

2021 FINANCIAL REPORT TO RESIDENTS

Edmonton

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2021



2021 FINANCIAL REPORT TO RESIDENTS

The Financial Report to Residents provides highlights of the 2021 Annual Report and includes information on the 2021 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2021 Annual Report is available at edmonton.ca/annualreport.

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

The financial information presented in this report is consistent with the 2021 Annual Report, which includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS).

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MESSAGE FROM CITY COUNCIL

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Edmontonians faced another year of uncertainty as the pandemic continued to disrupt lives and livelihoods, placing pressures on our relationships, financials and health. Early on in 2021, most Edmontonians felt a sense of relief buoyed by the arrival of vaccines—but the year was only beginning and new waves brought new challenges. Throughout 2021, Council balanced the use of provincial and City measures to protect our health and well-being with the financial realities of a stretched City budget due to increased pandemic costs and lower revenues. Council voted in favour of no tax increase in 2021 and the City was able to manage COVID impacts through one-time strategies, without impacting taxes.

2021 was also an election year that saw Edmontonians welcome eight new councillors and a new mayor in October, with the highest voter turnout in more than 15 years. Councillors have spent the last few months connecting policies, motions and votes with what they heard door-knocking in their communities.

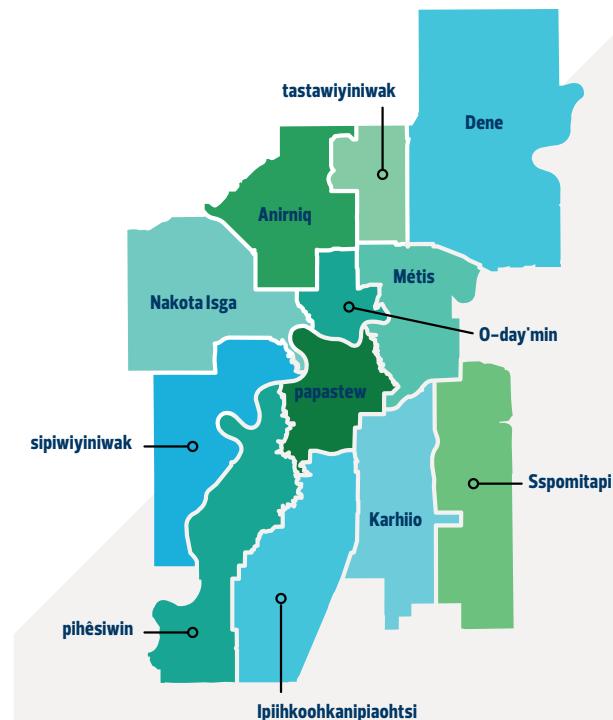
We look forward to council continuing the work of The City Plan, providing value for the tax dollar and moving us closer towards being a more inclusive, compassionate and safe city.

The Community Safety and Well-Being Task Force concluded the work it started in 2020, and delivered recommendations to Council in 2021. In April, Council directed City officials and the Edmonton Police Commission to develop a joint strategy in implementing 14 recommendations brought forward by the task force. In July, Council asked Administration to work collaboratively with the Anti-racism Advisory Committee, additional

Black, Indigenous and people of colour (BIPOC) stakeholders and the Edmonton Police Commission, to action those recommendations.

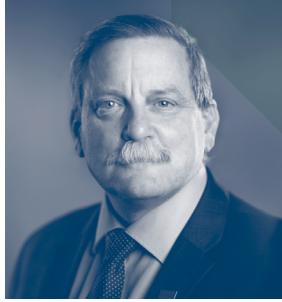
In February 2021, Council adopted the Indigenous Framework to serve as a guide for our City on the journey towards reconciliation and for our service to, and relationship with, Indigenous peoples on this land. The Indigenous Framework was co-created with Elders, Knowledge Keepers, community partners, youth and the broader Indigenous community over a three year period.

We know the effects from the pandemic will be with us for years to come, but we also know that when faced with the most collectively challenging of circumstances, we have a clear plan for our future that will not only help to see us through, but also allow us to continue to take meaningful steps toward the city we aspire to become.



INTRODUCTION

As the world entered the second year of the COVID-19 pandemic, Edmontonians counted on the City to keep them safe and informed, and to continue to offer programs and services they depend on. Council and Administration maintained their focus on The City Plan and continued to advance major projects and our long-term goals for Edmonton, as envisioned with and for Edmontonians. While keeping communities safe in response to COVID-19 was at the forefront of our work, it wasn't the only story of 2021. Managing the City of Edmonton's economic recovery and providing value for tax dollars meant we had to ask difficult questions about city building, service delivery, financial viability and relationships in 2021. The City carefully and strategically balanced moving forward on major initiatives aligned with The City Plan to get Edmonton to where it wants to be: a healthy, urban and climate resilient city of two million people.



Andre Corbould,
City Manager



Stacey Padbury,
Deputy City Manager and
Chief Financial Officer

ECONOMIC OVERVIEW

Edmonton's economy made meaningful progress in its recovery from the impacts of the COVID-19 pandemic in 2021, with available data indicating a faster pace of improvement than initially expected. For example, the region's labour market closed out 2021 with annual employment above its pre-pandemic reference point. This placed the labour market on more solid footing to make additional progress in 2022. Business conditions generally improved in 2021 even though there were some setbacks that slowed growth in the weekly index in some periods and retraced gains in others. Real gross domestic product in Edmonton is expected to recover to 2019 levels by the end of 2022 at an aggregate level, though the pace of recovery is expected to be uneven across sectors. There remains a great deal of uncertainty surrounding economic conditions and growth prospects, particularly with global factors like supply chain disruptions and energy market imbalances impacting prices for consumer goods and services, and adding to financial pressures for businesses, with some sectors feeling more pressure than others. Adding to this are geopolitical risks, which are pushing prices higher still for some commodities. Despite risks on the horizon, the progress made in 2021 put Edmonton's economic recovery on more solid footing for 2022.

DEMOGRAPHICS

AREA IN SQUARE KILOMETRES (CITY OF EDMONTON):

782

Edmonton's population continued to grow between 2020 and 2021, though at a relatively slower pace with the pandemic still having an impact on migration flows. As of July 1, 2021, the city of Edmonton's population is estimated to be 1,057,796, which represents growth of 0.9% year-over-year.

