

# 2020 FINANCIAL REPORT TO CITIZENS

Edmonton

CITY OF EDMONTON, ALBERTA, CANADA  
FOR THE YEAR ENDED DECEMBER 31, 2020



# 2020 FINANCIAL REPORT TO CITIZENS

The Financial Report to Citizens provides highlights of the 2020 Annual Report and includes information on the 2020 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2020 Annual Report is available at [edmonton.ca/annualreport](http://edmonton.ca/annualreport).

More detailed information on the planning and budgeting process is available at [edmonton.ca/budget](http://edmonton.ca/budget).

The financial information presented in this report is consistent with the 2020 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

PAGE 1



2020 was a difficult year, a year of unprecedented uncertainty and hardship. It was also a year where humanity showed its best self, where the generosity of Edmontonians was at the forefront and where we demonstrated our resilience in the face of adversity.

When the COVID-19 pandemic made its way to our city in mid-March, our amenities, attractions and facilities were shut down. Playgrounds and dog parks went quiet, schools closed, and the lives we were used to living stopped in an instant. The effects of these closures, while temporary, required tough decisions including temporarily laying off close to 3,000 staff members.

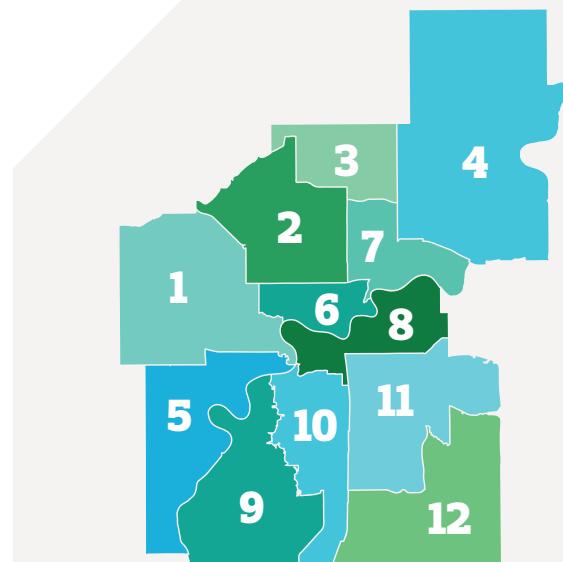
As the year went on and our battle with COVID-19 continued, Council had to make even more difficult choices as we grappled with lost revenue and a significantly altered budget. Throughout these discussions, the financial burden of our decisions was top of mind as we reviewed every option to cut costs without affecting services too significantly. After much debate, and much sacrifice from many departments, we were able to secure a 0% tax increase for Edmontonians in 2021. 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.

City Council also approved the City Plan in late 2020. The City Plan is our vision and a map for Edmonton's future as we continue to grow. We are on track to be a city of two million within the next few decades, and it's vital we remain competitive to retain and attract talent and investment so that we emerge from this time in history in a strong position to recover.

Another big part of the City Plan is mobility and accessibility, and a main component of this is improved transit. We green-lit construction on the Blatchford LRT Extension as well as the West Valley Line LRT. We also moved closer to the City's revamped bus network beginning this year – advancing our goal to deliver improved transit service. Better transit is an essential element in both the City Plan and in our plan to combat climate change.

If 2020 has taught us anything, it's that we truly are stronger together. While the threat of COVID-19 is not gone yet, the light is at the end of the tunnel. We just need to remain diligent, continue looking out for each other, and I'm confident we will come out of this stronger and more resilient than ever.

Finally, we'd like to extend our sincere gratitude for all the essential workers who have bravely gone to work every day to keep our city running. Whether you are in healthcare, retail, food services or any other area of work, we see you, we appreciate you, we are grateful for you. It's been a long and tough road, and we look forward to the day when we can gather together again in front of City Hall and enjoy one another's company.



# INTRODUCTION

We are guided by our strategic direction. **ConnectEdmonton**, Edmonton's Strategic Plan for 2019 – 2028, was built from conversations with thousands of Edmontonians. It points the way to the kind of city Edmontonians want for themselves and their families, and the people who come after them. Edmontonians envisioned a Healthy, Urban, Climate Resilient city that supports a Prosperous Region.

**ConnectEdmonton** also laid the foundation for City Plan and outlines the choices necessary for a city that respects and preserves the things we value today while also creating a city to attract and inspire its next million residents.

In a typical year, the City of Edmonton prioritizes carefully to balance the immediate needs of the day with the future Edmontonians want to see, while respecting the value of every tax dollar.

2020 made finding the right balance more difficult and more important than ever. Residents relied on the City to keep them safe, keep them informed and keep the lights on while managing extra costs and reduced income. Edmonton's business community

received needed support to cope with restrictions and added costs. Social and economic changes called for thoughtful responses.

Council and Administration chose to look for solutions that would not only meet these challenges but also keep Edmonton on track with the City Plan. Every change was an opportunity to make smart, focused choices for the future of the City.



