



2017 FINANCIAL REPORT TO CITIZENS

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2017

Edmonton



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2017 FINANCIAL REPORT TO CITIZENS

The Financial Report to Citizens provides highlights of the 2017 Annual Report and includes information on the 2017 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2017 Annual Report is available at edmonton.ca/annualreport. Copies of the annual report are also available at each of the public library locations throughout the City.

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

The financial information presented in this report has been extracted from the 2017 Annual Report, which includes the consolidated financial statements for the City, prepared in accordance with Canadian public sector accounting standards (PSAS).

MESSAGE FROM CITY COUNCIL

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

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

Edmonton will soon be a city of a million people – not within 25 years but within the next five years. This growth brings exciting opportunities, but also comes with its share of challenges. We need to think, plan and build for this growth.

While we'll need to build roads and recreation centres, transport citizens and deliver emergency services across a wider area, we'll also need to do it smarter. We need to find new ways to increase the density of our city and make our city more efficient.

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

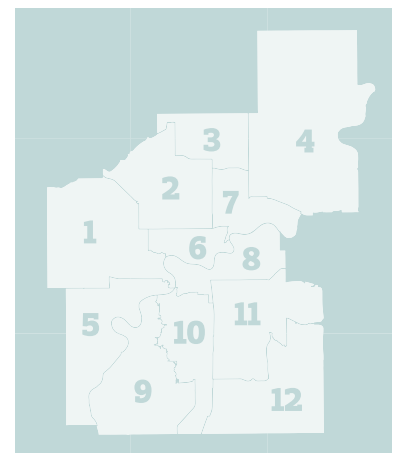


Back Row (left to right): Ben Henderson – Ward 8, Tony Caterina – Ward 7, Scott McKeen – Ward 6, Mayor Don Iveson, Michael Walters – Ward 10, Sarah Hamilton – Ward 5, Jon Dziadyk – Ward 3

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

Edmontonians always come together. We create opportunities, take risks and build something extraordinary.

WARD MAP



INTRODUCTION

2017 was a year of notable accomplishments and ongoing evolution, as we prepare to become a city of one million people.

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

This report highlights the investment, collaboration and innovation required to realize growth. In 2017, that work included major infrastructure projects, regional development leadership and the delivery of more than 300 on-going programs and services.

As the major centre for the region, the City must manage emerging – and sometimes competing – financial needs, while maintaining existing services and meeting the demands of growth. City Council's focus on longer-term planning, as demonstrated by the City's multi-year business plans and budgets, will help the City position itself well for the future.

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



Linda D. M. Cochrane
City Manager

The 2017 operating budget advanced Council priorities with a property tax increase for civic programs at 2.8 per cent, and tax-supported operations ended the year with a \$31.2 million surplus.

In 2017, while delivering on capital projects, including the completion of Walterdale Bridge, and continuing an ambitious neighbourhood renewal program, the City maintained a strong financial position. Debt has been



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

used strategically to move priority capital projects ahead and to take advantage of low interest rates. Although debt levels are increasing, debt and debt servicing costs remain well within both the legislated and City policy limits.

The City's sound fiscal policies and strategies will ensure strong fiscal management and long-term financial sustainability.

ECONOMIC OVERVIEW

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



DEMOGRAPHICS

A YOUNG CITY LEADING THE WAY

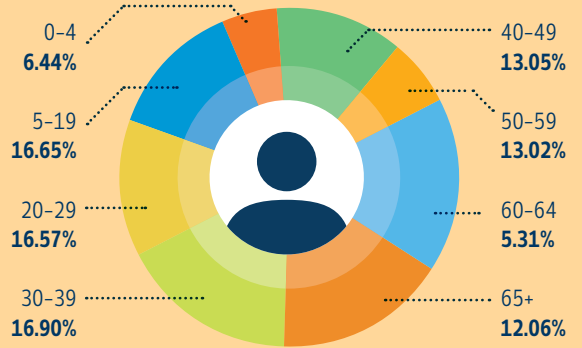
The city's economic performance in 2017 was one of the best in the province. Solid employment gains fully made up for job losses seen in late 2016. This, combined with continuing population growth and rising incomes, brought growth to the residential construction sector and stabilized other components of the consumer side of Metro Edmonton's economy.

In 2017, Edmonton began to see signs of an emerging baby boom, thanks in part to the large numbers of millennials who have come to our city for work and are now raising families.

“WE HAVE A LOT OF PEOPLE IN THE CITY OF EDMONTON BETWEEN THE AGES OF 18-45. WE’RE SEEING, IN THOSE AGES BETWEEN ONE AND FIVE YEARS OLD, A GROWTH IN OUR POPULATION WELL ABOVE THE NATIONAL AVERAGE.”

– City of Edmonton Chief Economist John Rose

POPULATION AGE DISTRIBUTION (%) IN 2016* EDMONTON



AVERAGE AGE IN 2016*



EDMONTON'S BABY BOOM

Edmonton is a growing city in many ways. Our population is one of the youngest in Canada and we're home to many growing families. In 2011, there were 50,560 children ages four and under in Edmonton. Just five years later, there were 60,070.