POPULATION (AS OF JULY 1)



EDMONTON

1,057,796

METRO
EDMONTON

1,480,754

A more in-depth look into Edmonton's demography is now available through the 2021 federal Census of Population, including an updated breakdown by age. It is important to note that the federal Census is designed to conduct a complete count of the population at one point in time while population estimates are used to follow trends on an annual basis. Population estimates are usually different due to Census counts not being adjusted for undercoverage (not enumerating individuals) or overcoverage (individuals being enumerated more than once).

% OF POPULATION AGE 14 AND UNDER



18.2%
EDMONTON

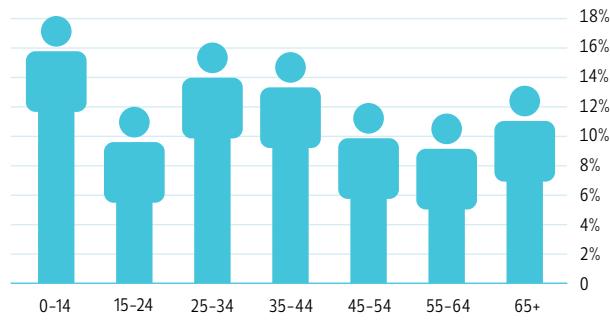


16.3%
CANADA

AVERAGE AGE



POPULATION AGE DISTRIBUTION (%)



MEDIAN TOTAL INCOME, ALL FAMILIES



METRO EDMONTON **\$105,080**

ALBERTA **\$103,720**

CANADA **\$90,390**



EMPLOYMENT

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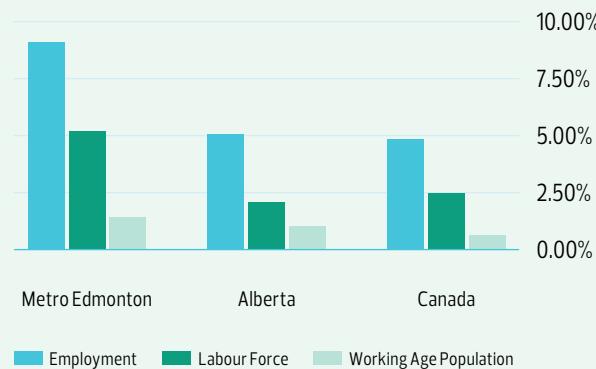
In 2021, the Edmonton regional labour market closed out the year on much stronger footing than initially expected. Annual employment (total number of individuals aged 15 years and older who had a job) in 2021 surpassed its 2019 annual average and the region's labour force expanded, with growth of almost 2% in 2021 compared to 2019. The annual average unemployment rate was 9%, which was higher than in 2019 but a marked improvement compared to an average of 12% in 2020. Part-time employment gains led the way for many months in 2021 for the region's labour market recovery. Full-time employment has also been improving, but full-time monthly levels only surpassed their corresponding 2019 levels in the last two months of 2021.

Across sectors, the strong performance in regional employment is reflective of gains in the services-producing sector, where most sectors recorded employment that surpassed 2019 annual averages. The business, building and other support services; accommodation and food services, and other services sectors were the only services-producing sectors where 2021 employment remained below 2019 levels. However, it is important to note that these sectors were among the hardest hit by the pandemic and gaps have narrowed significantly, which should be interpreted as an encouraging signal. The region's goods-producing sector saw weaker employment in 2021 relative to 2019, with the most pronounced reduction in the manufacturing sector. This could be due to factors related to the pandemic and public health restrictions, though not enough information is available to identify which factors are playing the most significant role. As well, there have been reports of labour shortages and challenges in acquiring necessary inputs for operations due to supply chain disruptions; these may also be contributing to weaker employment in the goods-producing sector.

Regional labour market conditions are expected to continue improving in 2022, though challenges affecting some sectors more so than others like labour shortages, may hold back the pace of improvement relative to what was observed in 2021.

Labour Market Developments – 2021 Annual Change

Source: Statistics Canada



Labour market indicators in the Edmonton CMA saw very significant year-over-year swings in many months of 2020 as a result of the pandemic and public health measures introduced to slow the virus' spread. Consequently, comparisons of annual figures in 2021 against corresponding figures in 2019 are useful to gauge progress of the region's labour market recovery, as year-over-year comparisons alone may overstate the extent of any changes.



National and provincial labour market conditions improved in 2021, with employment growth, a growing labour force and downward pressure on their respective unemployment rates. In 2021, the national unemployment rate averaged 7.5%, down two percentage points from an average of 9.5% in 2020. In Alberta, the unemployment rate averaged 8.7% in 2021, down from 11.4% in 2020.

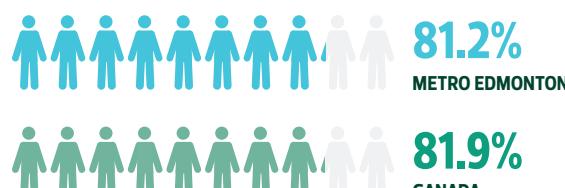
Percentage of Employment by Sector for Metro Edmonton, 2021

Source: Statistics Canada

Sector	%
Wholesale and retail trade	16.5
Health care and social assistance	13.8
Construction	11.0
Professional, scientific and technical services	8.2
Educational services	7.7
Public administration	7.1
Finance, insurance, real estate, rental and leasing	5.7
Transportation and warehousing	5.4
Manufacturing	4.9
Accommodation and food services	4.9
Other *	14.8

* Other includes the following remaining sectors: forestry, fishing, mining and oil and gas; business, building and other support services; information, culture, and recreation; utilities; and agriculture.

% OF POPULATION OF WORKING AGE, 2021



Source: Statistics Canada

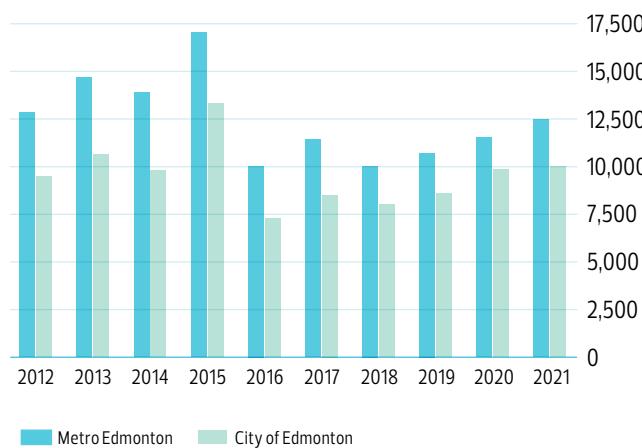
RESIDENTIAL CONSTRUCTION

In 2021, the value of issued building permits in the Edmonton Census Metropolitan Area (CMA) totalled almost \$4.5 billion, up 7% year-over-year. There were sizable gains in 2021 permit values for single dwelling, industrial and commercial buildings compared to 2020. However, it is worth noting that building construction prices for both residential and non-residential buildings in the Edmonton CMA have been on the rise throughout 2021, with more significant gains for residential buildings. This is likely contributing somewhat to the growth in permit values. Based on the volume of permits issued in 2021, construction intentions rose for all types of structures in 2021 compared to 2020, with permits issued to construct single dwelling buildings accounting for the largest share of issued permits by building type.