Andre Corbould,  
City Manager



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

# ECONOMIC OVERVIEW

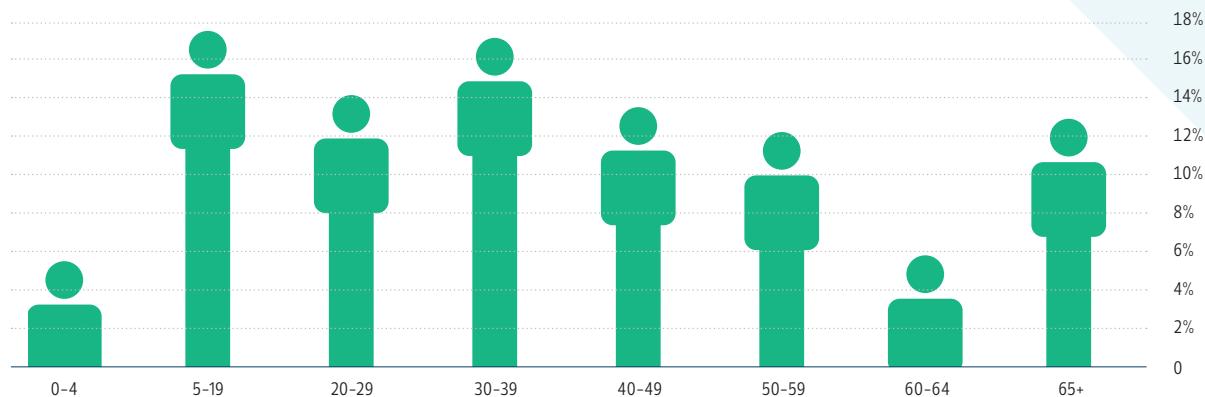
Edmonton's economy is estimated to have contracted by 7.6% in 2020. The COVID-19 pandemic and public health measures introduced throughout 2020 to contain the spread of the virus dictated the performance of the Edmonton economy. The impacts of the pandemic on Edmonton and the region unfolded at a rapid pace with significant disruptions to business and household activity, and employment losses reached a peak in June 2020. In the second half of 2020, economic indicators began to show signs of a recovery, supported by federal and provincial policy, including direct fiscal stimulus to businesses and households. Even though the Edmonton and regional economies are estimated to have experienced deep contractions in 2020, economic indicators are showing signs that a recovery is well underway.

Edmonton's economic recovery is expected to be protracted and uneven, with risks that are more heavily weighted on the downside for sectors that remain the hardest hit by public health measures (e.g. the hospitality and tourism industries). However, the rapid development and approval of vaccinations, along with progress towards herd immunity, will help Edmonton's economic recovery gain momentum, enabling businesses and households to chart a path towards pre-pandemic behaviour. This is expected to take some time as there is still a great deal of uncertainty in the economy, which raises the importance of perceptive planning and prudent money management. Ensuring strong relationships with our community partners and other orders of government and businesses will be critical to our economic recovery, and charting a path to economic stability.

Edmonton is unique in that the average age of Edmontonians is 37.9 (2019 census), and that makes Edmonton one of the youngest cities in Canada. That youthful energy and flexibility comes across in the diversity of our industries and in Edmontonians' optimistic and entrepreneurial spirit. The City continues to follow the 2019–2022 Operating Budget and move towards **ConnectEdmonton's** long-range goals with optimism. The budgets are reviewed and revised on an ongoing basis as we relaunch and recover.

## DEMOGRAPHICS

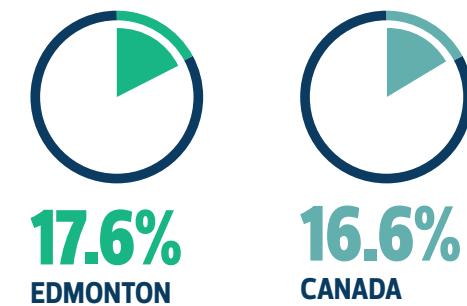
### POPULATION AGE DISTRIBUTION (%) IN EDMONTON



### AVERAGE AGE



### % OF POPULATION AGE 14 AND UNDER



## EMPLOYMENT

Employment (total number of individuals aged 15 years and older who had a job) in Metro Edmonton fell by 62,200 in 2020, or an 8.1% reduction from 2019. Employment losses were most pronounced in Q2 2020, when public health measures were most restrictive on business activity. In June 2020, the region's monthly unemployment rate was 15.8%, its highest level since comparable data became available in 2006.

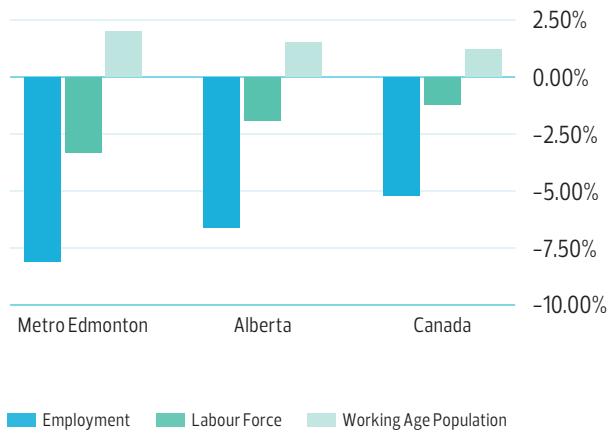
The region's services-producing sectors, particularly sectors that rely on in-person services, was hardest hit by employment losses in 2020. Employment losses in the accommodation and food services and other services sectors accounted for almost 30% of total employment losses. Not all sectors suffered employment losses in 2020, though. There was employment growth in the agriculture, utilities, finance, insurance, real estate, rental and leasing, and professional, scientific and technical services sectors.

Overall, Metro Edmonton employment averaged 707,700 in 2020. The regional unemployment rate jumped to an annual average of 12% in 2020 from 7.5% in 2019 mostly because employment losses were so significant.

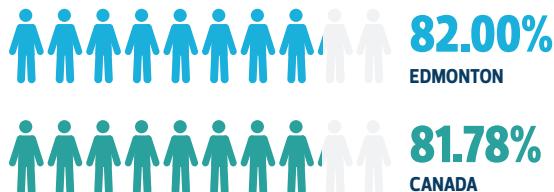
In the year ahead, employment is expected to continue to recover from the COVID-19 pandemic. However, the unemployment rate will likely remain elevated as any employment gains are likely to be met by labour force growth.

