



2016 FINANCIAL REPORT TO CITIZENS

CITY OF EDMONTON,
ALBERTA, CANADA
FOR THE YEAR ENDED,
DECEMBER 31, 2016



Edmonton



2016 FINANCIAL REPORT TO CITIZENS

The Financial Report to Citizens is intended to provide highlights of the 2016 Annual Report, and includes information on the 2016 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2016 Annual Report is available online at edmonton.ca/annualreport.

More detailed information on the planning and budgeting process is available on the City's website at edmonton.ca/budget. Copies of the annual report are also available at each of the public library locations throughout the City.

The financial information presented in this report is consistent with the 2016 Annual Report which includes the consolidated financial statements (financial statements) for the City prepared in accordance with Canadian public sector accounting standards (PSAS).



MESSAGE FROM CITY COUNCIL

As we look back on 2016, much of our city's success and strength have come from our connections, to this place and to one another. In a year filled with challenges, Edmontonians came together as a community to face these obstacles with both enthusiasm and empathy. We, as City Council, continue to be inspired by the generosity of spirit and resourcefulness of our citizens.



Back Row (left to right): Tony Caterina – Ward 7, Bryan Anderson – Ward 9, Mike Nickel – Ward 11, Scott McKeen – Ward 6, Mayor Don Iveson, Michael Walters – Ward 10, Bev Esslinger – Ward 2, Ben Henderson – Ward 8, Ed Gibbons – Ward 4

Front Row (left to right): Andrew Knack – Ward 1, Mohinder Banga – Ward 12, Michael Oshry – Ward 5, Dave Loken – Ward 3

As a community, we began 2016 with an incredible demonstration of kindness and inclusion, as Edmontonians opened their homes and arms to hundreds of Syrian refugees. We came together once again in response to the devastating fires in Fort McMurray. Time and again, Edmontonians united to help those in need – honouring this city's history as a safe gathering place for all people.

This past year was one of physical change for Edmonton. We celebrated the opening of Rogers Place, which will not only be a catalyst for transforming our downtown, but will connect Edmontonians like no other building has in our history. City Council also made progress on important transportation projects that will better connect Edmontonians and encourage greater collaboration with our regional partners.

TIME AND AGAIN, EDMONTONIANS UNITED TO HELP THOSE IN NEED – HONOURING THIS CITY'S HISTORY AS A SAFE GATHERING PLACE FOR ALL PEOPLE.

Edmonton's economy has shown remarkable resilience, and despite the challenges we have faced, we are well-positioned for continued prosperity. As City Council, we remain committed to building an Edmonton we can all take pride in. Our city is changing quickly, but with these changes come new opportunities for Edmontonians to connect with each other like never before. It's a chance for all of us to demonstrate our ingenuity and tenacity, qualities which will help us to reach new heights together.

INTRODUCTION

We are a young city brimming with passion for today and promise for the future. We are proud of who we are and confident in what our city is becoming. We pull together when our neighbours are in need of help. We explore new opportunities and create year-round fun. We live within our means, but we're always ready to say "Come on in. You are welcome here."



Linda D.M. Cochrane
City Manager



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

Edmonton is increasingly known as a centre for industrial development, healthcare excellence and green energy research. We successfully compete on the global stage for funding, talent and business investment, while also building our reputation as a caring and generous city.

Metro Edmonton continues to grow despite a slower economy, and we continue to plan for the city's expansion in a responsible and successful manner. In 2016, the Metro Mayors Alliance, including Mayor Don Iveson and Mayors of Strathcona County, Leduc County, City of Leduc, City of Fort Saskatchewan, Parkland County, City of Spruce Grove, City of St. Albert and Sturgeon County, signed a Memorandum of Understanding to plan, decide and act as one united region on regionally significant issues. This agreement will ensure Metro Edmonton remains functional and balanced to help build our shared prosperity.

In 2016, our city once again opened its doors to the international community. Edmonton hosted sporting events such as Festival International des Sports Extrêmes (FISE), the Tour of Alberta, and the road to the Olympic Games in Rio. These three events combined for an economic impact of \$10.3 million. In addition, for the second year in a row, *Around the Rings*, an online publication covering the Olympic movement, ranked Edmonton as #7 of the world's top sports cities.

The Edmonton of today is the direct result of people of all ages and interests building extraordinary things together. City building is about creating spaces to help people reach their potential, to promote learning and understanding, and to provide healing. This investment in our community is essential for us to build a city that is more prosperous and competitive; more healthy and inclusive; more resilient and caring; and altogether more uplifting.

ECONOMIC OVERVIEW

The City of Edmonton continued to outperform most other areas of Alberta over the course of 2016, despite weak oil prices and significant job losses in the second half of 2016.



FROM AN EMPLOYMENT AND GROWTH PERSPECTIVE, THE AGE PROFILE FOR EDMONTON IS VERY FAVORABLE IN COMPARISON TO BOTH ALBERTA AND CANADA.

EDMONTON'S DEMOGRAPHIC ADVANTAGE

Strong net in-migration over recent years has had a beneficial impact on Edmonton's demographic profile. A large percentage of our population is comprised of people in their prime working, consuming and spending years – 25 to 44 years of age. From an employment and growth perspective, the age profile for Edmonton is very favorable in comparison to both Alberta and Canada. This has positive implications for income growth and consumer spending, as this population group leads the way in household formation. Consequently, Edmonton is relatively well positioned to deal with the ongoing downturn in energy prices with solid income growth and family formation providing a foundation for housing, consumer goods and personal services.

A LARGE PERCENTAGE OF OUR POPULATION IS COMPRISED OF PEOPLE IN THEIR PRIME WORKING, CONSUMING AND SPENDING YEARS – 25 TO 44 YEARS OF AGE.

Solid population employment and income growth over the past several years means that the local economy has the depth and momentum to weather the ongoing shock to Alberta's energy sector. However, 2016 saw growth continue to slow in the city and the region as low energy prices limited expansion in areas such as manufacturing and construction. As oil prices recover over the period 2017 to 2019, growth in Edmonton will improve to average 3.0% in inflation adjusted terms over the next decade.