In 2021, total housing starts in Edmonton eked ahead of 2020 by slightly less than 1%. New construction for single detached, semi-detached and row units brought starts for these segments ahead of 2020, with the most noticeable gain for single detached. This annual performance represents a shift from 2020, when total housing starts were strongly influenced by the construction of new apartment units. The demand for single detached, semi-detached and row units is likely being supported by a shift in buyer preference, e.g., growing preference for more space. Market developments—like new listings on the existing home market not keeping pace with demand for some housing types in many months since the start of the pandemic—have only bolstered the demand for new housing.

Annual Housing Starts

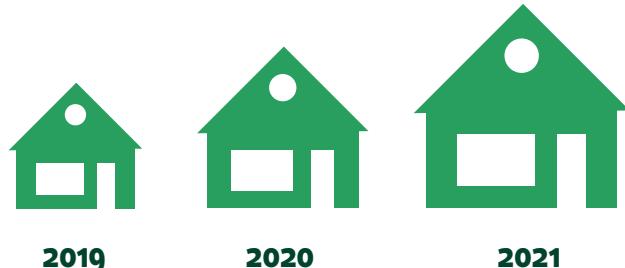
Source: Canada Mortgage and Housing Corporation



Existing home sales in the Greater Edmonton Area, as well as within the city of Edmonton limits, saw strong growth in 2021, according to the REALTORS® Association of Edmonton. Multiple Listing Service® residential sales for 2021 were 45% higher year-over-year, outpacing growth in new listings and adding upward pressure to sales prices.

The median price for all housing types sold (i.e., single family detached, condominium and duplex/row house) increased year-over-year in 2021, with single family detached homes seeing the strongest relative increase.

In 2021, the median price for a sold single family detached home was \$420,000, up 6.3% year-over-year. Within the city of Edmonton limits, the median price for a sold single family detached home in 2021 was \$426,000, up 6.5% compared to 2020.



According to the Canada Mortgage and Housing Corporation, rental market conditions in Edmonton were relatively stable in October 2021, with an apartment rental vacancy rate of 7.6% across all bedroom types, and an average rental rate of \$1,272 per month for a two-bedroom apartment. Even though the rental apartment vacancy rate in Edmonton was relatively stable year-over-year in October 2021, there was an almost 5% increase to the rental apartment universe, which indicates that rental demand is holding up.

INFLATION

In 2021, the annual average rate of inflation in the Edmonton CMA was 3%, a significant jump from 1% in 2020. Shelter prices increased by 2.5% year-over-year in 2021, largely influenced by very strong price growth for utilities (13% year-over-year). Price pressures in the region are likely concentrated in the areas of food, energy and durable goods; three areas that are seeing notable price increases at the provincial level for many months in 2021. Prices have been influenced in large part by the pandemic, including supply chain disruptions and shifts in household consumption favouring goods instead of typical services.

Annual Consumer Price Index



COVID-19

The COVID-19 pandemic has significantly impacted the City's finances. Over 2020 and 2021, the budget impact of reduced revenues due to public health restrictions, and additional costs resulting from the pandemic have been close to \$300 million. The City has managed these impacts through one-time funding strategies and support from other levels of government, without increasing the tax-levy. The largest impacts were reduced revenues for Edmonton Transit Service and community recreation facilities. The City is continuing to assess the long-term impacts of the pandemic on City services.

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2021 FINANCIAL HIGHLIGHTS

OPERATING BUDGET

In 2021, the City began the third year of the 2019–2022 multi-year operating budget. The 2021 operating budget saw a 0.3% property tax decrease in 2021. This decrease includes a 1.8% decrease for all civic operations, a 0.6% increase for Valley Line LRT, a 0.3% increase for Alley Renewal and a 0.6% increase for the Edmonton Police Service.

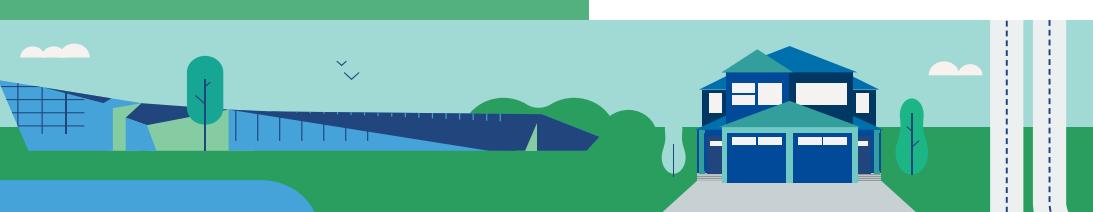
CAPITAL BUDGET

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

2019–2022 BUDGETS

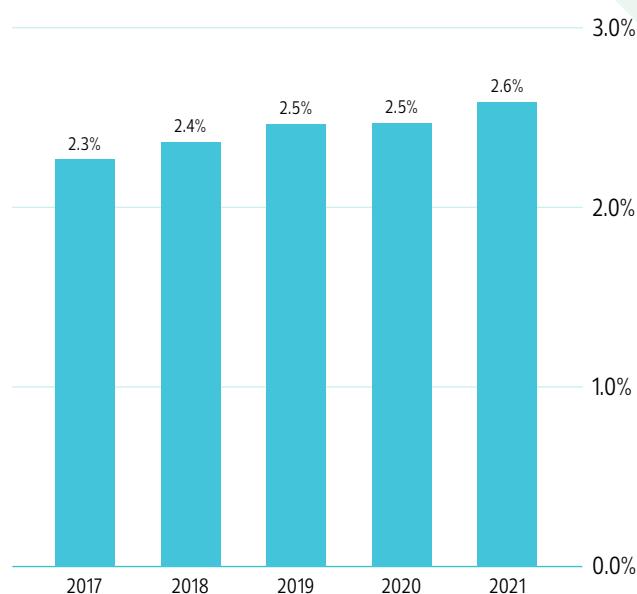
Guided by Edmonton's strategic plan, the 2019–2022 operating and capital budgets assist Council in making strategic decisions about how to allocate City resources. This multi-year approach allows the City to align strategic plans, business plans and operating and capital budgets, to ensure the dollars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

The operating budget identifies how resources for the day-to-day costs required to run the city are allocated, for services such as maintaining roads and public transit, police, bylaw and fire rescue services, as well as parks and waste management. The approved operating budget resulted in a 0.3% property tax decrease in 2021.



