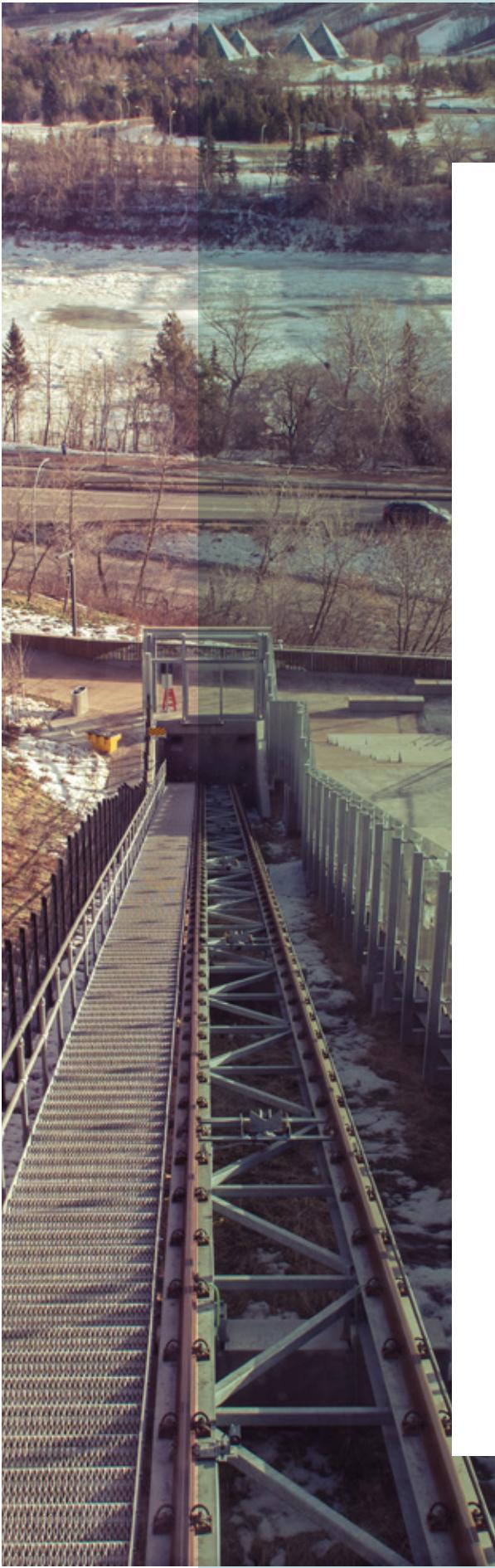
During the year, as a result of the Drainage Utility transfer, additional information was identified regarding the completeness and measurement of certain tangible capital assets and as a result comparative information in the financial statements has been retrospectively adjusted. These adjusted tangible capital asset balances primarily consisted of contributed drainage systems and contributed land. The 2016 comparative information was adjusted to increase tangible capital assets by \$172.9 million, increase opening accumulated surplus by \$147.9 million and increase revenue from developer contributed assets of \$25.0 million. The majority of the assets retrospectively adjusted have been transferred to EPCOR through the Drainage Utility transfer.

The City also identified adjustments required for 2016 capital government transfers related to the Green Transit Incentives Program (GreenTRIP) grant. The City determined that authorization and eligibility criteria were met in 2016 and as a result 2016 comparative information has been adjusted resulting in increases to net financial assets and capital government transfer revenues of \$104.0 million. Additional detail with respect to adjustments of comparative information is included in Note 27 to the financial statements.

FINANCIAL POSITION

The City has maintained a strong financial position ending the year with a net financial asset position (financial assets less liabilities) of \$2,457.1 million, an overall increase of \$1,394.0 million compared to prior year. The significant changes in net financial assets and non-financial assets are discussed in the following sections. The primary components of the net financial asset balance are the City's investment of \$3,560.9 million in the EPCOR subsidiary, investments of \$1,984.6 million and long-term debt of \$2,912.1 million. Overall the City decreased its accumulated surplus from \$14,702.0 million in 2016 to \$13,299.3 million in 2017, a decrease of 9.5 per cent. The overall reduction in accumulated surplus is the result of a \$2,120.0 million net reduction reflecting the impact of Drainage net assets transferred to EPCOR, a \$37.5 million other comprehensive loss relating to the EPCOR subsidiary, partially offset by annual excess of revenues over expenses of \$754.8 million.

THE CITY MAINTAINS A HEALTHY FINANCIAL POSITION WITH AN OVERALL ACCUMULATED SURPLUS OF \$13.3 BILLION.



CASH POSITION

The City's cash position is comprised of cash and temporary investments. Temporary investments are used to ensure that sufficient cash and liquid assets are available to manage the timing of the City's operating and capital expenditures. The cash position has decreased to \$436.3 million from \$491.1 million, a decrease of \$54.8 million.

The [Consolidated Statement of Cash Flows](#) summarizes the sources and uses of cash in 2017. During the year, cash was raised through a combination of \$931.6 million from operations and \$145.9 million from net financing. The City spent \$1,133.0 million to acquire tangible capital assets, net of proceeds on disposal, and increased its investments by \$85.8 million. Cash of \$66.2 million was provided to EPCOR as a part of the Drainage Utility assets transferred to EPCOR. The City also received a dividend from the EPCOR subsidiary of \$152.7 million during the year.

RECEIVABLES

Receivables include amounts owed to the City related to trade and other, local improvements, taxes and government transfers. The receivables balance of \$536.5 million increased by \$118.2 million from the prior year balance of \$418.3 million. [Note 3](#) to the financial statements provides further information on the composition of the receivables balance.

Government grant receivables increased by \$93.3 million mainly as a result of amounts owing from the federal and provincial governments to reimburse the City for eligible expenditures incurred for Valley Line and Metro Line LRT projects. Details on federal and provincial government transfers are provided in [Note 18](#) to the financial statements.

The increase of \$20.5 million in trade and other receivables is largely due to the remaining transition cost compensation fee owing from EPCOR of \$66.8 million at year-end, as a result of the Drainage Utility transfer, partially offset with payments received from the Province for the sale of land in 2016 and recoveries related to the fire relief efforts provided by the City for the Wood Buffalo fires.

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, a project may be classified as a local improvement under the MGA and paid for in whole or in part by a tax imposed on the benefitting property owner. Property owners have the option to pay for local improvements at the outset of the project or finance the local improvement over a period of time. Local improvement revenue and a receivable from the property owner are recognized in the year the local improvement project is complete. Local improvement receivables increased by a net \$6.9 million due to local improvement construction completed during the year of \$16.3 million, less current year local improvement taxes collected of \$9.4 million to repay the cost of construction. More significant local improvement construction took place in the neighbourhoods of Kilkenny, Lauderdale, and Montrose.

THE ED TEL ENDOWMENT FUND HAS CONTRIBUTED A TOTAL OF \$738.1 MILLION TO THE CITY.

INVESTMENTS

All investments held by the City must comply with the MGA, the Major City's Investment Regulation and with the City's internal investment policy. The objective of the City Council approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable and prudent level of risk. Asset mix is determined based upon the investment earning objectives, investment time horizon and level of risk tolerance. The Investment Committee's role is to oversee the City's investments. Members are selected to bring both investment and business expertise to the Committee. By monitoring the City's investment program and implementing changes as necessary, the committee ensures that the funds are well positioned and appropriately invested to meet their objectives. The committee is confident that the asset allocation policies remain appropriate, and will continue to monitor and evaluate the City's investment program and recommend changes as necessary. More detailed information on the investment performance and benchmarks are available in the 2017 Investment Committee Annual Report which is available on the City of Edmonton's website.

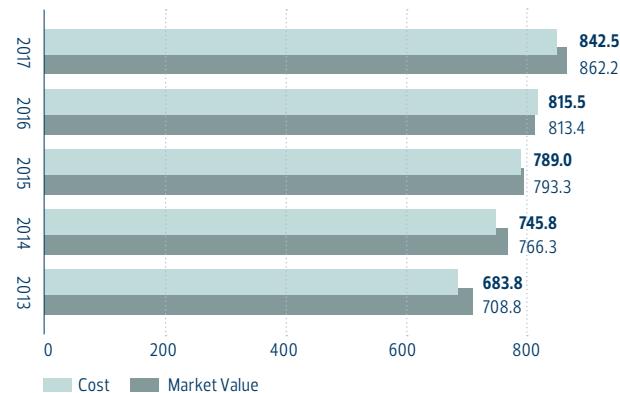
The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected as the City's investment custodian in 2008. A review of the City's banking and custody services is completed periodically.

Included in investments of \$1,984.6 million are amounts held as cash, amounts receivable, fixed income, common and preferred shares, pooled infrastructure funds, and other investments, all held within a Short Term Bond Fund, a Balanced Fund, the Ed Tel Endowment Fund and the Sinking Fund. At year end the market value of the investment portfolio was \$2,001.0 million, 0.8 per cent above the investment cost.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of \$465.0 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw 11713. Since inception, the fund has contributed a total of \$738.1 million to the City with dividends of \$34.4 million provided from the fund in 2017. At June 30, 2017 the market value of the Ed Tel Endowment Fund was 17.8 per cent above the inflation adjusted principal. 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. On December 6, 2017 City Council approved a special dividend from the Ed Tel Endowment fund

in the amount of \$9.2 million to be paid in 2018. The special dividend will be used to fund capital projects consistent with the budget strategy to redirect investment earnings to capital. The fund ended the year with an investment book value of \$842.5 million compared to a market value of \$862.2 million.

Net Assets of Ed Tel Endowment Fund
(millions of \$)



The Sinking Fund was established so that monies could be set aside regularly for the eventual redemption of various public debenture issues (borrowings). There is one outstanding debenture issue, maturing in 2018 at a value of \$100.0 million, for which the Sinking Fund is accumulating assets. The investment book value and market value of the fund at the end of the year were \$93.7 million and \$89.6 million, respectively.

Additional investments are managed for trust assets under administration's control, including City sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting standards, trust assets not owned by the City are excluded from the reporting entity. Note 21 to the financial statements provides summary disclosures with respect to trust assets under City administration.

LAND FOR RESALE

Land for resale includes land inventory that the City intends to develop for sale. The balance is recorded at the lower of cost and estimated net realizable value and costs associated with preparation for sale are added to the cost of the land. Land for resale increased by \$38.8 million during 2017 resulting in a balance of \$262.6 million. This was mainly due to land related costs for the Blatchford Redevelopment Project.

INVESTMENT IN EPCOR

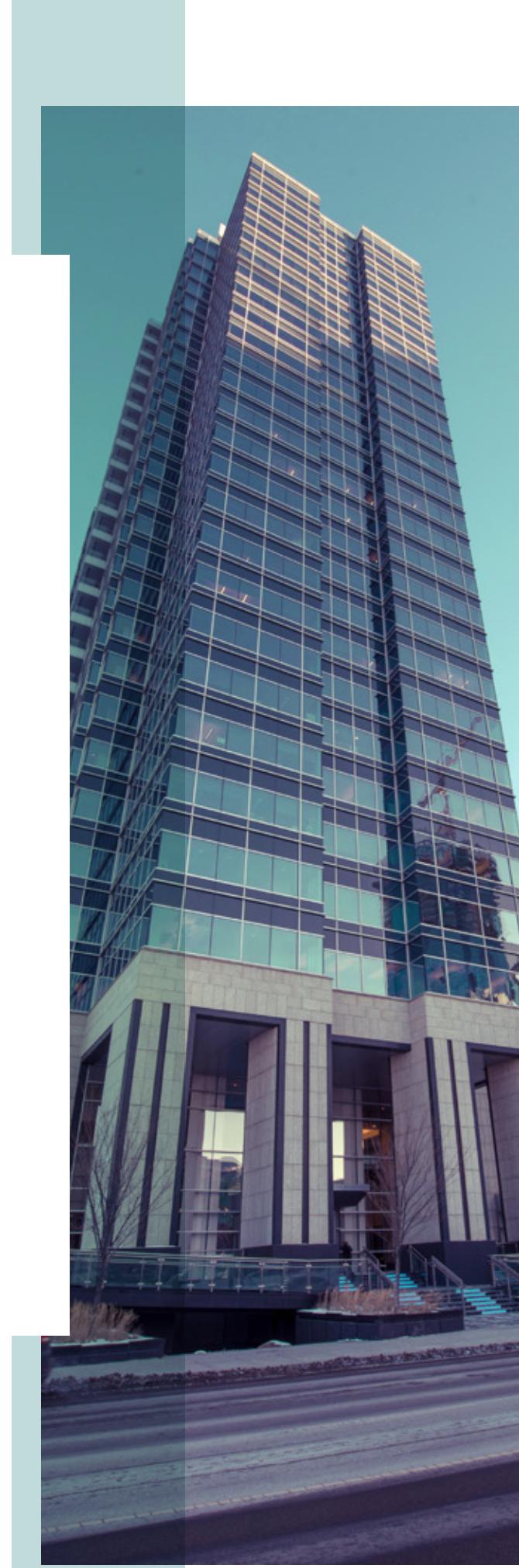
EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities and effective September 1, 2017 sanitary and stormwater systems. EPCOR also provides electricity, natural gas and water products and services to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly owned subsidiary, as a government business enterprise. EPCOR's 2017 consolidated financial statements have been prepared by EPCOR's management in accordance with IFRS. Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and therefore inter-organizational transactions and balances are not eliminated. On September 1, 2017 the City transferred net assets of the Drainage Utility of \$3,575.7 million to EPCOR. In 2017, the investment in EPCOR recorded by the City increased to \$3,560.9 million from \$2,672.2 million in 2016, a net increase of \$888.7 million. EPCOR adjusted the Drainage Utility net asset balances transferred from the City to conform to IFRS and recognized a transition cost compensation fee and promissory note payable, resulting in a net capital equity contribution from the City of \$787.9 million. Also contributing to the increase in the City's investment in EPCOR was EPCOR's reported net income for the year of \$256.3 million and \$34.7 million in tangible capital assets contributed to EPCOR by the City, offset by other comprehensive losses of \$37.5 million and a dividend of \$152.7 million provided to the City. From September 1, 2017, City funded drainage capital assets of \$34.7 million were contributed to EPCOR upon the completion of construction and were recorded as an increase to the investment in EPCOR.

In the first quarter of 2017, EPCOR sold the remainder of its shares in Capital Power, leaving EPCOR fully divested in Capital Power. By divesting in Capital Power, EPCOR is able to focus more on its core business activities.

Summary financial information for EPCOR is included in Note 20 to the financial statements.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance of \$771.2 million at the end of 2017 has increased by \$34.7 million over the prior year balance of \$736.5 million. Accounts payable and accrued liabilities is comprised of trade and other, developer obligations, payroll and remittances and accrued interest amounts owing. Information on the composition of the accounts payable and accrued liability balance is provided in Note 7 to the financial statements.



The trade and other payables balance of \$515.1 million includes the City's substantial completion payment obligation of \$44.4 million related to its public-private partnership (P3) with TransEd for the construction of the Valley Line LRT. The payment is due in 2020 upon completion of the project. More information related to the P3 obligation is included in Note 11e) to the financial statements.

Overall, trade payables increased by \$26.9 million due to additional obligations related to land acquisitions and construction projects which were underway at year-end, including revitalization of the Stanley A. Milner library and construction of the Northwest Police Campus. Developer obligations increased by \$10.4 million mainly due to payments being held at the end of the year pending completion of developments and fulfillment of requirements set out in servicing agreements.

DEFERRED REVENUE

Deferred revenue is largely made up of government transfers provided to fund operating or capital expenses. These revenues are externally restricted until used for the purpose intended. Externally restricted contributions received during the year amounted to \$407.7 million, of which \$318.2 million was recognized as revenue to fund related eligible expenses. This resulted in a deferred revenue balance of \$373.1 million, a net increase of \$89.5 million compared to 2016. The majority of the increase is due to the Municipal Sustainability Initiative and Alberta Culture and Tourism grant for Fort Edmonton Park received during the year in advance of capital expenses. Operating deferred revenue includes other revenue amounts received in advance of services provided. Additional detail with respect to balances and changes in deferred revenue is included in Note 8 to the financial statements.

DEBT

The City utilizes debt to finance capital expenditures under principles and limits established within the City's Debt Management Fiscal Policy (DMFP). 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 policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the application of funds used for debt servicing once debt is retired.

The City has three main types of long term debt obligations: tax-supported debt funded by tax levy, self-supporting tax-guaranteed debt funded through dedicated non-tax levy revenues, and self-liquidating debt funded through programs that are self-sustaining such as the Waste Services Utility and local improvements. As self-supporting

tax-guaranteed debt is guaranteed by the tax levy, it is classified as tax-supported debt. Tax-supported debt also includes the City's long term obligation related to its public-private partnership (P3) with TransEd for the construction of the Valley Line LRT (P3 term debt).

The City's Debt White Paper discusses the City's policies and strategies with respect to debt management. It is one of five white papers developed and released by the City. The Debt White Paper discusses the City's use of debt financing to optimize resources dedicated to the acquisition, creation, and rehabilitation of infrastructure. The Debt White Paper is available on the [City of Edmonton's website](#).

Since 1993, borrowing completed by the City has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the debt rating of the Government of Alberta and combined borrowing volumes across Alberta. 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. Payments are made annually or semi-annually. The City continued to benefit from low interest rates for new borrowing during the year with ranges as follows:

Borrowing Terms and Interest Rates

Term	Interest Rates
5 years	1.47% to 2.27%
10 years	2.00% to 2.67%
15 years	2.42% to 3.02%
20 years	2.71% to 3.13%
25 years	2.92% to 3.32%
30 years	2.99% to 3.46%
35 years	3.10% to 3.48%

The net long-term debt of \$2,912.1 million at December 31, 2017 decreased by \$426.8 million (12.8 per cent) compared to the 2016 balance. Long-term debt is comprised of debentures, mortgages and the P3 term debt. The gross amount of debentures, mortgages payable and P3 term debt of \$3,567.9 million is offset by \$655.8 million in amounts receivable from EPCOR. The amount receivable from EPCOR is for debentures issued in the name of the City on behalf of EPCOR relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009 and the Drainage Utility transferred to EPCOR on September 1, 2017.

Debt Schedule (millions of \$)	Tax-Supported			Self-Liquidating	Total Debt (net)
	Long-term	Short-term	Total		
Opening	\$ 2,222.8	\$ 60.0	\$ 2,282.8	\$ 1,056.2	\$ 3,339.0
Borrowings	174.6		174.6	102.8	277.4
Increase in P3 term debt	88.8		88.8		88.8
Principal Payments	(104.9)	(60.0)	(164.9)	(35.4)	(200.3)
Receivable from EPCOR Drainage Utility Debt				(592.8)	(592.8)
Ending	\$ 2,381.3	\$	\$ 2,381.3	\$ 530.8	\$ 2,912.1

Of the total net long-term debt of \$2,912.1 million, \$2,381.3 million is tax-supported and \$530.8 million is self-liquidating. Included in tax-supported debt is \$88.8 million of P3 term debt related to the portion of the deferred capital costs owing to the City's P3 partner TransEd from 2020 to 2050 for the construction of the Valley Line LRT. The term debt is based on the percentage of project completion as of December 31, 2017.

During the year, a total of \$277.4 million was added through new debenture borrowings and mortgages, with \$174.6 million considered tax-supported and \$102.8 million self-liquidating. Self-liquidating borrowings during the year include \$46.9 million relating to the Drainage Utility prior to its transfer to EPCOR, \$29.9 million for the Waste Services Utility, \$17.8 million related to local improvement projects, and \$8.2 million for the Blatchford Redevelopment Project. Tax-supported debt was borrowed to finance the Northwest Police Campus construction and various other capital projects including the land acquisition for the Valley Line Downtown to Lewis Farms LRT Line, revitalization of the Stanley A. Milner Library and construction of the Kathleen Andrews Transit Garage.

Debt principal repayments of \$200.3 million were made during the year; \$164.9 million for tax-supported debt and \$35.4 million for self-liquidating debt.

Up to \$796.7 million has been previously approved in short-term borrowing to fast-track expenditures in advance of funding from provincial or federal transfer payments. Since 2010, \$120.0 million has been borrowed with \$60.0 million repaid in 2015, and the remaining \$60.0 million repaid in 2017. Further use of short-term borrowing is not anticipated at this time based on the approved capital expenditure projections and government transfer cash flows.

A Regulation pursuant to Section 271 of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. Consolidated revenue net of capital government transfers and developer contributed tangible capital assets includes \$131.6 million (2016 – \$191.0 million) related to the Drainage Utility. As allowed under the Regulation, the revenue from EPCOR subsidiary

operations is eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 35 per cent of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City carries levels of debt and debt servicing well below the legislated limit. Debt servicing, for purposes of calculating the MGA debt servicing limit, is the amount of principal and interest for the subsequent year relating to debt in place at the end of the year reported.