Average Annual Oil Prices – West Texas Intermediate



Source: Thomson Reuters

DEMOGRAPHICS

Population (2016 Canada Census)	932,546
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Population Age Distribution (%) (2016 City Census)

0-4	5.89
5-19	16.53
20-29	14.91
30-39	16.19
40-49	13.08
50-59	13.63
60-64	5.84
65+	13.93

Average Age (2011 Statistics Canada)

City of Edmonton	37.7
Alberta	37.8
Canada	41.0

Area in square kilometers	700
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City of Edmonton employees (full time equivalents)	15,180
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Household median total income (2014 Statistics Canada):
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Metro Edmonton	\$ 101,470
Alberta	\$ 100,750
Canada	\$ 78,870

932,546 PEOPLE CALL EDMONTON HOME.



EMPLOYMENT

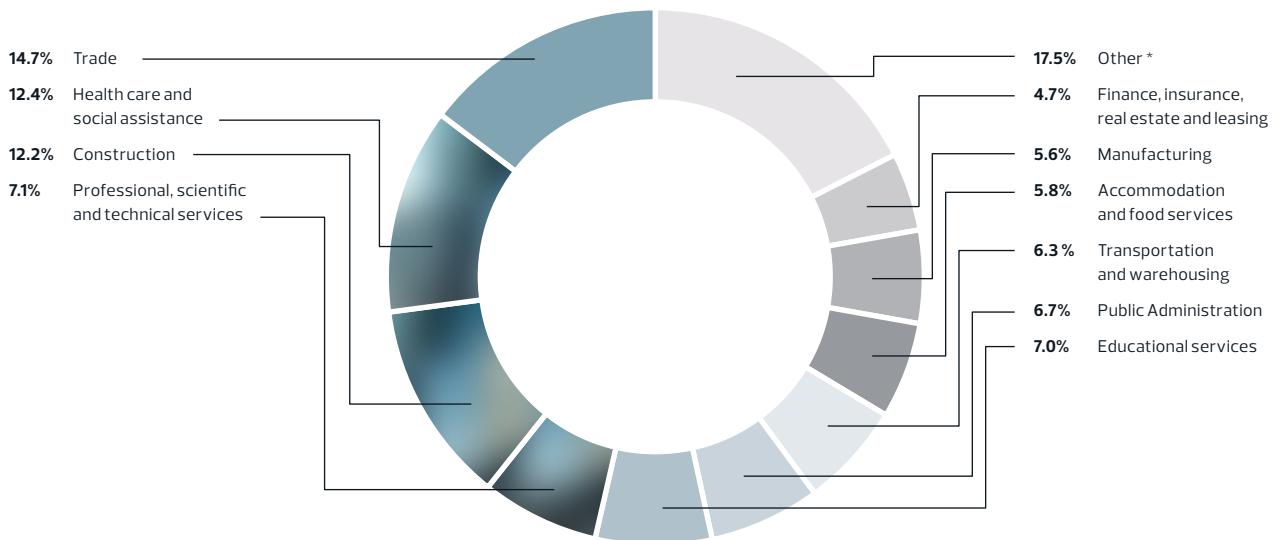
Employment in Metro Edmonton was essentially unchanged between 2015 and 2016. Significant employment losses in construction, manufacturing and professional services were offset by gains in logistics, healthcare, education and public administration. Metro Edmonton had an average employment level of 761,000 for 2016. Edmonton's unemployment rate increased from 6.0% to 7.4% as the region's working age population continued to expand. This unemployment rate was below the provincial unemployment rate of 8.1%, but above the national unemployment rate of 7.0% in 2016.



30,403

Applications for development,
building & combination permits

Percentage of Workforce Employed by Industry for the Edmonton Region



Source: Statistics Canada

* Other includes industries such as business, information, culture, and recreation.

RESIDENTIAL CONSTRUCTION IN METRO EDMONTON DECREASED DUE TO SLOWER POPULATION GROWTH AND AN INCREASE IN SUPPLY.

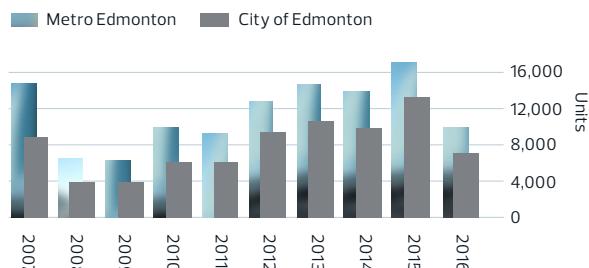
RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton decreased significantly as slower population growth and an increase in supply lead to a rise in the rental vacancy rate of 4.2% in 2015 to 7.1% in 2016. As a result, builders cut back sharply on housing starts for multi-family housing units as overall housing starts continued to feel the effects from the relatively strong levels seen in 2015.

The value of building permits was also down in 2016 at \$5.6 billion, well below the \$6.2 billion recorded in 2015. Reductions in building intentions was most evident in the residential sector with the value of permits down almost 23%. Alberta also saw weaker permit values as the value of permits issued for industrial, residential and commercial facilities fell by almost 19% between 2015 and 2016. At the national level the value of permits was down approximately 1% as lower non-residential permit values outweighed a record high in residential building intentions.

Both the City and Metro Edmonton saw housing starts slow between 2015 and 2016. Construction started on 7,263 new housing units in the city in 2016 – a decrease of 45% from 2015. Throughout Metro Edmonton, there were 10,036 new housing starts in 2016 – a 41% decrease from 2015. The principal factor in the lower numbers were reductions in starts for multi-family units.

Annual Housing Starts



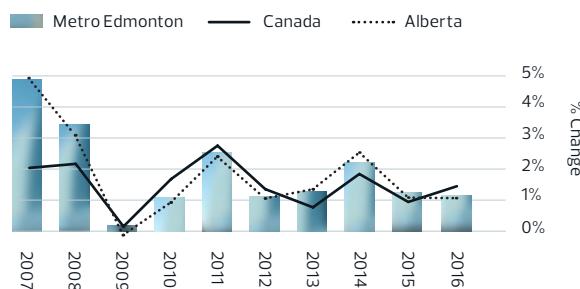
Source: Canada Mortgage and Housing Corporation

INFLATION

Inflation levels remained low in Metro Edmonton. Inflation as measured by the Consumer Price Index came in at 1.1% in 2016, compared to 1.2% in 2015. Comparable figures were 1.1% for Alberta and 1.4% for Canada.

Inflation was held in check in 2016 as a result of continuing low energy prices – natural gas for home heating was at a nine year low in 2016, in addition to lower food prices and falling rental housing costs. With the rental vacancy rate still rising, rental housing costs are anticipated to continue to ease.