The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It reflects Council's decision to invest in Edmonton's hard infrastructure, including the construction of buildings such as recreation centres and libraries, and transportation assets including LRT lines and bridges. The foundation of the 2019–2022 Capital Budget is the 2019–2028 Capital Investment Outlook, a high-level overview of the City's capital investment requirements over the next ten years that supports the strategic direction of Council. The four-year capital budget will see an investment of \$7.4 billion on infrastructure.

Municipal Taxes as a Per Cent of Household Income



Monthly Average Household Spending (note 1)

Source: Statistics Canada

	Monthly \$
Shelter	1,883
Income tax – provincial and federal	1,728
Transportation	1,303
Food	944
Recreation and entertainment	728
Household operations	543
Personal insurance payments and pension contributions	503
Health and personal care	398
Clothing and accessories	299
Donations and support payments	254
Municipal property tax	220
Household furnishings and equipment	215
Miscellaneous expenditures	199
Education	143
Total	\$ 9,360

COST OF CITY SERVICE TO EDMONTONIANS

In 2021, the average household in Edmonton paid seven dollars a day—\$220 month—to enjoy both crucial services and valued amenities. Police and fire rescue services protected the growing city, while transit services, and road and traffic management got residents and visitors where they needed to go. Beyond the basics, Edmontonians enjoyed North America's largest urban green space, neighbourhood parks, community recreation centres, an award-winning public library system, sports fields, popular attractions and many other services and facilities.



1. The Statistics Canada Income Tax amount has been adjusted by the City to identify the municipal property tax portion separately. The Municipal property tax is based on a typical household with a home assessed at \$387,000 for the 2020 tax year.
2. Distribution is based on the 2020 approved operating budget.

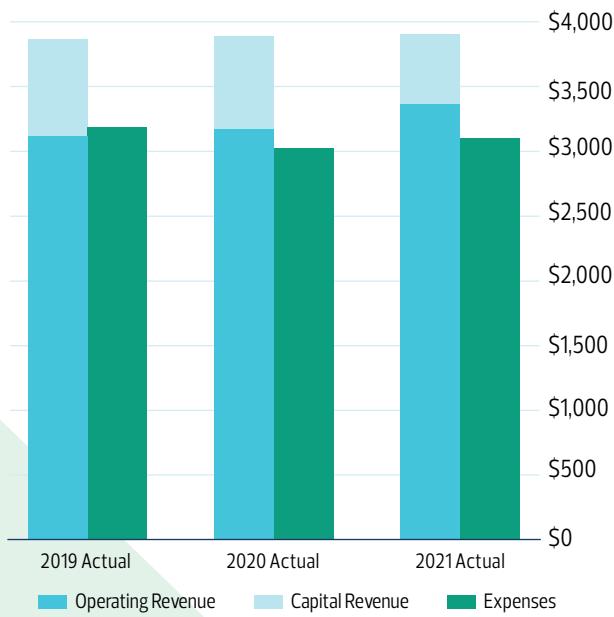
2021 FINANCIAL RESULTS

STATEMENT OF OPERATIONS

December 31, 2021 (millions of \$)	2021 Budget	2021 Actual	2020 Actual	2019 Actual	2018 Actual
Operating Revenues	\$ 3,118.5	\$ 3,358.4	\$ 3,170.7	\$ 3,120.0	\$ 3,050.3
Capital Revenues	767.4	527.2	717.4	749.8	941.8
Operating Expenses	3,301.5	3,093.5	3,023.6	3,189.7	3,029.4
Excess of Revenues over Expenses	\$ 584.4	\$ 792.1	\$ 864.5	\$ 680.1	\$ 962.7

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

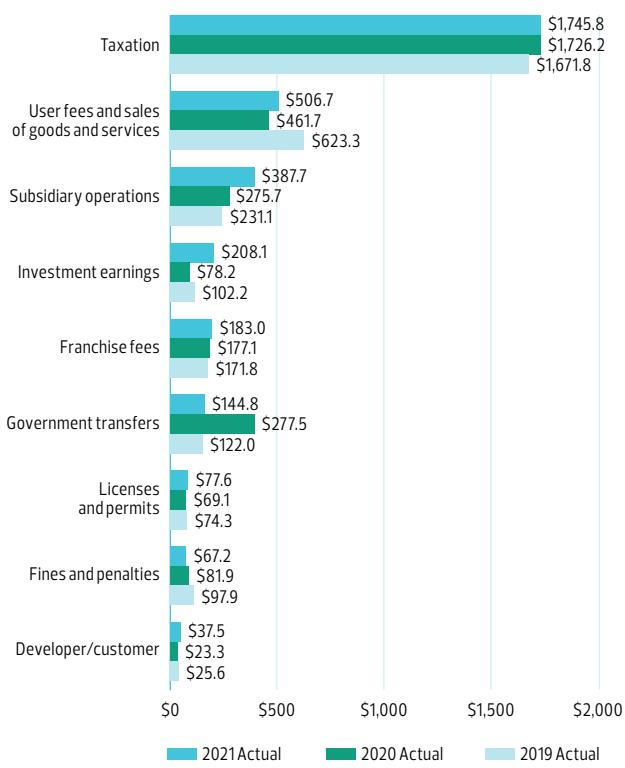
Revenue and Expenses (millions of \$)



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

OPERATING REVENUES

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



Property tax is the primary source of revenue available to the City to pay for municipal services. In 2021, net taxes available for municipal services of \$1,745.8 million accounted for 52.0% of total operating revenues; slightly lower than the 54.4% in 2020.

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

WHAT CHANGED FROM LAST YEAR?

Overall, operating revenues increased by \$187.8 million from the prior year due to a \$129.9 million increase in investment earnings, resulting from accelerated economic growth around the world due to economies reopening, and \$112.0 million increase in EPCOR income (wholly owned by the City) due to higher water consumption, higher electrical rates and higher earnings from US operations. User fees were higher than the previous year due to higher recreation facility and attractions revenue, as COVID restrictions eased, many facilities partially re-opened with enhanced safety measures, this is partially offset by lower transit revenue as employees were encouraged or required to work from home throughout the year, significantly reducing transit ridership. Government transfers decreased by \$132.6 million as a result of a one-time injection of \$158.2 million from the Government of Canada's Safe Restart funding program in 2020, with matching funding from the Province of Alberta's Municipal Operating Support Transfer (MOST) program, these funds were provided to help offset the financial impacts of the pandemic.

