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Financial Report to Citizens

City of Edmonton
Alberta, Canada



City Council (elected
October 18, 2010)

Back row
(left to right):
Don Iveson - Ward 10
Dave Loken - Ward 3
Amarjeet Sohi - Ward 12
Bryan Anderson - Ward 9

Middle row
(left to right):
Tony Caterina - Ward 7
Ben Henderson - Ward 8
Mayor Stephen Mandel
Kerry Diotte - Ward 11
Ed Gibbons - Ward 4

Front row
(left to right):
Linda Sloan - Ward 1
Kim Krushell - Ward 2
Jane Batty - Ward 6
Karen Leibovici - Ward 5

Message from City Council

This past year has been an exciting and challenging time for the City of Edmonton. We experienced a period of steady growth, made progress on some of the largest infrastructure projects in our history and continued to plan for the transformation of our downtown core.

With a high per capita income, a strong economy and exceptional municipal services, Edmonton continues to be a great place to live, work and invest. In the past five years, our population grew 11.2 per cent, which was nearly double the national average. Individuals and businesses from across the country and around the world continue to come to Edmonton looking for new opportunities to work, raise families and enjoy the exceptional quality of life we have to offer.

As members of City Council, we are actively planning for this growth while at the same time balancing our fiscal responsibilities. In late 2011 we approved a new three-year infrastructure budget that will see spending lower than in the previous cycle, but still sufficient to meet the demands of our growing population. Last year alone, we spent more than \$1 billion to expand our transit system, revitalize neighbourhoods, rehabilitate roads and bridges and build new parks and recreation facilities.

Edmonton is also planning for downtown transformation that will change the face of our city. Projects like the Quarters Downtown, the City Centre Redevelopment, a Downtown Arena and Entertainment District and new Royal Alberta Museum will increase the population density of our downtown, enhance our arts, culture and sports communities and make our city centre a revitalized hub of activity.

We will also continue to leverage and enhance Edmonton's diverse economy which includes energy resources, information technology, health care, research and agri-foods. In 2011 we were recognized by *The Financial Post* as one of Canada's top cities for entrepreneurs with our highly-skilled workforce, competitive tax rates and high level of business optimism. In fact, there are few economies in Canada or around the world that are as well positioned for growth as ours.

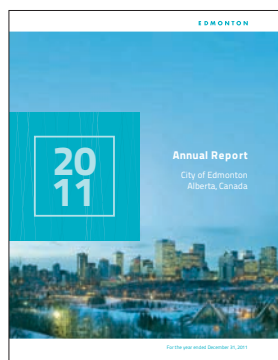
Edmonton's future is bright, filled with new opportunities and exciting possibilities. Together with our citizens, businesses and community organizations we will continue to build on our strengths of environmental stewardship, connected and engaged neighbourhoods, economic stability and a shared sense of belonging to fulfill our vision of a city that is increasingly vibrant, innovative, inclusive and sustainable.

Capitalizing on a wealth of opportunity, Edmonton is transforming daily into an urban centre that is realizing its potential. Together, we are building on our strengths – environmental stewardship, community connectedness, lifestyle quality and economic stability – to create an even greater place to call home.

Edmonton's economy remains buoyant and leads the nation in several aspects, even while financial challenges slow activity in many other parts of the world. Looking back on 2011 it is easy to forget just how well Edmonton performed from an economic point of view. According to the Conference Board of Canada, Alberta's economy expanded in 2011 by a healthy 3.6%. Edmonton did even better with an inflation adjusted growth rate of 4.4%. This was almost twice Canada's growth of approximately 2.3% for the year. Looking forward, a 4.7% 2012 estimated gross domestic product, the market value of all goods and products produced in the Edmonton region, soars above the national forecast of 2.0%.

2011 Financial Results

This report is intended to provide City financial highlights for fiscal 2011. Readers may also access the complete City of Edmonton financial Annual Report for the year ended December 31, 2011 at www.edmonton.ca/AnnualReport. Copies are also available for review at each of the public library locations throughout the City.