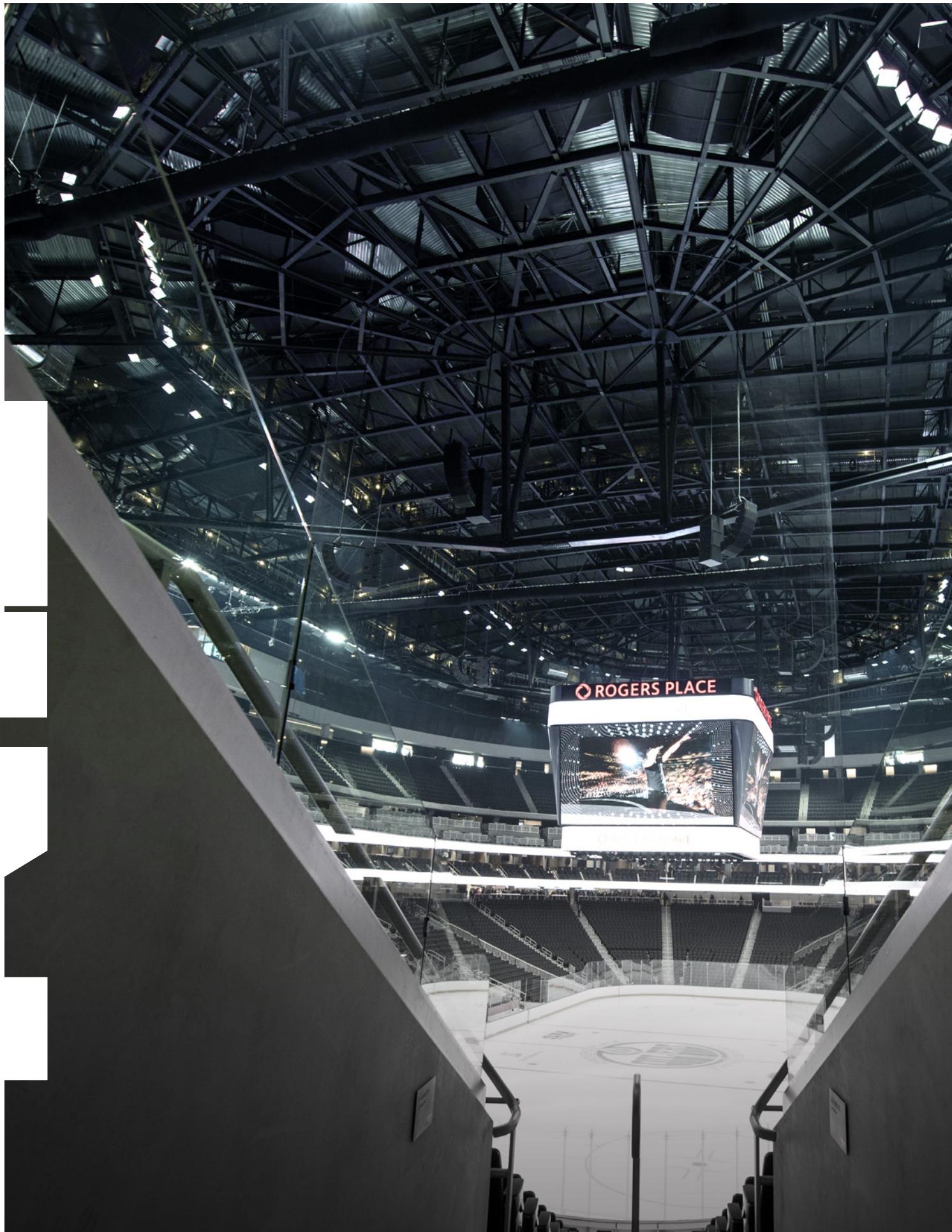
Annual Consumer Price Index



Source: Statistics Canada. The Consumer Price Index (CPI) is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers.

SUMMARY

The city's economic performance remains one of the best in the province. Stable employment numbers between 2015 and 2016 combined with continuing population growth helped to stabilize retail, personal services and other components of the region's and the city's economies. Looking forward, employment in the city and the region will begin to expand, particularly in the latter half of the year. However, the unemployment rate will continue to rise as new job seekers come to Metro Edmonton due to relatively good conditions compared to other areas in Alberta.





FINANCIAL

2016 FINANCIAL HIGHLIGHTS

This section provides the 2016 consolidated financial results for the City of Edmonton, as well as highlights from the operating and capital budgets.

2016 OPERATING BUDGET

City Council approved the 2016 operating budget resulting in a combined municipal and education property tax increase of 3.4% for civic programs, including 0.8% dedicated to fund the Valley Line LRT. The budget recognizes the overall level of services and programs required to support a vibrant, growing city and balances limited sources of revenue with the demands of a diverse and growing population.

Edmontonians provide valuable input on operational priorities using a variety of channels, including budget booths at summer festivals throughout the City, comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors as well as through the annual public budget hearings.

CAPITAL BUDGET

In 2016, the City continued to execute its business plan and budget as expected. The second year of the \$8.3 billion four year capital budget for 2015–2018 continued with investment into key infrastructure projects. The capital budget includes new and upgraded libraries, fire stations, a police campus and a transit garage, the renewal and upgrade of recreation facilities, construction of new transportation assets such as the Valley Line LRT, roads and bridges, and reconstruction of roads through the neighbourhood renewal program. The capital budget strikes a balance between growth and renewal and advances work on significant capital projects.



Capital Project Highlights

(\$000's)

Project	Approved Budget	% Complete at Dec. 31, 2016	Actual/Estimated In-Service Date
Rogers Place	616,725	99%	Sep 2016
Walterdale Bridge	154,845	86%	Dec 2017
Westwood Transit Garage	200,409	23%	Mar 2019
Northwest Police Campus	106,860	13%	Mar 2019
Milner Library Renewal & Upgrades	69,000	6%	Jan 2020
Valley Line LRT	1,776,531	13%	Dec 2020