% OF POPULATION AGE 14 AND UNDER IN 2016*



17.6%
EDMONTON

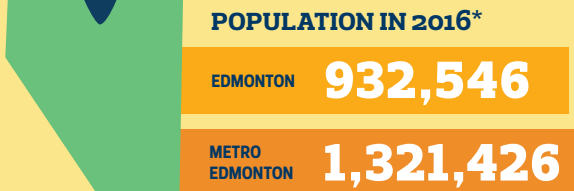


16.6%
CANADA

164,520

EDMONTONIANS WERE UNDER THE AGE OF 14*

700 km² CITY OF EDMONTON AREA



HOUSEHOLD FAMILY MEDIAN TOTAL INCOME IN 2015**



*2016 Canada Census
** 2015 Statistics Canada

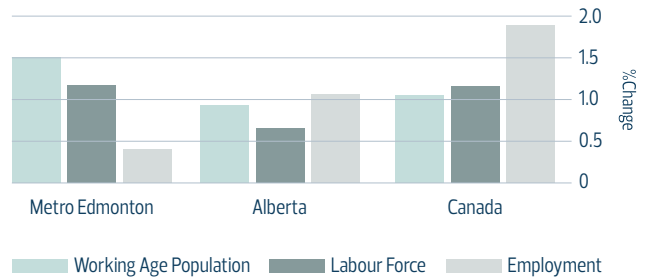
EMPLOYMENT

Since January 2017, employment in Metro Edmonton has trended higher, fully making up the losses seen in the second half of 2016. These job gains were all full-time positions with many in relatively high-paying sectors. A partial recovery of employment in manufacturing, construction and professional services was complemented with continuing expansion in health care and education.

Overall, Metro Edmonton had an average of 764,000 positions for 2017. However Metro Edmonton's unemployment rate increased from 7.4% in 2016 to 8.1% in 2017 as the region's working age population and labour force continued to expand.

Labour Market Developments – 2017 Annual Change

Source: Statistics Canada

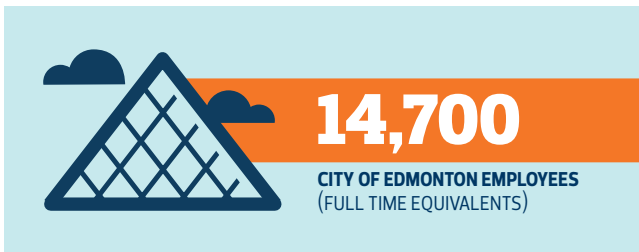
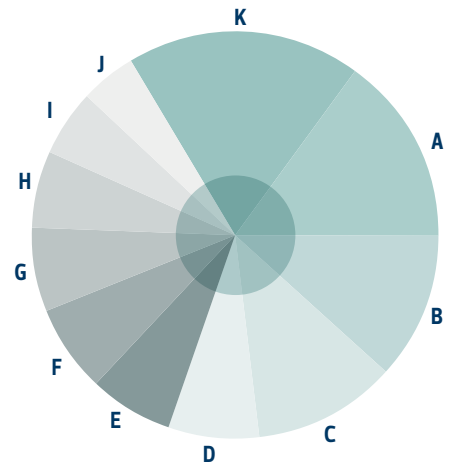


Percentage of Workforce Employed by Industry for Metro Edmonton

Source: Statistics Canada

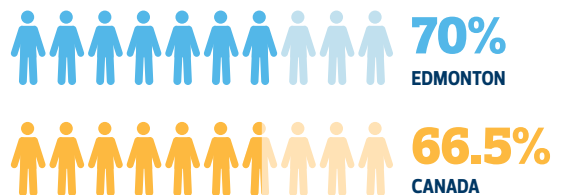
Industry	%
A Trade	15.1
B Construction	11.6
C Health care and social assistance	11.4
D Public administration	7.1
E Accommodation and food services	6.8
F Educational services	6.8
G Professional, scientific and technical services	6.8
H Manufacturing	6.1
I Finance, insurance, real estate and leasing	5.1
J Transportation and warehousing	4.7
K Other *	18.5

* Other includes industries such as mining and oil & gas, administration, information, culture, and recreation.



% OF POPULATION OF WORKING AGE IN 2016

Source: 2016 Statistics Canada



RESIDENTIAL CONSTRUCTION

In 2017, Metro Edmonton saw strong international immigration and inter-provincial migration.

These new Edmontonians helped increase demand for housing, leading to improvement in residential construction numbers.

The Multiple Listing Service (MLS) average house price in the fourth quarter of 2017 was up 2.4% on a year-over-year basis. Metro Edmonton's rental vacancy rate remains elevated at 7.0% in 2017 compared to 7.1% in 2016 as new supply matched increasing demand for rental accommodation.



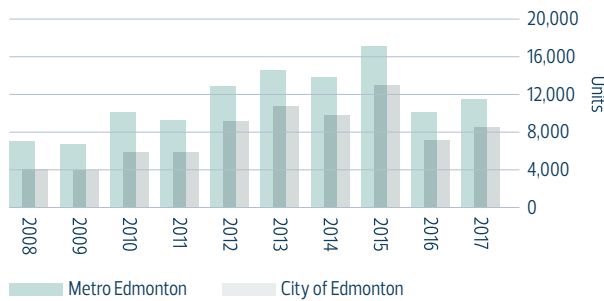
\$399,500

ASSESSED VALUE OF A TYPICAL SINGLE FAMILY DETACHED HOME IN EDMONTON IN 2017.

The value of building permits in Metro Edmonton slipped in 2017 to about \$5.2 billion, below the \$5.6 billion recorded in 2016. Office and industrial space vacancy rates were higher, lowering the value of industrial and commercial building permits. This outweighed growth in residential and institutional permits. Institutional permits were up by 40% as a number of infrastructure projects received approval to proceed.