Debt and Debt Service Limits – MGA (millions of \$)

	2017	2016
Debt limit	\$ 5,649.4	\$ 5,627.4
Debt limit used	\$ 2,912.1	\$ 3,339.0
Percentage used (%)	51.5	59.3
Debt service limit	\$ 988.6	\$ 984.8
Debt service limit used	\$ 264.6	\$ 341.0
Percentage used (%)	26.8	34.6

The internal DMFP sets more conservative debt service limits than those established in the MGA, with limits for all City operations and tax-supported operations. Under the City's policy, the total debt service limit is calculated at 22 per cent of total consolidated revenues, as calculated for purposes of the MGA debt limit, and the tax-supported debt service limit is calculated at 15 per cent of tax-supported revenues. For purposes of monitoring compliance with the DMFP, debt servicing is calculated as debt principal and interest paid in the year.



51.5%

MGA DEBT
LIMIT USED
BY THE CITY



Debt Service Limits – DMFP

(millions of \$)

	2017	2016
Total debt service limit	\$ 621.4	\$ 619.0
Debt service limit used	\$ 333.0	\$ 262.0
Percentage used (%)	53.6	42.3
Tax supported debt service limit	\$ 361.9	\$ 348.6
Debt service limit used	\$ 264.1	\$ 170.8
Percentage used (%)	73.0	49.0

The percentage of the debt servicing limit utilized for purposes of the DMFP increased in 2017 due to the repayment of \$60.0 million of short-term borrowing. Short-term borrowing was undertaken by the City to finance fast-tracking of capital expenditures for projects ultimately approved to be funded through Municipal Sustainability Initiative grants and provincial fuel tax. The 2017 payment repays this short-term debt in full.

NON-FINANCIAL ASSETS

Non-financial assets include tangible capital assets, inventories, advances secured by tangible capital assets and other assets used to provide services. Tangible capital assets are managed and held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets. These assets have economic lives that extend beyond a year and are not for sale in the ordinary course of operations.

Tangible capital assets of \$10,728.0 million have decreased by 20.6 per cent compared to the 2016 balance of \$13,515.1 million. The net decrease of \$2,787.1 million is mainly a result of the transfer of Drainage Utility tangible capital assets of \$3,527.6 million to EPCOR. There were also acquisitions of tangible capital assets of \$1,138.3 million and contributions of tangible capital assets of \$217.2 million, offset by annual amortization of \$556.2 million and disposals and transfers of assets with a net book value of \$58.8 million. Tangible capital assets placed in service were primarily in asset categories of buildings and roadways. Schedule 1 – Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

2017 was the third year of the 2015–2018 capital budget, approved by City Council in December 2014, with capital spending during the year focused on key growth projects as well as maintenance of existing infrastructure. The capital additions in 2017 of \$1,138.3 million continue the substantive capital investment in city infrastructure for both growth and renewal. The City recognized contributions of tangible capital assets of \$217.2 million in the year, a decrease of \$131.1 million from the

\$348.3 million recognized in the previous year. The decrease was primarily a result of the transfer of the Drainage Utility on September 1, 2017 after which time contributed assets were recognized by EPCOR. Progress was made during the year on significant capital projects, such as the neighbourhood renewal program, roadway systems across the City and the Valley Line LRT.

ACCUMULATED SURPLUS

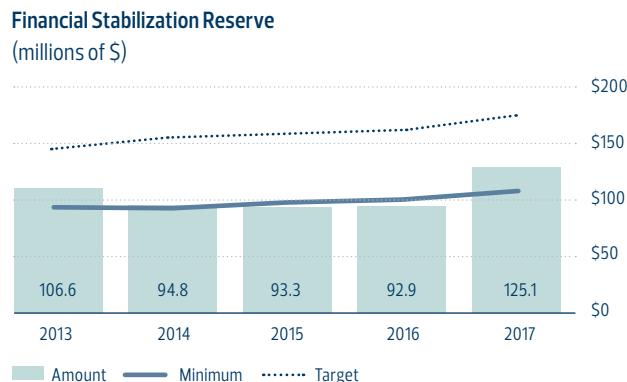
The accumulated surplus reflects the City's net economic resources that have been built up over time. As reflected in Note 16 to the financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including the 2017 ending position of general government operations, reserves, equity invested in tangible capital assets and advances for construction. The City maintained a strong accumulated surplus, ending 2017 with a total of \$13,299.3 million, a 9.5 per cent decrease from prior year.

The majority of the decrease in accumulated surplus is attributable to the excess of revenue over expenses of \$754.8 million, EPCOR's other comprehensive loss of \$37.5 million, and the \$2,120.0 million difference between the carrying value of net assets transferred to EPCOR and the adjusted carrying values recorded by EPCOR under IFRS. As of December 31, 2017, general government (tax-supported) operations has a year-end position of \$31.2 million and the City's share of unrestricted excess sinking fund earnings is \$1.5 million. Included in the restricted surplus of \$5,001.3 million is \$3,560.9 million relating to EPCOR, \$842.5 million from the Ed Tel Endowment Fund, \$107.0 million in operating retained earnings for Land Enterprise, as well as \$434.0 million in reserves for future expenditures.

RESERVES

The City maintains a Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves, requires the approval of City Council. In accordance with the policy, a review of reserves was completed in 2015 to ensure they continue to support the financial goals and serve the highest priority needs of the city and its citizens. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2018.

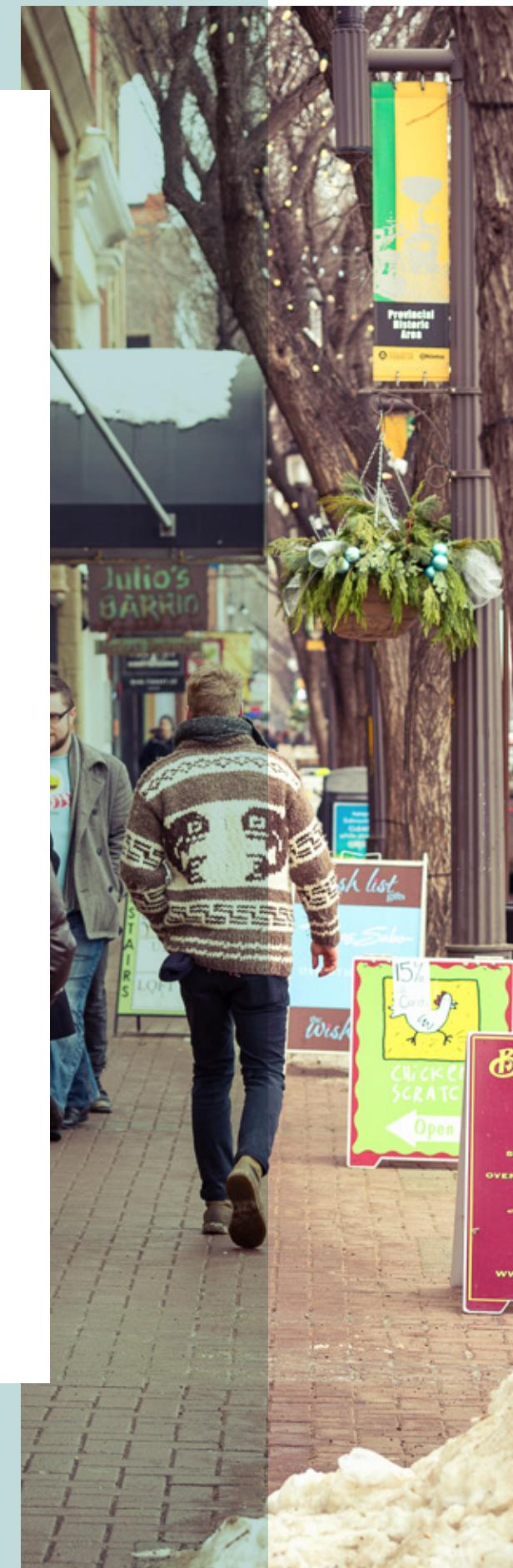
A schedule of reserves has been provided in Note 15 to the financial statements. The reserve balance of \$434.0 million at the end of 2017 has increased by \$41.2 million over the prior year balance of \$392.8 million. The net increase was primarily the result of increases in the Financial Stabilization Reserve, partially offset by reductions in the Neighbourhood Renewal Reserve. Significant changes in these reserve balances during the year are discussed below. The overall reserve balance also includes reserves of the City of Edmonton Library Board, Edmonton Economic Development Corporation, Non-Profit Housing Corporation, and Fort Edmonton Management Company, as approved by their respective Boards.

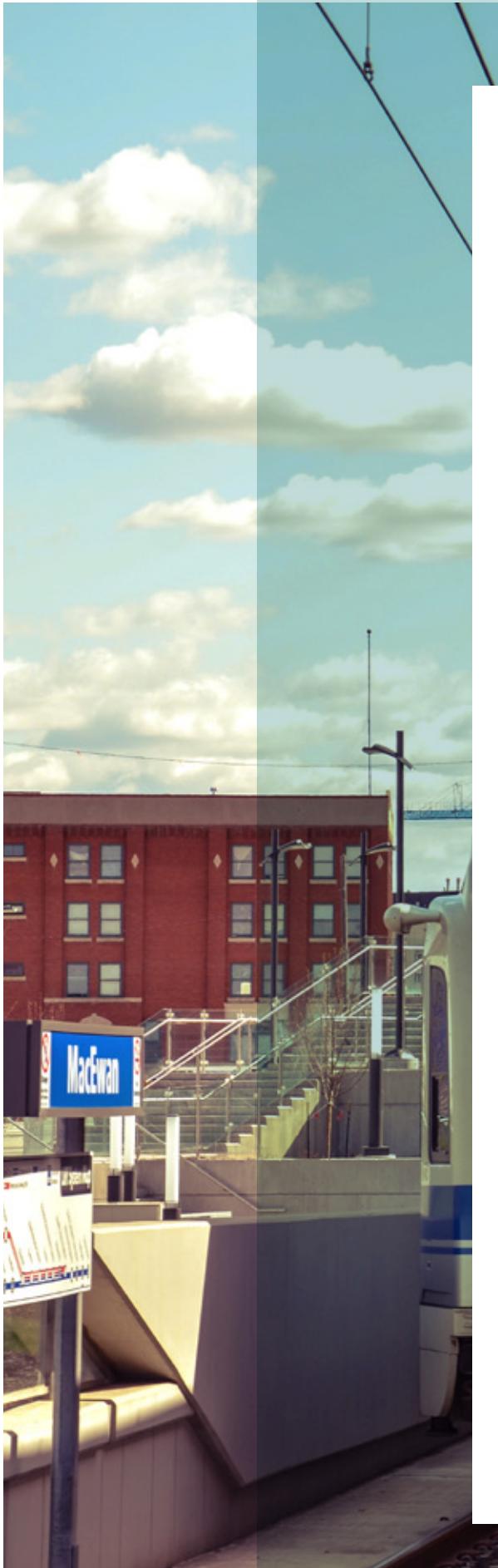


The largest reserve account held by the City, as at December 31, 2017, is the Financial Stabilization Reserve. This reserve was established in 1997 to provide flexibility in addressing financial risks associated with revenue instability and emergent financial issues, and to ensure the orderly provision of services to citizens. The appropriated balance of the reserve represents funds that have been set aside by City Council to fund future commitments. The Financial Stabilization Reserve is uncommitted and provides the City with flexibility to address significant emergent financial issues. The reserve is not intended to be used to stabilize future tax rate increases. City policy establishes that the Financial Stabilization Reserve must have a minimum balance of 5 per cent with a target balance of 8.3 per cent of current general government expenses (excluding non-cash amortization). Any annual general government surplus will be applied to the reserve in the subsequent year. Any annual tax-supported deficit would draw on the reserve.

In 2015, Administration conducted a risk-based review of the Financial Stabilization Reserve and concluded that the respective minimum and target balances of 5 per cent and 8.3 per cent of current general government expenses (excluding non-cash amortization) were appropriate. City procedure requires a risk-based review of the Financial Stabilization Reserve be completed every three years to ensure the sufficiency of the minimum and target percentages.

THE FINANCIAL STABILIZATION RESERVE PROVIDES THE CITY WITH FLEXIBILITY TO ADDRESS SIGNIFICANT EMERGENT FINANCIAL ISSUES.





The Financial Stabilization Reserve balance as of December 31, 2017 is \$125.1 million. During the year, the prior year general government surplus of \$63.8 million was transferred to the reserve, and \$32.8 million in funding was transferred to the appropriated balance to fund future project expenses. The 2017 general government surplus of \$31.2 million will be transferred to the Financial Stabilization Reserve in 2018 with \$16.0 million then appropriated for funding within the 2018 operating budget, as approved by City Council. After reflecting the approved transactions, the reserve balance of \$140.3 million will exceed the minimum level as set within the policy of \$105.9 million but will be below the target level of \$175.7 million.

The appropriated balance as of December 31, 2017 is \$85.0 million. Throughout 2017, \$36.8 million in funding from the appropriated balance was approved by Council to fund future project expenses, and \$34.9 million was applied to fund those expenses. As provided for in the Drainage Utility Asset and Liability Transfer Agreement, a \$75.0 million transition cost compensation fee is to be provided by EPCOR to the City from 2017 to 2022 to fund City stranded costs as a result of the transfer. On September 1, 2017, the effective date of transfer, the City recognized the \$75.0 million transfer fee receivable with a corresponding increase in the appropriated Financial Stabilization Reserve. During the year \$21.8 million was used to offset stranded costs. The remaining amount is reflected in the appropriated balance of the reserve.

The Local Improvement Reserve, the City's second largest reserve, accumulates the annual difference between local improvement revenues and debt servicing related to local improvements. The reserve ended the year with a balance of \$116.8 million, an increase of \$8.0 million from the prior year. This was due to revenues recognized for local improvement construction during the year, partially offset by funds used to pay for local improvement debt servicing costs. The City borrows to finance 50 or 100 per cent of the local improvement construction cost. Debt servicing related to the borrowing is repaid through the collection of local improvement amounts from the benefiting property owners.

The Current Planning Reserve was established to support the long-term financial sustainability of Development Services operations by managing revenue and expenditure streams over the long term to ensure financial support during times of economic volatility. As outlined in City policy the target balance of the reserve is 75 per cent of budgeted expenditures and the minimum balance is calculated as 30 per cent of budgeted expenditures. The reserve balance on December 31, 2017 is \$6.4 million, which is below the minimum required 2017 balance of \$18.8 million. The reserve has been drawn on more than budgeted mainly due to lower than expected volumes of building applications and permits. Management is developing strategies in order to bring the reserve above the minimum balance in order to maintain long-term sustainable service delivery to City building partners.

A Community Revitalization Levy (CRL) is a funding source the City can use to dedicate future property tax revenue in a specific area to fund public projects designed to encourage new development and revitalize a specific area of the City. The City currently has CRL's approved for Belvedere, the Quarters and Capital City Downtown. To date, the costs in

the early stages of each of the CRL's exceed the CRL revenue, resulting in deficit balances in the reserves. CRL revenues in future years are expected to offset the current reserve deficit balances. Provincial education taxes collected as a part of incremental CRL tax revenues are retained for use within the CRL over its life. The CRL's are performing consistent with long-term plans.

The Neighbourhood Renewal Reserve contains tax funding dedicated to the Neighbourhood Renewal Program, net of annual expenditures, as approved through the annual City budget process. In previous years, only operating projects were managed through the reserve, as tax funding for neighbourhood renewal capital projects were managed through advances for construction within the City's accumulated surplus. In 2017, City Council approved the Neighbourhood Renewal Program policy which requires the City to manage both the capital and operating tax-levy funded components of the Neighbourhood Renewal Program within the reserve. The reserve ended the year in a deficit of \$38.6 million, a decrease of \$39.2 million from the prior year, largely due to capital expenses incurred in advance of forecasted future tax funding. Future tax revenues will offset the deficit balance.

The Interim Financing Reserve is used to accommodate timing differences between operating expenses and receipt of future revenue intended to fund these costs including differences that arise between the timing of budgeted expenses and payment of expenses. At the end of 2017, the reserve has a deficit balance of \$29.7 million, which will be replenished upon receipt of future revenues.

EQUITY IN TANGIBLE CAPITAL ASSETS

As summarized in Note 14 to the financial statements, equity in tangible capital assets represents the investment made in tangible capital assets after deducting the portion financed by outstanding long-term debt net of debt secured by Sinking Fund assets, long-term debt for land redevelopment, debt on advances secured by tangible capital assets and debt recoverable. A decrease of \$2,347.8 million for 2017 is mainly a result of the transfer of the Drainage Utility equity in tangible capital assets to EPCOR. There are also increases in the net acquisition of tangible capital assets across City departments that are partially offset by net additional debt. This brings the ending balance of equity in tangible capital assets to \$8,040.9 million for the year.

ADVANCES FOR CONSTRUCTION

Advances for construction represents funding received in advance of related capital expenses as well as capital expenses to be financed at year-end. At the end of 2017, \$224.4 million of funding/financing is in place where capital expenses have not yet been incurred, compared to \$215.6 million at the end of 2016, a net increase of \$8.8 million. This is mainly due to the transfer of the capital portion of the Neighbourhood Renewal program to the Neighbourhood Renewal Reserve as discussed above in the reserve section.



FINANCIAL OPERATIONS

The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

COMPARISON TO PRIOR YEAR

Operating Revenues – Comparison to Prior Year
(millions of \$)

	2017 Actual	2016 Actual	Change \$	Change %
Net taxes available for municipal purposes	\$ 1,505.8	\$ 1,433.8	\$ 72.0	5.0
User fees and sale of goods and services	696.4	743.3	(46.9)	(6.3)
Subsidiary operations – EPCOR	256.3	309.0	(52.7)	(17.1)
Franchise fees	159.7	144.7	15.0	10.4
Investment earnings	116.9	126.8	(9.9)	(7.8)
Government transfers – operating	107.5	112.8	(5.3)	(4.7)
Fines and penalties	90.1	91.2	(1.1)	(1.2)
Licenses and permits	75.7	74.5	1.2	1.6
Developer and customer contributions – operating	15.4	7.1	8.3	116.9
Total	\$ 3,023.8	\$ 3,043.2	\$ (19.4)	(0.6)

Consolidated revenues exceed expenses for the year by \$754.8 million after accounting for government transfers for capital, contributed tangible capital assets, developer and customer contributions for capital and local improvements.

Overall, operating revenues decreased by \$19.4 million from the prior year due to a decrease of \$52.7 million in EPCOR earnings, a \$46.9 million decrease in revenue from user fees and sales of goods and services, a \$9.9 million decrease in investment earnings, and a \$5.3 million decrease in operating government transfers. These decreases were offset by an increase of \$72.0 million in taxation revenue from a combined rate increase and growth, an increase in franchise fees of \$15.0 million mainly due to higher gas franchise fees, and a net increase of \$8.4 million from various other revenue sources.

Property tax is the primary source of revenue available to the City to pay for municipal services. In 2017 net taxes available for municipal services of \$1,505.8 million accounted for 49.8 per cent of total operating revenues, a similar percentage compared to 2016. Total tax revenues in 2017 were \$1,984.3 million, with \$474.8 million collected on behalf of the Province for education school tax and \$3.7 million for business improvement areas.

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. Note 17 to the financial statements provides further detail with respect to tax revenue.

The decrease in user fees and sales from prior year is largely due to the transfer of the Drainage Utility to EPCOR on September 1, 2017, as the City only recognized Drainage financial results up to August 31, 2017.

Investment earnings decreased from the prior year due to the continued impact of the global economic slowdown which peaked in the capital markets in late 2016.

PROPERTY TAX IS THE PRIMARY SOURCE OF REVENUE AVAILABLE TO THE CITY TO PAY FOR MUNICIPAL SERVICES.

Operating Expenses by Object – Comparison to Prior Year

(millions of \$)

		2017 Actual	2016 Actual	Change \$	Change %
Salaries, wages and benefits	\$ 1,577.0	\$ 1,538.5	\$ 38.5	2.5	
Materials, goods and utilities	282.1	267.6	14.5	5.4	
Contracted and general services	283.4	282.1	1.3	0.5	
Interest and bank charges	145.5	128.5	17.0	13.2	
Grants and other	93.0	80.0	13.0	16.3	
Amortization of tangible capital assets	556.2	526.6	29.6	5.6	
Loss on disposal/replacement of tangible capital assets	18.9	13.3	5.6	42.1	
Total	\$ 2,956.1	\$ 2,836.6	\$ 119.5	4.2	

Operating expense increases of \$119.5 million over the prior year related to net increases in amortization of \$29.6 million, personnel costs of \$38.5 million, interest and bank charges of \$17.0 million, and materials, goods and utilities of \$14.5 million. The remainder of the increase from prior year was within grants and other, loss of disposal/replacement of tangible capital assets, and contracted and general services.

The net increase in amortization from the prior year is largely due to significant assets coming into service over the last two years, including Rogers Place arena, and the impairment of the Edmonton Compost Facility.

The increase in personnel costs is consistent with contractual rate adjustments, partly offset with lower personnel costs in the last four months of the year due to the transfer of the Drainage Utility to EPCOR.

Interest and bank charges increased as a result of Valley Line LRT P3 contractor finance charges incurred during construction. The City's practice is not to capitalize interest during construction.

The increase in materials, goods and utilities was mainly due to higher snow and ice control costs, as weather conditions were more favourable in the prior year, and higher fleet costs as a result of an increase in fuel prices in 2017 and an increased demand for parts.