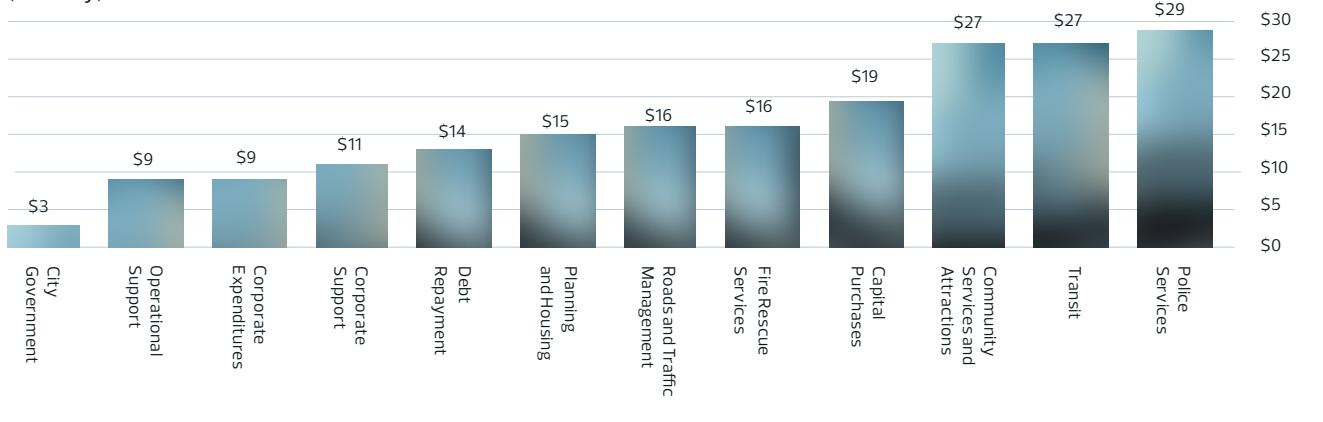
COST OF CITY SERVICES TO EDMONTONIANS

Monthly household expenses include all of the basic expenses to live and enjoy life in Edmonton. The typical household costs include shelter, transportation, food and federal and provincial income taxes. The approved 2016 operating budget has set the municipal property tax at a level that accounts for only 2.3% of monthly household costs – \$195 per month for the average household. For that \$195 a month, Edmonton

households receive exceptional value. Property taxes are used to deliver various publicly available services such as police, transit, and fire rescue, as well as providing access to parks, sports fields, community recreation centers, libraries and much more.

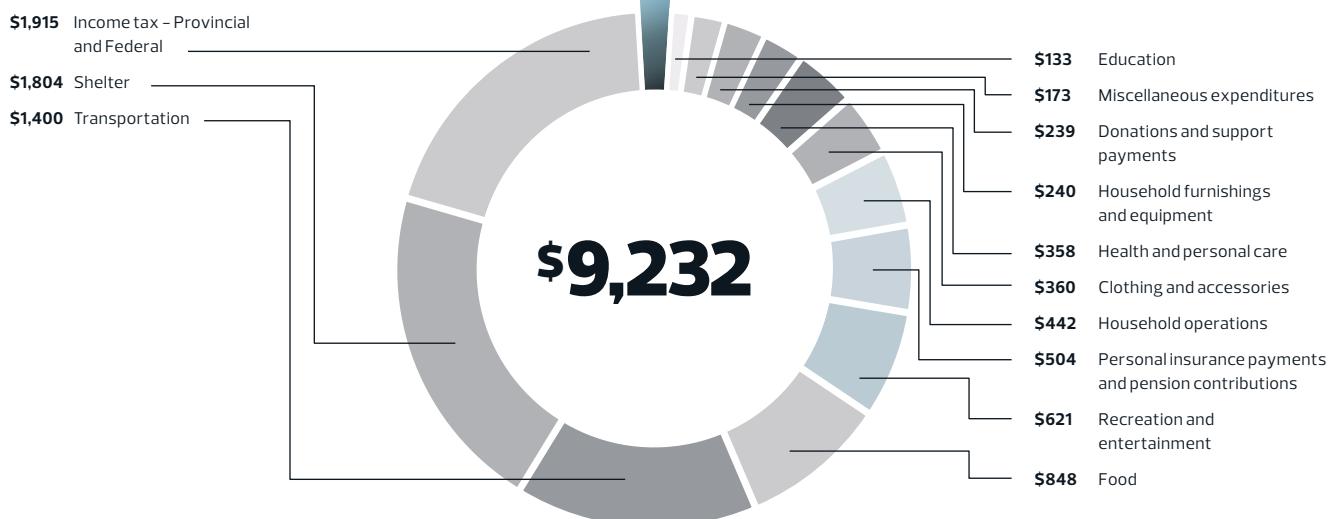
Where Your Municipal Tax Dollars Go¹

(Monthly)



Monthly Average Household Spending

(2015 Statistics Canada)



¹ Distribution based on 2016 approved operating budget

² Municipal property tax is based on a typical household with a home assessed at \$408,000 for the 2016 tax year.

CONSOLIDATED STATEMENT OF OPERATIONS (NOTE 1)

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

	Budget	2016	2015
Operating Revenues			
Net taxes available for municipal purposes	\$ 1,429,610	\$ 1,433,782	\$ 1,338,107
User fees and sale of goods and services	876,005	743,314	758,538
Subsidiary operations – EPCOR	214,309	309,053	259,680
Franchise fees	135,859	144,720	138,012
Investment earnings	84,494	126,782	133,880
Government transfers – operating	107,332	112,767	120,562
Fines and penalties	100,397	91,164	85,679
Licenses and permits	78,584	74,498	81,220
Developer and customer contributions – operating	7,450	7,091	10,750
	3,034,040	3,043,171	2,926,428
Expenses			
Transportation services:			
Bus and light rail transit	443,559	433,297	409,731
Roadway and parking	369,341	381,033	409,355
	812,900	814,330	819,086
Protective services:			
Police	393,355	406,006	372,646
Fire rescue	209,139	211,075	194,705
Bylaw enforcement	41,899	42,100	37,823
	644,393	659,181	605,174
Community services:			
Parks and recreation (Note 2)	259,640	257,007	251,636
Planning and corporate properties	137,324	122,991	112,374
Public library (Note 2)	59,999	60,568	57,462
Community and family	50,852	58,123	45,017
Convention and tourism (Note 2)	47,653	39,166	52,194
Public housing	46,767	33,350	25,199
	602,235	571,205	543,882
Utility and enterprise services:			
Waste Management Utility	182,680	181,806	171,618
Drainage Utility	154,707	172,085	138,584
Land Enterprise	138,029	19,322	74,022
	475,416	373,213	384,224
Corporate administration	197,987	196,397	187,379
General municipal (Note 3)	200,535	190,859	164,790
Fleet services	23,521	27,306	55,877
Ed Tel Endowment Fund	4,073	4,073	3,606
	2,961,060	2,836,564	2,764,018
Excess of Revenues over Expenses before Capital Revenues	72,980	206,607	162,410
Capital Revenues			
Contributed tangible capital assets	170,000	323,266	343,327
Government transfers – capital	534,702	226,811	181,216
Developer and customer contributions – capital	123,495	68,510	97,924
Local improvements	10,613	11,057	13,394
	838,810	629,644	635,861
Excess of Revenues over Expenses	\$ 911,790	\$ 836,251	\$ 798,271

Notes:

- The statements have been prepared in accordance with Canadian public sector accounting standards and are consistent with the consolidated financial statements presented in the 2016 Annual Report.
- City of Edmonton Library Board (within Public library), Edmonton Economic Development Corporation (within Convention and tourism), Fort Edmonton Management Company (within Parks and recreation), and Edmonton

Combative Sports Commission (within Parks and recreation) each received tax-levy funding of \$50,453, \$19,621, \$3,876, and \$136 respectively for the year.