Annual Housing Starts

Source: Canada Mortgage and Housing Corporation



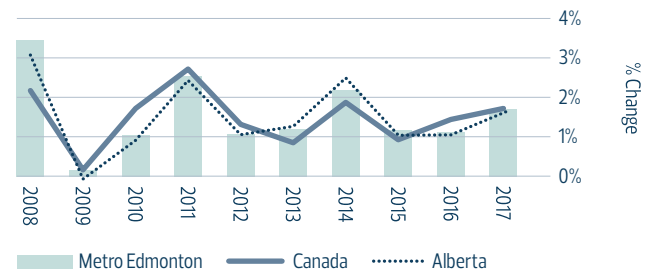
INFLATION

THE CPI MEASURES PRICE CHANGE BY COMPARING, THROUGH TIME, THE COST OF A FIXED BASKET OF GOODS AND SERVICES

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

Annual Consumer Price Index

Source: Statistics Canada



SUMMARY

Looking forward, growth will continue for both Metro Edmonton and Alberta in 2018.

In the coming year, employment will expand, bringing down Metro Edmonton's unemployment rate. Improved economic conditions in Metro Edmonton and Alberta will stimulate in-migration from other parts of Canada and international immigration will remain strong, providing a solid foundation for housing and consumer spending in the region.





2017 FINANCIAL HIGHLIGHTS

This section provides condensed financial information from the City of Edmonton's 2017 Annual Report, as well as highlights from the operating and capital budgets.



OPERATING BUDGET

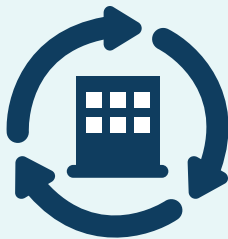
In 2017, City Council approved a combined municipal and education property tax increase of 2.8%, including a 1.5% increase dedicated to fund Neighbourhood Renewal and 0.6% dedicated to fund the Valley Line LRT.

Due to the continued downturn in the economy, Administration extensively reviewed the 2017 operating budget. Through the Supplementary Operating Budget Adjustment process, original assumptions were updated to reflect the current economic projections. This took into account the continued economic forecast for lower and slower growth, as well as Administration's decisions and recommendations to mitigate the impact of a slower growth economy. Adjustments were also made to reflect changes to the provincial education budget.

CAPITAL BUDGET

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

CAPITAL PROJECT HIGHLIGHTS



93%

OF THE MATERIALS FROM THE OLD STANLEY MILNER LIBRARY WERE EITHER REUSED OR RECYCLED. THAT'S 3,400 TONNES OF WASTE DIVERTED FROM THE LANDFILL.

Project	Approved Budget (\$000s)	% Complete as of Dec.31/17	In-Service Date (Estimated)
Walterdale Bridge	152,823	97%	Sep-2017
Kathleen Andrews Transit Garage	200,409	51%	Jan-2019
Northwest Police Campus	106,860	59%	Mar-2019
Milner Library Renewal & Upgrades	84,279	26%	Jan-2020
Valley Line LRT	1,755,960	25%	Dec-2020

COST OF CITY SERVICE TO EDMONTONIANS

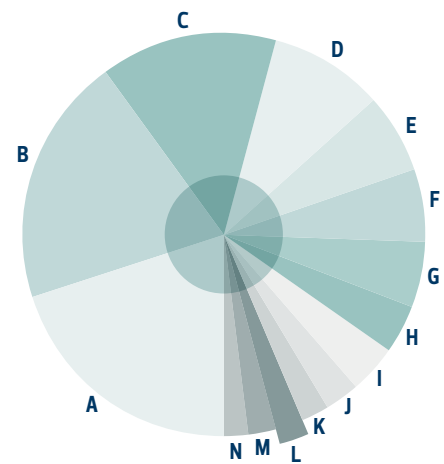
In 2017, the average household in Edmonton paid just \$6.50 a day – \$198.00 month – to enjoy both crucial services and valued amenities. Police and fire rescue services protected the growing city, while transit services and road and traffic management got residents and visitors

where they needed to go. Beyond the basics, Edmontonians enjoyed North America’s largest urban green space, neighbourhood parks, community recreation centres, an award-winning public library system, sports fields, popular attractions and many other services and facilities.

Monthly Average Household Spending

(2016 Statistics Canada)

	Monthly \$
A Shelter	1,799
B Income tax - Provincial and Federal (note 1)	1,754
C Transportation	1,277
D Food	814
E Recreation and entertainment	556
F Personal insurance payments and pension contributions	530
G Household operations	462
H Clothing and accessories	349
I Health and personal care	348
J Donations and support payments	224
K Household furnishings and equipment	217
L Municipal property tax (note 1)	198
M Miscellaneous expenditures	193
N Education	156
Total	\$ 8,877



Where Your Municipal Tax Dollars Go **\$198** PER MONTH (note 2)



1. The Statistics Canada Income Tax amount has been adjusted by the City to identify municipal property tax portion separately. The municipal property tax is calculated by the City of Edmonton and is based on a typical household with a home assessed at \$399,500 for the 2017 tax year.
 2. Distribution based on 2017 approved operating budget.