Operating Expenses by Function – Comparison to Prior Year

(millions of \$)

		2017 Actual	2016 Actual	Change \$	Change %
Transportation services	\$ 868.0	\$ 814.3	\$ 53.7	6.6	
Protective services	673.6	659.2	14.4	2.2	
Community services	611.0	571.2	39.8	7.0	
Waste Services Utility	211.7	181.8	29.9	16.4	
Drainage Utility	117.5	172.1	(54.6)	(31.7)	
Land Enterprise	11.6	19.3	(7.7)	(39.9)	
Fleet services	30.4	27.3	3.1	11.4	
Corporate administration, general municipal and other	423.3	391.4	40.9	10.4	
Total	\$ 2,956.1	\$ 2,836.6	\$ 119.5	4.2	

In terms of operating expense variances by function compared to prior year, all areas had increases related to personnel costs consistent with contractual rate adjustments, partially offset with lower costs related to the transfer of the Drainage Utility to EPCOR. In addition to general personnel cost increases, expenses fluctuated from prior year for the following reasons by function.

Transportation services realized higher costs in 2017 due to higher interest and bank charges related to Valley Line LRT P3 contractor finance charges and higher snow and ice control costs.



7.8 KM

**BIKE LANES, SHARED ROADS
AND PATHS IN THE DOWNTOWN
BIKE NETWORK**



Increases in Community Services expenses in 2017 were mainly related to higher lease costs and funding provided to EPCOR through the Sanitary Servicing Strategy Fund for construction of sanitary sewer infrastructure. Prior to the Drainage Utility transfer to EPCOR, the sanitary sewer infrastructure was constructed by the City Drainage Utility and funded internally through the Sanitary Servicing Strategy Fund.

Waste Services Utility costs increased over prior year due to an asset impairment of \$12.3 million related to structural damages at the Edmonton Compost Facility building and an adjustment to the landfill post closure liability. The liability represents future estimated costs for closure and post-closure care of the Clover Bar landfill.

Cost increases in corporate administration, general municipal and other were generally a result of additional personnel costs and an increase in amortization due to additional assets coming into service over the last two years.

Capital revenues comprise government transfers, contributed tangible capital assets, developer and customer contributions and local improvement revenues. These revenue sources are approved by City Council as funding sources for capital projects through the capital budget process.

Capital revenues decreased from the prior year by \$71.7 million, due to a decrease in contributed tangible capital assets of \$131.1 million, and

developer and customer contributions of \$27.6 million, partially offset by an increase in government transfers of \$81.8, and local improvement revenues of \$5.2 million.

Contributed tangible capital assets decreased from prior year as a result of the Drainage Utility transfer to EPCOR and reduced development activity, resulting in fewer developer contributed infrastructure assets such as roads, sidewalks and drainage infrastructure. Contributed tangible capital assets for the Drainage Utility were only recognized by the City for financial statement reporting purposes up to August 31, 2017, and will be recognized by EPCOR effective September 1, 2017. Capital developer and customer contributions were lower than prior year due to the completion of significant capital projects in 2016, which were funded by developer and customer contributions, including Rogers Place arena and River Valley Alliance projects. Government transfers increased over prior year due to advancement on key projects funded through government grants in 2017, including the Valley Line LRT.

Capital Revenues – Five Year Trend (millions of \$)



COMPARISON TO BUDGET

Operating Revenue – Comparison to Budget (millions of \$)

	2017 Budget	2017 Actual	Variance \$	Variance %
Net taxes available for municipal purposes	\$ 1,509.6	\$ 1,505.8	\$ (3.8)	(0.3)
User fees and sale of goods and services	801.8	696.4	(105.4)	(13.1)
Subsidiary operations – EPCOR	240.2	256.3	16.1	6.7
Franchise fees	152.2	159.7	7.5	4.9
Investment earnings	81.1	116.9	35.8	44.1
Government transfers – operating	102.5	107.5	5.0	4.9
Fines and penalties	98.6	90.1	(8.5)	(8.6)
Licenses and permits	75.4	75.7	0.3	0.4
Developer and customer contributions – operating	9.8	15.4	5.6	57.1
Total	\$ 3,071.2	\$ 3,023.8	\$ (47.4)	(1.5)

Operating revenues were lower than budget by \$47.4 million, or 1.5 per cent of the revenue budget, primarily due to lower than budgeted revenue from user fees and sales, and fines and penalties, partially offset by higher than anticipated investment earnings as a result of favourable market conditions when compared to budget, and greater than budgeted net income for EPCOR. The lower than budgeted user fees and sales were primarily a result of less than expected land sales due to market conditions and development for civic use, and lower Drainage Utility revenues as a result of the transfer to EPCOR, partially

offset by higher than budgeted external funding for the 41st Avenue / Queen Elizabeth II interchange project. The revenue variance for the 41st Avenue / Queen Elizabeth II interchange is fully offset with higher than budgeted 41st Avenue / Queen Elizabeth II interchange expenditures below. The user fees budget includes Drainage Utility revenues for the entire year, whereas actuals reflect revenues up to August 31, 2017, prior to the Drainage Utility transfer. Lower than budgeted fines and penalties revenue is mainly related to lower violations and fine amounts for traffic safety and automated enforcement.

Operating Expenses by Function – Comparison to Budget

(millions of \$)

	2017 Budget	2017 Actual	Variance \$	Variance %
Transportation services	\$ 860.5	\$ 868.0	\$ (7.5)	(0.9)
Protective services	679.7	673.6	6.1	0.9
Community services	586.2	611.0	(24.8)	(4.2)
Waste Services Utility	193.0	211.7	(18.7)	(9.7)
Drainage Utility	163.1	117.5	45.6	28.0
Land Enterprise	68.1	11.6	56.5	83.0
Fleet services	28.6	30.4	(1.8)	(6.3)
Corporate administration, general municipal and other	434.1	432.3	1.8	0.4
Total	\$ 3,013.3	\$ 2,956.1	\$ 57.2	1.9

Operating expenses of \$2,956.1 million varied from budget by \$57.2 million, or 1.9 per cent of the consolidated expenses budget.

Transportation services had higher than anticipated net costs of \$7.5 million. Contributing to the higher than budgeted costs are interest charges of \$19.8 million related to Valley Line LRT P3 contractor finance charges, \$17.3 million in disposal of retired roadway assets, and higher than budgeted costs for the 41st Avenue/Queen Elizabeth II interchange project of \$12.0 million. The greater than budgeted costs for the interchange project are offset with additional funding recognized within user fees and sales revenue. The Valley Line LRT P3 contractor financing charges are a part of the total approved cost for the Valley Line LRT and are sufficiently funded through dedicated tax-levy and managed within the LRT Reserve. These increases are partially offset by lower amortization costs of \$20.8 million as a result of less roadway and bridge capital construction completed than planned for projects such as Yellowhead Trail, and lower costs of \$18.7 million as a result of various factors including lower snow and ice control efforts due to favourable weather conditions.

Community services expenditures were over budget during the year by \$24.8 million, or 4.2 per cent of the allocated budget. This was primarily due to higher than anticipated amortization costs of \$25.0 million as a result of additional developer contributed assets and additional assets coming into service, such as the Terwillegar Footbridge and River Valley Alliance Connective Infrastructures. These unfavourable variances are partially offset with a delay in land contributions to the Community Development Corporation of \$5.9 million and lower than anticipated Cornerstones I and II grant expenses of \$5.1 million due to the timing of grant applications.

Waste Services Utility costs were greater than anticipated primarily as a result of an asset impairment of \$12.3 million related to structural damages at the Edmonton Compost Facility building, and a \$7.4 million adjustment to the landfill post closure liability mainly due to revised post closure cost estimates.

Land Enterprise experienced lower than budgeted costs for land sales due to timing of the sales, mainly due to market conditions.

Capital Revenues – Comparison to Budget

(millions of \$)

2017 actual	\$ 687.0
2017 budget	\$ 982.7
Variance \$	\$ (295.7)
Variance %	(30.1)

Capital revenues of \$687.0 million were \$295.7 million lower than budget during the year. The majority of the variance is due to fewer capital revenues recognized by the City compared to budget as a result of the Drainage Utility transfer to EPCOR, and timing differences around capital project expenditures resulting in delayed recognition of the related capital revenues. The budget for capital revenues includes Drainage Utility capital revenues for the entire year, whereas actual results reflect revenues up to August 31, 2017, prior to the Drainage Utility transfer.

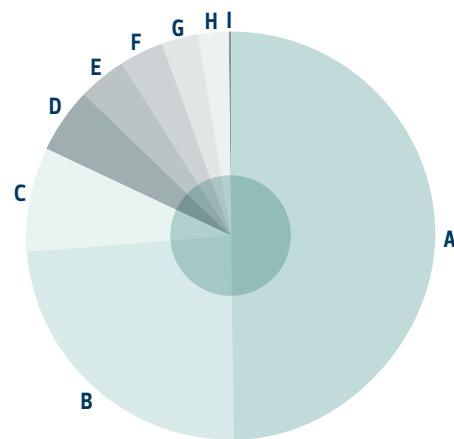
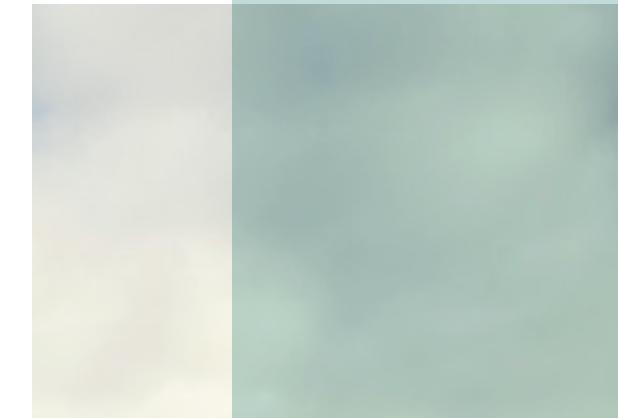
More specifically, capital government transfers and developer and customer contributions were lower than budget by \$347.1 million due to the transfer of the Drainage Utility to EPCOR, as discussed above, and timing of capital projects, particularly related to the Valley Line LRT, bus purchases, and certain building rehabilitation projects. Capital revenues associated with contributed tangible capital assets were greater than budget by \$46.7 million due to higher than anticipated infrastructure assets contributed by developers as a result of continued expansion and growth in the City. The remainder of the variance was due to higher than budgeted local improvement revenues.

Schedule 2 – Consolidated Schedule of Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. A description of each of the segments is provided in Note 25 to the financial statements.

Sources of Revenues – Operating

(millions of \$)

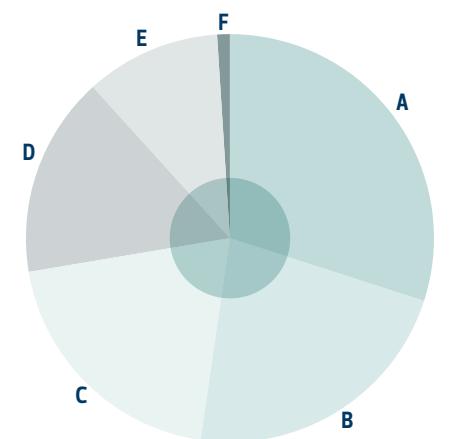
	\$	%
A Net taxes available for municipal purposes	\$ 1,505.8	49.8%
B User fees and sale of goods and services	696.4	23.0%
C Subsidiary operations – EPCOR	256.3	8.5%
D Franchise fees	159.7	5.3%
E Investment earnings	116.9	3.9%
F Government transfers – operating	107.5	3.6%
G Fines and penalties	90.1	3.0%
H Licenses and permits	75.7	2.5%
I Developer and customer contributions – operating	15.4	0.5%
	\$ 3,023.8	100.0%



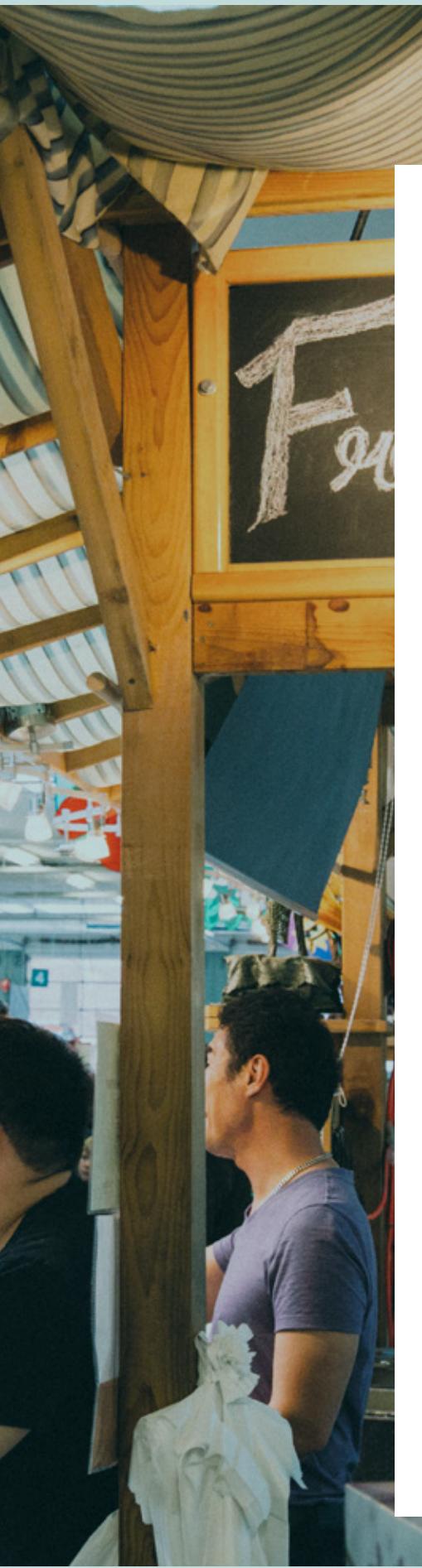
Distribution of Expenses – Operating

(millions of \$)

	\$	%
A Transportation services	\$ 868.0	29.4%
B Protective services	673.6	22.8%
C Community services	611.0	20.7%
D Corporate administration, general municipal and other	432.3	14.6%
E Utilities and enterprise	340.8	11.5%
F Fleet services	30.4	1.0%
	\$ 2,956.1	100.0%







FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and takes a proactive approach to identify and address financial challenges.

RESPONSIBLE FISCAL MANAGEMENT

The City's financial governance policies and practices ensure its continued sound fiscal management and long-term financial sustainability. These policies and practices are continuously assessed using leading practice and research on several policy and strategy topics. White papers have been developed to provide a foundation for discussing the key financial issues and questions related to debt, franchise fees, investments, user fees and property assessment and taxation.

In 2008, thousands of Edmontonians came together to imagine a common vision for the future of the City. The result of their conversation was *The Way Ahead*, a strategic plan that serves as a guide to achieve City Council's vision for 2050. *The Way Ahead* establishes Council's strategic goals that direct planning and help to move the City closer to the vision that was developed together as a community.

City Council's strategic plan and corporate business plans provide areas of focus to achieve the 10-year strategic goals. City Council and City Administration regularly review *The Way Ahead* and progress toward the 2050 vision. As the City approaches the 2019 update of *The Way Ahead*, a renewal of the approach is being embarked on, focusing on integration of the plans, with the final result being the development of a singular, strategic plan that defines priorities. Council's strategic plan for 2019–2028 will cascade down into the development of the Corporate Business Plan, as well as development of department business plans and branch action plans for 2019 through 2022. The Corporate Business Plan will outline Administration's approach to deliver on the expectations of City Council and will inform development of the capital and operating budgets to achieve a vision developed through thousands of Edmontonians. The purpose of the Corporate Business Plan is for Edmontonians to clearly see how the City is investing their tax dollars to build the city that meets their needs.

In 2016, City Council approved the Program and Service Review, which is a review of all City services to ensure the services are relevant and are being provided in an efficient and effective manner. A panel comprising internal and external participants provided a broad range of perspectives and offered their knowledge related to innovative best practices in service delivery. The review resulted in budget savings and recommendations for process improvements. The Program and Service Review team will continue to identify savings and provide recommendations to ensure the City's financial sustainability and progress toward City Council's goals.

Edmonton's multi-year operating and capital budget-setting process is critical in planning and providing for the City's core services as well as longer term infrastructure planning. The City aims to optimize the balance between affordable taxes for property owners and reasonable user fees, while achieving program results and maintaining priority services for the general public. Multi-year budgeting provides more flexibility for the financial management of the City's operations and capital priorities. Funding can be reallocated across different years of the budget and needs can be assessed over a longer term allowing for more prudent and informed financial decision-making, while building stable program and service delivery and infrastructure development. The multi-year process includes opportunities to adjust the budget twice a year through the supplementary budget adjustment process approved by City Council. It provides City Council with an opportunity to adjust the budgets in response to changing project needs, new funding opportunities, changes in federal and provincial budgets, changes imposed by legislation, Council directed changes in priorities, operating impacts of capital projects, unforeseen impacts to economic forecasts and to respond to emerging issues. This multi-year approach allows the City to align strategy, 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, resulting in more informed, strategic and well-rounded financial decision making. The upcoming operating and capital budget cycles will be for the period 2019–2022.

The operating budget identifies planned long-term revenues and expenses using a program-based approach focused on service delivery and advancement towards the City's long-term goals. From year-to-year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs, as a result of reprioritization or other factors. With limited sources of revenue available to municipalities to pay for civic services, prioritization is required in order to meet the demands of a diverse and growing population. This challenge is dealt with through budget deliberations and updates. City Council decides the overall levels of services, types of programs and long-term investments required to support a growing, vibrant city.

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 centers and libraries, and transportation assets including LRT lines and bridges.



The 10-year 2019–2028 Capital Investment Outlook is being updated and will be presented to City Council in 2018. The outlook identifies the City's 10 year capital needs and priorities for growth projects, investment targets for renewal based upon known funding sources, and highlights the City's financial capacity and debt position. It assists Council in making long-term strategic decisions on how to best allocate City resources to build and maintain the infrastructure requirements over the next decade. City Council will be approving the next four year Capital Budget for 2019–2022 in 2018 as well.

City Council's Waste Management Utility Fiscal policy governs the financial relationship between the City and the municipally owned and operated utility. This policy requires the utility to operate in a manner that balances the best service at the lowest cost while employing private sector approaches to rate setting. The utility is to charge rates sufficient to meet expenditure and cash flow requirements, repay capital debt and ensure financial sustainability.

With the transfer of the Drainage Utility to EPCOR effective September 1, 2017, City Council approved Bylaw 18100, which sets the drainage customer rates, franchise fees, and terms and conditions for Drainage Services provided by EPCOR under a performance based regulation (PBR) framework, for the period January 1, 2018 to March 31, 2022. EPCOR water and wastewater rates were approved by City Council in 2016 through the related PBR Plan which set these rates for the period April 1, 2017 to March 31, 2022. The PBR framework and annual PBR progress reports allows for City Council to have oversight and governance for water, wastewater and drainage rates over a longer term and provides incentive for EPCOR to operate more efficiently while providing appropriate service levels.

BUDGETING

On December 3, 2015, City Council approved the 2016–2018 operating budget. The original approved operating budget resulted in a 3.4 per cent general property tax increase in 2016. The original 2016–2018 operating budget included a forecast increase of 4.8 per cent for 2017 and 2018. As a result of a continued downturn in the economy, Administration extensively reviewed the 2017 and 2018 operating budgets and through the supplementary operating budget adjustment process, updated assumptions to reflect the current economic projections, including the continued economic forecast for lower and slower growth, and decisions and recommendations of Administration to mitigate the impact of a slower growth economy. Adjustments were also made to reflect changes to the provincial education budget. As a result, on April 25, 2017 City Council approved a 2.8 per cent property tax increase for 2017, and a 3.2 per cent property tax increase in 2018, that includes 1.4 per cent for neighbourhood renewal and 0.6 per cent for the Valley Line LRT.

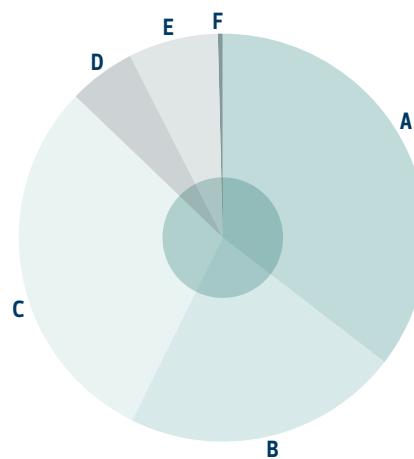
The Bylaw to establish the 2018 municipal tax for all property types will be set by City Council in April 2018. Changes to the operating budget which impact the tax-levy may be completed prior to the taxation bylaw approval.