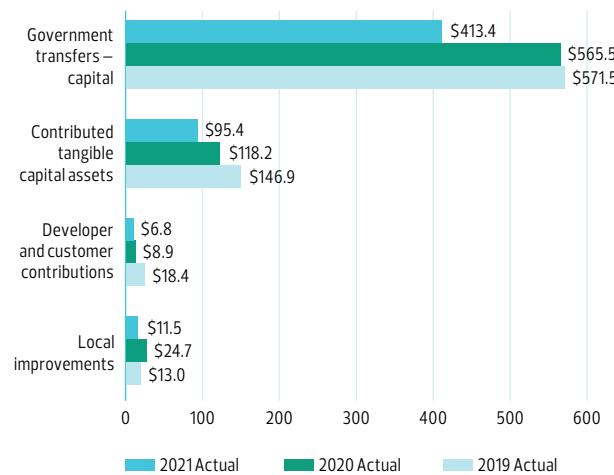
HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were higher than budget by \$240.0 million, or 7.7% of the revenue budget. This was primarily due to \$117.0 million increase in investment earnings related to accelerated economic growth around the world due to economies reopening, and \$108.6 million increase in EPCOR income (wholly owned by the City) from higher water consumption, higher electrical rates and higher earnings from US operations. This is partially offset by lower than budgeted user fees, including Transit fares which saw significantly lower than budgeted ridership as employees were encouraged or required to work from home throughout the year, lower recreation and attraction revenue due to unplanned facility closures, and canceled Explore Edmonton conventions related to public health restrictions..

CAPITAL REVENUES

Where does the money come from?

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



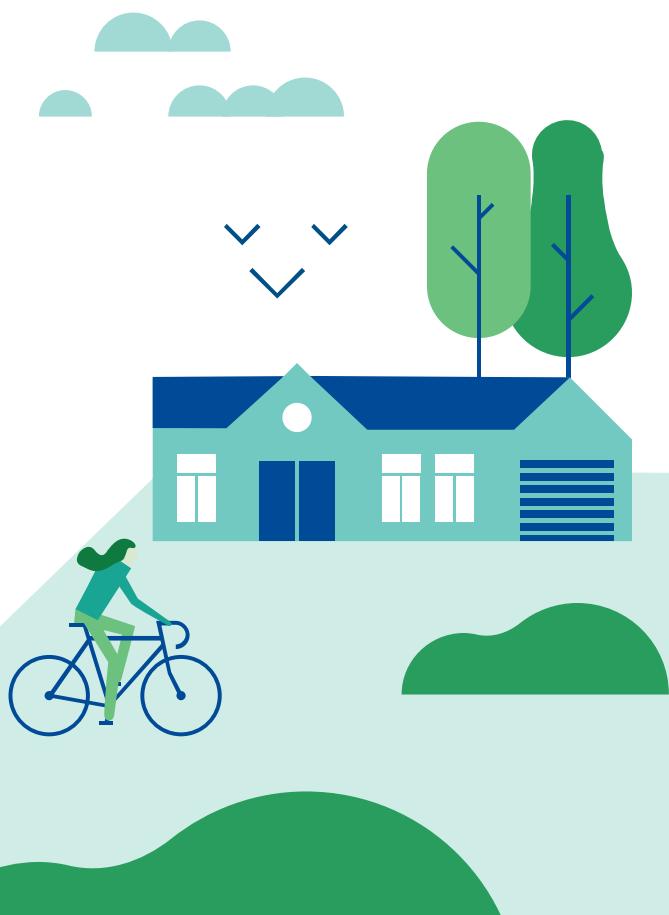
Capital revenues are composed of funding sources for capital projects as approved by City Council through the capital budget process.

WHAT CHANGED FROM LAST YEAR?

Capital revenues decreased from the prior year by \$190.3 million, consisting of a \$152.2 decrease in government transfers due to the timing of eligible grant expenditures, primarily related to the Valley Line Southeast LRT utilizing most of the project's allocated grant funding in previous years and less eligible grant expenditures for bus fleet renewal and rehabilitation. Contributed tangible capital assets were also down \$22.8 million from the prior year due to fewer developer contributed infrastructure assets such as roads, sidewalks and street lights for new neighbourhoods constructed.

HOW DOES THIS COMPARE WITH BUDGET?

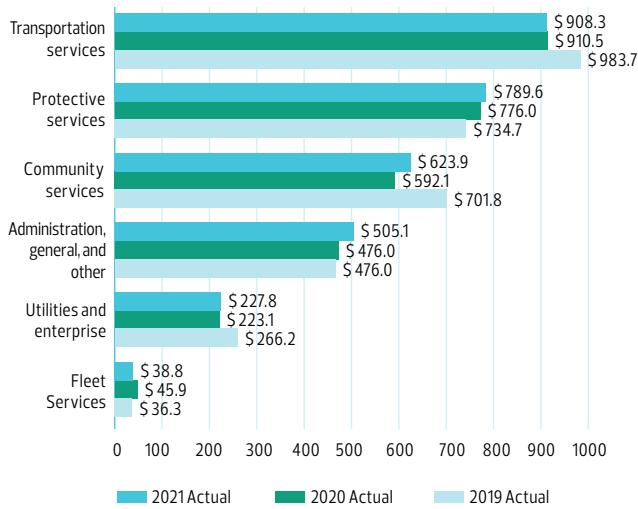
Capital revenues of \$527.1 million were \$240.4 million lower than budget during the year primarily due to variances in developer and customer contributions of \$114.3 million resulting from the timing of capital expenditures that were partner or developer funded. Government transfers were \$86.3 million lower than budget due to timing of grant eligible expenditures primarily related to the Municipal Sustainability Initiative (MSI) and Building Canada Fund (BCF) grants, partially offset with more than anticipated revenue from the provincial Municipal Stimulus Program (MSP). Some of the projects contributing to the MSI and BCF variances are Yellowhead Trail Conversion, Windermere Fire Station and renewal projects where eligible expenditures will be incurred in the coming years.



OPERATING EXPENSES

Where does the money go?

Year over year comparison (millions of \$)



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

WHAT CHANGED FROM LAST YEAR?