2017 FINANCIAL RESULTS

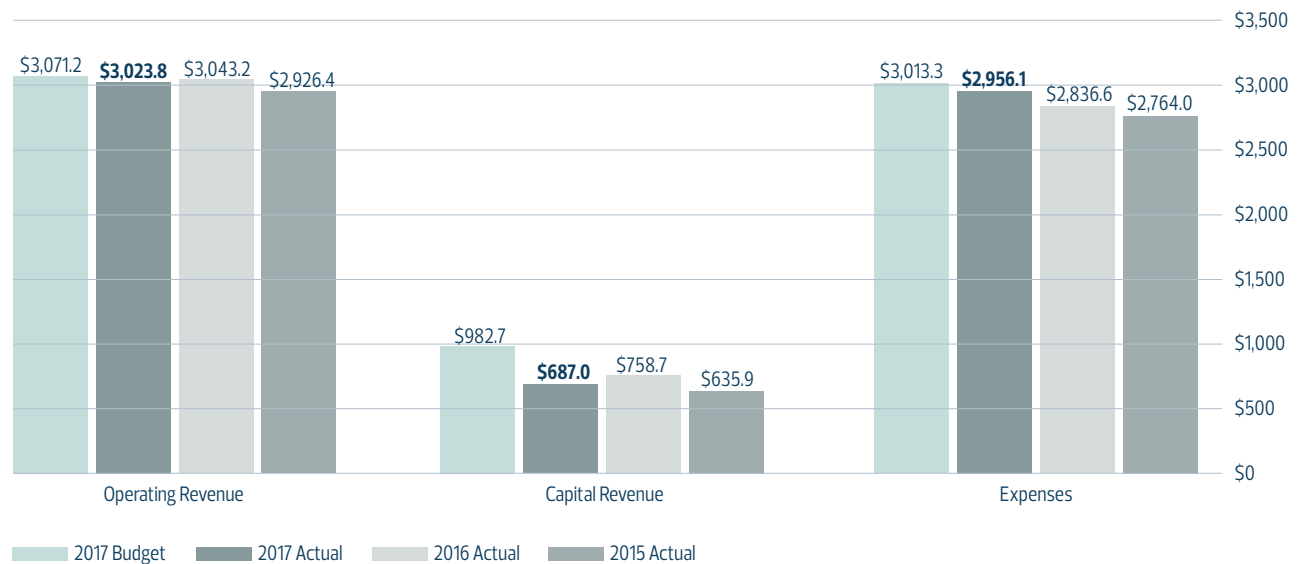
STATEMENT OF OPERATIONS

December 31, 2017
(millions of \$)

	2017 Budget	2017 Actual	2016 Actual	2015 Actual
Operating Revenues	\$ 3,071.2	\$ 3,023.8	\$ 3,043.2	\$ 2,926.4
Capital Revenues	982.7	687.0	758.7	635.9
Expenses	3,013.3	2,956.1	2,836.6	2,764.0
Excess of Revenues over Expenses	\$ 1,040.6	\$ 754.7	\$ 965.3	\$ 798.3

The Statement of Operations provides a summary of how much was received (revenues) and spent (expenses) over the course of the fiscal year. The Excess of Revenues over Expenses has been positive over the past 3 years, meaning that there was enough revenue to cover the City's expenses.

Revenue and Expenses (millions of \$)

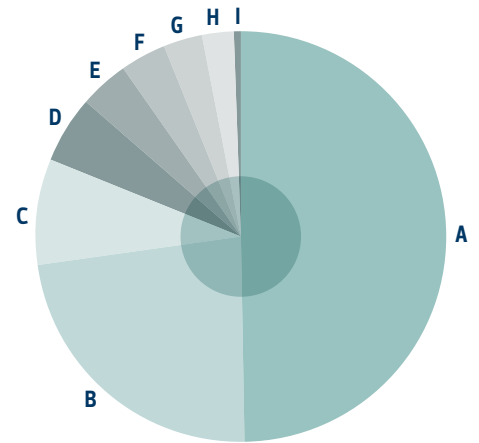


Over the past 3 years, operating revenue remained fairly consistent with a majority of revenue coming from property taxes, user fees and the City's growing investment in EPCOR. Capital revenues vary from year to year based on fluctuations in development activities and timing of significant capital projects, such as the completion of Rogers Place arena in 2016. Expenses over the past 3 years reflect the demand for additional services and infrastructure that comes with a rapidly growing population.

In 2017, City Council approved the transfer of the City's Drainage Utility to EPCOR, effective September 1, 2017. The financial results for 2017 include Drainage Utility revenues and expenses up to August 31, 2017, while it was still being managed and operated by the City.

2017 Operating Revenues: Where does the money come from?
(millions of \$)

	\$
A Taxation	1,505.8
B User fees and sales of goods and services	696.4
C Subsidiary operations - EPCOR	256.3
D Franchise fees	159.7
E Investment earnings	116.9
F Government transfers - operating	107.5
G Fines and penalties	90.1
H Licenses and permits	75.7
I Developer and customer contributions - operating	15.4
	\$ 3,023.8



Property tax is the primary source of revenue available to the City to pay for municipal services. In 2017, net taxes available for municipal services of \$1,505.8 million accounted for 49.8% of total operating revenues, similar to 2016.

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 decreased by \$19.4 million from the prior year mainly due to lower EPCOR earnings than in 2016, and a decrease in user fees as a result of the transfer of the Drainage Services Utility to EPCOR on September 1, 2017 as the City only recognized Drainage financial results up to August 31, 2017. These decreases were partially offset with an increase in taxation revenue due to a combination of rate increase and growth.

HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were lower than budget by \$47.4 million, or 1.5% of the revenue budget. This was primarily due to lower than expected land sales revenue related to market conditions and development for civic use, as well as lower than budgeted Drainage Services Utility revenue as a result of the transfer of the utility to EPCOR. Lower than budgeted revenues were partially offset by higher than anticipated investment earnings as a result of favourable market conditions.

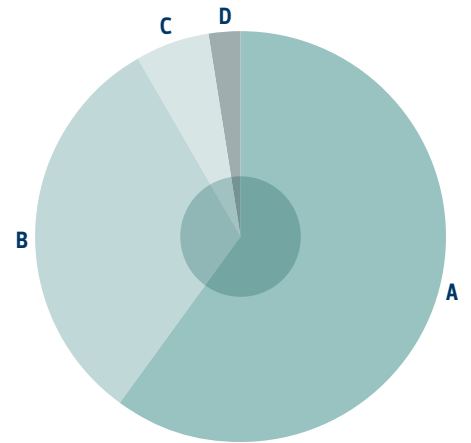


PROPERTY TAX IS THE PRIMARY SOURCE OF REVENUE AVAILABLE TO THE CITY TO PAY FOR MUNICIPAL SERVICES.