### Labour Market Developments – 2020 Annual Change

Source: Statistics Canada



## % OF POPULATION OF WORKING AGE



Source: 2019 Statistics Canada

### Percentage of Workforce Employed by Industry for Metro Edmonton

Source: Statistics Canada

Industry	%
Wholesale and retail trade	16.7
Health care and social assistance	14.1
Construction	11.7
Professional, scientific and technical services	8.2
Educational services	7.9
Public administration	6.6
Manufacturing	5.7
Finance, insurance, real estate, rental and leasing	5.5
Transportation and warehousing	4.7
Accommodation and food services	4.5
Other *	14.5

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

## RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton was much stronger than anticipated in 2020, considering the pandemic and its negative impact on many other facets of the regional economy. New housing production and existing home sales showed marked improvements in 2020, likely supported by low interest rates and pent-up demand as public health guidelines delayed some spring housing activity to the summer. Within city limits, housing starts for both single detached and apartment units saw gains, with the most pronounced growth in the apartment segment. Apartment starts saw a 39% increase between 2019 and 2020, with double-digit growth in rental apartment starts. Throughout Metro Edmonton, there were 11,512 housing starts in 2020, an increase of 7.4% year-over-year.

In the Greater Edmonton Area, as well as within the city of Edmonton limits, Multiple Listing Service (MLS) single family detached sales rose year-over-year in 2020, while new listings came down, adding some upward pressure on prices. The median single family detached price in 2020 for Metro Edmonton was \$395,000, up about 1.3% from \$390,000 in 2019. Within the city of Edmonton limits, the median house price in 2020 was also \$395,000 but saw a smaller increase of less than 1% year-over-year. Conditions were different for apartment rentals in Metro Edmonton due to a combination of lower demand and additions to the rental apartment universe, according to the Canada Mortgage and Housing Corporation (CMHC). As a result, the rental apartment vacancy rate increased from 4.9% in October 2019 to 7.2% in October 2020.

The value of building permits in Metro Edmonton in 2020 totaled \$4.2 billion in 2020, up 8.6 percent year-over-year. The increase largely came from residential multiple dwellings, which saw permit values rise about 50% in 2020 from 2019. Non-residential building permit values were 12% lower in 2020 compared to 2019. Across non-residential segments, an increase in institutional and governmental building permit values was more than offset by double-digit reductions in permit values for industrial and commercial structures.

**THE CITY IS OVER  
HALFWAY TO ITS  
GOAL TO BUILD**

**2,500**

**AFFORDABLE HOUSING  
UNITS BY 2022, WITH  
SUPPORT FOR 1,307  
NEW UNITS.**

## INFLATION

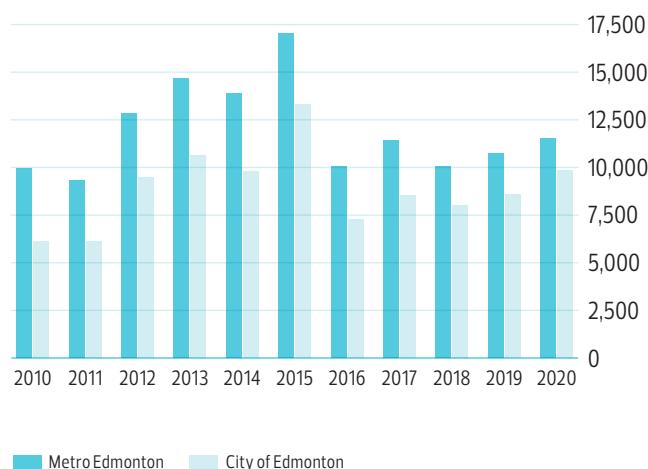
Inflation in Metro Edmonton, as measured by changes in the Consumer Price Index (CPI), rose by approximately 1.1% in 2020 with price growth for all shelter-related components. For Alberta, the comparable figure was about 1.1%, while Canada's annual inflation rate in 2020 was about 0.7%. The pandemic caused some distortions in monthly CPI readings throughout 2020, due to shifts in consumption and volatile energy prices. For example, there was less spending on clothing, recreation and transportation, while spending on food from stores increased. Though CPI details are limited to the shelter category for the Edmonton region, it is likely that these distortions also affected CPI readings for Edmonton.

Annual Consumer Price Index



Annual Housing Starts

Source: Statistics Canada



# 2020 SIGNIFICANT EVENTS

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

The City follows a multi-year budget policy in which operating budgets are developed and approved for a four-year period. The 2019–2022 Operating Budget was originally passed in December of 2018. The multi-year budget process provides for adjustments to the four-year budget on a semi-annual basis, in the Spring and in the Fall. In the early months of the pandemic, Administration recognized the impact COVID-19 could have on the normal operations of the City, particularly to transit and recreation revenues and these budgets were adjusted downward in the Spring of 2020. Edmonton was one of the first municipalities in Canada to forecast impacts of the pandemic and to publicly adjust the budget. The strategies to address COVID-19 shortfall in the 2020 budget, in order of preference, were:

- Expense management and use of external financial support;
- Redirection of capital funding to operating;
- Financial Stabilization Reserve and other reserves; and
- Repurposing of the corporate financial strategies budget.

Given that neither health nor financial experts could fully predict the effect of the pandemic in the months ahead, making budget adjustments was the most responsible and transparent action.

In response to the pandemic, the federal government announced funding for municipalities as part of the Safe Restart program. The provincial government worked with the federal government to formalize the Safe Restart Agreement and Municipal Operating Support Transfer (MOST) arrangements and the City of Edmonton was allocated \$158.2 million in funding, with \$98.5 million for general operations and a transit-specific component of \$59.7 million. Municipalities may use MOST funding for increased operating costs incurred due to the COVID-19 response and restart, as well as other operating losses or deficits incurred from COVID-19's impacts on revenues and operations. The deadline to spend funds was March 31, 2021.

# 2020 FINANCIAL HIGHLIGHTS

## OPERATING BUDGET

In 2020, the City began the second year of the 2019–2022 multi-year operating budget. The 2020 operating budget saw a 1.3% property tax increase, which includes a 0.5% decrease for all civic operations, a 0.8% increase for Valley Line LRT and a 1% increase for the Edmonton Police Service.