Operating expenses increased by \$70.0 million compared to the prior year. This increase resulted from higher grant payments related to support provided through the City's Affordable Housing Investment Plan for increased investment in housing, as well as COVID recovery support initiatives to various organizations. Additionally, recreation facilities and attractions were allowed to partially re-open during 2021 with enhanced safety measures. Opening facilities with health restrictions in place, paired with higher salary, materials and utility costs resulted in higher expenses when compared to the previous year. Additional costs also include increased debt servicing costs and increased amortization as a result of higher than expected land improvements.

HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$3,093.5 million were lower than budget by \$208.0 million, or 6.3% of the consolidated expenses budget. This was primarily because of less than anticipated ridership as a result of the ongoing pandemic and continued work from home requirements implemented by the province. Additionally, transportation services saw lower operating and interest costs resulting from the delayed opening of the Valley Line Southeast, and less than budgeted snow and ice control costs due to the lower than anticipated snowfall in the beginning of 2021. Expenses were also lower than budget due to lower costs for Explore Edmonton as COVID restrictions lead to canceled conferences and events, fewer rebates provided through the Revolving Industrial Servicing fund program because of slower than expected progress on certain developments and lower than expected Sanitary Servicing Strategy Fund (SSSF) payments to EPCOR as a result of less than expected spending on sanitary sewer trunk lines.

\$8,093.8 M	\$5,370.8 M	\$13,839.1 M	\$16,562.1 M
Financial Assets	Liabilities	Non-Financial Assets	Accumulated Surplus
Cash and cash equivalents Receivables Investments Land for resale Investment in EPCOR	Accounts payable and accrued liabilities Deferred revenue Employee benefit obligations Long-term debt	Tangible capital assets Inventory of materials and supplies Other assets	Equity in EPCOR Ed Tel Endowment fund Reserves Equity invested in tangible capital assets Advances for construction

Statement of Financial Position

December 31, 2021

(millions of \$)

	2021	2020
Financial Assets	\$ 8,093.8	\$ 7,527.5
Liabilities	5,370.8	5,027.5
Non-financial Assets	13,839.1	13,272.9
Accumulated Surplus	\$ 16,562.1	\$ 15,772.9

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

FINANCIAL ASSETS (WHAT WE OWN)

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

In 2021, the City's financial assets were \$8,093.8 million, an increase of \$566.3 million over the prior year. This is mainly due to an increase in the City's investment in EPCOR and investments, partially offset by a decrease in cash and cash equivalents.

INVESTMENTS

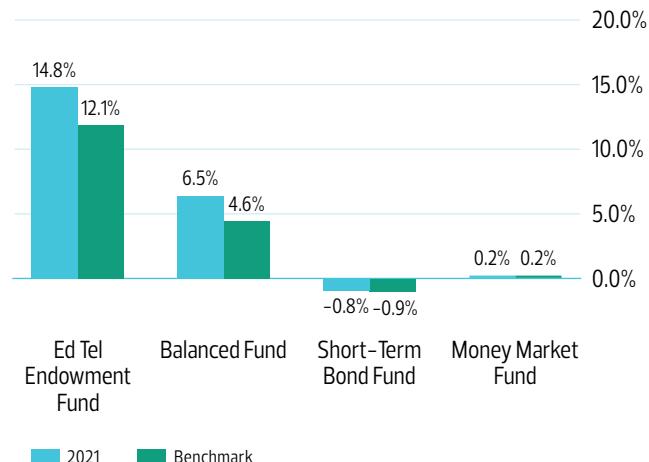
Performance of the City's investment funds ranged from (0.8%) (Short-Term Bond Fund) to 14.8% (Ed Tel Endowment Fund), depending on each fund's asset mix.

Global equities delivered strong returns with a 24.1% gain for the year. This performance is all the more impressive as it follows two years of double-digit gains. Not since 2004–2006 have global equities performed so well. Supportive fiscal and monetary policy in response to the pandemic and rebounding global growth contributed to the strength in capital markets during the year.

Canadian equities were up 25.1% in 2021 – their best year since 2009. Similarly, oil prices surged 59% as economies reopened, while the Canadian dollar was essentially flat versus the U.S. dollar, rising less than 1%. Finally, Canadian fixed income securities (bonds) fell 2.5% for the year. This was the worst year for bonds since 1994.

As a result, the Ed Tel Endowment Fund and Balanced Fund, both of which are invested in a mix of fixed income and equity markets in accordance with the City's investment policy, saw returns of 14.8% and 6.5%, respectively. Conversely, the Money Market Fund and Short-Term Bond Fund, which are invested solely in lower returning fixed income securities, had returns of 0.2% and (0.8%), respectively.

2021 Performance vs. Benchmark



All of the City's investment funds matched or outperformed their benchmarks in 2021. On a four-year basis, investment returns have been strong and all the City's funds exceeded their policy benchmarks.

The Ed Tel Endowment fund provided dividends of \$40.7 million in 2021. More detailed information on investment performance and benchmarks is available in the Investment Committee 2021 Annual Report at edmonton.ca/investments.

SINCE 1995, THE ED TEL ENDOWMENT FUND HAS CONTRIBUTED \$913.4 MILLION TO THE CITY.

LIABILITIES (WHAT WE OWE)

The City ended 2021 with total liabilities of \$5,370.8 million, an increase of \$343.3 million over the prior year, mainly as a result of increased long-term debt, accounts payable and accrued liabilities and deferred revenue. Tax-supported debt was borrowed to finance various capital projects, including the Valley Line and Metro Line LRT construction, Yellowhead Trail Freeway Conversion and continued progression of Downtown and Quarters Community Revitalization Levy funded projects.

Accounts payable and accrued liabilities increased due to timing differences in the payment of outstanding invoices compared to 2020, and an increase in payroll remittances compared to the prior year. Deferred revenue is largely made up of government transfers provided to fund operating and capital expenditures. The use of these revenues is externally restricted until they are used for the purposes intended. The increase in deferred revenue is mainly due to the one-time increases received in 2021 under the Canada Community Building Fund (formerly known as the Federal Gas Tax grant) and the Municipal Sustainability Initiative (MSI) grant program. Funds were received in advance of project expenditures and as a result recognition was deferred to match future capita expenditures as required.

DEBT

The City of Edmonton uses debt to finance capital expenditures under principles and limits established within the City's Debt Management Fiscal Policy. The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The debt is used to strategically move priority capital projects ahead and to capitalize on low interest rates. A regulation under Section 271 of the Municipal Government Act establishes limits for municipal debt levels and annual debt servicing costs.

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

Interest rates have remained low and are fixed throughout the term, eliminating risk from changing interest rates. Although debt will continue to be used to finance major projects, the City carries debt and incurs debt servicing costs well below the legislated limits for municipalities in Alberta.