2017 Capital Revenues: Where does the money come from?
(millions of \$)

	\$
A Government transfers - capital	412.6
B Contributed tangible capital assets	217.2
C Developer and customer contributions - capital	40.9
D Local Improvements	16.3
	\$ 687.0



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 \$71.7 million to \$687.0 million mainly due to a decrease in contributed tangible capital assets recognized by the City as a result of the Drainage Utility transfer to EPCOR and reduced development activity. Lower developer and customer contributions also contributed to the decrease as a number of significant capital projects funded by developer and customer contributions were completed in 2016, including Rogers Place arena and River Valley Alliance projects. This was partially offset by an increase in government transfers due to advancement on key projects that were funded through government grants in 2017, including the Valley Line LRT.

HOW DOES THIS COMPARE WITH BUDGET?

2017 capital revenues of \$687.0 million were \$295.7 million less than budgeted. The overall variance is primarily a result of the Drainage Utility transfer to EPCOR, and timing differences around capital project expenditures related to Valley Line LRT, bus purchases and certain building rehabilitation projects, that in turn changed when the related capital government transfers and developer and customer contributions were recognized. The budget for capital revenues includes Drainage Utility capital revenues for the entire year, whereas actual results reflect revenues up to August 31, 2017, prior to the Drainage Utility transfer.

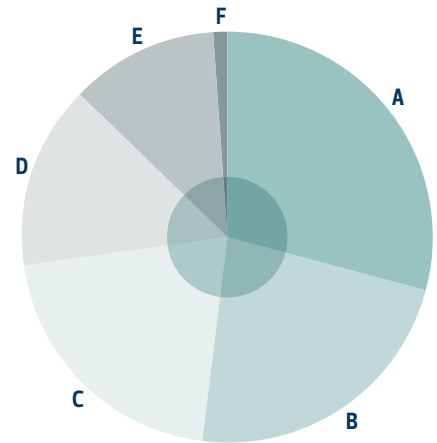


A PUBLIC-PRIVATE PARTNERSHIP, OR P3, IS A PARTNERSHIP BETWEEN THE CITY AND THE PRIVATE SECTOR TO BUILD PUBLIC INFRASTRUCTURE, LIKE THE VALLEY LINE LRT, WHERE RISKS ARE SHARED BETWEEN THE CITY AND ITS PRIVATE PARTNER.



2017 Expenses: Where Does the Money Go?
(millions of \$)

	\$
A Transportation services	868.0
B Protective services	673.6
C Community services	611.0
D Corporate administration, general municipal and other	432.3
E Utilities and enterprise	340.8
F Fleet services	30.4
	\$ 2,956.1



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 \$119.5 million compared to the prior year. In addition to general personnel cost increases, expenses changed from last year mainly as a result of an increase in amortization due to additional assets coming into service over the last two years such as Rogers Place, an increase in P3 contractor finance charges for the Valley Line LRT, a higher expense as a result of the impairment of the Edmonton Compost Facility building, higher snow and ice control costs, and higher lease costs. These higher costs were partially offset with lower costs as a result of the transfer of the Drainage Utility to EPCOR.

HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$2,956.1 million were lower than budget by \$57.2 million, or 1.9% of the expense budget. This expense budget included Drainage Utility expenses for the entire year, whereas actuals reflect expenses up to the date of the transfer of the Drainage Utility to EPCOR. Also contributing to the lower than budgeted expenses were lower costs for land sales due to timing of sales, mainly as a result of market conditions, and lower than budgeted snow and ice control costs due to favourable weather conditions.

669,940 TOTAL POT HOLES FILLED IN 2017



STATEMENT OF FINANCIAL POSITION

December 31, 2017

(million of \$)

	2017	2016
Financial Assets	\$ 6,791.5	\$ 5,715.8
Liabilities	(4,334.4)	(4,652.7)
Non-Financial Assets	10,842.2	13,638.9
Accumulated Surplus	\$ 13,299.3	\$ 14,702.0

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

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 temporary investments.

In 2017, the City's financial assets were \$6,791.5 million, an increase of \$1,075.7 million over the prior year. The majority of the increase was related to a change in the investment in EPCOR. This was a result of the transfer of the Drainage Utility to EPCOR, as well as an increase in EPCOR's reported net income for the year. Also contributing to the change was an increase in receivables, mainly related to government grants from the federal and provincial governments to cover costs for public transit systems, including the Valley Line and Metro Line LRT projects.

Investments

Performance of funds in 2017 ranged from 0.2% (Short Term Bond Fund) to 10.8% (Ed Tel Endowment Fund), depending upon each fund's asset mix. Over a four-year basis, returns have been strong and all of the City's funds continue to exceed their benchmarks. The Ed Tel Endowment fund provided dividends of \$34.4 million in 2017; since inception total dividends from the fund are \$738.1 million. The fund ended the year with an investment book value of \$842.5 million compared to a market value of \$862.2 million.

At June 30, 2017, the market value of the Ed Tel Endowment Fund was 17.8 per cent above the inflation adjusted principal. In accordance with Bylaw 11713, City Council may authorize a payment of a special dividend when the market value of the fund is more than 15 per cent above the inflation adjusted principal. On December 6, 2017, City Council approved a special dividend from the Ed Tel Endowment fund in the amount of \$9.2 million to be paid to the City in 2018. The special dividend will be used to fund capital projects consistent with the budget strategy to redirect investment earnings to capital.