The current capital budget cycle is for a four year period from 2015 to 2018 and was approved by City Council in December 2014, with subsequent adjustments through supplementary capital budget adjustment process. The four-year capital budget will see investment of \$8.9 billion on infrastructure based on the adjusted approved capital budget as at December 31, 2017. This includes cash flows for projects extending beyond 2018 and excludes the carry forward of capital budgets for projects not completed from the previous capital budget cycle. The funding and financing sources are as follows:

2015–2018 Capital Budget – Funding Sources
(millions of \$)

A	Government transfers and contributions	\$ 3,252.6
B	Accumulated surplus including reserves	1,876.4
C	Tax-supported debt financing	2,849.8
D	Self-liquidating debt financing	167.5
E	Pay-as-you-go	679.7
F	Other	37.2
		\$ 8,863.2

Capital requirements directly related to EPCOR are not included in the capital budget.



ACCOUNTING AND FINANCIAL REPORTING

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City currently utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within financial services and delivered to each business area based on their needs. Accounting and financial reporting functions are centralized in order to improve the quality and timeliness of financial reporting and increase accounting oversight and transactional consistency to support better financial decision-making.

The City of Edmonton Library Board, the Edmonton Police Service, Waste RE-solutions Edmonton and Edmonton Combative Sports Commission utilize the same accounting system as the City but report through their own boards or commissions. EPCOR, Edmonton Economic Development Corporation, Non-Profit Housing Corporation and Fort Edmonton Management Company each have independent accounting systems and report through their respective boards.

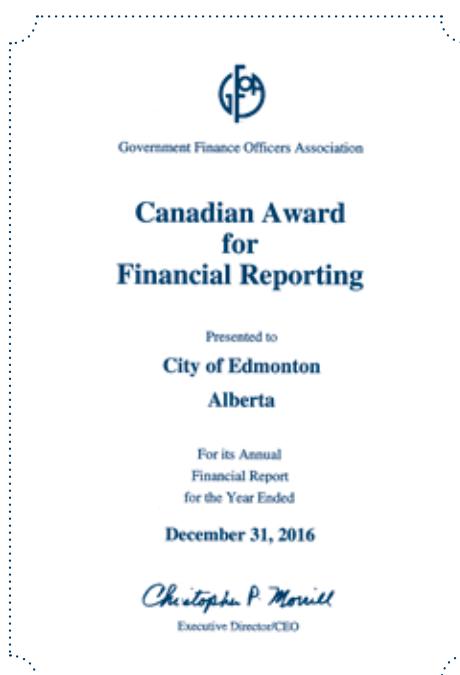
Monthly operating financial update reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date and year-end projected results relative to corresponding budgets and reporting on significant City reserves. Quarterly operating reporting also includes debt and economic updates and is provided to City Council along with recommendations to address opportunities and challenges. Capital reporting for second, third and fourth quarters is reviewed with City Council as well and includes reporting on major projects in comparison to originally approved budgets and timelines. Both operating and capital performance reports are used to help guide budget strategies.

The City Council approved operating budget is also presented in a format consistent with its presentation in the audited annual financial statements, amended for adjustments required to adhere to PSAS. The objective is to provide City Council and other users of the financial statements and budget documents an improved understanding of the budget approved by City Council compared to the actual results reported in the audited financial statements. This version of the annual budget was included for information as a part of the 2017 budget package and is available on the City's website.

The City continues its commitment to compliance with public sector accounting standards as established by the PSAS board. Details of future accounting standards and pronouncements are included in Note 1 to the financial statements.

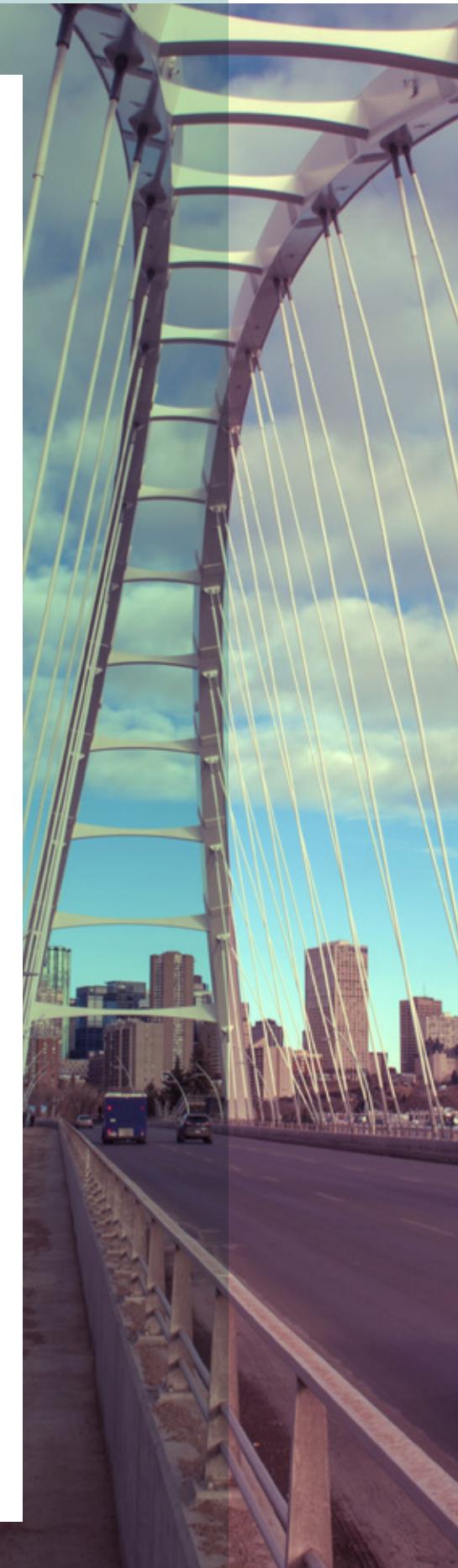
RECOGNITION FOR ACHIEVEMENT

Award programs in the financial area 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-ended December 31, 2016. The **Canadian Award for Financial Reporting** program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.



In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, the contents of which conform 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 only. This is the 24th consecutive year that the City of Edmonton has received this award.

The GFOA established the Popular Annual Financial Reporting Awards Program to recognize local governments for producing 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 fourth consecutive year for their 2016 Financial Report to Citizens.



The City also received the GFOA award for **Distinguished Budget Presentation** for the 2016–2018 fiscal years beginning January 1, 2016 and ending December 31, 2018. In order to receive 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.

For the eighteenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations.

AUDITING PROCESS

The MGA requires municipal councils to appoint an independent auditor. In 2015, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Professional Accountants, as External Auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit.

The City's Audit Committee serves as a Committee of Council to assist in fulfilling its oversight responsibilities. Audit Committee is responsible for providing oversight and consideration of audit matters brought forward by the City Auditor and the External Auditor. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 16097, Audit Committee Bylaw. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, City Auditor. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and

Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

LONG-TERM SUSTAINABILITY AND RISK MANAGEMENT

The City is committed to an integrated approach to risk management, as it is a critical component of the City's long term sustainability.

As with any municipality, there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects and ensuring risks are properly managed. A number of strategies are in place or are being developed to mitigate risks faced by the City and to address ongoing operating and capital funding gaps to ensure the long-term sustainability of the City. Integral to achieving sustainability is the continuing use and enhancement of a comprehensive Enterprise Risk Management Framework. A number of risk management activities are undertaken on an ongoing basis across the corporation.

STRATEGIC AND OPERATIONAL RISK

Strategic risks are those that may adversely impact the achievement of Council's strategic goals and outcomes. City Council approved an Enterprise Risk Management policy in March 2016, that ensures enterprise risks are proactively identified, evaluated, communicated and managed, on an ongoing basis. Guided by this policy, the Enterprise Risk Management process continues to evolve as the City moves further toward status as a risk-mature organization.

Strategic risk registers for each of The Ways directional plans have been completed and updated on an annual basis since 2014. A strategic risk register lists the risks to achieving the goals and objectives in The Ways plans, and allows the City to manage these risks to improve the chances of achieving the City's vision as described in The Way Ahead. On November 20, 2017, Audit Committee was presented with an annual update on the Strategic Risk Registers which provides a summary of the top ten risks facing the City's strategic plans. The current process, consistent with the requirements of the Enterprise Risk Management policy, is to update the register on a regular basis and present it to the Audit Committee for analysis and discussion. For 2018 and beyond, the update of The Way Ahead will require an update of the strategic risk management process, further embedding risk management into business unit work plans.

A corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and risk control inspections. Risk management analysis has been embedded into the multi-year business planning process to enhance the level of awareness and transparency of risk.

Additionally, there is an ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and appropriate measures are established to identify and control project risk. More recent examples of this practice can be seen with the Rogers Place arena construction and Valley Line LRT projects. In the case of the Rogers Place arena project, a Guaranteed Maximum Price agreement was established with the contractors in order to insulate the City from cost overruns. The Valley Line LRT is being developed with the construction, operation and maintenance provided through a public-private partnership (P3) delivery method, which shares risks between the City and its private partners.

Major projects undertaken by the City include rigorous risk management processes to ensure that key projects are completed safely, on time, on budget, on quality, and in scope. In April 2017, City Council approved a Capital Project Governance policy, which sets out to ensure that an appropriate level of development is completed on projects prior to them moving onto the delivery phase.

ENVIRONMENTAL RISK

Environmental risks are monitored through internal City practices and policies, which aid in the effective management of environmental risks and responsibilities. City Council approved Edmonton's Environmental Management System policy as well as an Environmental policy. The policies ensure commitment to sound environmental management practices, and stewardship in all aspects of its corporate activities. These policies also establish ISO 14001, the international standard, as the benchmark for a corporate environmental management system referred to as Enviro. Standard environmental management system practices across the City will address environmental regulatory compliance, pollution prevention and continual improvement. The model that the City has adopted through its strategic plan and the use of Enviro, provides the means to move towards sustainability that continues to evolve as the city grows.

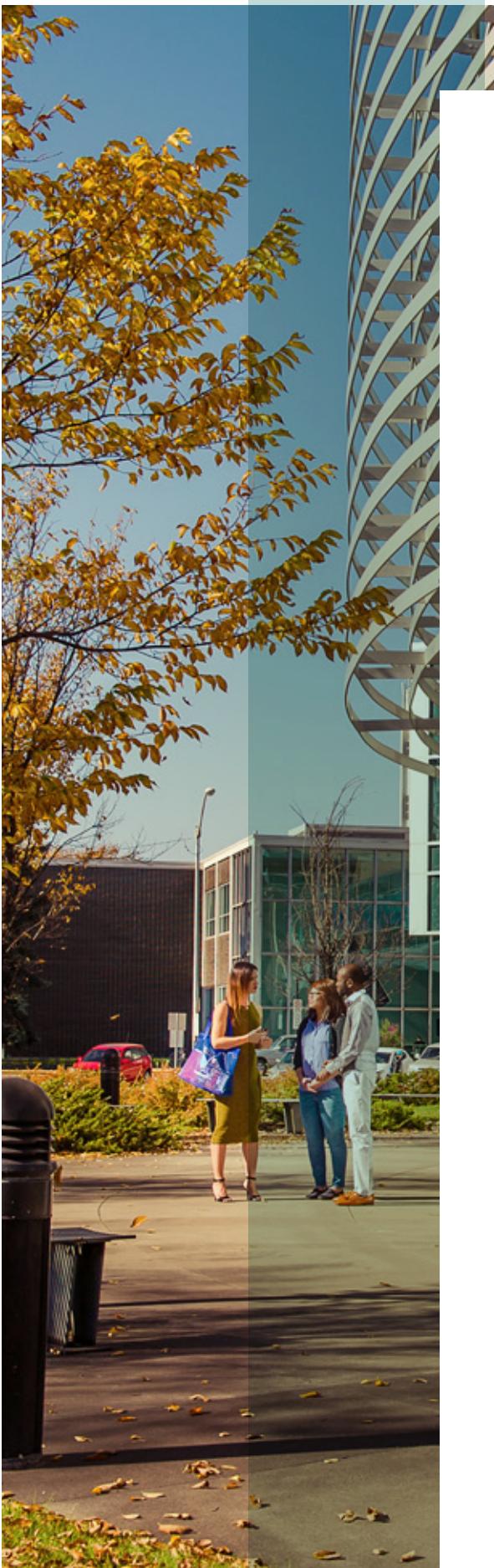
*MAJOR PROJECTS
UNDERTAKEN BY
THE CITY INCLUDE
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MANAGEMENT
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THAT KEY PROJECTS
ARE COMPLETED
SAFELY, ON TIME, ON
BUDGET, ON QUALITY,
AND IN SCOPE.*

ECONOMIC RISK

With the current economic environment the City will face economic uncertainty for some time to come. The City's business plans, and operating and capital budgets aim to balance the economic realities of our taxpayers with the need to continue providing services that ensure a great quality of life in Edmonton.

Edmonton's drive over the past decade to build a strong, diversified, and sustainable economy has already proven its value. The momentum of the city's growth, sound fiscal management, and timely investment in capital infrastructure has provided Edmonton with a strong financial foundation. The City however, still faces challenges of funding the increased demand for services and infrastructure in light of these recent economic conditions, and an inelastic primary revenue source in the form of property taxes. Property taxes will fund close to 60 per cent of the City's operating costs from 2016 to 2018, including portions dedicated to capital projects, however they lag in reacting to the economic conditions and increased demand for services and infrastructure from a growing population. This emphasizes the need for long-term planning, risk management and diversification of City revenues. The City is working to address the infrastructure and service funding gap through various strategies and diversification of revenue streams discussed below.





INFRASTRUCTURE RISK

Infrastructure is essential to all residents and businesses in the city and critical to the competitiveness of our economy, the quality of life citizens enjoy, and the delivery of public services. The ability to build and maintain infrastructure assets ensures Edmonton can provide services and remain an attractive and cost-effective place to live and do business. As the City's infrastructure ages, more maintenance and rehabilitation is required to ensure that infrastructure is performing well and continuing to meet the needs of citizens. At the same time, Edmonton is a growing city, and demands arise for new infrastructure to support its growth.

The Office of Infrastructure and Funding Strategy provides tools and processes to assist in managing the infrastructure gap – to achieve the best possible balance between renewal and growth. This office plays a vital role in the preparation of the City's infrastructure planning documents, including the 10-year Capital Investment Outlook (2015–2024), City Council's Infrastructure Strategy and the 2015–2018 Capital Budget. These documents assist Council's decision-making to ensure that investments in infrastructure maximize benefits, reduce risk, and provide satisfactory levels of service to the public.

FINANCIAL RISK

The City continues to monitor economic conditions and impacts on the City's financial status so that strategies can be adjusted accordingly. For example, hedges are purchased for future fuel purchases when deemed beneficial in order to stabilize operating budgets in the face of fuel price fluctuations. Similarly, forward currency contracts are used to mitigate foreign exchange risk within the City's foreign equity investments and capital purchases. Borrowing is completed through the Alberta Capital Finance Authority, which allows Alberta municipalities to borrow at interest rates which would not be available to municipalities acting independently. The interest rates are set for the term of the borrowing, therefore reducing risk associated with interest rate fluctuation.

The City has a Financial Stabilization Reserve which may be used to address emergent needs without impacting the City's financial position in the long-term. A financial risk based review was completed for the City in 2015, identifying potential risks faced by the City and the probable financial cost of each risk. The review substantiated the minimum and target balances of the reserve established through City policy.

The City's Debt Management Fiscal Policy provides for prudent management of debt and ensures debt is used responsibly without burdening the financial health and long-term sustainability of the City. In 2016, Administration presented a high level review of the Debt Management Fiscal Policy against the debt management practices in other major Canadian cities. Administration continues to monitor the use of debt and provide debt forecasts as part of ongoing reporting to City Council.

The City continues to leverage data analytics in order to discover and communicate meaningful patterns in data, which help to predict and improve business and financial performance, recommend strategies, and guide financial decision-making.

24TH

CONSECUTIVE YEAR THE CITY HAS RECEIVED THE CANADIAN AWARD FOR FINANCIAL REPORTING

INTERGOVERNMENTAL

As Edmonton continues to grow and diversify, so does the scale and complexity of the services we provide. In order to do this, Edmonton requires appropriate legislation, programs and policies that will enable us to govern effectively and efficiently, respond to local needs, and enhance the quality of life for our citizens. Edmonton can achieve this in part by building and leveraging relationships with other orders of government, other municipalities, and municipal organizations.

Since 2014, the Government of Alberta has been working with Edmonton and Calgary to develop City Charters to recognize the unique challenges and opportunities Alberta's two largest cities face every day. The two cities have evolved into complex corporations responsible for billions of dollars of services, infrastructure and operations. The charters will provide Edmonton and Calgary with more authority and flexibility related to funding and other governing policies to help address risks and sustainability challenges faced by the two cities. The City Charter initiative achieved a major milestone in 2017 when the mayors of the two cities and two Alberta cabinet ministers unveiled significant work done to date on three aspects of the City Charters. The first major aspect that was unveiled was the Charter Regulation, which contains provisions that could potentially provide the cities with increased authority or flexibility in the following areas: governance, assessment and taxation, planning and development. Another aspect of the Charters that was unveiled in 2017 was a historic collaboration agreement. That agreement commits the Province and its two largest cities to collaborate on and develop solutions for complex and emerging issues. The three parties also continue to work out the details of a fiscal framework that will support the needs and challenges of the two cities and the Province. It's expected that various elements of the City Charters will be completed and in place in 2018.

The City of Edmonton continued to participate in the Municipal Government Act (MGA) Review process throughout 2017. The MGA is the second-largest piece of legislation in Alberta and helps define how Alberta municipalities are governed, funded and developed. The current MGA Review began in 2012 and is expected to be completed in 2018, with the release of the remaining regulatory changes. On October 26, 2017 the Government of Alberta proclaimed the majority of the amendments to the Municipal Government Act. Some came into force immediately, others on January 1, 2018, and the remainder will come into force on April 1, 2018.

Development of a City Charter and the review of the MGA ensures that the long-term sustainability needs of the City of Edmonton are met and will support efficient local governance.





AA+

CREDIT RATING FROM
STANDARD AND POOR'S



CONCLUSION

Edmonton has maintained its financial health through 2017 and despite a sharp economic slowdown in 2016 Edmonton's economic performance remains one of the best in the province.

For the sixth consecutive year, Standard & Poor's has provided the City of Edmonton a rating of AA+. This rating is the second-highest possible, and reflects the City's strong financial and economic fundamentals. In August 2017, Standard & Poor's revised their yearly outlook rating of the City of Edmonton downward from stable to negative. The revised outlook reflected Edmonton's increasing debt burden, lower than anticipated budgetary performance, and potential downgrade in future ratings depending on the magnitude, timing and funding of additional capital projects, including stage two of the Valley Line LRT. However the outlook also indicated that the City has an exceptional liquidity position, strong financial management, and low contingent liabilities. The rating considered the management team to be experienced and qualified to effectively respond to external risks.

The City has a robust set of financial policies, manages debt and liquidity prudently, and has business plans that detail formal risk management strategies and policies. Debt has been used strategically to move priority capital projects ahead and to capitalize on low interest rates. Although debt levels are increasing, debt and debt servicing costs remain well within both the legislated and City policy limits.

The recent economic slowdown has reinforced the need to closely monitor the City's financial results and to maintain flexibility in developing financial strategies. As the major centre for the region, the City will be challenged in managing emerging competing financial needs, including finding a balance between maintaining existing services while addressing the needs associated with growth. City Council's focus on longer-term planning, as demonstrated by the multi-year approach to business plans and budgets, will help the City position itself well for the future. Furthermore, the City's sound fiscal policies and strategies will ensure strong fiscal management and long-term financial sustainability.

Todd Burge, CPA, CMA
Deputy City Manager and Chief Financial Officer
Financial and Corporate Services
April 24, 2018





CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.



Linda D.M. Cochrane
City Manager

April 24, 2018
Edmonton, Canada



Todd Burge, CPA, CMA
Deputy City Manager and Chief Financial Officer
Financial and Corporate Services

April 24, 2018
Edmonton, Canada

INDEPENDENT AUDITORS' REPORT

TO HIS WORSHIP THE MAYOR AND MEMBERS OF COUNCIL OF THE CITY OF EDMONTON

We have audited the accompanying consolidated financial statements of the City of Edmonton, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City of Edmonton as at December 31, 2017, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The logo consists of the letters "KPMG" in a stylized blue font, with "LLP" written below it in a smaller, thinner font. A horizontal blue line extends from the right side of the "G" across to the end of the "P".