Debt and Debt Service Limits – Municipal Government Act

	2021	2020
Debt limit	\$ 5,978.1	\$ 5,856.9
Debt limit used	3,546.6	3,407.1
Percentage used (%)	59.3	58.2
Debt service limit	\$ 1,046.2	\$ 1,025.0
Debt service limit used	336.0	313.2
Percentage used (%)	32.1	30.6

Debt Service Limits – Debt Management Fiscal Policy

	2021	2020
Total debt service limit	\$ 657.6	\$ 644.3
Debt service limit used	289.1	291.8
Percentage used (%)	44.0	45.3
Tax supported debt service limit	\$ 394.9	\$ 399.6
Debt service limit used	237.4	241.2
Percentage used (%)	60.1	60.4

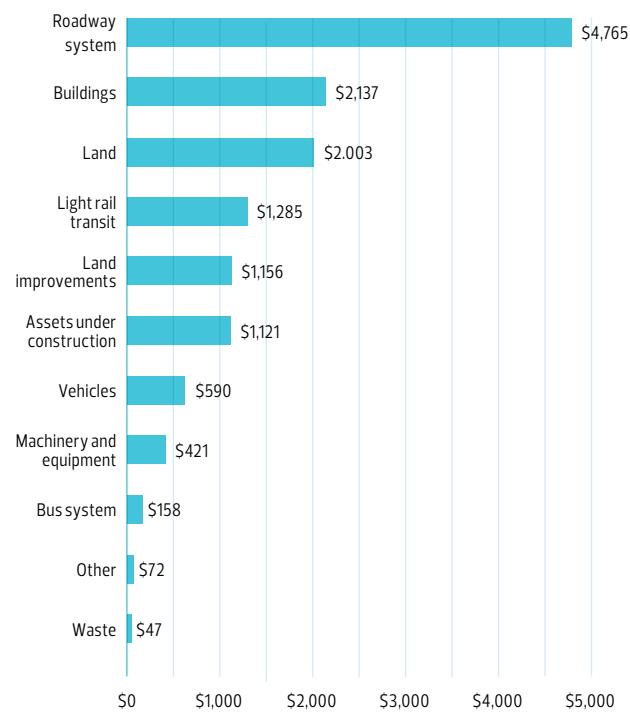
NON-FINANCIAL ASSETS (WHAT WE OWN)

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

At the end of 2021, the City owned \$13,755.0 million in capital assets, an increase of \$559.4 million over the prior year, with a majority of the assets being roadway systems, buildings, land and light rail transit. In 2021, the City made progress on significant capital projects such as the Neighbourhood Renewal program, Yellowhead Trail Freeway Conversion, Fort Edmonton Park, the Valley Line Southeast and West LRT lines as well as investments in the City's park spaces.

AA CREDIT RATING FROM STANDARD AND POOR'S

2021 Net Book Value of Tangible Capital Assets by Category (millions of \$)



ACCUMULATED SURPLUS (ASSETS MINUS LIABILITIES)

Accumulated surplus is an indicator of the City's overall financial health. The City maintained a strong accumulated surplus, ending 2021 with a total of \$16,562.1 million. The major components of accumulated surplus include the City's equity in tangible capital assets (\$10,307.0 million); investment in EPCOR (\$4,223.4 million); and the City's reserves (\$1,006.0 million), one of the largest being the Financial Stabilization Reserve.

Financial Stabilization Reserve (FSR)

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

As of December 31, 2021, the unappropriated FSR balance is \$121.7 million. During the year, the general government surplus from 2020 of \$40.4 million was transferred to the reserve, of which \$24.8 million was subsequently appropriated to deal with COVID-19 impacts in the 2021 budget, and the remaining \$15.6 million was appropriated within the FSR to provide funding in 2021 for projects and initiatives not completed in 2020, and to offset the forgiveness of the outstanding loan balance due from the Waste Services Utility. The 2021 general government surplus of \$52.3 million will be transferred to the Financial Stabilization Reserve in 2022 with \$31.7 million then appropriated for funding within the 2022 operating budget. After reflecting the approved transactions, the balance of the reserve will be \$142.3 million, exceeding the minimum level as set within the policy of \$112.9 million but will be below the target level of \$187.5 million.

Financial Stabilization Reserve (millions of \$)



“
THE CITY OF
EDMONTON IS
READY TO ADAPT
TO CHANGING
PUBLIC HEALTH
ORDERS AT A
MOMENT’S NOTICE,
AND I SEND MY
GRATITUDE TO ALL
EDMONTONIANS
WHO DO THE
SAME.”

Andre Corbould, City Manager

2021 ACCOMPLISHMENTS

A RESILIENT CITY: 2021 IN EDMONTON

2021 showed just how resilient the City and Edmontonians can be in the face of ongoing uncertainty and change. The world entered the second year of the COVID-19 pandemic, which was a rollercoaster ride of vaccines, variants, waves and changing public health measures that compounded the economic and social impacts of 2020. Residents counted on the City to keep them safe and informed, and to continue to offer programs and services. Those hardest-hit by the pandemic looked to the City for support. The pandemic added extra costs to the City's budget related to safety, security and enhanced cleaning, and lowered revenue from transit, recreation centres and other services. The related impacts to the budget were managed through one-time funding strategies. Despite these challenges, Council and Administration maintained their focus on The City Plan and continued to advance major projects and our long-term goals for Edmonton, as envisioned with and for Edmontonians.

ADAPTING TO COVID-19

The pandemic continued to have a profound impact on the City and Edmontonians. Vaccines became widely available and – as one of Alberta's largest employers – the City moved quickly to protect employees and those they serve by requiring all employees to be fully vaccinated or participate in a rigorous rapid testing process.

While vaccines helped to reduce the spread of and risk of severe illness from COVID-19, the virus continued to evolve. Variants like delta and omicron created waves of infection, which led to changing public health measures to which the City adapted. The City offered testing and vaccination support, and collaborated with Edmonton Fire Rescue, partners at Alberta Health Services and the Edmonton Police Service to educate and enforce the municipal mask bylaw and other public health orders. Essential services like transit were prioritized, and the City continued its commitment to enhanced cleaning and disinfecting of transit vehicles and facilities. In late 2021, we reached our highest level of bus boardings since the start of the pandemic, and we anticipate it will continue to increase throughout 2022. When case counts were lower, the City was also able to reopen non-essential services like the Valley Zoo, recreation centres and other amenities that had been closed in earlier waves.