**\$6,791.5 M****Financial Assets**

Cash and temporary investments
Receivables
Investments
Land for resale
Investment in EPCOR

**\$4,334.4 M****Liabilities**

Accounts payable and accrued liabilities
Deferred revenue
Employee benefit obligations
Long-term debt

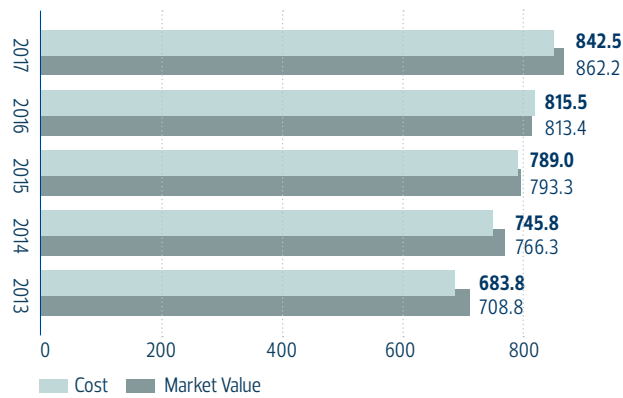
**\$10,842.2 M****Non-Financial Assets**

Tangible capital assets
Inventory of materials and supplies
Other assets

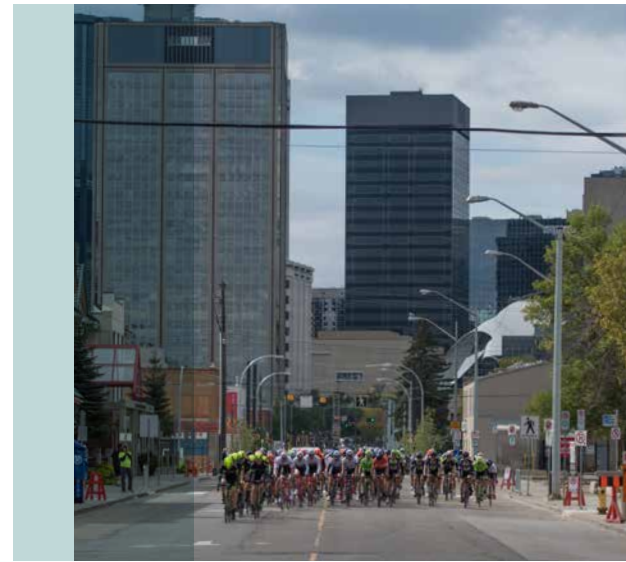
**\$13,299.3 M****Accumulated Surplus**

Equity in EPCOR
Ed Tel Endowment fund
Reserves
Equity invested in tangible capital assets
Advances for construction

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



More detailed information on investment performance and benchmarks is available in the 2017 Investment Committee Annual Report at edmonton.ca/investments



\$862.2 M MARKET VALUE OF ED TEL ENDOWMENT FUND

LIABILITIES

In 2017 the City's total liabilities decreased by \$318.3 million from the prior year to \$4,334.4 million mainly as a result of lower long-term debt. The decrease in long-term debt is primarily a result of the transfer of the Drainage Utility and responsibility for related debt to EPCOR. Also contributing to the decrease were debt principal repayments made during the year. These decreases in long-term debt were partially offset by new debenture borrowings and mortgages. Debt was borrowed to finance projects such as the Northwest Police Campus construction, land acquisition for the Valley Line Downtown to Lewis Farms LRT Line, revitalization of the Stanley Milner Library and construction of the Kathleen Andrews Transit Garage. The reduced long-term debt was partially offset by an increase in deferred revenue of \$89.5 million due to provincial capital grant revenues received in advance of related capital expenses.

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.

The City borrows almost exclusively through the Alberta Capital Finance Authority (ACFA), which provides capital financing to Alberta's Municipalities at very competitive rates. Interest rates are established at the time of borrowing and remain constant throughout the term of the loan, eliminating the risk associated with fluctuating 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 established through the Municipal Government Act.

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

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

Debt Service Limits – Debt Management Fiscal Policy
(millions of \$)

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

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

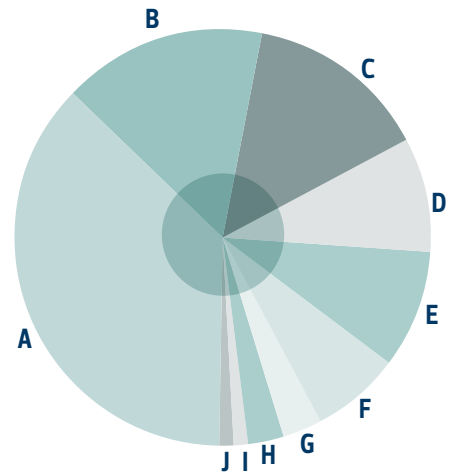
NON-FINANCIAL ASSETS

The majority of the City’s non-financial assets are physical assets, also referred to as tangible capital 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 2017, the city owned \$10,728.0 million in capital assets with a majority of the assets being roadway systems, buildings, and land. The decrease of \$2,796.7 million in non-financial assets from prior year is mainly a result of the transfer of Drainage Utility capital assets to EPCOR, partially offset by the acquisition and contribution of tangible capital assets during the year. The City also holds a small amount of inventory and other assets that make up the total non-financial asset balance for the year.