- General municipal consists of expenses related to facility maintenance, landscaping, capital project management, risk management, general financing, requisitions to boards and authorities and other corporate expenditures.

2016 FINANCIAL RESULTS

Operating Revenues – Where Does The Money Come From?

(millions of \$)



WHAT CHANGED FROM LAST YEAR?

Consolidated operating revenues increased by \$116.8 million from the prior year primarily due to an increase of \$95.7 million in taxation revenue from a combined rate increase and growth and a \$49.3 million increase in EPCOR earnings, partially offset with a \$15.2 million decrease in user fees and sales of good and services and \$7.8 million decrease in operating government transfers.

User fees and sales of goods and services of \$743.3 million decreased from 2015 mainly due to lower land sales this year, as there were significant land sales in the downtown arena district in the prior year. This decrease was partially offset with higher rate revenues in the Drainage and Waste Management utilities compared to the prior year as a result of increased rates and customer growth, and accrued provincial recoveries related to the Wood Buffalo Fire.

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

Property tax is the primary revenue source available to the City to pay for municipal services. Net taxes available for municipal services of \$1,433.8 million accounted for 47.1% of total operating revenues, a similar percentage compared to 2015. Net taxes for municipal services are collected annually to support City operations, with certain amounts directed towards specific programs such as neighbourhood renewal, community revitalization, local improvements and LRT construction. The remaining tax revenues are applied generally across all City departments.

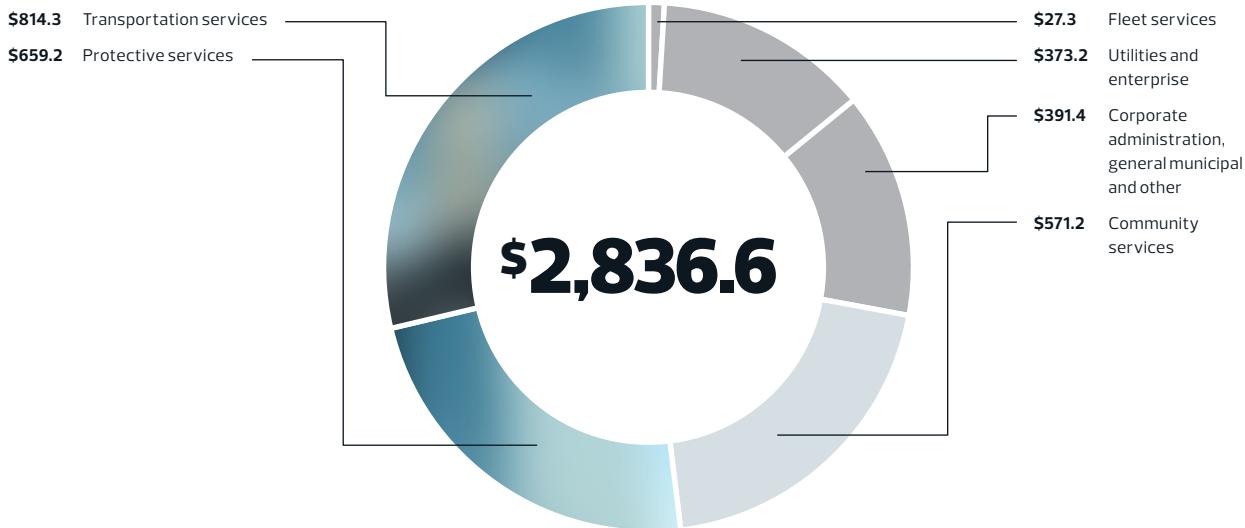
Operating government transfers of \$112.8 million decreased from the prior year primarily due to the 41st Avenue/Queen Elizabeth II interchange project, as a majority of the work occurred in 2015.

HOW DOES THIS COMPARE TO BUDGET?

Operating revenues are higher than budget by \$9.2 million, or 0.3% of the revenue budget, primarily due to greater than budgeted net income from EPCOR and higher than anticipated investment earnings, partially offset with lower than budgeted land sales, included within user fees and sales, and lower than budgeted fines and penalties. The lower than budgeted user fees are primarily a result of lower revenue from Blatchford Redevelopment land sales due to ongoing negotiations, as well as lower developer funding relating to the 41st Avenue/Queen Elizabeth II interchange project as the project is near completion.

Expenses – Where Does The Money Go?

(millions of \$)

**WHAT CHANGED FROM LAST YEAR?**

Consolidated operating expenses increased by \$72.6 million over the prior year. In addition to general personnel cost increases as a result of cost of living adjustments, expenses changed from last year mainly due to the following reasons.

Protective services expenses increased in 2016 mainly as a result of personnel cost increases resulting from the new contract for the Edmonton Police Association. Also included in the 2016 expenses are costs related to the Wood Buffalo forest fire relief efforts, which are fully recovered from the province.

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 in 2016, namely Rogers Place.

Community Services expense increases in 2016 were mainly related to an increase in the Family and Community Support Services and the Cornerstones housing program grants.

Drainage Utility costs increased over prior year for various reasons, the most significant of which was recognition of a \$17.2 million contaminated sites liability.

Land Enterprise costs decreased from prior year as there were significant lands sales and related costs in the downtown arena district in 2015.