Chartered Professional Accountants

April 24, 2018
Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of dollars)

	2017	2016
Financial Assets		(Note 27)
Cash and temporary investments (Note 2)	\$ 436,288	\$ 491,141
Receivables (Note 3)	536,508	418,342
Investments (Note 4)	1,984,566	1,898,782
Debt recoverable (Note 5)	10,571	11,473
Land for resale	262,641	223,841
Investment in EPCOR (Note 20)	3,560,911	2,672,193
	6,791,485	5,715,772
Liabilities		
Promissory notes payable (Note 6)	59,766	79,869
Accounts payable and accrued liabilities (Note 7)	771,190	736,468
Deposits	45,772	56,273
Deferred revenue (Note 8)	373,053	283,601
Employee benefit obligations (Note 9)	142,658	135,049
Landfill closure and post-closure care (Note 10)	29,837	22,447
Long-term debt (Note 11)	2,912,130	3,338,950
	4,334,406	4,652,657
Net Financial Assets	2,457,079	1,063,115
Non-financial Assets		
Tangible capital assets (Note 12)	10,727,980	13,515,046
Inventory of materials and supplies	43,472	52,979
Other assets (Note 13)	70,755	70,864
	10,842,207	13,638,889
Accumulated Surplus (Note 16)	\$ 13,299,286	\$ 14,702,004

Commitments and contingent liabilities (Notes 22 and 24)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Don Iveson

Councillor Andrew Knack

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended December 31 (in thousands of dollars)

	Budget	2017	2016
Revenues			(Note 27)
Net taxes available for municipal purposes (Note 17)	\$ 1,509,569	\$ 1,505,833	\$ 1,433,782
User fees and sale of goods and services	801,823	696,400	743,314
Subsidiary operations - EPCOR (Note 20)	240,170	256,317	309,053
Franchise fees	152,202	159,719	144,720
Investment earnings	81,120	116,876	126,782
Government transfers - operating (Note 18)	102,466	107,488	112,767
Fines and penalties	98,642	90,130	91,164
Licenses and permits	75,464	75,688	74,498
Developer and customer contributions - operating	9,762	15,396	7,091
	3,071,218	3,023,847	3,043,171
Expenses			
Transportation services:			
Bus and light rail transit	452,851	461,400	433,297
Roadway and parking	407,631	406,596	381,033
	860,482	867,996	814,330
Protective services:			
Police	422,685	422,439	406,006
Fire rescue	213,831	207,048	211,075
Bylaw enforcement	43,172	44,101	42,100
	679,688	673,588	659,181
Community services:			
Parks and recreation	235,420	258,780	257,007
Planning and corporate properties	139,927	151,058	122,991
Community and family	60,783	62,394	58,123
Public library	60,561	59,859	60,568
Convention and tourism	45,841	45,881	39,166
Public housing	43,624	33,087	33,350
	586,156	611,059	571,205
Utility and enterprise services:			
Waste Services Utility	192,987	211,654	181,806
Drainage Utility (Note 26)	163,132	117,512	172,085
Land Enterprise	68,134	11,579	19,322
	424,253	340,745	373,213
Corporate administration	201,789	205,877	196,397
General municipal	228,131	222,342	190,859
Fleet services	28,628	30,379	27,306
Ed Tel Endowment Fund	4,124	4,115	4,073
	3,013,251	2,956,101	2,836,564
Excess of Revenues over Expenses before Other	57,967	67,746	206,607
Other			
Government transfers - capital (Note 18)	692,553	412,606	330,813
Contributed tangible capital assets (Note 12)	170,500	217,249	348,298
Developer and customer contributions - capital	108,068	40,866	68,510
Local improvements	11,537	16,306	11,057
Excess of Revenues over Expenses	1,040,625	754,773	965,285
Accumulated Surplus, beginning of year	14,702,004	14,702,004	13,747,754
Subsidiary operations - EPCOR - other comprehensive loss (Note 20)		(37,523)	(11,035)
Drainage Utility contributed capital transfer to EPCOR and other adjustments (Note 26)		(2,119,968)	
Accumulated Surplus, end of year	\$ 15,742,629	\$ 13,299,286	\$ 14,702,004

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended December 31 (in thousands of dollars)

	Budget	2017	2016
		(Note 27)	
Excess of Revenues over Expenses	\$ 1,040,625	\$ 754,773	\$ 965,285
Acquisition of tangible capital assets	(2,303,042)	(1,138,291)	(1,113,603)
Contributed tangible capital assets (Note 12)	(170,500)	(217,249)	(348,298)
Proceeds on disposal of tangible capital assets		5,226	3,929
Amortization of tangible capital assets	521,475	556,215	526,622
Loss on disposal/replacement of tangible capital assets		18,879	13,302
Tangible capital assets contributed to EPCOR (Note 20)		34,666	
Transfer of Drainage Utility tangible capital assets to EPCOR (Note 26)		3,527,620	
	(1,952,067)	2,787,066	(918,048)
Net use (acquisition) of inventory of materials and supplies		9,507	(1,773)
Net use (acquisition) of other assets		109	(52,437)
		9,616	(54,210)
Subsidiary operations – EPCOR – other comprehensive loss (Note 20)		(37,523)	(11,035)
Drainage Utility contributed capital transfer to EPCOR and other adjustments (Note 26)		(2,119,968)	
		(2,157,491)	(11,035)
Increase (decrease) in net financial assets	(911,442)	1,393,964	(18,008)
Net Financial Assets, beginning of year	1,063,115	1,063,115	1,081,123
Net Financial Assets, end of year	\$ 151,673	\$ 2,457,079	\$ 1,063,115

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (in thousands of dollars)

	2017	2016
Net inflow (outflow) of cash and temporary investments:		(Note 27)
Operating Activities		
Excess of revenues over expenses	\$ 754,773	\$ 965,285
Add (deduct) items not affecting cash and temporary investments:		
Subsidiary operations – EPCOR (Note 20)	(256,317)	(309,053)
Amortization of tangible capital assets	556,215	526,622
Loss on disposal/replacement of tangible capital assets	18,879	13,302
Contributed tangible capital assets	(217,249)	(348,298)
Change in non-cash items:		
Receivables	(66,754)	54,633
Debt recoverable	902	49,156
Land for resale	(38,800)	(24,298)
Inventory of materials and supplies	8,077	(1,773)
Other assets	109	(52,437)
Accounts payable and accrued liabilities	70,368	27,049
Deposits	(7,646)	1,389
Deferred revenue	90,778	83,551
Employee benefit obligations	10,923	8,273
Landfill closure and post-closure care	7,390	2,459
	931,648	995,860
Capital Activities		
Acquisition of tangible capital assets	(1,138,291)	(1,113,603)
Proceeds on disposal of tangible capital assets	5,226	3,929
	(1,133,065)	(1,109,674)
Investing Activities		
Dividend from subsidiary (Note 20)	152,670	141,021
Transfer of Drainage Utility cash to EPCOR (Note 26)	(66,212)	
Net increase in investments	(85,784)	(150,117)
	674	(9,096)
Financing Activities		
Promissory notes issued	219,472	259,494
Repayment of promissory notes	(239,575)	(279,395)
Debenture borrowings	277,428	442,118
Repayment of long-term debt	(200,281)	(136,391)
Increase in public-private partnership (P3) term debt	88,846	
	145,890	285,826
(Decrease) increase in cash and temporary investments	(54,853)	162,916
Cash and temporary investments, beginning of year	491,141	328,225
Cash and temporary investments, end of year	\$ 436,288	\$ 491,141

Amounts have been adjusted for non-cash items related to the transfer of the Drainage Utility to EPCOR (Note 26).

Operating activities for 2017 include \$35,541 (2016 - \$33,477) of interest received and \$102,980 (2016 - \$120,724) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2017 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals and Transfers	Transfer of Drainage Utility to EPCOR	Closing Balance
Cost	(Note 27)			(Note 26)	
Land	\$ 1,688,026	\$ 56,757	\$ (1,009)	\$ (239,032)	\$ 1,504,742
Land improvements	1,113,529	95,919	(5,683)	(3,304)	1,200,461
Buildings	2,631,439	105,715	(3,359)	(43,992)	2,689,803
Vehicles	993,695	39,979	(13,583)	(29,330)	990,761
Machinery and equipment	852,524	93,610	(47,654)	(64,232)	834,248
Engineered structures:					
Roadway system	7,176,242	478,074	(60,312)		7,594,004
Drainage system	3,780,516	93,126		(3,873,642)	
Light rail transit	1,300,494	25,414	(1,721)		1,324,187
Waste	169,100	301		(379)	169,022
Bus system	155,577	16,334	(676)		171,235
Other	28,834	18,395	(261)		46,968
	19,889,976	1,023,624	(134,258)	(4,253,911)	16,525,431
Assets under construction	735,663	331,916	(36,166)	(107,018)	924,395
	20,625,639	1,355,540	(170,424)	(4,360,929)	17,449,826
Accumulated Amortization					
Land improvements	418,683	39,603	(5,430)	(257)	452,599
Buildings	924,734	89,335	(2,229)	(21,804)	990,036
Vehicles	595,056	60,903	(12,151)	(13,843)	629,965
Machinery and equipment	465,072	68,973	(43,479)	(24,698)	465,868
Engineered structures:					
Roadway system	3,416,959	205,930	(48,534)		3,574,355
Drainage system	737,671	34,559	170	(772,400)	
Light rail transit	355,743	32,622			388,365
Waste	119,206	15,180		(307)	134,079
Bus system	70,174	7,320			77,494
Other	7,295	1,790			9,085
	7,110,593	556,215	(111,653)	(833,309)	6,721,846
Net Book Value	\$ 13,515,046	\$ 799,325	\$ (58,771)	\$ (3,527,620)	\$ 10,727,980

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications.

Included in disposals and transfers is \$34,666 of tangible capital assets contributed to EPCOR (Note 20).

See accompanying notes to consolidated financial statements.

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 25)

For the year ended December 31, 2017 (in thousands of dollars)

	Tax - Supported						Waste Services	Drainage Services	Land Enterprise	EPCOR	Ed Tel Fund	Endowment Fund	2017
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported							
Revenues													
Net taxes available for municipal purposes	\$ 370,601	\$ 547,213	\$ 319,123	\$ 268,896	\$ 1505,833	210,061	123,795	10,645	256,317	\$ 1,505,833			
User fees and sale of goods and services	158,725	30,104	121,868	27,561	351,899					696,400	256,317		
Subsidiary operations - EPCOR													
Franchise fees													
Investment earnings													
Government transfers - operating	1,308	30,096	(3,256)	165,787	165,787	272	6,068)	635	65,555	159,719	116,876	107,488	
Fines and penalties													
Licenses and permits													
Developer and customer contributions - operating	487	65,888	835	44,622	44,622	4	90,130	611		90,130	75,688	15,396	
Appropriation of earnings													
	531,121	677,159	544,722	13,641	679,809	2,396,452	210,337	118,973	10,645	256,317	31,123	3,023,847	
Expenses													
Salaries, wages and benefits	318,124	538,376	274,599	80,097	272,701	1,483,897	49,271	42,198	1,659				1,577,025
Materials, goods and utilities	93,020	32,477	59,482	43,652	24,352	252,983	11,237	13,393	4,456				282,069
Contracted and general services	118,908	80,292	123,602	(136,617)	(22,009)	164,176	107,180	3,689	4,236				283,396
Interest and bank charges	59,337	1,148	41,174	1,050	18,629	121,338	9,302	13,629	1,228				145,497
Grants and other	1	615	68,268		25,828	94,712	(1,695)	3					93,020
Amortization of tangible capital assets	263,400	19,891	44,778	43,012	108,494	478,575	33,943	43,697					556,215
Loss (gain) on disposal/replacement of tangible capital assets	15,206	1,789	(844)	(815)	224	15,560	2,416	903					18,879
	86,996	673,588	611,059	30,379	428,219	2,611,241	211,654	117,512	11,579		4,115		2,956,101
Excess (shortfall) of Revenues over Expenses before Other	(336,875)	3571	(66,337)	(16,738)	201,590	(214,739)	(1,317)	1,461	(934)	256,317	27,008		67,746
Other													
Government transfers - capital	312,244	7,481	62,126	4,320	24,435	410,606			2,000				412,606
Contributed/tangible capital assets	86,909		56,548		7,168	150,625	22,631	5,600	66,624				217,249
Developer and customer contributions - capital	3,030		19,096		505	16,306	16,306		12,635				40,866
Local improvements													16,306
	402,183	7,481	137,770	4,320	48,414	600,168	5,600		81,259				687,027
Excess (shortfall) of Revenues over Expenses	\$ 65,308	\$ 11,052	\$ 71,433	\$ (12,418)	\$ 250,004	\$ 385,379	\$ 4,283	\$ 82,720	\$ (934)	\$ 256,317	\$ 27,008	\$ 754,773	

See accompanying notes to consolidated financial statements.

SCHEDULE 2 - CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 25)

For the year ended December 31, 2016 (in thousands of dollars)

	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported	Waste Services	Drainage Services	Land Enterprise	EPCOR	Endowment Fund	Ed Tel Fund	2016
Revenues	(Note 27) \$ 345,652 160,960	\$ 529,720 37,984	\$ 302,033 115,906	\$ 11,149	\$ 255,662 22,556	\$ 1,433,067 348,555	(Note 27) 189,612	\$ 173,970 (8,908)	\$ 715 866	\$ 31,177 4	309,053	\$ 1,433,782 743,314	(Note 27) 309,053
Net taxes available for municipal purposes													
User fees and sale of goods and services													
Subsidiary operations - EPCOR													
Franchise fees													
Investment earnings	1	4,506	27,290	34,233	568	153,628	153,628	154	2,000				144,720
Government transfers - operating													126,782
Fines and penalties													112,767
Licenses and permits													91,164
Developer and customer contributions - operating													74,498
Appropriation of earnings													7,091
	511,819	664,423	519,232	11,149	606,510	2,313,133	191,766	166,744	31,892	309,053	30,583	3,043,171	
Expenses													
Salaries, wages and benefits	318,202	524,559	267,087	75,048	243,714	1,428,610	45,889	62,284	1,682				1,538,465
Materials, goods and utilities	74,561	32,374	57,981	37,539	26,112	228,567	15,360	12,238	11,449				267,614
Contracted and general services	117,896	82,022	112,479	(134,554)	(14,561)	163,282	88,854	21,147	4,730				282,086
Interest and bank charges	39,336	553	37,633	4,584	15,381	97,487	9,685	19,872	1,461				128,505
Grants and other													79,970
Amortization of tangible capital assets	251,593	17,168	43,538	44,907	91,722	448,928	79,156	806	8				526,622
Loss (gain) on disposal/replacement of tangible capital assets	12,742	1,925	(1,486)	(28)	285	13,248	54						
	814,330	659,181	571,205	27,306	387,256	2,459,278	181,806	172,085	19,322				13,302
Excess (shortfall) of Revenues over Expenses before Other	(302,511)	5,242	(51,973)	(16,157)	219,254	(146,145)	9,960	(5,341)	12,570	309,053	26,510	4,073	2,836,564
Other													
Government transfers - capital	268,312	11,040	37,151	1,867	8,517	326,887	972	2,954					330,813
Contributed tangible capital assets	129,884+		18,896		3,507	152,287		196,011					348,298
Developer and customer contributions - capital	3,085	41,039			44,124	41,057	98	24,288					68,510
Local improvements													11,057
	401,281	11,040	97,086	1,867	23,081	534,355	1,070	223,253					758,678
Excess (shortfall) of Revenues over Expenses	\$ 98,770	\$ 16,282	\$ 45,113	\$ (14,290)	\$ 242,335	\$ 388,210	\$ 11,030	\$ 217,912	\$ 12,570	\$ 309,053	\$ 26,510	\$ 965,285	

See accompanying notes to consolidated financial statements.

SCHEDULE 3 – SUPPLEMENTARY FINANCIAL INFORMATION OF INTERNALLY RESTRICTED AND OTHER ENTITIES

The assets, liabilities and the operations of the following related authorities are included in the City's consolidated financial statements. The amounts are reported before any inter-organizational transactions are eliminated.

For the year ended December 31, 2017 (in thousands of dollars)

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Waste RE-solutions Edmonton
Financial Position						
Financial Assets	\$ 18,521	\$ 20,143	\$ 3,956	\$ 3,693	\$ 300	\$ 3,498
Liabilities	10,241	16,795	19,581	835	44	3,269
Net Financial Assets (Debt)	8,280	3,348	(15,625)	2,858	256	229
Non-financial Assets	32,487	4,281	33,813	520		7
Accumulated Surplus	\$ 40,767	\$ 7,629	\$ 18,188	\$ 3,378	\$ 256	\$ 236
Operations						
Revenues	52,024	49,454	8,232	3,965	284	644
Expenses	60,160	46,259	7,583	3,263	157	653
Other	10,373		675			
Excess (shortfall) of Revenues over Expenses	2,237	3,195	1,324	702	127	(9)
Accumulated Surplus, beginning of year	38,530	4,434	16,864	2,676	129	245
Accumulated Surplus, end of year	\$ 40,767	\$ 7,629	\$ 18,188	\$ 3,378	\$ 256	\$ 236

For the year ended December 31, 2016 (in thousands of dollars)

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Waste RE-solutions Edmonton
Financial Position						
Financial Assets	\$ 21,138	\$ 18,643	\$ 2,942	\$ 4,878	\$ 136	\$ 2,379
Liabilities	17,556	18,745	20,228	2,702	7	2,139
Net Financial Assets (Debt)	3,582	(102)	(17,286)	2,176	129	240
Non-financial Assets	34,948	4,536	34,150	500		5
Accumulated Surplus	\$ 38,530	\$ 4,434	\$ 16,864	\$ 2,676	\$ 129	\$ 245
Operations						
Revenues	50,155	57,253	8,642	4,198	472	621
Expenses	60,851	54,343	7,969	3,828	124	657
Other	9,486		642			
(Shortfall) excess of Revenues over Expenses	(1,210)	2,910	1,315	370	348	(36)
Accumulated Surplus (deficit), beginning of year	39,740	1,524	15,549	2,306	(219)	281
Accumulated Surplus, end of year	\$ 38,530	\$ 4,434	\$ 16,864	\$ 2,676	\$ 129	\$ 245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

01 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

A. REPORTING ENTITY

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, these organizations and enterprises include the following:

The City of Edmonton Library Board
(Edmonton Public Library)

Edmonton Economic Development Corporation
(including EFF Media Investments Ltd. and
TEC Edmonton joint venture)

Fort Edmonton Management Company

Edmonton Combative Sports Commission

The City of Edmonton Non-Profit Housing Corporation
(Non-Profit Housing Corporation)

Waste Services Utility
(including 2492369 Canada Corporation,
operating as Waste RE-solutions Edmonton)

Land Enterprise
(Land Development and Municipal Land Use Property)

Ed Tel Endowment Fund

Interdepartmental and inter-organizational transactions are eliminated.

The City transferred the net assets and operations of the Drainage Utility to EPCOR Utilities Inc. (EPCOR) effective September 1, 2017. Results for the Drainage Utility for the period January 1 to August 31, 2017 are included in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Schedule of Segment Disclosures (Note 26).

EPCOR, a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the public sector accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus. Contributions of tangible capital assets to EPCOR from the City are recorded as an increase to the investment in EPCOR.

The City, through its wholly owned subsidiary Edmonton Economic Development Corporation, holds a 50 per cent interest in TEC Edmonton, a joint venture with the University of Alberta to stimulate entrepreneurship, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society. Proportionate consolidation is used to record the City's share in the joint venture.

The City administers Pension Funds, a Long-term Disability Plan and other assets on behalf of third parties. Related trust assets under administration for the benefit of external parties have been excluded from the reporting entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

B. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

C. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities including estimates for expropriation of municipal lands and contaminated sites remediation, useful lives of tangible capital assets, the value of contributed tangible capital assets as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

D. FOREIGN CURRENCY

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

E. TAX REVENUE

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Tax revenues are recorded net of any tax appeals or allowances in the Consolidated Statement of Operations and Accumulated Surplus.

The City also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and the Edmonton Catholic Separate School District and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus. Education taxes collected as part of the incremental property taxes within a community revitalization levy (CRL) are retained to offset development costs in the area over the life of the CRL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

F. GOVERNMENT TRANSFERS

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of tangible capital assets, grants and subsidies.

G. LOCAL IMPROVEMENTS

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owner's share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

H. LAND FOR RESALE

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

I. INVESTMENTS

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the net present value basis over the terms of the issues. Investments in common and preferred shares and pooled funds are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded in the year incurred.

J. DEBT RECOVERABLE

Debt recoverable consists of long-term debt amounts borrowed by the City that are recoverable under loans or other financial arrangements made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when the City no longer has reasonable assurance of collection.

K. NON-FINANCIAL ASSETS

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, advances secured by tangible capital assets, inventory of materials and supplies and other assets.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

ii. Contributed Tangible Capital Assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received and corresponding revenues are recorded as Contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks to the City incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective tangible capital asset classifications. All other leases are accounted for as operating leases and the related lease payments, net of tenant inducements, are charged to expenses on a straight-line basis over the lease term.

iv. Land Under Roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v. Inventory of Materials and Supplies

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi. Cultural, Historical and Works of Art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. Costs for public art are expensed in the period they are incurred.

L. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the Consolidated Statement of Financial Position.

M. LIABILITY FOR CONTAMINATED SITES

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The City recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists,
- there is evidence that contamination exceeds an environmental standard,
- the City is directly responsible or accepts responsibility for the contamination,
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the amount can be made.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the City's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the City's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. When cash flows are expected to occur over extended future periods the City will measure the liability using present value techniques.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

N. EMPLOYEE BENEFIT OBLIGATIONS

The costs of post-employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties. Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

O. PUBLIC-PRIVATE PARTNERSHIPS

A public-private partnership (P3) is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services. The City's P3 is assessed based on the substance of the underlying agreement. Costs incurred during construction or acquisition are recognized as assets under construction and a liability based on the estimated percentage of project completion. The asset will be amortized over the estimated useful life once in-service.