Capital Assets
(millions of \$)

	\$	%
A Roadway system	4,019.7	37
B Buildings	1,699.8	16
C Land	1,504.7	14
D Light rail transit	935.8	9
E Assets under construction	924.4	9
F Land improvements	747.9	7
G Machinery and equipment	368.4	3
H Vehicles	360.8	3
I Bus System	93.7	1
J Other	72.8	1
	\$ 10,728.0	100



ACCUMULATED SURPLUS

The accumulated surplus reflects the City’s net economic resources that have been built up over time and is an indicator of the City’s overall financial health. The City maintained a strong accumulated surplus, ending 2017 with a total of \$13,299.3 million. The accumulated surplus includes a number of reserves, the largest being the Financial Stabilization Reserve.

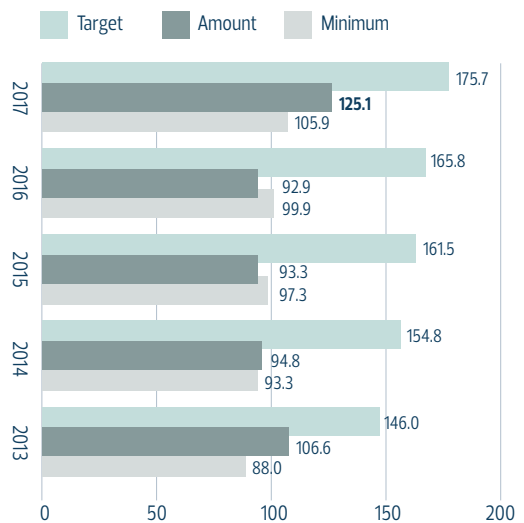
Financial Stabilization Reserve (FSR)

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 reserve is not intended to be used to stabilize future tax rate increases.

The overall FSR balance as of December 31, 2017 was \$125.1 million. The 2017 tax-supported surplus of \$31.2 million will be transferred to the FSR in 2018 with \$16.0 million of this surplus used for funding within the 2018 operating budget, as approved by City Council. After reflecting the approved transactions, the adjusted FSR balance of \$140.3 million will exceed the minimum level as set within the policy of \$105.9 million but will be below the target level of \$175.7 million. The limits are set through City policy.

\$125.1M **BALANCE OF THE FINANCIAL STABILIZATION RESERVE**

Financial Stabilization Reserve
(millions of \$)





KEY FINANCIAL GOALS AND MEASUREMENTS



11%

GOAL: MAINTAIN TAX-SUPPORTED DEBT SERVICE LEVEL BELOW 15%

Dec. 2017 result



51.5%

GOAL: MAINTAIN MUNICIPAL DEBT WITHIN THE LEGISLATED DEBT LIMIT. (% OF DEBT LIMIT REACHED)

Dec. 2017 result



6.3%

GOAL: MEET OR EXCEED AN INVESTMENT RETURN OF 5.6%

Dec. 2017 result



AA+

GOAL: MAINTAIN A CREDIT RATING OF AA+

Sept. 2017 result



0.9%

GOAL: MAINTAIN CITY ASSET SUSTAINABILITY (CAPITAL INFRASTRUCTURE RENEWAL) AT OR ABOVE 1.0

Three-year rolling average.