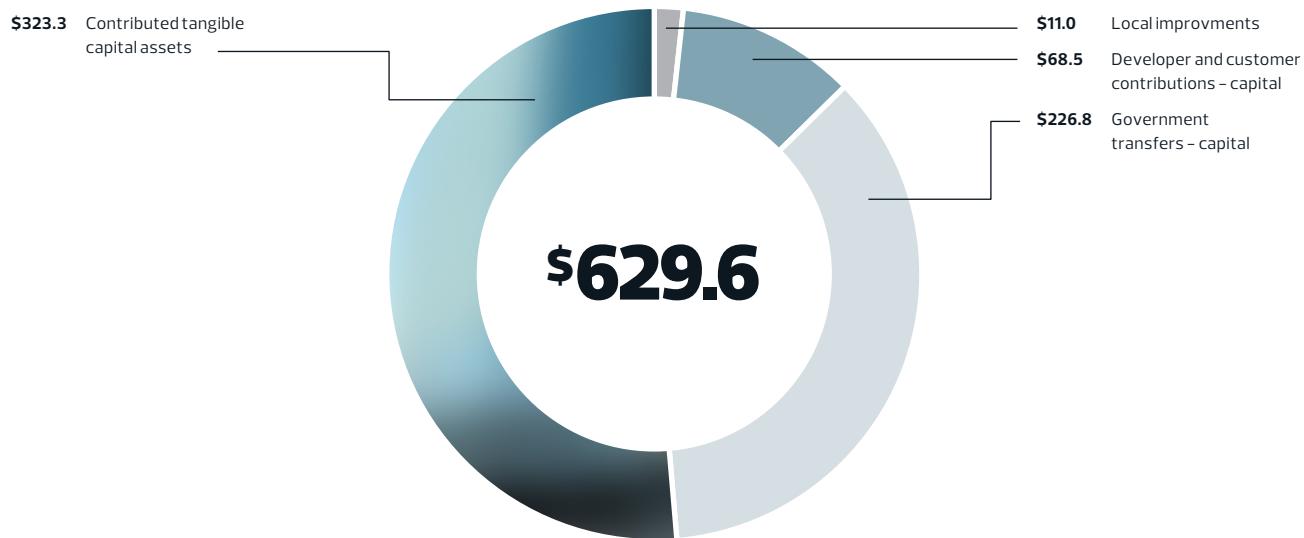
The decrease in Fleet services costs from prior year was due to lower amortization, more recoveries of internal City work, and lower contractor costs as a result of fewer significant weather events.

HOW DOES THIS COMPARE TO BUDGET?

Operating expenses of \$2,836.6 million were lower than budget by \$124.4 million, or 4.2% of the expense budget, primarily as a result of lower expenses in Land Enterprise due to lower than budgeted costs for land sales due to timing of the sales, mainly the Blatchford Redevelopment. Community Services also had lower than budgeted expenses mainly as a result of lower Cornerstones II grant expenses due to delayed applications and a decrease in Revolving Industrial Servicing Fund rebates due to slower progress on certain developments. There were higher than budgeted costs in the Drainage Utility, primarily as a result of recognizing a contaminated sites liability, and higher than budgeted costs in Protective Services mainly due to the settlement of the Edmonton Police Association contract where the budget was held corporately.

Capital Revenues – Where Does The Money Come From?

(millions of \$)



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

WHAT CHANGED FROM LAST YEAR?

Capital revenues decreased by \$6.3 million from \$635.9 million in 2015 to \$629.6 million in 2016. Contributed tangible capital assets decreased from prior year as a result of reduced development activity and therefore a related decrease in developer contributed infrastructure assets such as roads, sidewalks and drainage infrastructure. Capital developer and customer contributions were lower than prior year due to the completion of a significant capital project in 2015, which was funded by developer and customer contributions. Government transfers increased over prior year due to advancement on key projects funded through government grants in 2016, including the Valley Line LRT.

HOW DOES THIS COMPARE TO BUDGET?

2016 capital revenues of \$629.6 million were \$209.2 million less than the budget of \$838.8 million. The overall variance is primarily related to timing differences around project expenditures, as capital revenues are recognized as construction costs related to the project are incurred. Capital government transfers and developer and customer contributions were lower than budget by \$362.9 million due to timing of capital projects, particularly on the Valley Line LRT, Metro Line LRT, sanitary drainage servicing projects and certain building rehabilitation projects. Capital revenues associated with contributed tangible capital assets were greater than budget by \$153.3 million due to higher than anticipated infrastructure assets contributed by developers as a result of continued expansion and growth in the City.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOTE 1)

December 31, 2016 (in thousands of dollars)

	2016	2015
Financial Assets		
Cash and temporary investments	\$ 491,141	\$ 328,225
Receivables	347,971	472,975
Investments	1,898,782	1,748,665
Debt recoverable	11,473	60,629
Land for resale	223,841	199,543
Investment in EPCOR (Note 2)	2,672,193	2,515,196
	5,645,401	5,325,233
Liabilities		
Promissory notes payable	79,869	99,770
Accounts payable and accrued liabilities	736,468	709,419
Deposits	56,273	54,884
Deferred revenue	317,232	200,050
Employee benefit obligations	135,049	126,776
Landfill closure and post-closure care	22,447	19,988
Long-term debt	3,338,950	3,033,223
	4,686,288	4,244,110
Net Financial Assets	959,113	1,081,123
Non-financial Assets		
Tangible capital assets	13,342,101	12,449,085
Inventory of materials and supplies	52,979	51,206
Other assets	70,864	18,427
	13,465,944	12,518,718
Accumulated Surplus	\$ 14,425,057	\$ 13,599,841

Notes:

1. The statements have been prepared in accordance with Canadian public sector accounting standards and are consistent with the consolidated financial statements presented in the 2016 Annual Report.
2. EPCOR is a separate corporation wholly owned by the City of Edmonton. In accordance with accounting standards, the city recognizes EPCOR's annual net income as well as its investment in EPCOR within the consolidated financial statements.



\$813.4 M

Market value of Ed Tel
Endowment Fund



CASH

The City's 2016 ending cash position, including cash and temporary investments, was \$491.1 million, representing an increase of \$162.9 million from the prior year.

RECEIVABLES

The majority of the decrease in receivables is related to the receipt of government grants in 2016 that were outstanding at the end of last year. The grants were received in the year and primarily used for funding capital projects.