WE KNOW PEOPLE ARE HURTING AND THAT'S WHY NO TAX INCREASE IS THE RIGHT DECISION...WE DID THIS WHILE ALSO ENSURING WE ARE ABLE TO KEEP INVESTING IN ASSETS AND SERVICES THAT WILL ALLOW EDMONTON TO EMERGE, POST-COVID, A HEALTHY, URBAN AND CLIMATE-RESILIENT CITY THAT SUPPORTS A PROSPEROUS METRO REGION.

Don Iveson, Mayor

With fewer people using services and programs through the pandemic, City administration was able to manage the shortfall in revenue without impacting the taxpayer. Credit rating agency Standard and Poor's (S&P) gave the City a AA credit rating in 2021, recognizing its financial policies and plans, and affirming its capacity to meet its capital commitments, including the municipal facilities, roads, bridges and LRT expansion projects that kept so many Edmontonians safely working through the pandemic.

SUPPORTING EDMONTONIANS

Another year of COVID-19 continued the financial strain that many residents, businesses and organizations began experiencing in 2020. In recognition of the economic impacts of a prolonged pandemic on Edmontonians, Administration and Council achieved a 0% tax increase for the first time in more than two decades. The City also offered grant programs to the arts and business communities to support safe operations and recovery.

Edmonton's most vulnerable populations also faced significant challenges in 2021, and the City was ready to help. The City provided funding to various community groups to provide multilingual, targeted support to people at high risk of COVID-19 transmission, including front-line workers, those with language barriers and those living in multi-generational households. The City continued to support the work of Edmonton's homeless-serving sector, offering funding to social agencies, and offering temporary washroom and shelter accommodations where possible.

When a heatwave struck this summer, the City converted hydrants to drinking fountains to give Edmontonians access to clean water. Keeping Edmontonians fed was also a priority; the City farm donated more than 52,000 pounds of produce to Edmonton's food bank. The City also continued to work with community and health partners on expanding efforts to address the increase in drug poisoning incidents, which have been on the rise during the pandemic.

The City continued its work on inclusivity. The City adopted an Indigenous Framework, an important part of its work to support and build strong relationships with Indigenous Peoples in Edmonton. Every City employee, through the adoption of this Framework, has the responsibility to forge stronger relationships with the descendants of the original inhabitants of this land and to accept that we all have roles to play in our journey towards reconciliation. As part of its commitment to reconciliation, the City recognized the first National Day for Truth and Reconciliation on September 30, 2021

as a paid day of leave for staff, as well as supporting Orange Shirt Day satellite events in Edmonton schools to honour survivors, their families and the communities impacted by the legacy of residential schools. City staff continued to take a broader view of their work through Gender-based Analysis Plus (GBA+), which assesses the impact of policies, programs and services on diverse groups. As an example, city planners are applying a GBA+ and equity lens to their work which included a report in 2021 on historical inequities in zoning practices as part of efforts to ensure that upcoming public consultation and decision-making for the City's new zoning rules are inclusive.

MOVING FORWARD, LOOKING AHEAD

In spite of the pandemic, the City moved forward on some major initiatives and advanced its plans for the future.

The ambitions of The City Plan are being built into all aspects of the City's operations. In the spring, the City launched a new curbside waste collection system and its first redesign of the Edmonton Transit Service bus network in more than 20 years. Both of these programs are essential steps in becoming a more sustainable and environmentally friendly city as Edmonton grows. The City also advanced its work on climate resiliency, including adopting new policies for its buildings, and moving forward with carbon budgeting and accounting. The City continued to advance its capital program with more than \$1 billion in investments in over 275 capital projects. Projects were completed in communities across Edmonton, including 3 trail renewals, 4 neighbourhood renewals, 8 parks and 10 playgrounds. Construction progressed on converting the Yellowhead Trail into a freeway, widening Terwillegar Drive, improving Jasper Avenue and expanding the LRT network. City-supported affordable housing projects also made major progress to meet the growing number of unshoused people in Edmonton through the rapid construction of modular housing. This construction season not only helped to build Edmonton and lay the groundwork for a city of more than two million people, it helped to keep Edmontonians working safely during the economic downturn caused by COVID-19.

Funding was also approved on the next major LRT project, the Capital Line South extension from Century Park to Ellerslie Road, bringing the City another step closer to the vision for LRT and mobility laid out in The City Plan.

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, 2020. Awarded by the The Government Finance Officers Association of the United States and Canada.

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

This is the 27th consecutive year that the City of Edmonton has received this award.

Popular Annual Financial Reporting Award

Received for the 2020 Financial Report to Citizens. Awarded by the Government Finance Officers Association of the United States and Canada.

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

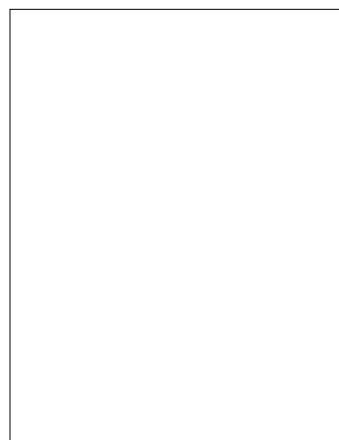
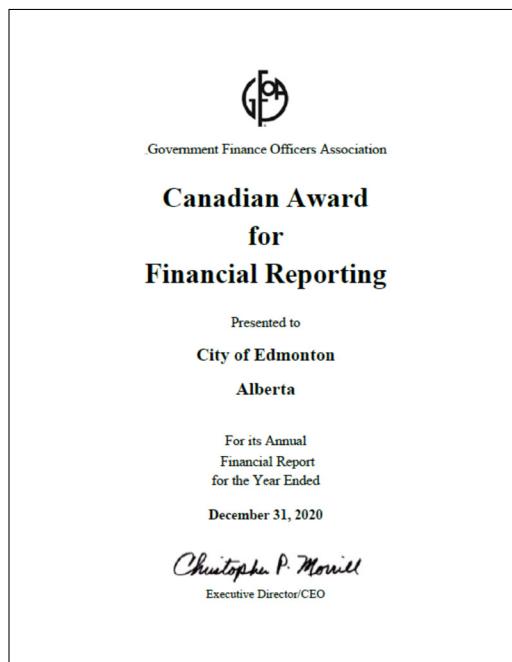
This is the seventh consecutive year that the City has received this award.

Distinguished Budget Presentation

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

Awarded to a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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



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





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

If have questions about the 2020 Financial Report to Citizens,
mail or phone:

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3 Sir Winston Churchill Square NW
Edmonton, AB, Canada T5J 2C3

Phone: 311