P. RESERVES FOR FUTURE EXPENDITURES

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

Q. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

R. BUDGET INFORMATION

Operating budget information is consistent with amounts approved by City Council in April 2017, with the passing of Bylaw 17906 – 2017 Property Tax and Supplementary Property Tax Bylaw. The budget is reported on an accrual basis, consistent with principles applied in the consolidated financial statements.

Capital budgets reflect the 2017 budget originally approved by Council in December 2014 as a part of the overall 2015–2018 capital budget, plus any carry forward of unspent capital budget from previous years. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected.

S. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

The following summarizes upcoming changes to PSAS. In 2018, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* must be implemented at the same time. *Related Party Disclosures* PS2200 and *Inter-Entity Transactions* PS3420 also require concurrent adoption.

The following standards are not anticipated to have a material impact on the City's financial statements.

i. Assets

PS3210, *Assets* provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

ii. Contingent Assets

PS3320, *Contingent Assets* establishes standards on the reporting and disclosure of possible assets that may arise from existing conditions or situations involving uncertainty. This standard is applicable for fiscal years beginning on or after April 1, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

iii. Contractual Rights

PS3380, *Contractual Rights* establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017.

The City continues to assess the following standards to determine their impact on the financial statements.

iv. Inter-Entity Transactions

PS3420, *Inter-Entity Transactions* specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

v. Related Party Disclosures

PS2200, *Related Party Disclosures* requires sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vi. Restructuring Transactions

PS3430, *Restructuring Transactions* establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

vii. Financial Statement Presentation

PS1201, *Financial Statement Presentation* requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2021.

viii. Financial Instruments

PS3450, *Financial Instruments* establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2021.

ix. Foreign Currency Translation

PS2601, *Foreign Currency Translation* requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2021.

x. Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, *Financial Instruments*, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2021.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

02

CASH AND TEMPORARY INVESTMENTS

	2017	2016
Cash	\$ 44,679	\$ 33,175
Temporary investments	391,609	457,966
	\$ 436,288	\$ 491,141

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These investments have effective interest rates of 0.0 to 1.3 per cent (2016 - 0.0 to 1.6 per cent) and generally mature within ninety days from the date of purchase. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year from the date of purchase.

The City has access to an unsecured line of credit of up to \$100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit as of December 31, 2017 (2016 - \$0).

03

RECEIVABLES

	2017	2016
Trade and other	\$ 210,432	\$ 189,971 <small>(Note 27)</small>
Local improvements	103,785	96,882
Taxes	58,277	60,801
Government transfers:		
Green Transit Incentives Program	100,058	70,371
Building Canada Fund	37,134	281
Public Transit Infrastructure Fund	26,782	
Other	40	36
	\$ 536,508	\$ 418,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

04 INVESTMENTS

	Amortized Cost		Market Value	
	2017	2016	2017	2016
Cash	\$ 1,096	\$ 608	\$ 1,096	\$ 608
Amounts receivable (payable) – net	279	937	279	937
Fixed income:				
Short-term notes and deposits	86,055	74,021	85,947	73,888
Government and government guaranteed bonds	593,236	580,843	584,048	574,967
Corporate bonds and debentures	382,846	339,779	375,376	335,547
Pooled fund	92,076	86,396	93,255	86,594
	1,154,213	1,081,039	1,138,626	1,070,996
Common and preferred shares:				
Canadian	266,943	271,213	293,774	285,829
International	440,458	437,268	447,332	418,126
Global	84,786	73,062	81,259	78,353
	792,187	781,543	822,365	782,308
Pooled infrastructure funds	31,423	30,525	33,306	32,840
Other investments	5,368	4,130	5,368	4,130
	\$ 1,984,566	\$ 1,898,782	\$ 2,001,040	\$ 1,891,819

Short-term notes and deposits have effective interest rates of 0.4 to 1.6 per cent (2016 – 0.1 to 1.0 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.2 to 4.6 per cent (2016 – 0.6 to 5.2 per cent) with maturity dates from March 8, 2018 to December 1, 2064 (2016 – February 24, 2017 to December 1, 2064). The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds.

Declines in market value of investments below amortized cost are considered to be temporary in nature.

The pooled infrastructure fund represents an interest in a globally diversified portfolio of core-yielding infrastructure investments.

Investments with a cost of \$842,479 (2016 – \$815,471) and market value of \$862,229 (2016 – \$813,397) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the fund of \$34,432 (2016 – \$40,226) was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. In accordance with the Bylaw the fund is in a position to pay a special dividend when the market value of the fund as at June 30 of the preceding year is more than 15 per cent above the inflation adjusted principal. A special dividend of \$0 (2016 – \$8,045) was included in the 2017 appropriation. Any amendment to the Bylaw requires advertisement and a public hearing.

Included in investments are the Sinking Fund assets with a carrying value of \$93,737 (2016 – \$86,350) and a market value of \$89,594 (2016 – \$85,931). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of \$18,500 (market value – \$18,459).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

05 DEBT RECOVERABLE

Debt recoverable of \$10,571 (2016 – \$11,473) consists of amounts borrowed by the City and either loaned or provided to non-profit organizations, to be recovered through loan or lease agreements, respectively. The financial arrangements are in accordance with section 264 of the MGA and are authorized by City bylaws. The arrangements have the same general repayments terms as the respective debt with interest accrued on outstanding amounts. As of December 31, 2017, the non-profit organizations are in compliance with the terms of the financial arrangements.

Lease receivables of \$10,524 bear an implicit annual interest rate of 4.3 per cent and will be recovered in annual amounts to the year 2044. Loan receivables of \$47 will be recovered in annual amounts to the year 2018 with interest rates at 4.0 per cent (2016 – ranging from 4.0 to 6.0 per cent).

Principal and interest payments recoverable for each of the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2018	\$ 274	\$ 456	\$ 730
2019	237	445	682
2020	247	435	682
2021	258	424	682
2022	269	413	682
Thereafter	9,286	5,024	14,310
	\$ 10,571	\$ 7,197	\$ 17,768

06 PROMISSORY NOTES PAYABLE

As at December 31, 2017, the City has four (2016 – six) promissory notes payable with maturity dates from February 22, 2018 to April 18, 2018 (2016 – January 25, 2017 to April 20, 2017) with interest rates ranging from 0.3 per cent to 0.6 per cent (2016 – 0.1 per cent to 0.2 per cent).

The promissory notes are being accounted for at amortized cost, with the amount for the four notes at maturity totaling \$60,000 (2016 – \$80,000) and a discounted value of \$59,766 (2016 – \$79,869).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

07 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade and other	\$ 515,112	\$ 488,205
Developer obligations	134,339	123,951
Payroll and remittances	99,900	102,603
Accrued interest	21,839	21,709
	\$ 771,190	\$ 736,468

08 DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

Interest earned on contributions is included in contributions received. Certain deferred revenues relate to government transfers as further described in Note 18.

	2016	Externally Restricted Contributions Received	Revenue Recognized	2017
Operating:	(Note 27)			
Revenue in advance of service performed and other	\$ 31,275	\$ 37,062	\$ 37,808	\$ 30,529
Affordable Housing Municipal Block Funding	16,856	161	99	16,918
Development permits	18,454	9,985	13,538	14,901
	66,585	47,208	51,445	62,348
Capital:				
Municipal Sustainability Initiative	198,643	262,735	186,461	274,917
Fort Edmonton Park Expansion		16,201		16,201
Other	7,959	69,526	69,686	7,799
Alberta Community Resilience Program	4,866	8,207	5,393	7,680
Parks Community Initiatives	2,900	3,764	3,376	3,288
Alberta Community Partnership Program	2,648	20	1,848	820
	217,016	360,453	266,764	310,705
	\$ 283,601	\$ 407,661	\$ 318,209	\$ 373,053

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

09

EMPLOYEE BENEFIT OBLIGATIONS

	2017	2016
Accrued vacation	\$ 75,934	\$ 75,422
Post-employment benefits	29,743	25,167
Banked overtime	12,382	12,670
Major medical and dental plans	7,906	6,761
Supplementary management retirement plan	5,990	5,451
Health care spending	4,807	4,159
Income replacement plan	2,678	3,526
Group life insurance plan	2,361	972
Other	857	921
	\$ 142,658	\$ 135,049

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations until pensioners reach the age of 65.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2017 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 2.0 per cent (2016 – 2.0 per cent). The accrued benefit obligation as at December 31, 2017 is \$26,522 (2016 – \$21,525). The change is comprised of current service cost of \$8,197 (2016 – \$5,395), interest cost of \$557 (2016 – \$506), actuarial loss of \$8 (2016 – \$155) and benefits paid during the year of \$3,765 (2016 – \$3,236).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2017 were \$1,424 (2016 – \$1,450). Eligible dental obligations for 2017 were \$409 (2016 – \$367). Other post-employment benefits were \$1,388 (2016 – \$1,825).

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements and administrative costs are applied to each of the respective plans.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of \$5,990 (2016 – \$5,451) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2017. Unamortized net losses of \$1,256 (2016 – \$1,646) will be amortized over the eleven (2016 – nine) year average remaining service period of active plan participants.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2017 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2017, completed by Aon Hewitt.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

Other employee benefit obligations for 2017 include \$301 (2016 – \$310) for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 21c).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

10

LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation, the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site was closed to the public in August 2009. The City continued using the landfill internally and anticipates final closure by 2021. The period for post-closure care is 25 years and will commence once the site is closed in 2021. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the City's average long-term borrowing rate of 3.9 per cent (2016 – 3.8 per cent) and inflation rate of 1.6 per cent (2016 – 3.0 per cent). An amount of \$29,837 (2016 – \$22,447) has been accrued. The liability was increased by \$10,654 (2016 – \$4,588) to reflect revised post-closure care cost estimates, offset by \$3,264 (2016 – \$2,129) which was expensed in the year to reflect cash outlays for post closure care.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, monitoring ground and surface water, treatment and monitoring of leachates, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

11

LONG-TERM DEBT

A. DEBT PAYABLE

Debt payable includes the following amounts:

	2017	2016
Debentures	\$ 3,471,110	\$ 3,420,474
Mortgages	7,936	9,814
Public-private partnership (P3) term debt	88,846	
	3,567,892	3,430,288
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	655,762	91,338
	\$ 2,912,130	\$ 3,338,950

Long-term debt comprises:

Self-liquidating debt (includes debt secured by Sinking Fund assets (Note 4))	\$ 530,824	1,056,172
Tax-supported debt:		
Debenture debt	2,292,460	2,282,778
Public-private partnership (P3) term debt	88,846	
	\$ 2,912,130	\$ 3,338,950

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Outstanding debentures of \$100,000 are secured by Sinking Fund assets held within the City's investments with a carrying value of \$93,737 (market value - \$89,594) and required earnings of 5.0 per cent (2016 - 5.0 per cent) ([Note 4](#)).

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2018	\$ 165,289	\$ 112,839	\$ 278,128	\$ 37,823	\$ 240,305
2019	61,808	114,217	176,025	30,667	145,358
2020	61,240	117,104	178,344	31,657	146,687
2021	61,883	121,373	183,256	32,268	150,988
2022	62,152	123,705	185,857	33,221	152,636
Thereafter	774,214	1,792,068	2,566,282	490,126	2,076,156
	\$ 1,186,586	\$ 2,381,306	\$ 3,567,892	\$ 655,762	\$ 2,912,130

Interest:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2018	\$ 50,491	\$ 84,625	\$ 135,116	\$ 33,899	\$ 101,217
2019	39,227	80,129	119,356	23,996	95,360
2020	36,559	75,802	112,361	22,604	89,757
2021	33,866	74,934	108,800	21,150	87,650
2022	31,158	70,153	101,311	19,690	81,621
Thereafter	205,282	563,773	769,055	142,987	626,068
	\$ 396,583	\$ 949,416	\$ 1,345,999	\$ 264,326	\$ 1,081,673

Total Payments:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2018	\$ 215,780	\$ 197,464	\$ 413,244	\$ 71,722	\$ 341,522
2019	101,035	194,346	295,381	54,663	240,718
2020	97,799	192,906	290,705	54,261	236,444
2021	95,749	196,307	292,056	53,418	238,638
2022	93,310	193,858	287,168	52,911	234,257
Thereafter	979,496	2,355,841	3,335,337	633,113	2,702,224
	\$ 1,583,169	\$ 3,330,722	\$ 4,913,891	\$ 920,088	\$ 3,993,803

EPCOR receivable amounts offset self-liquidating debt and interest payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

B. DEBT AND DEBT SERVICE LIMITS

A Regulation pursuant to section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. Consolidated revenue net of capital government transfers and developer contributed tangible capital assets includes \$131,608 (2016 – \$191,032) related to the Drainage Utility.

As allowed under the Regulation, the revenue from EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2017	2016
Total debt limit per Regulation	\$ 5,649,404	\$ 5,627,370
Total debt	2,912,130	3,338,950
Percentage used (%)	51.5	59.3
Total debt service limit per Regulation	\$ 988,646	\$ 984,790
Total debt service	264,616	341,022
Percentage used (%)	26.8	34.6

C. MATURITIES AND INTEREST RATES

Existing long-term debt matures in annual amounts in periods 2018 through 2050 and debenture interest is payable at rates ranging from 1.8 to 8.5 per cent (2016 – 1.6 to 8.5 per cent).

The average annual interest rate is 3.9 per cent for 2017 (2016 – 3.8 per cent).

D. INTEREST ON LONG-TERM DEBT

	2017	2016
Self-liquidating debt	\$ 51,175	\$ 51,861
Tax-supported debt	85,810	81,308
Public-private partnership (P3) term debt	13,349	
	150,334	133,169
Less payments on offsetting amounts receivable	25,593	13,121
Long-term debt interest included in interest and bank charges	\$ 124,741	\$ 120,048

E. PUBLIC PRIVATE PARTNERSHIP (P3) TERM DEBT

	2017	2016
Valley Line LRT:		
P3 substantial completion liability	\$ 44,423	\$
P3 term debt	88,846	
Total P3 Obligation	\$ 133,269	\$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

In February 2016 the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period runs from 2016–2020 and the operating period from 2020–2050. During construction of the Valley Line LRT, the City recognizes capital costs as assets under construction and makes progress payments on 50.0 per cent of the capital costs, based on percentage of construction completion. Payments on the remaining 50.0 per cent of the capital costs are deferred and recognized as a P3 obligation to TransEd of which 16.7 per cent will be settled upon substantial completion of the project in 2020. The remaining 33.3 per cent, which represents P3 term debt, is to be repaid by monthly interest and principal payments starting in 2020 over 30 years at an interest rate of 4.4 per cent, with the final payment in 2050.

As of December 31, 2017, the total P3 obligation is \$133,269 based on 18.3 per cent of project completion. A P3 substantial completion liability of \$44,423 (2016 – \$0) is reported in Accounts payable and accrued liabilities - Trade and other (Note 7) and the P3 term debt of \$88,846 (2016 – \$0) is recognized as Long-term debt.

Principal and interest payments on the P3 term debt for the next five years and thereafter are as follows:

	Principal	Interest	Total
2018	\$	\$	\$
2019			
2020	82	164	246
2021	1,455	3,898	5,353
2022	1,521	3,832	5,353
Thereafter	85,788	63,854	149,642
	\$ 88,846	\$ 71,748	\$ 160,594

12 TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2017	2016
Land	\$ 1,504,742	\$ 1,688,026
Land improvements	747,862	694,846
Buildings	1,699,767	1,706,705
Vehicles	360,796	398,639
Machinery and equipment	368,380	387,452
Engineered structures:		(Note 27)
Roadway system	4,019,649	3,759,283
Drainage system		3,042,845
Light rail transit	935,822	944,751
Waste	34,943	49,894
Bus system	93,741	85,403
Other	37,883	21,539
	9,803,585	12,779,383
Assets under construction	924,395	735,663
	\$ 10,727,980	\$ 13,515,046

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1). A total of \$217,249 in land, land improvements and engineered structures were contributed to the City in 2017 (2016 – \$348,298) and were recorded at their fair value at the time received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

13 OTHER ASSETS

	2017	2016
Advances secured by tangible capital assets	\$ 47,411	\$ 48,684
Prepaid expenses – operational	16,710	17,066
Benefit plan assets	6,634	5,114
	\$ 70,755	\$ 70,864

Advances secured by tangible capital assets of \$47,411 (2016 – \$48,684) relate to the Edmonton Northlands EXPO Center loan. On December 5, 2017, City Council approved the termination and release of the EXPO Center loan agreement between the City and Northlands, effective January 1, 2018. A Staged Surrender Agreement was also approved transferring ownership of the EXPO Center and Northlands Coliseum to the City, effective January 1, 2018, and Northlands Park later in 2018.

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2017	2016	(Note 27)
Tangible capital assets (Schedule 1)	\$ 17,449,826	\$ 20,625,639	
Accumulated amortization (Schedule 1)	(6,721,846)	(7,110,593)	
Long-term debt (Note 11)	(2,912,130)	(3,338,950)	
Debt secured by Sinking Fund assets (Note 11)	93,737	86,350	
Long-term debt for land redevelopment	73,331	66,146	
Debt for advances secured by tangible capital assets (Note 13)	47,411	48,684	
Debt recoverable (Note 5)	10,571	11,473	
	\$ 8,040,900	\$ 10,388,749	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

15

RESERVES FOR FUTURE EXPENDITURES

	2017	2016
General Government:		
Financial stabilization	\$ 125,110	\$ 92,852
Local improvement	116,786	108,795
Financial stabilization – appropriated	85,049	30,255
Affordable housing	31,354	27,761
LRT	31,186	31,056
Traffic safety and automated enforcement	29,186	29,650
Parkland	19,239	21,533
Fleet services – vehicle replacement	19,158	14,798
Funds in lieu – residential	18,461	23,780
Natural areas	9,421	9,368
Enterprise portfolio/Commonwealth Stadium	8,492	10,638
Current planning	6,355	13,988
Tree management	5,630	3,535
Tax-supported debt	5,144	4,318
Perpetual care	3,990	6,950
Motor vehicle insurance	2,500	2,500
Heritage resources	2,269	2,703
Rogers Place Arena capital	2,262	751
Aggregate site development and land reclamation	1,820	1,803
Other	1,577	2,111
Vehicle for hire	1,398	1,188
St. Francis Xavier	1,380	1,138
Revolving industrial servicing fund	1,378	539
Brownfield redevelopment	(1,900)	
Community revitalization levy – Belvedere	(7,003)	(5,938)
Community revitalization levy – Quarters	(7,827)	(9,156)
Community revitalization levy – Capital City Downtown	(22,791)	(14,913)
Interim financing	(29,650)	(26,588)
Neighbourhood renewal	(38,606)	589
	421,368	386,004
City of Edmonton Library Board	8,983	4,696
Edmonton Economic Development Corporation	1,805	800
Non-Profit Housing Corporation	1,596	1,020
Fort Edmonton Management Company	262	300
	\$ 434,014	\$ 392,820

The City maintains reserves that are used to accommodate differences between expenses and related funding sources. These include the Neighbourhood renewal, Interim financing, Community revitalization levy and Brownfield redevelopment reserves. Existing shortfalls in these reserves will be recovered through future funding sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

16 ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2017	2016
	(Note 27)	
General government operations	\$ 31,209	\$ 63,849
Excess earnings on Sinking Fund	1,539	2,526
Restricted surplus:		
EPCOR Utilities Inc.	3,560,911	2,672,193
Ed Tel Endowment Fund	842,479	815,471
Land Enterprise	107,041	106,673
Pension and benefits	21,053	18,643
Edmonton Economic Development Corporation	17,914	15,139
Drainage Utility	6,197	
Fort Edmonton Management Company	2,952	2,164
Waste RE-solutions Edmonton	3,150	2,077
Non-Profit Housing Corporation	969	1,058
City of Edmonton Library Board	652	637
Edmonton Combative Sports Commission	256	129
Waste Services Utility	9,877	(1,914)
Reserves for future expenditures (Note 15)	434,014	392,820
Equity in tangible capital assets (Note 14)	8,040,900	10,388,749
Advances for construction	224,370	215,593
	<hr/> \$ 13,299,286	<hr/> \$ 14,702,004

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

17

NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	Budget	2017	2016
Taxes:			
Property taxes	\$ 1,932,053	\$ 1,928,978	\$ 1,836,454
Revenue in lieu of taxes	43,651	43,424	37,605
Community revitalization levy	17,342	16,882	11,979
Other	3,900	8,344	9,197
Special tax – alley lighting	991	991	854
Tax appeals and allowances	(10,856)	(14,357)	(10,649)
	1,987,081	1,984,262	1,885,440
Less taxes on behalf of:			
Education	477,512	474,754	448,086
Business improvement areas		3,675	3,572
	477,512	478,429	451,658
Net taxes available for municipal purposes	\$ 1,509,569	\$ 1,505,833	\$ 1,433,782

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to Accounts payable and accrued liabilities – Trade and other (Note 7).

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately on the Consolidated Statement of Operations and Accumulated Surplus.

Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2017 the City has three active CRL areas: the Quarters, Belvedere and Capital City Downtown. The CRL taxes collected include property taxes, revenue in lieu of taxes, and other taxes. In 2017, \$3,976 (2016 – \$3,608) incremental tax levy was collected in the Quarters CRL, including \$812 (2016 – \$757) in education taxes. The Belvedere CRL collected \$863 (2016 – \$715) in incremental tax levy during the year, including \$170 (2016 – \$160) in education taxes. The Capital City Downtown CRL collected \$12,043 (2016 – \$7,656) in incremental tax levy during the year, including \$3,302 (2016 – \$1,707) in education taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

18 GOVERNMENT TRANSFERS

	Budget	2017	2016
Operating transfers:			(Note 27)
Federal	\$ 44,347	\$ 45,759	\$ 45,132
Provincial	58,119	61,729	67,635
	102,466	107,488	112,767
Capital transfers:			
Federal	75,119	42,826	15,505
Provincial	617,434	369,780	315,308
	692,553	412,606	330,813
Total Government Transfers	\$ 795,019	\$ 520,094	\$ 443,580

The City and PPP Canada Inc. signed an agreement to provide Federal government funding for the Valley Line LRT expansion. In 2017, the City received and recorded \$0 (2016 – \$10,505) as revenue.

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2017, the City received \$111,814 (2016 – \$68,515), including earned interest of \$3 (2016 – \$66) and temporary rental income of \$8 (2016 – \$48) and recorded \$142,890 (2016 – \$147,590) as capital government transfers. In 2017, a receivable of \$100,058 has been recorded (2016 – receivable of \$70,371 and deferred revenue of \$1,389).

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2017, the City recognized operating government transfers of \$99 (2016 – \$2,793). In 2017, the City recorded \$16,918 (2016 – \$16,856) as deferred revenue, including interest of \$161 (2016 – \$152).

In 2007, the Province introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. In 2017, the City received \$262,735 (2016 – \$265,897) from the Province, including interest of \$2,729 (2016 – \$1,119). In 2017, the City recognized \$185,409 (2016 – \$160,752) as capital government transfers and \$1,052 (2016 – \$5,595) as operating government transfers. In 2017, \$274,917 has been recorded as deferred revenue (2016 – \$198,643).

A grant of up to \$29,000 has been approved under the Alberta Innovation and Science program to provide funding for a solid waste gasification demonstration facility. In 2017, the City received \$0 (2016 – \$2,000), and \$0 (2016 – \$2,000) has been recognized as government transfers for operations. In 2017, \$64 (2016 – \$61) including interest of \$3 (2016 – \$6), has been recorded as deferred revenue.

Under the Federal Gas Tax Fund, the City received \$48,650 (2016 – \$47,332), and recognized \$5,012 as capital government transfers (2016 – \$5,000) and \$43,605 (2016 – \$43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. In 2017, \$0 remains in receivables (2016 – \$33).

In 2017, the City received a grant of \$22,325 (2016 – \$22,325) from the Province for Family and Community Support Services funding. In 2017, \$22,325 was recognized as operating revenue (2016 – \$23,035).

The Province approved funding through the Alberta Disaster Recovery Program for flood damage in 2013. In 2017, \$509 was received from the Province (2016 – \$0) and the City recognized \$288 (2016 – \$64) as capital revenue and \$764 as operating revenue. In 2017, \$0 remains in deferred revenue (2016 – \$543).

In 2017, an agreement through the Building Canada Fund was signed for the Valley Line LRT expansion. In 2017, the City received \$281 (2016 – \$0) and recorded \$37,134 (2016 – \$0) as capital government transfers. A receivable has been recorded for \$37,134 (2016 – \$281).

Under the Public Transit Infrastructure Fund agreement signed between the City and the Province in 2017 to support the funding of improved and expanded public transit systems, the City received \$5,717 (2016 – \$0) and recorded \$32,499 (2016 – \$0) as capital government transfers. A receivable has been recorded of \$26,782 (2016 – \$0).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

19

EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2017	2016
Mayor:				
Iveson	\$ 176	\$ 41	\$ 217	\$ 218
	176	41	217	218
Councillors:				
Anderson	85	18	103	121
Banga	100	23	123	107
Cartmell	15	4	19	
Caterina	100	23	123	123
Dziadyk	15	4	19	
Esslinger	100	24	124	124
Gibbons	85	23	108	122
Hamilton	15	4	19	
Henderson	100	22	122	122
Knack	100	24	124	124
Loken	85	20	105	123
McKeen	100	22	122	122
Nickel	100	21	121	121
Oshry	85	41	126	121
Paquette	15	4	19	
Walters	100	24	124	124
	1,200	301	1,501	1,454
Chief Administrative Officer (City Manager)	412	7	419	485
City Assessor	233	30	263	246
	\$ 2,021	\$ 379	\$ 2,400	\$ 2,403

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

The City of Edmonton Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 36 weeks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

20 SUBSIDIARY OPERATIONS – EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, water and wastewater treatment facilities and as of September 1, 2017 sanitary and stormwater systems.

EPCOR also provides electricity, natural gas and water products and services to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR.

	2017	2016
Financial position:		
Current assets	\$ 906,653	\$ 530,457
Capital assets	8,976,492	4,983,314
Investment in Capital Power		5,798
Other assets	474,460	641,957
Total assets	10,357,605	6,161,526
Current liabilities (including current portion of long-term debt of \$442,205 (2016 – \$14,880))	960,339	389,767
Non-current liabilities	3,446,968	1,195,055
Long-term debt	2,424,053	1,904,511
Total liabilities	6,831,360	3,489,333
Accumulated other comprehensive income	49,140	86,663
Share capital	811,712	23,795
Retained earnings	2,665,393	2,561,735
Shareholder's equity	\$ 3,526,245	\$ 2,672,193
Results of operations:		
Revenues	\$ 2,047,430	\$ 1,945,741
Gain on sale and dividend income from investment in Capital Power	1,541	51,110
Expenses	(1,792,654)	(1,687,798)
Net income	\$ 256,317	\$ 309,053
Changes in shareholder's equity:		
Shareholder's equity – opening	\$ 2,672,193	\$ 2,515,196
Net income	256,317	309,053
Other comprehensive loss	(37,523)	(11,035)
Dividend to shareholder (City of Edmonton)	(152,670)	(141,021)
Capital contribution from shareholder (City of Edmonton) (Note 26)	787,928	
Shareholder's equity – ending	\$ 3,526,245	\$ 2,672,193

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions or proceedings.

Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

The difference between the City's investment in EPCOR and EPCOR's shareholder equity of \$34,666 reflects tangible capital assets contributed to EPCOR from the City. This difference is amortized over the useful life of the assets contributed.

On September 1, 2017, the City transferred the Drainage Utility net assets and operations to EPCOR pursuant to the Asset and Liability Transfer agreement. Net assets of \$3,575,709 were transferred to EPCOR. Adjustments were made by EPCOR to align with IFRS and record a transition cost compensation fee and promissory note payable, resulting in net assets recognized of \$787,928 within EPCOR's equity as a capital contribution from the City (Note 26).

In 2016 and 2017, EPCOR sold off their remaining Capital Power common shares divesting themselves of any interest in Capital Power.

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including Sinking Fund payments (Note 11) and deferred financing charges, are as follows:

2018	\$ 442,235
2019	32,136
2020	33,007
2021	206,597
2022	34,291
Thereafter	2,130,887
	\$ 2,879,153

EPCOR has issued letters of credit for \$65,820 (2016 - \$72,733) to meet the credit agreements of electricity market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes EPCOR's related party transactions with the City for the year.

	2017	2016
Dividend paid to the City	\$ 152,670	\$ 141,021
Franchise fees and revenue tax paid to the City	86,836	76,504
Financing expenses paid or payable to the City	15,324	9,293
Sales of administrative and construction services from the City	18,956	9,217
Property taxes and other taxes paid to the City	16,982	15,386
Costs of capital construction paid or payable to the City	4,285	4,561
Power and water purchased by the City	4,463	4,446
Other services purchased by the City	82,906	89,658

All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates or as agreed to by the parties.

The following summarizes EPCOR's related party balances with the City.

	2017	2016
Trade and other receivables	\$ 45,727	\$ 33,376
Property, plant and equipment	4,285	4,561
Trade and other payables	43,794	8,026
Loans and borrowings issued in the name of the City	664,596	90,439
Deferred revenue and other liabilities	64,236	2,135

The City's financial statements include the net balance payable to EPCOR within accounts payable and accrued liabilities and offsetting receivables from EPCOR of \$655,762 (2016 - \$91,338), presented on a PSAS basis, which have been applied to reduce the City's consolidated Long-term Debt (Note 11).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

21

PENSION AND LONG-TERM DISABILITY PLANS

A. LOCAL AUTHORITIES PENSION PLAN

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 11.39 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 per cent thereafter. Employees of the City are required to make current service contributions of 10.39 per cent of pensionable salary up to YMPE and 14.84 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2017 were \$109,905 (2016 – \$105,909) and by the employees to the LAPP in 2017 were \$101,359 (2016 – \$97,555).

The LAPP reported a deficiency for the overall plan as at December 31, 2016 of \$637,357. Information as at December 31, 2017 was not available at the time of preparing these financial statements.

B. SPECIAL FORCES PENSION PLAN

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.26 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 2.79 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over no more than 15 years. Participants of the SFPP are required to make current service contributions of 9.16 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 2.79 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2017 were \$28,565 (2016 – \$29,125) and by the employees to the SFPP in 2017 were \$26,405 (2016 – \$26,923).

The SFPP reported a deficiency for the plan as at December 31, 2016 of \$108,525 comprised of a deficit of \$191,613 for pre-1992 and a surplus of \$83,088 relating to post-1991. Information as at December 31, 2017 was not available at the time of preparing these financial statements.

C. CITY-SPONSORED PENSION PLANS

The City, in conjunction with the City of Edmonton Investment Committee, administers Pension Fund and Long-term Disability Plan assets on behalf of third parties. Related trust assets not owned by the City have been excluded from the reporting entity. Assets consist of government, government guaranteed and corporate bonds valued at market quotations from Canadian and global investment dealers, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Other investments within the Pension Funds and Long-term Disability Plan include global infrastructure assets. The City's share of the FFSP asset balance and the Fire Chief Plan net fund liability has been recognized in the financial statements.

The following summarizes plans sponsored by the City.

i. Annuity Plan

The multi-employer Annuity Fund provided lifetime benefits to retired members and beneficiaries only. As of December 4, 2014 there are no longer any beneficiaries of this plan and the fund is closed to new members. The plan is being wound up and surplus funds attributable to the City are not yet known. The surplus fund position is being held in trust by the City until the assets are distributed.

Total benefits paid during the year were \$0 (2016 – \$0).

ii. Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 15 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were \$54 (2016 – \$54).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

iii. Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$7,738 (2016 – \$7,698). Employer contributions for the year were \$3,508 (2016 – \$3,380) and employee contributions for the year were \$2,926 (2016 – \$2,810).

iv. Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were \$216 (2016 – \$224). Employer contributions were \$73 (2016 – \$67) and employee contributions for the year were \$20 (2016 – \$17).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2017	2016
Fair value of assets	\$ 14,491	\$ 12,695	\$ 231,183	\$ 3,655	\$ 262,024	\$ 240,702
Accrued benefit obligation		267	196,175	3,810	200,252	189,258
Funded status – surplus (deficit)	14,491	12,428	35,008	(155)	61,772	51,444
Unamortized net actuarial gain			(8,243)	(146)	(8,389)	(900)
Accrued benefit asset (liability)	14,491	12,428	26,765	(301)	53,383	50,544
Valuation allowance	14,491	12,428			26,919	25,691
Employee portion of accrued benefit asset				12,044	12,044	11,323
Net fund asset (liability)	\$	\$	\$ 14,721	\$ (301)	\$ 14,420	\$ 13,530

The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.4 years (2016 – 16.4 years) and of the Fire Chief plan of 1.6 years (2016 – 2.4 years). The accrued benefit asset for the FFSPP is

Actuarial valuations for Annuity, Police Supplementary, Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plans and an actuarial extrapolation for the Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2017. Each 2017 actuarial valuation and extrapolation were based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.0 per cent (2016 – 2.0 per cent). The discount rate used to determine the accrued benefit obligation is 5.75 per cent (2016 – 5.75 per cent). The expected rate of return on plan assets is 5.75 per cent (2016 – 5.75 per cent). The expected salary increase is 3.0 per cent (2016 – 3.0 per cent), plus a merit and promotion increase in the FFSPP (which varies by service). The Fire Chief Plan assumes a 0.5 per cent merit and promotion increase per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 10.7 per cent (2016 – 8.0 per cent).

shared 55 per cent by the City as the employer and 45 per cent by employees. The net employer share of the fund asset balance for the FFSPP is included in Receivables – Trade and other (Note 3). The net fund liability for the Fire Chief Plan is included within Employee Benefit Obligations – Other (Note 9).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2017	2016
Current service cost			\$ 6,220	\$ 44	\$ 6,264	\$ 5,513
Amortization of actuarial loss (gain)	722	(473)	(59)	20	210	610
Increase in valuation allowance	105	1,123			1,228	854
Less: employee contributions			(2,926)	(20)	(2,946)	(2,827)
Benefit plan expense for the year	827	650	3,235	44	4,756	4,150
Interest cost on accrued benefit obligation		14	10,784	214	11,012	10,800
Expected return on plan assets	(827)	(664)	(12,113)	(194)	(13,798)	(13,553)
Benefit plan interest (income) expense	(827)	(650)	(1,329)	20	(2,786)	(2,753)
Total benefit plan related expense	\$ 827	\$ 650	\$ 1,906	\$ 64	\$ 1,970	\$ 1,397

D. LONG-TERM DISABILITY PLAN

The City administers the Long-term Disability Plan (the Plan), made available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2017. The Plan's assets are valued at fair value.

	2017	2016
Fair value of assets	\$ 135,381	\$ 127,024
Less: Accrued benefit obligation	93,167	77,465
Net assets	\$ 42,214	\$ 49,559

22 COMMITMENTS

A. CONTRACTUAL OBLIGATIONS

To mitigate the risk of fluctuation in fuel prices, the City has entered into swap transactions to purchase 21.5 million litres of heating oil for monthly periods from January 2018 through December 2018. The contracts have settlement dates ranging from February 7, 2018 through January 8, 2019 at prices from \$0.51 to \$0.65 per litre, for a total commitment of \$12,493.

In February 2016 the City entered into a P3 agreement with TransEd Partners General Partnership (TransEd) for the design, construction, operation, and maintenance of stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period runs from 2016–2020 and the operating period from 2020–2050. The total commitment for construction over the life of the contract is \$1,456,495. As of December 31, 2017 \$266,538 of the construction costs have been recognized by the City. The total commitment for the service level payments and maintenance payments to be made during the operating period is based

on current estimated ridership levels and inflation. The total service level payments and maintenance payments are estimated to be \$937,302 and \$256,165 respectively. Additional details are provided in (Note 11e).

B. LEASE COMMITMENTS

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2018	\$ 26,902
2019	24,942
2020	22,167
2021	20,752
2022	21,424
Thereafter	253,717
	\$ 369,904

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

23

LIABILITY FOR CONTAMINATED SITES

As of December 31, 2017, the liability for contaminated sites includes sites associated with former City operations, sites acquired through tax forfeiture, historical acquisition of properties, and former unofficial waste disposal sites from early in the City's history. The nature of contamination includes chemicals, heavy metals, salt, biosolids and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, fuel handling, vehicle storage and maintenance, metal manufacturing, stockyards, incinerators, wastewater treatment plants and lagoons and the leaching of materials deposited in unauthorized landfills.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites. The City has recognized a net increase in the liability of \$184 over the prior year, representing a total liability for the remediation of contaminated sites of \$19,554 (2016 – \$19,370). The liability is reported in Accounts payable and accrued liabilities – Trade and other ([Note 7](#)) in the Consolidated Statement of Financial Position.

24

CONTINGENT LIABILITIES

A. The City is the defendant in various lawsuits as at December 31, 2017. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

B. The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. There may be contaminated sites that the City has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

25

SEGMENT DISCLOSURES

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS2700 *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

A. TAX-SUPPORTED PROGRAMS

Tax-supported programs directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:

i. Transportation Services

Transportation Services includes bus, light rail transit, roadway and parking services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

ii. Protective Services

Protective Services is comprised of police, traffic safety, bylaw enforcement and fire rescue.

iii. Community Services

Community Services includes parks and recreation, community and family services, planning and corporate properties and public housing. Also included are the City of Edmonton Library Board, Edmonton Economic Development Corporation, Fort Edmonton Management Company, the Non-Profit Housing Corporation, the Vehicle for Hire Commission and Edmonton Combative Sports Commission, which are managed by separate boards or commissions.

iv. Fleet Services

Fleet Services provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments, and external customers, including EPCOR. The area operates under a full cost recovery model by directly charging other City departments for the provision of fleet services.

v. Other Tax-Supported

Other Tax-Supported consists of corporate administration, general municipal services, tax appeals and allowances and excess (deficiency) in Sinking Fund earnings. Revenues and expenses that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

B. WASTE SERVICES

Waste Services delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. Also included is Waste RE-solutions Edmonton.

C. DRAINAGE SERVICES

Drainage Services includes the results for the Sanitary Drainage Utility (collection and transmission of wastewater) as well as the Stormwater Drainage Utility (collection and transmission of storm water) and design and construction activities for the period January 1 to August 31, 2017. The Drainage Utility net assets and operations were transferred to EPCOR effective September 1, 2017.

D. LAND ENTERPRISE

Land Enterprise is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and the disposal of land deemed surplus to municipal needs. Land Enterprise is intended to be operated on a self-sustaining basis.

E. EPCOR

EPCOR is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 20 to these financial statements provides condensed financial information for EPCOR.

F. ED TEL ENDOWMENT FUND

Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

26

TRANSFER OF DRAINAGE UTILITY TO EPCOR

On April 12, 2017, City Council voted to transfer the Drainage Utility (Drainage) from the City to its wholly owned subsidiary corporation, EPCOR, effective September 1, 2017. The terms of transfer were established within an Asset and Liability Transfer Agreement.

Revenues and expenses for Drainage up to and including August 31, 2017 are reported in the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Schedule of Segment Disclosures.

Drainage net assets of \$3,575,709 were transferred to EPCOR as shown in the table below. Upon transfer, EPCOR adjusted the value of net assets to conform to International Financial Reporting Standards (IFRS). The total of the changes decreased the value of net assets recognized by EPCOR by \$2,119,968, with the largest adjustment related to deferral of contributed tangible capital assets. The City has recognized these as adjustments to opening accumulated surplus in the Consolidated Statement of Operations and Accumulated Surplus.

	Assets and Liabilities Transferred	IFRS and Other Adjustments	Assets and Liabilities as Adjusted
Financial Assets			
Cash and temporary investments	\$ 66,212	\$	66,212
Receivables	23,588		23,588
	89,800		89,800
Liabilities			
Accounts payable and accrued liabilities	35,646	(2,607)	33,039
Deposits	2,855		2,855
Deferred revenue	1,326	2,150,636	2,151,962
Employee benefit obligations	3,314		3,314
Promissory note payable		11,138	11,138
	43,141	2,159,167	2,202,308
Net Debt	46,659	(2,159,167)	(2,112,508)
Non-financial Assets			
Tangible capital assets	3,527,620	39,199	3,566,819
Inventory of materials and supplies	1,430		1,430
	3,529,050	39,199	3,568,249
Net Assets	\$ 3,575,709	\$ (2,119,968)	\$ 1,455,741

The difference of \$787,928 between the adjusted net assets of \$1,455,741 and the transition cost compensation and promissory note payable of \$75,000 and \$592,813, respectively, was recognized in EPCOR's equity as a capital contribution received from the City. The City recorded a promissory note receivable, to offset the related long-term debt, and a transition cost compensation payment receivable from EPCOR in the same amounts. During 2017, the City received \$8,200 of the \$75,000 in transition cost payments related to the transfer. The remaining \$66,800 in transition cost payments are to be received in declining amounts over the next 5 years, starting with \$21,000 receivable in 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2017 (in thousands of dollars)

27 COMPARATIVE INFORMATION

The City has retrospectively adjusted certain financial statement accounts as at and for the year ended December 31, 2016 due to the following:

A. In 2017, as a result of the Drainage Utility transfer to EPCOR (Note 26), additional information was identified regarding the completeness and measurement of certain land and drainage system tangible capital assets. As a result, the comparative information has been adjusted to reflect this additional information.

B. In 2017, the City identified adjustments required for 2016 capital government transfers related to the Green Transit Incentives Program grant. The City determined that authorization and eligibility criteria were met in 2016 and additional government transfers revenue should have been recognized in 2016. The comparative information has been adjusted to correct for this item.