## CAPITAL BUDGET

This year marks the second 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 31% of 2019–2022 capital investment is earmarked for renewing roads, neighbourhoods, parks, City-owned buildings and transit vehicles, with the remaining 69% to support planning and delivery of new infrastructure.

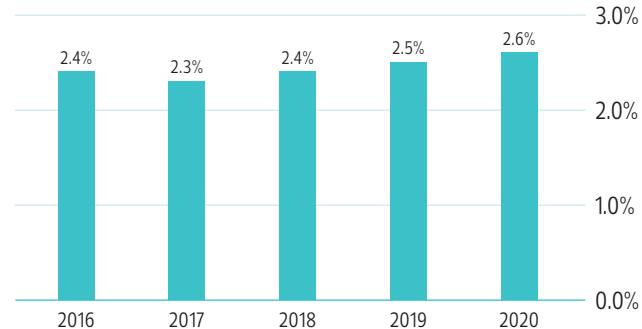
## 2019–2022 BUDGETS

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 1.3% general property tax increase in 2020. The impacts of COVID-19 on the budget for 2020–2022 will be reviewed and decisions revised on an ongoing basis as the City moves to relaunch and recover in 2020 and future years, and could impact future property tax rates.

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

Municipal Taxes as a Per Cent of Household Income



THE EDMONTON.CA/COVID-19  
PAGE WAS VIEWED **898,832** TIMES.

## COST OF CITY SERVICE TO EDMONTONIANS

In 2020, the average household in Edmonton paid just over 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.

### HOUSEHOLD FAMILY MEDIAN TOTAL 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
<b>Municipal property tax</b>	<b>220</b>
Household furnishings and equipment	215
Miscellaneous expenditures	199
Education	143
<b>Total</b>	<b>\$ 9,360</b>

### Where Your Municipal Tax Dollars Go

**\$220 PER MONTH (note 2)**



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

2. Distribution is based on the 2020 approved operating budget.

# 2020 FINANCIAL RESULTS

## STATEMENT OF OPERATIONS

December 31, 2019 (millions of \$)	2020 Budget		2020 Actual		2019 Actual		2018 Actual		2017 Actual	
Operating Revenues	\$	3,082.1	\$	3,170.6	\$	3,120.0	\$	3,050.3	\$	3,023.8
Capital Revenues		915.4		717.4		749.8		941.8		687.0
Operating Expenses		3,197.4		3,023.5		3,189.7		3,029.4		2,956.1
<b>Excess of Revenues over Expenses</b>	\$	800.1	\$	864.5	\$	680.1	\$	962.7	\$	754.7

The Statement of Operations provides a summary of how much was received (revenues) and spent (expenses) over the course of the fiscal year. The Excess of Revenues over Expenses has been positive over the past 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.

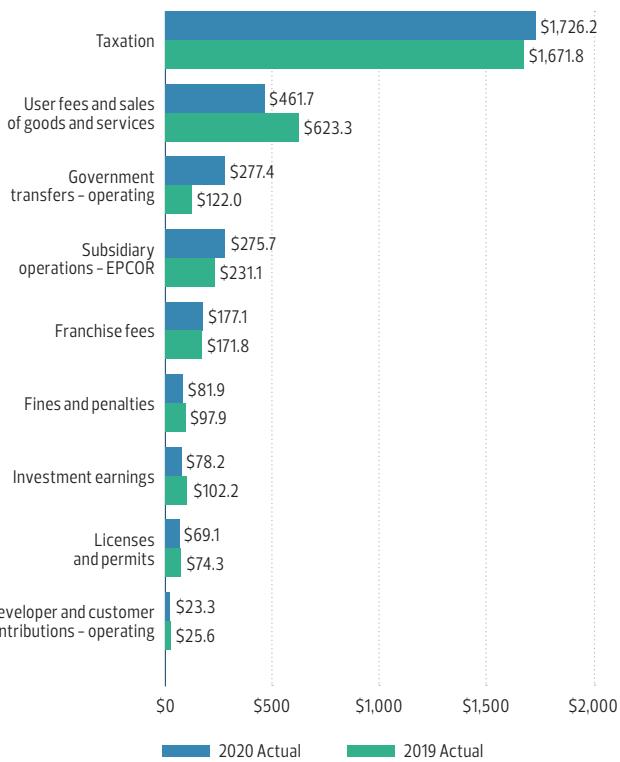
## ROAD MAINTENANCE CREWS COMPLETED

# 611,438

ASPHALT AND POTHOLE REPAIRS,  
9,722 SQUARE METRES OF SIDEWALK  
REPAIRS AND 602 KM OF GRAVEL  
ROADS BLADING.

Property tax is the primary source of revenue available to the City to pay for municipal services. In 2020, net taxes available for municipal services of \$1,726.2 million accounted for 54.4% of total operating revenues; slightly higher than the 53.6% in 2019. 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.

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



## WHAT CHANGED FROM LAST YEAR?

Overall, operating revenues increased by \$50.6 million from the prior year due to an increase of \$155.4 million in government transfers – operating mainly due to \$158.2 million received as part of the Safe Restart Agreement and Municipal Operating Support Transfer (MOST) arrangements with the federal and provincial governments to help offset the impacts of the COVID-19 pandemic, \$54.4 million in taxation revenue from a combined rate increase and growth, and an increase of \$44.6 million in EPCOR earnings; partially offset by a decrease of \$161.6 million in user fees and sales of goods and services revenues mainly due to lower transit fare revenue as ridership reduced significantly year over year because of the COVID-19 pandemic, lower convention and tourism revenue for Edmonton Economic Development Corporation as the pandemic cancelled events and closed facilities in 2020, and reduced parking revenue in 2020 due to the COVID-19 pandemic. Investment earnings were also \$24.0 million lower than 2019 due to the global impact of the COVID-19 pandemic.

## HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were higher than budget by \$88.5 million, or 2.9% of the revenue budget. This was primarily due to \$158.2 million received as part of the Safe Restart Agreement and Municipal Operating Support Transfer (MOST) arrangements with the federal and provincial governments to help offset the impacts of the COVID-19 pandemic, and \$21.4 million higher than budgeted licenses and permits revenues due to greater than anticipated applications for development and building permits, as well as higher than anticipated business licenses activity, during the COVID-19 pandemic. These were partially offset by \$84.0 million lower than budgeted user fees and sales of goods and services due to market conditions which resulted in fewer land sales, lower transit fare revenue as ridership was reduced significantly and for a longer period than anticipated as a result of the COVID-19 pandemic, and lower convention and tourism revenue for Edmonton Economic Development Corporation as the pandemic cancelled events and closed facilities in 2020, and \$23.1 million lower Investment earnings due to the global impact of the COVID-19 pandemic.



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

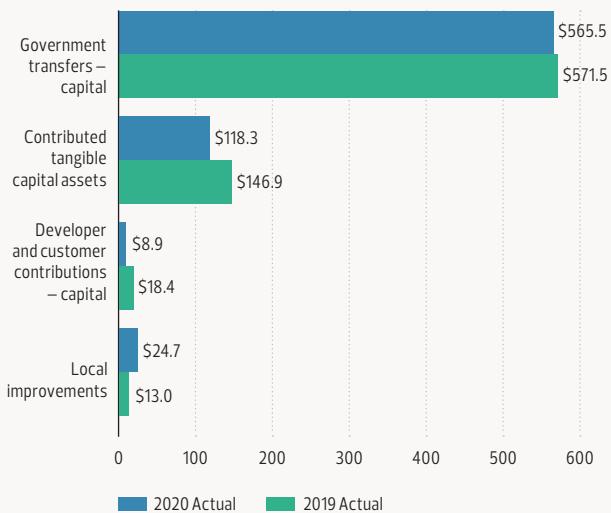
## WHAT CHANGED FROM LAST YEAR?

Capital revenues decreased from the prior year by \$32.4 million mainly due to a decrease of \$28.6 million in contributed tangible capital assets, partially offset by an increase of \$11.7 million for local improvements. Contributed tangible capital assets decreased from the prior year due to fewer developer contributed infrastructure assets such as roads, sidewalks, and streetlights for new neighbourhoods constructed. In addition, the 2019 contributed tangible capital assets were higher due to the annexation of land, buildings, and roads from Leduc County, effective January 1, 2019. Local improvements increased over the prior year as the construction on the Aurum Industrial project was completed in 2020.

## HOW DOES THIS COMPARE WITH BUDGET?

Capital revenues of \$717.4 million were \$198.0 million lower than budget during the year due to expenditure timing that resulted in \$106.9 million fewer than expected capital developer and customer contributions, and \$92.7 million lower than budgeted government transfers due to the delayed opening of the Valley Line Southeast LRT project. The delay resulted in the full budget for Valley Line Southeast being recorded in 2020 and only the portion of government transfers related to the percentage of the project completed this year recognized as revenue. The capital revenue reduction is partially offset by recognizing the new Investing In Canada Infrastructure Program (ICIP) grant – which is used to build inclusive and prosperous communities while supporting a low carbon, green economy – and higher than budgeted revenue for the Public Transit Infrastructure Fund (PTIF) grant due to timing of capital expenditures for public transit systems.

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

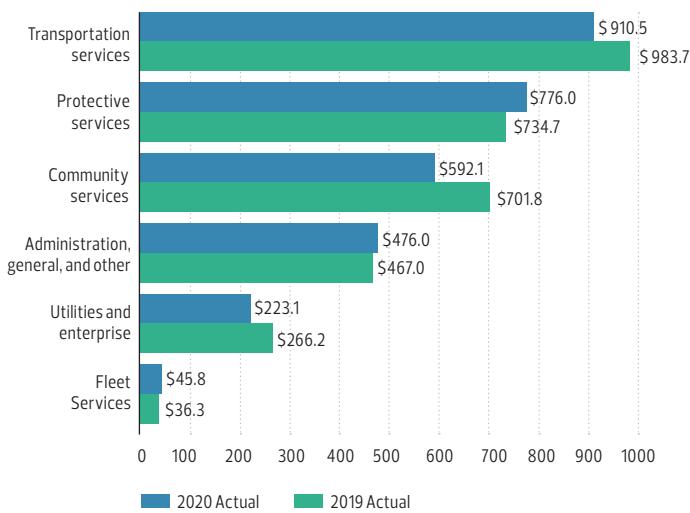


## IN 2019–20, SNOW AND ICE CREWS COMPLETED

# 149,036 KM

OF PLOWING AND APPLIED 51,100 TONNES OF SAND, 35,855 TONNES OF SALT AND 1,512 TONNES OF ROCK CHIP TO KEEP ROADS SAFE.

## 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 decreased by \$166.2 million compared to the prior year. This decrease was mainly due to lower operating costs for recreation centres, libraries, and facilities managed by the Edmonton Economic Development Corporation, as

these facilities were either closed or open with restricted capacity due to the public health orders related to the COVID-19 pandemic, as well as lower personnel costs due to staff temporarily laid off and delayed hiring of seasonal staff due to reduced activity and closures from the COVID-19 pandemic. In 2019 there were additional expenses that were not incurred in 2020 including \$55.9 million for an asset impairment related to the Metro Line LRT signalling system, and a non-cash expense for an increase in future closure expenses reflected in the post closure liability for the Clover Bar Landfill.

## HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$3,023.5 million were lower than budget by \$173.9 million, or 5.4% of the consolidated expenses budget. This was primarily related to lower debt service costs for the Revolving Industrial Servicing Fund due to less than expected borrowing, lower than budgeted reimbursement to EPCOR for Sanitary Servicing Fund projects due to slower than expected progress on projects, and lower than budgeted grant expenses for Phase I and II Economic Recovery grant programs as Phase II is now planned to occur in 2021. Operating expenses were also lower than budget due to a decrease in operating costs due to facility closures or operating with restricted capacity due to the public health orders related to the COVID-19 pandemic. Lower operating expenses is also a result of lower than budget cost of sales for land sold as market conditions resulted in lower than anticipated land sales volumes, lower than anticipated expenses due to lower amortization costs as significant capital projects, such as the Lewis Farms Recreation Centre, were postponed or delayed in 2020, and lower expenses for Corporate financial strategies expenses, which is budgeted to provide flexibility for emerging items or contingencies for fluctuating costs such as fuel or utilities.



## Statement of Financial Position

December 31, 2020

(millions of \$)

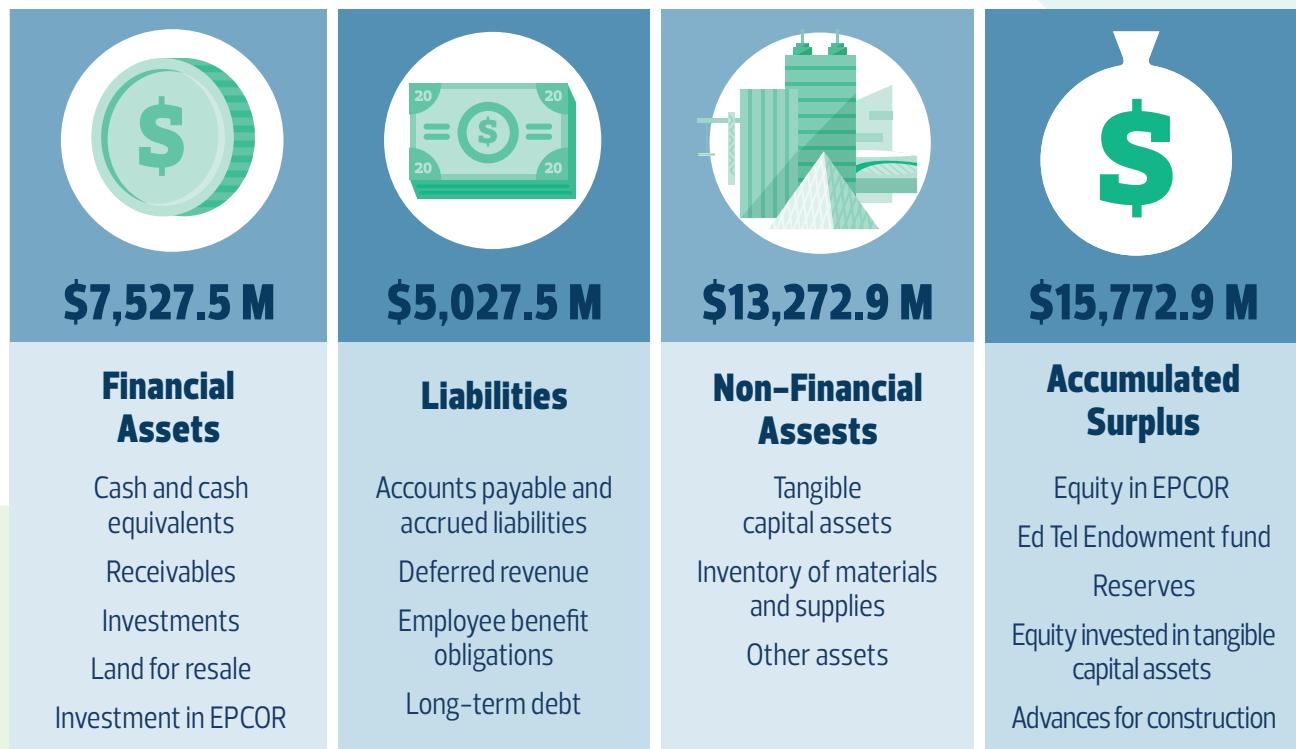
	2020	2019
Financial Assets	\$ 7,527.5	\$ 7,284.0
Liabilities	(5,027.5)	(4,796.5)
Non-financial Assets	13,272.9	12,441.0
<b>Accumulated Surplus</b>	<b>\$ 15,772.9</b>	<b>\$ 14,928.5</b>

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 2020, the City's financial assets were \$7,527.5 million, an increase of \$243.5 million over the prior year. This increase in 2020 is mainly due to an increase in the City's investment in EPCOR, trade and other receivables and investments, partially offset by a decrease in cash and cash equivalents.



IN AUGUST,  
THE FIRST OF **40** ELECTRIC BUSES WENT INTO SERVICE.

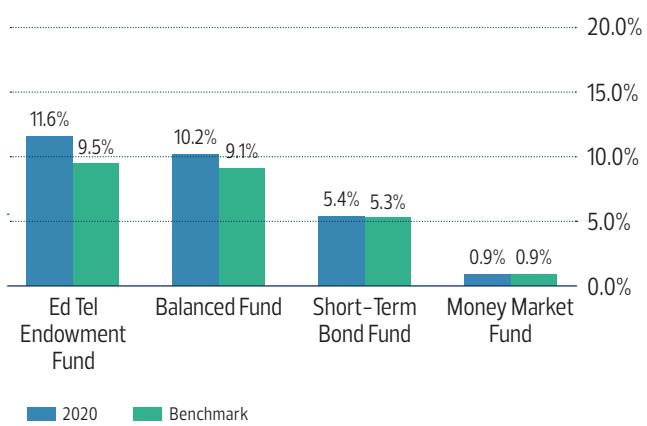
TRAFFIC OPERATIONS AND TRAFFIC SAFETY INSTALLED

**28**

RAPID FLASHING BEACONS AT SCHOOLS TO MAKE IT SAFER FOR CHILDREN TO CROSS THE ROAD.