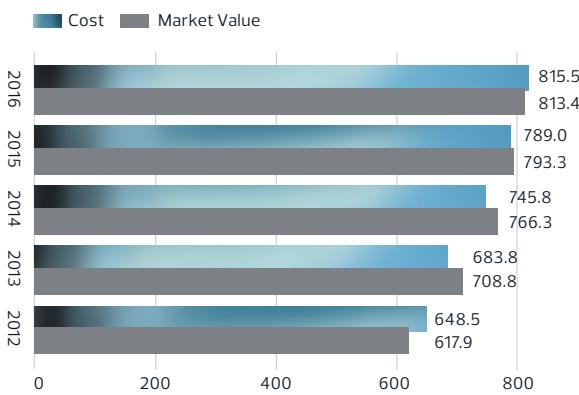
INVESTMENTS

Performance of the funds ranged from 0.8% (Money Market Fund) to 8.1% (Ed Tel Endowment), depending on each fund's asset mix. Over a four-year basis, returns have been strong and all of the City's funds continued to exceed their benchmarks. Dividends of \$40.2 million were paid to the City from the Ed Tel Endowment Fund in 2016. Since 1995, the fund has earned a compound annual rate of return of 8.3% versus the benchmark return of 7.3% and grown its principal from \$465 million to \$813.4 million (market value of the fund at the end of 2016). Since inception the Ed Tel Endowment Fund has paid \$703.7 million in dividends to the City.

More detailed information on the investment performance and benchmarks is available in the Investment Committee 2016 Annual Report on the City's website at edmonton.ca/investments.

Net Assets of Ed Tel Endowment Fund

(millions of \$)



DEBT

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

The City ended the year with a debt balance of \$3,338.9 million. A total of \$442.1 million was added through new debenture borrowing in 2016. Repayments of \$136.4 million were made on outstanding long-term debt during the year. Debt was primarily borrowed to finance the Rogers Place arena construction and various other capital projects including the Walterdale Bridge reconstruction, construction of the Westwood transit garage and drainage infrastructure.

Total borrowing of \$573.3 million has been approved for the Rogers Place arena. As of December 31, 2016, \$563.1 million has been borrowed to finance the design, land purchase and construction of the arena. Debt of \$883.7 million has been approved for the land purchase, public-private partnership (P3) procurement, and construction costs related to the Valley Line LRT project. At the end of 2016, \$120.6 million has been borrowed.

Interest rates have remained low and are locked in for the full term of each debenture, eliminating the risk associated with fluctuating interest rates. Although debt levels and debt servicing costs have increased to finance major project development, the City carries levels of debt and incurs debt servicing costs well below the limits legislated provincially for municipalities.

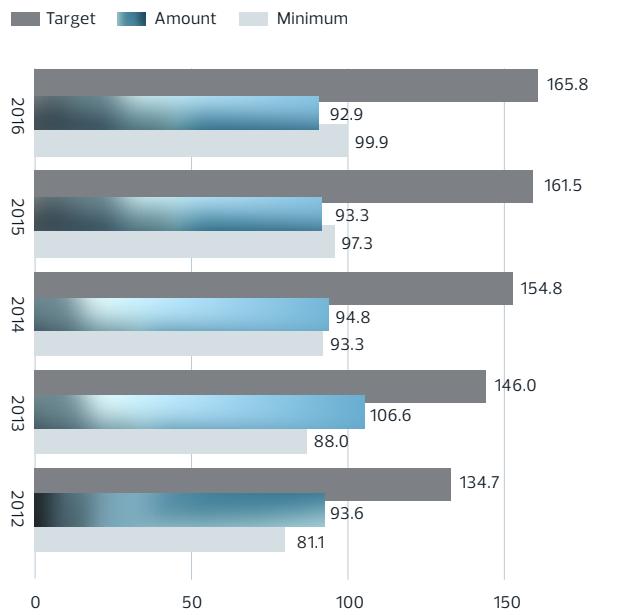
Debt and Debt Service Limits – Municipal Government Act¹ (millions of \$)

	2016	2015
Debt limit	\$ 5,627.0	\$ 5,556.1
Debt limit used	\$ 3,338.9	\$ 3,033.2
Percentage used (%)	59.3	54.6
Debt service limit	\$ 984.8	\$ 972.3
Debt service limit used	\$ 341.0	\$ 285.7
Percentage used (%)	34.6	29.4

FINANCIAL STABILIZATION RESERVE

Within the City's accumulated surplus, the Financial Stabilization Reserve (FSR) is maintained to provide flexibility to address financial risks associated with revenue instability and to ensure the orderly provision of services to citizens. The reserve balance as of December 31, 2016 was \$92.9 million. The 2016 tax-supported surplus of \$63.8 million will be transferred to the FSR in 2017 with \$20.0 million then allocated for funding within the 2017 and 2018 operating budget, as approved by City Council. After reflecting the approved transactions, the adjusted estimated FSR balance of \$136.8 million will exceed the minimum level of \$99.9 million, but will be below the target level of \$165.8 million. The limits are set through city policy.

Financial Stabilization Reserve
(millions of \$)



 **\$92.9 M**
Balance of the Financial
Stabilization Reserve

¹ A Regulation under Section 271 of the Municipal Government Act establishes limits for municipal debt levels and annual debt servicing costs.

KEY FINANCIAL GOALS AND MEASUREMENTS

As part of the City's strategic plan, Edmonton's Financial Sustainability Plan outlines how the City will ensure sound fiscal management and long-term financial sustainability. The following are some key financial performance indicators, including details on the measurement, goals and results for the 2016 year end that demonstrate the City is well on its way to maintaining financial sustainability.



✓ Meets or exceeds target ➔ Near target ✗ Needs improvement

More detailed information on financial performance and benchmarks is available online at dashboard.edmonton.ca/finance.



2016 ACCOMPLISHMENTS

One vision – many partners. Edmonton continues to log successes under its 10 year strategic plan, *The Way Ahead 2009–2018*. It's all possible thanks to continuing partnerships between the City, our residents, our regional neighbours, our business and government partners.





GOOD NEIGHBOURS

Edmonton lies at the heart of Treaty 6 territory and 2016 marked the 140th commemoration of the signing of this treaty. Today, we continue to nurture this connection by celebrating our shared history with indigenous peoples of the region, including more than 52,000 – or 5% of the population – in Edmonton alone. The City's commitment to relationship and reconciliation was evident in 2016 with a series of awareness workshops to help employees enter into a deeper appreciation for indigenous culture and history.

Edmontonians demonstrated an overwhelming generosity of spirit when the Wood Buffalo wildfires in May spurred the largest evacuation in Canadian history. Citizens went above and beyond to help evacuees in a hundred different ways, while the City joined forces with other levels of government and local social agencies to provide assistance where it was needed most.