The adjustments to the tangible capital assets and capital government transfers have been applied retrospectively as follows:

	December 31, 2016 (Previously reported)		Adjustments	December 31, 2016 (As adjusted)
Consolidated Statement of Financial Position				
Financial Assets	\$ 5,645,401		\$ 70,371	\$ 5,715,772
Liabilities	4,686,288		(33,631)	4,652,657
Net Financial Assets	959,113		104,002	1,063,115
Non-financial Assets	13,465,944		172,945	13,638,889
Accumulated Surplus	\$ 14,425,057		\$ 276,947	\$ 14,702,004
Consolidated Statement of Operations and Accumulated Surplus				
Revenue	\$ 3,043,171		\$	\$ 3,043,171
Expenses	2,836,564			2,836,564
Other	629,644		129,034	758,678
Excess of Revenues over Expenses	836,251		129,034	965,285
Accumulated Surplus, beginning of year	13,599,841		147,913	13,747,754
Subsidiary operations – EPCOR – other comprehensive loss	(11,035)			(11,035)
Accumulated Surplus, end of year	\$ 14,425,057		\$ 276,947	\$ 14,702,004

The adjusted amounts relate solely to the accounting for tangible capital assets and capital government transfers and have no effect on cash balances, debt limits, property tax revenues or any other balances influencing the City's capital and operating budget requirements. Certain other comparative information has been reclassified to conform with the consolidated financial statement presentation adopted for the current year.



A photograph of a woman with long brown hair, wearing a white tank top and shorts, riding a bicycle on a city street. She is smiling at the camera. In the background, there is a building with a sign that says "GARNEAU" in red letters, a gas station, and a road with several cars. The sky is cloudy, and there are mountains visible in the distance.

STATISTICAL REVIEW

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017

GENERAL MUNICIPAL DATA

Unaudited

	2017	2016	2015	2014	2013
Population (Note 1)	932,546	932,546	877,926	877,926	817,498
Population age distribution (%) (Note 1)					
0-4	6.44	6.44	6.13	6.13	6.15
5-19	16.65	16.65	16.74	16.74	16.95
20-29	16.57	16.57	16.18	16.18	17.08
30-39	16.90	16.90	15.94	15.94	15.46
40-49	13.05	13.05	13.45	13.45	14.08
50-59	13.02	13.02	13.82	13.82	13.83
60-64	5.31	5.31	5.29	5.29	4.91
65+	12.06	12.06	12.45	12.45	11.54
Area¹					
in hectares	69,980	69,980	69,980	69,980	69,980
in square kilometres (rounded)	700	700	700	700	700
Value of building permits¹ (\$'000)	\$ 3,558,859	\$ 4,069,333	\$ 4,504,748	\$ 4,624,608	\$ 3,966,199
Number of housing starts²	8,506	7,263	13,311	9,798	10,634
Household median total income³ (Note 2)					
Metro Edmonton	\$ 101,870	\$ 101,870	\$ 101,870	\$ 101,470	\$ 98,480
Alberta	\$ 100,300	\$ 100,300	\$ 100,300	\$ 100,750	\$ 97,390
Canada	\$ 80,940	\$ 80,940	\$ 80,940	\$ 78,870	\$ 76,550
Consumer price index³ – 2002 base year					
Metro Edmonton	137.1	134.9	133.4	131.8	129.0
Alberta	137.3	135.2	133.7	132.2	128.9
Canada	130.4	128.4	126.6	125.2	122.8
Unemployment rate³ (%) – annual average					
Metro Edmonton	8.1	7.4	6.0	5.1	4.8
Alberta	7.8	8.1	6.0	4.7	4.6
Canada	6.3	7.0	6.9	6.9	7.1
City of Edmonton employees (Note 3)	14,700	15,180	14,866	14,352	13,824

Sources: ¹City of Edmonton Urban Form and Corporate Strategic Development Department. ²Canada Mortgage and Housing Corporation ³Statistics Canada

Notes

1. The population and population age distribution for 2016 and 2017 reflects 2016 Statistics Canada Census information, 2014 and 2015 reflects 2014 City Census information, and 2013 reflects the 2012 City Census information.
2. Updated figures for 2016 and 2017 household median total income are not yet available. The amounts shown reflect the latest 2015 data. The household median income reflects the "median total income, all families" per Statistics Canada.
3. Positions are stated in full time equivalents, as budgeted, and exclude EPCOR.

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017 ASSESSMENT AND TAX LEVY

Unaudited (in thousands of dollars, except per capita)

	2017	2016	2015	2014	2013
Assessment:					
Total taxable assessment	\$ 167,195,780	\$ 169,956,730	\$ 161,846,047	\$ 149,252,793	\$ 140,044,430
Percentage of total assessment represented by:					
Residential properties (%)	75.5	75.0	74.5	73.9	74.6
Commercial properties (%)	24.5	25.0	25.5	26.1	25.4
Taxable assessment per capita	\$ 179,290	\$ 182,250	\$ 184,350	\$ 170,006	\$ 171,309
Assessment for principal taxpayers (%) (Note 1)	4.6	4.7	4.7	4.7	4.6
Rates of taxation (mills):					
Single family residences	8.51	8.00	7.75	8.01	7.82
Other residential property	9.41	8.85	8.58	8.84	8.61
Commercial and industrial	20.76	19.13	18.85	18.00	18.22
Property tax levy, collections, and arrears:					
Arrears at January 1 (net)	\$ 60,691	\$ 54,714	\$ 46,481	\$ 49,487	\$ 43,974
Tax Levy	1,962,110	1,864,069	1,742,986	1,604,987	1,479,341
Appeals and adjustments	(10,819)	(10,436)	(12,036)	(8,391)	(11,479)
Collections:					
Regular	(1,906,354)	(1,812,704)	(1,695,180)	(1,568,194)	(1,442,135)
Community Revitalization Levy	(16,882)	(11,979)	(7,934)	(2,071)	(783)
Arrears	(44,236)	(36,011)	(30,878)	(40,758)	(30,898)
Penalties on prior year arrears	13,695	13,038	11,275	11,421	11,467
Arrears at December 31 (net)	\$ 58,205	\$ 60,691	\$ 54,714	\$ 46,481	\$ 49,487
Percentage of current property taxes collected (%)	98.6	98.4	98.4	98.4	98.3
Percentage of net property tax arrears collected (%)	72.9	67.6	66.4	82.4	70.3
Property tax arrears per capita (gross)	\$ 69.74	\$ 66.55	\$ 64.06	\$ 54.09	\$ 64.50
Property tax arrears per capita (net)	62.42	65.08	62.32	52.94	60.53
Property tax levy per capita	2,104.04	1,999.98	1,985.35	1,828.16	1,809.60
Business improvement area tax levy	\$ 3,686	\$ 3,475	\$ 3,595	\$ 3,406	\$ 3,115
Education requisitions	\$ 474,754	\$ 448,086	\$ 427,019	\$ 406,400	\$ 399,047

Source: City of Edmonton Financial and Corporate Services

Note

- Includes the ten highest taxpayers by assessment value.

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017 INVESTMENT FUNDS (NOTE 1)

Unaudited (in thousands of dollars)

	2017	2016	2015	2014	2013
Balanced Fund					
Net assets – market value	\$ 696,559	\$ 654,169	\$ 625,543	\$ 592,482	\$ 535,846
Net assets – cost	693,425	658,057	617,299	575,361	530,235
Net earnings	35,015	39,962	41,462	44,849	30,910
Fund rate (%)	5.3	6.5	7.2	8.5	6.2
Market (%)	6.8	4.8	5.8	10.9	8.7
Ed Tel Endowment Fund					
Net assets – market value	\$ 862,229	\$ 813,397	\$ 793,285	\$ 766,277	\$ 708,839
Net assets – cost	842,478	815,471	788,961	745,839	683,798
Net earnings	61,439	66,736	71,765	86,754	56,752
Fund rate (%)	7.5	8.5	9.6	12.7	8.8
Market (%)	10.8	8.1	7.8	12.1	18.8
Sinking Fund					
Net assets – market value	\$ 89,594	\$ 85,931	\$ 82,016	\$ 76,511	\$ 69,498
Net assets – cost	89,962	84,721	79,215	73,704	67,996
Net earnings:					
Required	4,363	4,014	3,674	3,356	4,102
Deficiency	(2,146)	(1,532)	(1,188)	(672)	(791)
Total	\$ 2,217	\$ 2,482	\$ 2,486	\$ 2,684	\$ 3,311
Fund rate (%)	2.6	3.1	3.4	3.9	2.1
Market (%)	1.0	1.3	3.4	6.2	0.4

Source: City of Edmonton Financial and Corporate Services

Note

- 1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
 - b. Fund rate is the rate expressed as the net earnings over prior year net assets at cost.
 - c. Market return is based on the time-weighted method, in accordance with industry standards.
- a. Net earnings are realized earnings of the fund as calculated in accordance with Canadian public sector accounting standards.

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017 LONG-TERM DEBT

Unaudited (in thousands of dollars, except per capita)

	2017	2016	2015	2014	2013
Debtenture borrowing					
Self-liquidating	\$ 102,782	\$ 156,268	\$ 107,061	\$ 85,983	\$ 86,281
Tax-supported	263,492	285,850	211,810	424,365	204,683
	\$ 366,274	\$ 442,118	\$ 318,871	\$ 510,348	\$ 290,964
Debt limit per regulation	\$ 5,649,404	\$ 5,627,370	\$ 5,556,132	\$ 5,139,094	\$ 4,598,338
Total debt limit used	2,912,130	3,338,950	3,033,233	2,895,724	2,492,420
Percentage used (%)	51.55	59.33	54.59	56.35	54.20
Debt service limit per regulation	988,646	984,790	972,323	899,341	804,709
Total debt service limit used	264,616	341,022	285,745	319,428	255,777
Percentage used (%)	26.77	34.63	29.39	35.52	31.79
General government debt service (Note 1)	278,619	186,503	231,799	150,248	126,100
General government debt service as a percentage of general government operating expenses (%) (Note 1)	10.7	7.5	9.8	6.9	6.1
Long-term debt (gross)					
Self-liquidating	\$ 1,186,586	\$ 1,147,510	\$ 1,099,361	\$ 1,047,876	\$ 1,014,118
Tax-supported	2,381,306	2,282,778	2,039,820	1,968,059	1,612,611
Long-term debt (net of EPCOR)					
Self-liquidating	\$ 530,824	\$ 1,056,172	\$ 993,403	\$ 927,665	\$ 879,809
Tax-supported	2,381,306	2,282,778	2,039,820	1,968,059	1,612,611
Net debt per capita					
Self-liquidating	\$ 569	\$ 1,133	\$ 1,132	\$ 1,057	\$ 1,076
Tax-supported	2,554	2,448	2,323	2,242	1,973
	\$ 3,123	\$ 3,581	\$ 3,455	\$ 3,299	\$ 3,049
Percentage of net debt to be retired					
Within 5 years	34.3	29.9	28.2	26.7	27.9
Within 10 years	66.7	56.3	53.1	50.3	51.7

Source: City of Edmonton Financial and Corporate Services

Note

1. Debt service includes principal and net interest.

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017 CONSOLIDATED EXPENSES

Unaudited (in thousands of dollars)

Operating Expenses by Function	2017	2016	2015	2014	2013
Transportation services	\$ 867,996	\$ 814,330	\$ 819,086	\$ 786,116	\$ 754,412
Protective services	673,588	659,181	605,174	582,322	556,435
Community services	611,059	571,205	543,882	479,448	426,116
Utility and enterprise services	340,745	373,213	384,224	326,639	324,891
Corporate administration, general municipal and other	432,334	391,329	355,775	349,098	321,946
Fleet services	30,379	27,306	55,877	81,159	36,528
	\$ 2,956,101	\$ 2,836,564	\$ 2,764,018	\$ 2,604,782	\$ 2,420,328

Operating Expenses by Object	2017	2016	2015	2014	2013
Salaries, wages and benefits	\$ 1,577,025	\$ 1,538,465	\$ 1,447,873	\$ 1,370,715	\$ 1,304,478
Materials, goods and utilities	282,069	267,614	332,393	295,168	303,683
Contracted and general services	283,396	282,086	281,781	262,641	222,975
Interest and bank charges	145,497	128,505	128,871	112,543	99,772
Grants and other	93,020	79,970	71,767	72,099	76,074
Amortization of tangible capital assets	556,215	526,622	491,104	479,470	405,347
Loss on disposal/replacement of tangible capital assets	18,879	13,302	10,229	12,146	7,999
	\$ 2,956,101	\$ 2,836,564	\$ 2,764,018	\$ 2,604,782	\$ 2,420,328

Source: City of Edmonton Financial and Corporate Services

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017 CONSOLIDATED REVENUE AND CAPITAL FINANCING

Unaudited (in thousands of dollars)

Revenues	2017	2016	2015	2014	2013
Net taxes available for municipal purposes	\$ 1,505,833	\$ 1,433,782	\$ 1,338,107	\$ 1,230,097	\$ 1,105,058
User fees and sale of goods and services	696,400	743,314	758,538	674,639	631,885
Subsidiary operations – EPCOR	256,317	309,053	259,680	190,849	175,499
Franchise fees	159,719	144,720	138,012	133,654	127,327
Investment earnings	116,876	126,782	133,880	150,363	104,294
Government transfers – operating	107,488	112,767	120,562	117,491	119,381
Fines and penalties	90,130	91,164	85,679	83,660	78,449
Licenses and permits	75,688	74,498	81,220	79,340	68,748
Developer and customer contributions – operating	15,396	7,091	10,750	14,748	2,924
Revenues before other	\$ 3,023,847	\$ 3,043,171	\$ 2,926,428	\$ 2,674,841	\$ 2,413,565
Government transfers – capital	412,606	330,813	181,216	224,599	380,960
Contributed tangible capital assets	217,249	348,298	344,317	177,478	228,224
Developer and customer contributions – capital	40,866	68,510	97,924	63,153	52,466
Local improvements	16,306	11,057	13,394	22,402	8,637
	\$ 3,710,874	\$ 3,801,849	\$ 3,563,279	\$ 3,162,473	\$ 3,083,852

Capital Additions by Financing Source	2017	2016	2015	2014	2013
Capital Additions	\$ 1,355,540	\$ 1,461,901	\$ 1,332,191	\$ 1,131,266	\$ 1,244,335
Financing Sources Applied:					
Pay-As-You-Go	105,502	193,745	232,145	222,086	151,345
Debenture borrowing	204,194	511,577	351,099	387,039	277,601
Government transfers – Provincial	472,831	211,860	179,216	224,221	345,841
Government transfers – Federal	42,826	15,505	2,000	378	35,119
Developer/partnership	281,432	428,296	419,772	242,814	290,744
Reserves/user fees/other	248,755	100,918	147,959	54,728	143,685
	\$ 1,355,540	\$ 1,461,901	\$ 1,332,191	\$ 1,131,266	\$ 1,244,335

Source: City of Edmonton Financial and Corporate Services

STATISTICAL REVIEW FOR THE YEARS 2013 TO 2017

FINANCIAL POSITION, ANNUAL SURPLUS AND RESERVES

Unaudited (in thousands of dollars)

Financial Position and Annual Surplus

Changes to Accumulated Surplus	2017	2016	2015	2014	2013
Financial assets	\$ 6,791,485	\$ 5,715,772	\$ 5,325,233	\$ 5,061,714	\$ 4,575,090
Liabilities	4,334,406	4,652,657	4,244,110	4,010,432	3,473,510
Net financial assets	2,457,079	1,063,115	1,081,123	1,051,282	1,101,580
Non-financial assets	10,842,207	13,638,889	12,666,631	11,841,040	11,204,736
Accumulated surplus - ending	\$ 13,299,286	\$ 14,702,004	\$ 13,747,754	\$ 12,892,322	\$ 12,306,316
Annual excess of revenues over expenses	\$ 754,773	\$ 965,285	\$ 799,261	\$ 557,691	\$ 663,524
Other changes to accumulated surplus (Note 1)	\$ (2,157,491)	\$ (11,035)	\$ 56,171	\$ 28,315	\$ (4,959)
Reserves	2017	2016	2015	2014	2013
General Government:					
Financial stabilization	\$ 125,110	\$ 92,852	\$ 93,286	\$ 94,772	\$ 106,577
Local improvement	116,786	108,795	105,418	97,386	82,101
Financial stabilization – appropriated	85,049	30,255	18,627	23,222	18,971
Affordable housing	31,354	27,761	25,244	21,750	14,628
LRT	31,186	31,056	14,467	20,299	17,407
Traffic safety and automated enforcement	29,186	29,650	29,394	18,565	
Parkland	19,239	21,533	25,054	18,891	11,604
Fleet services – vehicle replacement	19,158	14,798	6,797	24,937	16,036
Funds in lieu – residential	18,461	23,780	21,577	16,414	10,645
Natural areas	9,421	9,368	9,328	9,280	8,631
Enterprise portfolio/Commonwealth Stadium	8,492	10,638	12,029	10,821	6,691
Current planning	6,355	13,988	22,727	25,394	25,058
Tree management	5,630	3,535	3,269	3,413	3,122
Tax-supported debt	5,144	4,318	3,592	6,727	6,818
Perpetual care	3,990	6,950	6,542	5,704	6,290
Motor vehicle insurance	2,500	2,500	2,500	2,500	2,500
Heritage resources	2,269	2,703	3,787	3,226	3,544
Rogers Place Arena capital	2,262	751			
Aggregate site development and land reclamation	1,820	1,803	754	114	1,460
Other	1,577	2,111	3,944	3,842	4,157
Vehicle for hire	1,398	1,188	910		
St. Francis Xavier	1,380	1,138	887	677	458
Revolving industrial servicing fund	1,378	539	(166)	(763)	(280)
Brownfield redevelopment	(1,900)				
Community revitalization levy – Belvedere	(7,003)	(5,938)	(4,721)	(5,396)	(3,806)
Community revitalization levy – Quarters	(7,827)	(9,156)	(8,845)	(8,961)	(5,384)
Community revitalization levy – Capital City Downtown	(22,791)	(14,913)	(8,637)	(3,603)	
Interim financing	(29,650)	(26,588)	(18,653)	(6,688)	
Neighbourhood renewal	(38,606)	589	252	803	402
	421,368	386,004	369,363	383,326	337,630
City of Edmonton Library Board	8,983	4,696	4,245	1,712	1,247
Edmonton Economic Development Corporation	1,805	800	488	1,414	1,529
Non-Profit Housing Corporation	1,596	1,020	1,308	1,305	1,099
Fort Edmonton Management Company	262	300	230	1,355	405
	\$ 434,014	\$ 392,820	\$ 375,634	\$ 389,112	\$ 341,910

Source: City of Edmonton Financial and Corporate Services

Note

1. 2017 includes adjustments to accumulated surplus relating to the Drainage Utility transfer to EPCOR, effective September 1, 2017.

RELATED BOARDS AND AUTHORITIES

Further information regarding the Related Boards and Authorities can be obtained from the following sources:

EDMONTON ECONOMIC DEVELOPMENT CORPORATION

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue NW
Edmonton, Alberta T5J 1P7
Phone: 780-424-9191 Fax: 780-917-7668
E-mail: info@edmonton.com
Web: www.eecd.ca
Chair: Angela Fong
Interim CEO: Derek Hudson

EPCOR UTILITIES INC.

2000, 10423 – 101 Street NW
Edmonton, Alberta T5H 0E8
Phone: 310-4300
Web: www.epcor.com
Chair: Hugh Bolton
President and CEO: Stuart Lee

EDMONTON POLICE COMMISSION

Suite 1803 Scotia Place, Tower 2
10060 Jasper Avenue NW
Edmonton, Alberta T5J 3R8
Phone: 780-414-7510 Fax: 780-414-7511
E-mail: info@edmontonpolicecommission.ca
Web: www.edmontonpolicecommission.com
Chair: Tim O'Brien
Chief of Police: Rod Knecht

EDMONTON PUBLIC LIBRARY

MNP Tower, 7th Floor
10235 101 Street
Edmonton, Alberta T5J 3G1
Phone: 780-496-7000 Fax: 780-496-7097
Web: www.epl.ca
Chair: Brian Heidecker
CEO: Pilar Martinez

THE CITY OF EDMONTON NON-PROFIT HOUSING CORPORATION

12520 Fort Road NW
Edmonton, Alberta T5B 4H8
Phone: 780-474-5706 Fax: 780-474-8175
E-mail: info@myhomeed.ca
Web: www.myhomeed.ca
Chair: Carol Engelking
Executive Director: Jim Fowler

WASTE RE-SOLUTIONS EDMONTON

9803 – 102A Avenue NW
Edmonton, Alberta T5J 3A3
E-mail: wasteresolutions@edmonton.ca
Web: www.waste-resolutions.com/
Chair: Robert Seidel
President: Gary Klassen

FORT EDMONTON MANAGEMENT COMPANY

Fort Edmonton Park
7000-143 Street NW
P.O. Box 2359
Edmonton, Alberta T5J 2R7
Phone: 780-496-7381 Fax: 780-496-8797
E-mail: info@fortedmontonpark.ca
Web: www.fortedmontonpark.ca
Chair: Donald Cummings
President and CEO: Darren Dalgleish

For more information visit: www.edmonton.ca

If you have inquiries about the 2017 Annual Report,
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The City of Edmonton, Financial and Corporate Services
5th Floor, Chancery Hall, 3 Sir Winston Churchill Square NW,
Edmonton, AB, Canada T5J 2C3 **Phone: 311**