## INVESTMENTS

Performance of the City's investment funds ranged from 0.9% (Money Market Fund) to 11.6% (Ed Tel Endowment Fund), depending on each fund's asset mix. In March 2020, the World Health Organization declared COVID-19 a global pandemic. The impact resulted in the sharpest drop in global GDP since World War II. Volatility reached extreme levels on the news of this shock, which led to equity markets falling by more than 30% from their highs reached earlier in the year. In response, governments and central banks announced historic levels of fiscal and monetary stimulus to counter what could otherwise have been a global depression. This, along with the rapid advancement of a number of successful vaccines, calmed investors and, in a significant reversal, financial markets ended the year in positive territory. U.S. equities were one of the strongest performers as they returned 18.4% for the year and ended 2020 at an all-time high. Closer to home, Canadian equities followed a similar pattern but finished the year up only 5.6%. The Canadian dollar rose 2% versus the U.S. dollar, ending the year at a three-year high, despite the price of oil falling by 21% in 2020.



All of the City's funds matched or outperformed their benchmarks in 2020. On a four-year basis, investment returns have remained strong, and from a relative perspective, all of the funds exceeded their policy benchmarks.

The Ed Tel Endowment fund provided dividends of \$40.1 million in 2020. Since its inception, total dividends from the fund are \$872.7 million. The fund ended the year with an investment book value of \$813.1 million compared to a market value of \$912.8 million.

More detailed information on investment performance and benchmarks is available in the Investment Committee 2020 Annual Report at [edmonton.ca/investments](http://edmonton.ca/investments).



## LIABILITIES (WHAT WE OWE)

The City ended 2020 with total liabilities of \$5,027.5 million, an increase of \$231.0 million over the prior year, mainly as a result of increased long-term debt and accounts payable and accrued liabilities. This increase is partially offset by a decrease in deferred revenue.

Tax-supported debt was borrowed to finance various capital projects, including the Valley Line and Metro Line LRT construction, Yellowhead Trail Freeway Conversion, Stadium LRT Station upgrades, Kathleen Andrews Transit Garage construction, revitalization of the Stanley A. Milner Library, and continued construction of Downtown and Quarters Community Revitalization Levy funded projects.

Accounts payable and accrued liabilities increased due to timing differences in the payment of outstanding invoice, overall increase in capital expenditures compared to 2019, 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, and are externally restricted until related expenses are incurred. The decrease is mainly due to reduced Municipal Sustainability Initiative (MSI) grant funding received in 2020 compared to 2019, the application of grant funding received in previous years to expenditures in 2020 for the Fort Edmonton Park Expansion program as this project reached completion in the year, and Federal Gas Tax grant eligible expenditures incurred during the year; these are partially offset by grand funding received from Canada Mortgage and Housing Corporation (CMHC) in advance of eligible expenditures being incurred.

## DEBT

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

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

### Debt and Debt Service Limits – Municipal Government Act

(millions of \$)

	2020	2019
Debt limit	\$ 5,856.9	\$ 5,840.6
Debt limit used	3,407.1	3,202.8
Percentage used (%)	58.2	54.8
Debt service limit	\$ 1,025.0	\$ 1,022.1
Debt service limit used	313.2	301.1
Percentage used (%)	30.6	29.5

# 58.2%

**MGA DEBT  
LIMIT USED  
BY THE CITY**

### Debt Service Limits – Debt Management Fiscal Policy

(millions of \$)

	2020	2019
Total debt service limit	\$ 644.3	\$ 642.5
Debt service limit used	291.8	283.2
Percentage used (%)	45.3	44.1
Tax supported debt service limit	\$ 405.9	\$ 397.8
Debt service limit used	241.2	232.4
Percentage used (%)	59.4	58.4

### CITIZENS SUBMITTED

# 91,047

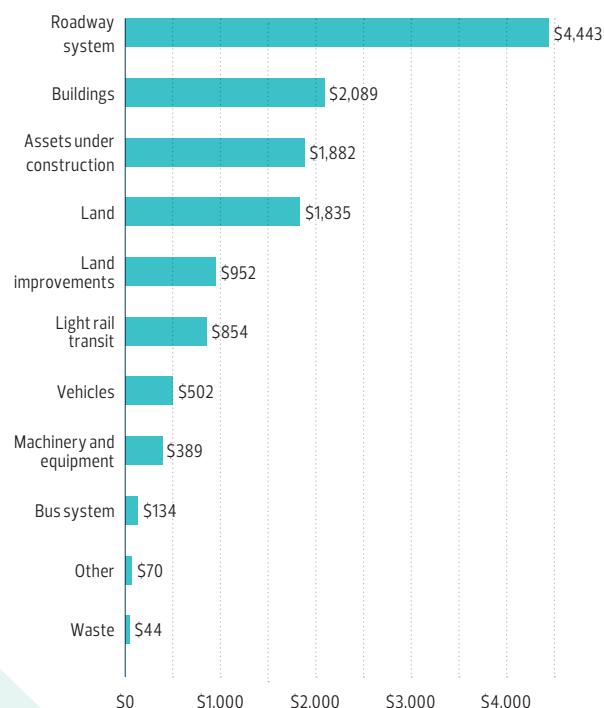
**REQUESTS USING THE  
311 APP**

## 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 2020, the City owned \$13,195.6 million in capital assets, an increase of \$830.6 million over the prior year, with a majority of the assets being roadway systems, buildings, assets under construction, and land. In 2020, the City made progress on significant capital projects such as the Neighbourhood Renewal Program, Yellowhead Trail Freeway Conversion, Fort Edmonton Park, and the Valley Line Southeast and Valley Line West LRT lines.

**2020 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 2020 with a total of \$15,772.9 million. The accumulated surplus includes a number of reserves, one of the largest being the Financial Stabilization Reserve.