EDMONTONIANS DEMONSTRATED AN OVERWHELMING GENEROSITY OF SPIRIT WHEN THE WOOD BUFFALO WILDFIRES IN MAY SPURRED THE LARGEST EVACUATION IN CANADIAN HISTORY.

The Edmonton Transit System continues to partner with regional transit providers to offer a Universal Transit Pass (U-Pass) program across the region to students at the University of Alberta, MacEwan University, the Northern Alberta Institute of Technology and NorQuest College. In 2016, the program was expanded to include unlimited travel on Fort Saskatchewan, Spruce Grove and Leduc County transit systems, in addition to St. Albert and Strathcona County.





409

Bus routes in the City

FOUNDATIONS FOR THE FUTURE

The iconic City-owned Rogers Place Arena opened its doors on September 8, 2016 as an eye-catching landmark for citizens and visitors alike. Rogers Place sparked \$5 billion of investment into downtown, including more than 25 acres of development in Edmonton's ICE district, with 1.3 million square feet of office space and an additional 300,000 square feet of retail space.

The Edmonton Service Centre on the second floor of Edmonton Tower opened on February 27, 2017 and has been designed to bring together civic service counters previously spread across multiple downtown buildings for improved customer service and convenience.

A Transit Strategy is being developed to guide future development and investment in our transit system which is a foundational element to building a great city. In 2016, one of the most extensive public engagement exercises ever undertaken by the City, involving more than 20,000 Edmontonians was completed to inform the development of the Strategy.

In 2016, Edmonton was rated as the most open Canadian municipality on the Open Cities Index 2016 Report Card, released by the Public Sector Digest. Open data allows for direct visibility into how decisions are made, empowering citizens and enhancing the relationship between citizens and public organizations. There are currently 1,335 data sets in the open data catalogue, with 280 created in 2016.

SUSTAINABILITY

A sustainable city must continually reinvent and repair its critical infrastructure – the means by which people move, dispose of waste, receive the goods they need, and access recreational opportunities.

In 2016, work was completed on the \$25.9 million Terwillegar Park Footbridge. In addition to this bridge, construction began on the Mechanized River Valley Access Project to connect 100 Street near the Hotel Macdonald and the river valley trail system near the Low Level Bridge.

In October of 2016, City Council unanimously approved construction of a \$7.5 million downtown bike grid. The bike lanes promote the use of bicycling as an active mode of transportation that is safe and healthy. It also provides easy access to major destinations within Downtown and to bicycle commuter routes that connect to Downtown.



Edmonton has been working with Calgary and the provincial government to develop City Charters for the two big cities. The two cities have evolved into complex corporations responsible for billions of dollars of services, infrastructure and operations. Charters would give Edmonton and Calgary more authority and flexibility to help address the unique challenges and opportunities they face. The City Charters are scheduled to be finalized in 2017.

IN 2016, WORK WAS COMPLETED ON THE \$25.9 MILLION TERWILLEGAR PARK FOOTBRIDGE.

GREENER LIVING

The City remains dedicated to planning and sustaining a healthy and resilient future for all its citizens. Several projects and initiatives are currently underway to demonstrate our environmental achievements.

City Council recently approved the framework for a renewable energy utility in the Blatchford community and construction on the 217 hectares of former downtown airport land will begin in 2017.

THE CITY REMAINS DEDICATED TO PLANNING AND SUSTAINING A HEALTHY AND RESILIENT FUTURE FOR ALL ITS CITIZENS.

The Federation of Canadian Municipalities awarded Edmonton the Sustainable Communities Award for the Brownfield Redevelopment Program for its work in helping revitalize previously-contaminated properties with grants for testing and remediation costs.

Edmonton's Community Energy Transition Strategy saw significant movement on implementing an eight-year action plan to move Edmonton towards a more sustainable and resilient future. The City moved forward on the development of a number of key programs including: a residential buildings program designed to help Edmontonians make their homes more efficient; a large buildings energy reporting and disclosure program; an electric vehicle strategy and pilot program; and a marketing program to help transform the market and drive Edmontonians towards decisions that help us reduce greenhouse gases.

RECOGNITION FOR ACHIEVEMENT

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

CANADIAN AWARD FOR FINANCIAL REPORTING

Received for the City's annual financial report for the fiscal year ended December 31, 2015. Awarded by the Government Finance Officers Association of the United States and Canada.

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

The twenty-third consecutive year that the City of Edmonton has received this award.

POPULAR ANNUAL FINANCIAL REPORTING AWARD

Received for the 2015 Financial Report to Citizens. Awarded by the Government Finance Officers Association of the United States and Canada.

Awarded to a high quality summarized annual financial report that is readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The third consecutive year that the City of Edmonton has received this award.

DISTINGUISHED BUDGET PRESENTATION

Received for the City's annual budget publication for the 2016–2018 fiscal years beginning January 1, 2016 and ending December 31, 2018. Awarded by the Government Finance Officers Association of the United States and Canada.

Awarded to a budget document that is 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.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**City of Edmonton
Alberta**

For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD

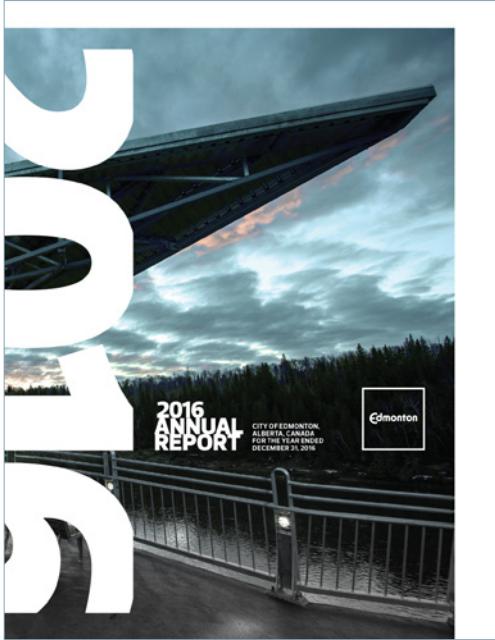
Received in 2016 for excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. Awarded by the National Purchasing Institute.

The seventeenth consecutive year that the City of Edmonton has received this award.



23rd

Consecutive year the City has received the award for Financial Reporting



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



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



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

If you have inquiries about the 2016 Financial Report
to Citizens, direct them by mail or phone at:

The City of Edmonton, Financial and Corporate Services
5th Floor, Chancery Hall, 3 Sir Winston Churchill Square NW,
Edmonton, AB, Canada T5J 2C3 **Phone: 780-442-3255**