Expenses were monitored closely throughout the year. Debt servicing costs were lower than budgeted, as a result of deferral of capital expenditures and therefore related borrowing. The City was able to draw on reserve funds to offset the net cost impact of snow and ice control expenses early in 2011, required to address very heavy snowfall. Personnel costs were reduced as were corporate expenditures. City tax-supported operations ended the year with a net \$5.3 million shortfall related to a requirement to address contamination on land sold in 2011. Funding to cover this shortfall has been approved in 2012.

Operating Results

Edmonton is a vibrant growing city. Balancing the need to deliver core services to an expanding area with the need to pursue new opportunities is a challenge with limited sources of revenue to pay for all civic services. The approved operating budget for 2011 included a property tax increase of 2.35% plus 1.5% specifically directed for neighbourhood renewal.

Revenues for the year exceeded budget in areas of investment earnings, government transfers in lieu of taxes, licenses and permits, and general municipal services. The cancellation of “speed on green” photo enforcement for over half of 2011 resulted in reduced fine and penalty revenue.

The Schedule of Municipal Operations on page 7 outlines the 2011 revenues and expenditures for the City's tax-supported programs and services on a basis consistent with the approved 2011 budget. Summarized information on utility and subsidiary operations is included in the Other Financial Information table.

Budget and actual 2011 figures are consistent with those integrated in the City's audited consolidated financial statements. However, financial results reflected in the 2011 consolidated financial statements also include adjustments required upon consolidation to be consistent with the Canadian public sector accounting standards, as established by the Public Sector Accounting Board.

Consolidated financial statements, audited by the independent firm of KPMG LLP Chartered Accountants, are included in the 2011 City of Edmonton Annual Report.

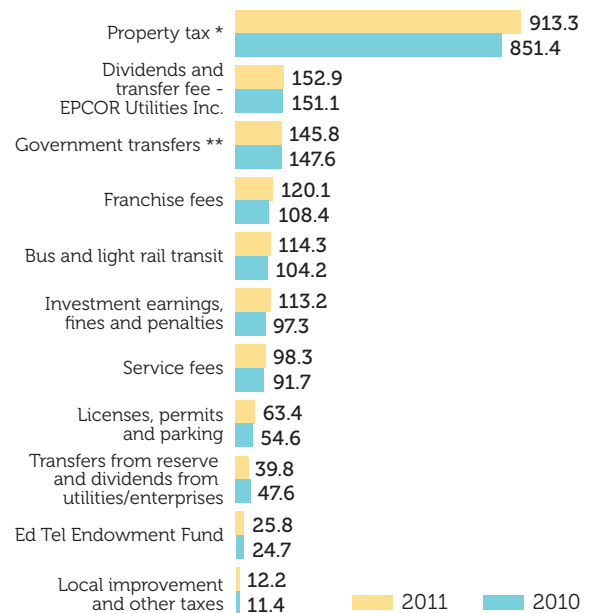


Your Priorities

The City aims to strike a balance of affordable taxes for property owners and affordable fees for the portion of residents who use certain services, while maintaining service levels to the public. Edmontonians provide valuable input on operational priorities using a variety of channels, including comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors and through the annual public budget hearings.

Where the money to provide City services comes from

(millions of \$)

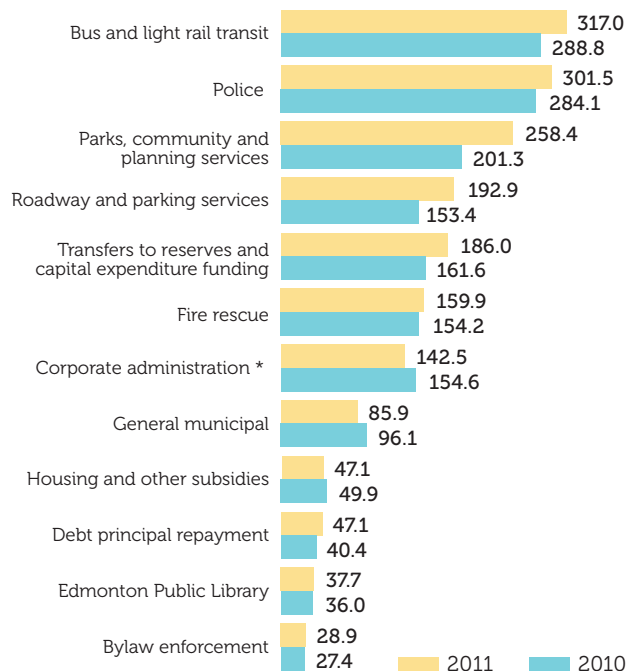


* Amount also included business tax for 2010. Business tax was phased out ending 2010.