### Financial Stabilization Reserve (FSR)

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

The overall FSR balance as of December 31, 2020 was \$129.0 million. As approved by City Council, the 2020 tax-supported operating surplus of \$40.4 million will be contributed to the FSR in 2021 and subsequently allocated to fund \$7.8 million in 2021 for commitments outstanding on operating projects not completed by the 2020 year-end, \$7.6 million to potentially cover the outstanding equity loan balance due from Waste Services Utility, and the remaining balance to cover potential continuing effects of the COVID-19 pandemic, such as extended operations of the City-led temporary housing pandemic shelter (Tipinawaw), costs to assist with the COVID-19 vaccine rollout, possible business and economic support programs and funding and demand for recovery support from the City by non-profit organizations. After reflecting these approved transactions, the reserve balance will be \$129.0 million, which will exceed the minimum level of \$110.4 million as set within the FSR policy, but will be below the target level of \$183.2 million.



# 2020 ACCOMPLISHMENTS

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## FORWARD WITH FOCUS: 2020 IN EDMONTON

Although circumstances in 2020 were anything but ideal, the City continued to provide services and carefully manage available resources. Approved in 2020, **ConnectEdmonton** is Edmonton's strategic plan to guide spending and City Plan is Edmonton's vision and a map for Edmonton's future as we continue to grow. These plans will help Edmonton remain competitive to retain and attract talent and investment so that we emerge from this time in history in a strong position to recover.

## MANAGING UNCERTAINTY: RESPONDING TO COVID-19

Edmonton was one of the first municipalities in Canada to forecast impacts of the pandemic and to publicly adjust the budget using the multi-year budget process that provides for adjustments on a semi-annual basis. Given that neither health nor financial experts could fully predict the effect of the pandemic in the months ahead, making budget adjustments was the most responsible and transparent action. The City made difficult choices to lay off employees and close facilities while keeping as many services available as possible. The burden of lost revenue was not passed along to Edmontonians as there was a 0% tax increase in 2021.

## STAYING ON TRACK: MAKING PROGRESS ON CAPITAL PROJECTS

The City invests in projects and infrastructure, like roads, bridges, recreation centres and libraries, to meet the needs of a growing population to travel, prosper, connect and recreate. Throughout 2020, the City kept capital projects moving forward. Several important projects were completed, including the Kathleen Andrews Transit Garage, renewal of the Groat Road Bridge and replacement of the Connors Road Footbridge with the longer, higher Káhasinéskâk bridge that will accommodate LRT. In Blatchford, the first residents moved into their new, energy-efficient homes.

## DELIVERING WHEN IT MATTERS MOST: SUPPORTING EDMONTONIANS

The City of Edmonton has a long-standing dedication to act as a source of protection for the public, provide support to businesses, and assist the most vulnerable. In 2020, this work became both more urgent and more complex as actions taken to protect public health reduced income and raised costs for many local business owners. A tax penalty delay was provided by the City, allowing taxpayers to defer property tax payments for up to three months without additional costs.

The City made adjustments to its operations to address the COVID-19 pandemic including changing how council and committee meetings take place to ensure continued public involvement, using relief money to support vulnerable people with temporary shelter and investing in affordable housing, providing fitness training online when recreation facilities closed. The City also responded by providing more options for online payment and implemented video inspections to allow building projects to move forward.

**170** PEOPLE WHO ACCESSED EXPO SERVICES WERE HOUSED.

## LISTENING AND LEARNING: BUILDING INCLUSIVENESS

In June, City Council heard from over one hundred Edmontonians about their experiences with racism and policing. The Community Safety and Well-Being Task Force was created to further explore these issues and look for solutions. The City uses several important guiding frameworks and policies to live out our belief in inclusion and diversity. The GBA+ analytical tool is used to assess the potential impacts of policies, programs, services, and other initiatives on women, men and nonbinary people of diverse backgrounds. Other tools include the Indigenous Framework, Anti-Racism Framework, Accessibility for People with Disabilities Policy, and mandatory Respectful Workplace training. In 2020, Indigenous names were received for each of the 12 wards.



# 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, 2019. 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 2019 Financial Report to Citizens. Awarded by the Government Finance Officers Association of the United States and Canada.

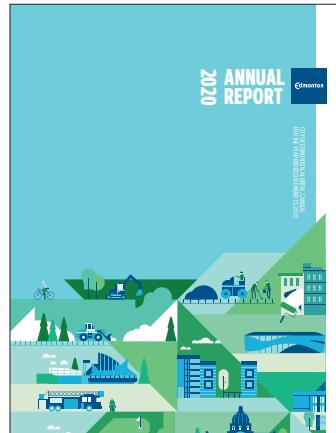
Awarded to a high quality summarized annual financial report that is readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

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

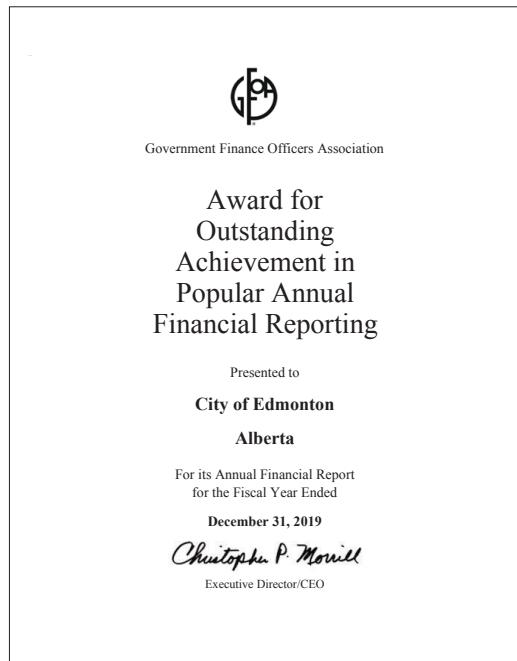
## **Distinguished Budget Presentation**

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](http://www.edmonton.ca) or call **311**.

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

The City of Edmonton, Financial and Corporate Services  
5 Floor, Chancery Hall  
3 Sir Winston Churchill Square NW  
Edmonton, AB, Canada T5J 2C3  
**Phone: 311**