meets or exceeds target

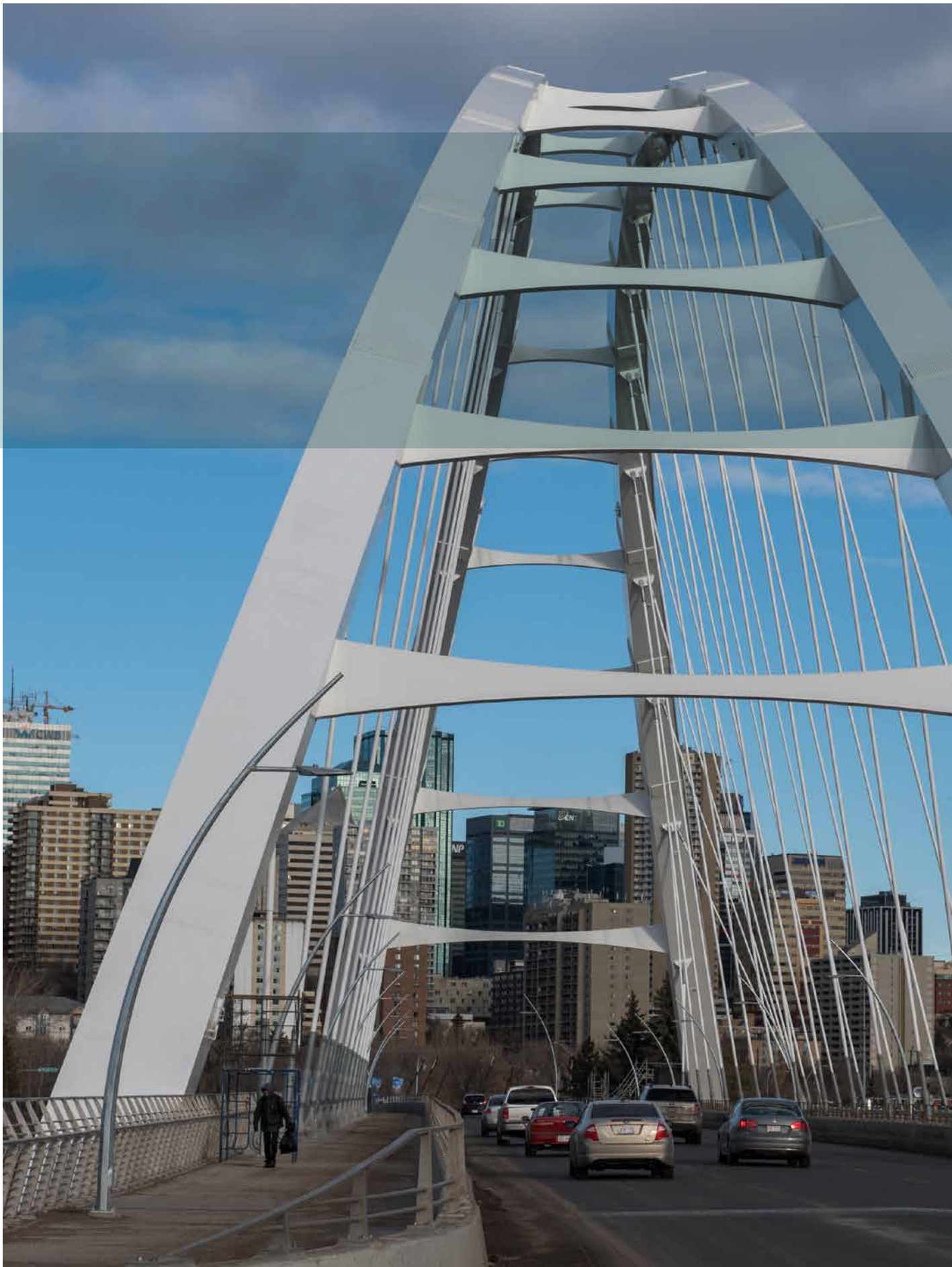


near target



needs improvement

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



2017 ACCOMPLISHMENTS

In 2017, signs of Edmonton's economic strength were everywhere, from the rising skyscrapers downtown to increased optimism among Edmonton's small and mid-sized business owners.

Edmonton is supported by a strong public sector and robust industrial development.

Building a sustainable and globally-competitive city in the 21st century means offering choice to Edmontonians of all ages and backgrounds. Our population is young, diverse and growing quickly, and as we prepare to become a city of one million people, we must expand both our boundaries and our transportation options to meet increasing demands. Whether that means walking, biking, taking transit or driving, the steps we are taking today to encourage alternative or active transportation allow us to shape and create the city we want to become in the future.

REGIONAL PROGRESS

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

The establishment of the Edmonton Metro Region Board in June of 2017 brought together leaders from 13 regional municipalities, representing a total of 1.3 million people, to work towards more powerful collaboration and a resilient regional economy.

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

THE FUTURE OF TRANSIT

After an extensive, two-year public engagement campaign, the City of Edmonton released Edmonton's Transit Strategy in June of 2017. The strategy offers a comprehensive and integrated perspective on Edmonton's transit future, including Light Rail Transit (LRT), bus and supplementary transit options. It also outlines a significant reworking of Edmonton's bus network to provide service that is safe, fast, convenient and reliable, focused on a network of high-frequency routes running in the core of the city with new crosstown routes and rapid-bus commuter routes for the suburbs.

The Regional Smart Fare initiative supports the future direction of our public transportation system, with the development of a powerful electronic fare payment system for Edmonton, St. Albert and Strathcona County transit systems. Implementation is planned for 2020.

A BUSTLING DOWNTOWN

This past year also brought new vitality into our downtown core with the construction and launch of Edmonton's new downtown bike network. With more than 7.8 kilometers of protected bike lanes, shared roadways and paths, the network is designed to be safer for pedestrians, cyclists and drivers as congestion increases in our downtown core.

When the Edmonton Tower opened in late 2016, it became the one-stop destination for most city services. More than 200,000 people visited the Edmonton Service Centre in 2017 to apply for permits, pay their taxes and buy ETS passes.

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

The Mechanized River Valley Access, more commonly known as the funicular, opened on time and on budget in December 2017. The 100 Street Funicular, which runs from 100 Street near the Hotel MacDonald into the river valley trail system, provides an essential connection for those with limited mobility and opens up new options for commuters traveling on foot and bicycle.

HEALTHY NEIGHBOURHOODS

Increasing our city's supply of affordable housing is vital to ending homelessness and reducing poverty. In 2017, the federal government announced it would commit \$40 billion over the next 10 years to a national housing strategy, which could have game-changing effects for Edmontonians looking to find affordable and accessible housing.

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

INVESTING IN INFRASTRUCTURE

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

Developments have been taking shape in the city's north side with upgrades planned for Yellowhead Trail. As part of Edmonton's Transportation Master Plan, these upgrades will encourage more free-flowing traffic along the 25-kilometre stretch of the Trans-Canada Highway that runs through Edmonton, increasing roadway capacity and safety while reducing travel time.





IN 2017, THE EDMONTON SERVICE CENTRE IN EDMONTON TOWER



ANSWERED
OVER

60,000

CALLS

HANDLED
ABOUT

20,000

PIECES OF
MAIL



SUPPORTED
OVER

4,000

MEETINGS IN
THE MEETING
CENTRE

PROCESSED APPROXIMATELY

40,000

CUSTOMER
INQUIRIES FROM 311



RECOVERED ABOUT

17,000

ETS LOST &
FOUND ITEMS



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, 2016. Awarded by the The Government Finance Officers Association of the United States and Canada.

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

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

POPULAR ANNUAL FINANCIAL REPORTING AWARD

Received for the 2016 Financial Report to Citizens. Awarded by the 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 fourth consecutive year that the City has received this award.

DISTINGUISHED BUDGET PRESENTATION

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

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

ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD

Awarded by the National Purchasing Institute. Received in 2017 for excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations.

This is the eighteenth consecutive year that the City of Edmonton has won this award.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to
**City of Edmonton
Alberta**

For its Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill
Executive Director/CEO





Learn more about the City's financial performance and 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 2017 Financial Report to Citizens,
mail or phone:

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