** Government transfers include transfers in lieu of tax.

Services supported

(millions of \$)



* Corporate administration includes cost of City Council and Mayor's Office

Capital Results

The City ended a three-year capital budget for 2009 – 2011 with a total capital investment of \$3.27 billion addressing major roadway, recreation centre, and neighbourhood renewal priority projects. Other significant contributions were also made as partners to community projects.

2011 capital expenditures of \$1.06 billion proceeded against a \$1.47 billion budget, to address priority infrastructure growth and renewal needs and to help serve a growing population. A number of capital projects did not proceed to the extent planned due to external commitments outstanding, limitations in industry and internal resource capacity, coordination challenges with partners, changes in project delivery model or project requirements, and land acquisition timing. These projects are being carried forward along with projects approved as part of the 2012 – 2014 capital budget. Significant projects that progressed or were completed during 2011 include:

- Mature Neighbourhood Rehabilitation and Neighbourhood Renewal,
- North Light Rail Transit (LRT),
- 23 Avenue and Gateway Boulevard interchange,
- Whitemud Drive and Quesnell Bridge rehabilitation,

- Terwillegar Community Recreation Centre and other multi-purpose recreation centres, and
- Strategic land acquisition for future City initiatives such as the downtown sports and entertainment district development project and Southeast to West LRT.

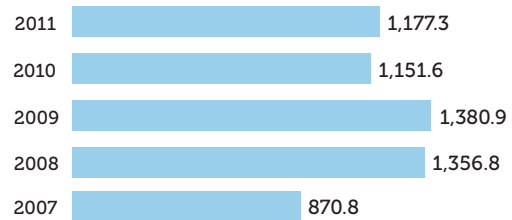
Capital expenditures in 2011 were financed primarily through grants from other orders of government, City utility/enterprise retained earnings, and tax-supported or self-liquidating debt. The City also continues to fund a significant level (2011 - \$161.2 million) of capital on a pay-as-you-go basis from operating revenues.

The City borrowed an additional \$209.9 million in 2011, of which \$119.8 million is tax-supported debt and \$90.1 million is self-liquidating debt, financed by utility rates or other direct charges. Further borrowing of \$925.6 million, beyond the current levels outstanding, have been approved to complete ongoing projects or as part of the overall 2012 – 2014 capital budget. Although debt levels have increased along with the associated debt servicing costs, the City carries levels of debt and incurs debt servicing costs well below the limits legislated for municipalities.



Capital Additions*

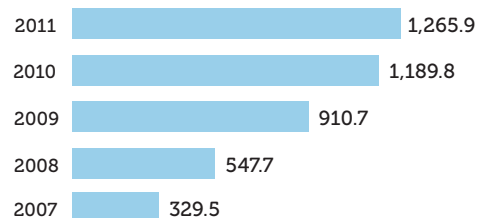
(millions of \$)



* 2008 through 2011 capital additions include contributed capital assets (2011 - \$121.6)

Tax-Supported Debt

(millions of \$)





Summary

Few economies have prospects as bright as Edmonton, at the geographic core of Canada's economic future. As the research and industrial powerhouse of the province, Edmonton stands tall as one of Canada's most dynamic and prosperous urban centers. Standard & Poors and DBRS each confirmed their strong ratings for the City in 2011, AA+/Stable and AA (high) respectively.

The directional plans (the Ways) for the City are ambitious and exciting, including new LRT expansion, downtown revitalization, redevelopment of the City Centre airport lands, bridge construction and neighbourhood renewal. The City will continue to be challenged to manage emerging competing financing needs as the major centre for the region, and to maintain existing services while addressing the service and infrastructure needs associated with internal growth. The City's long-term financial plan currently under development, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

Schedule of Municipal Operations (Unaudited - Note 1)

For the year ended December 31, 2011 (in thousands of dollars)

Revenues	Budget 2011	Actual 2011	Expenditures	Budget 2011	Actual 2011
Taxation:			Bus and light rail transit	\$ 314,312	\$ 317,045
Property taxes	\$ 921,094	\$ 913,288	Police	302,060	301,549
Government transfers in lieu of tax	31,065	37,835	Roadway and parking services	168,193	192,853
Local improvements	8,980	8,488	Parks and recreation	163,290	161,945
Other	2,800	3,696	Fire rescue	161,704	159,922
	963,939	963,307	Corporate administration (Note 2)	141,439	137,843
Franchise fees	118,896	120,105	General municipal (Note 3)	86,095	85,889
Bus and light rail transit	116,331	114,345	Planning services	55,439	58,980
Government transfers	114,051	107,978	Housing and other subsidies (Note 4)	60,907	47,063
General municipal services and other	90,957	98,264	Edmonton Public Library	37,660	37,660
Investment earnings	28,371	65,545	Community and family	36,989	37,444
Licenses and permits	41,599	49,220	Bylaw enforcement	36,626	28,896
Fines and penalties	61,375	47,637	City Council and Mayor's Office	4,684	4,374
Ed Tel Endowment Fund contribution	25,800	25,799			
Parking	15,217	14,219	Municipal expenditures before transfers and debt principal repayments	1,569,398	1,571,463
Municipal revenues before transfers and dividends	1,576,536	1,606,419	Capital expenditure funding (Note 5)	131,510	161,219
Dividend from EPCOR Utilities Inc.	138,502	138,420	Debt principal repayment	57,109	47,056
Transfer from reserves	30,085	36,268	Transfer to reserves	6,099	24,790
Gold Bar Wastewater Treatment Facility transfer fee from EPCOR Utilities Inc.	14,500	14,500	Total Municipal Expenditures	1,764,116	1,804,528
Dividends from Drainage Services and Land Enterprise	4,493	3,534			
Total Municipal Revenues	\$ 1,764,116	\$ 1,799,141	Shortfall of revenues over expenditures	\$ -	\$ (5,387)

Notes to Schedule of Municipal Operations:

1. This summary has been prepared on a modified cash basis consistent with the budget for tax-supported operations. Financial results reflected in the 2011 Financial Annual Report include adjustments required upon consolidation consistent with Canadian public sector accounting.
2. Corporate administration consists of personnel and administrative costs for Financial Services, Corporate Services, and Offices of the City Manager and City Auditor.
3. General municipal consists of accommodation expenditures, personnel and administrative costs for capital project management, risk management expenditures, general financial costs as well as tax appeals and allowances.
4. Includes subsidies paid to support public housing and certain Boards, Authorities and other organizations.
5. Capital expenditure funding represents pay-as-you-go and neighbourhood renewal funding from municipal taxation, and other municipal revenues applied to fund capital projects.

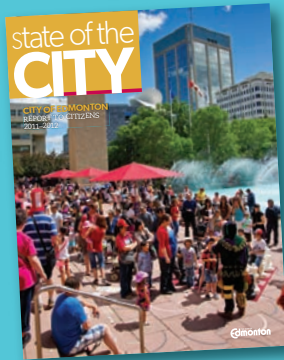
Other Financial Information

For the year ended December 31, 2011 (in thousands of dollars)

	Revenues	Expenses	Net income (loss)	Contribution to municipal operations
EPCOR Utilities Inc.	\$ 1,923,731	\$ 1,780,075	\$ 143,656	\$ 202,156
Ed Tel Endowment Fund (unaudited)	89,798	28,513	61,285	25,799
Sanitary Drainage Services (unaudited)	72,568	65,734	6,834	7,228
Stormwater Drainage Services (unaudited)	29,325	20,590	8,735	
Design and Construction Drainage Services (unaudited)	116,021	113,781	2,240	
Waste Management (unaudited)	129,460	131,039	(1,579)	
Edmonton Economic Development Corporation	34,067	34,358	(291)	
Edmonton Public Library Board	45,186	46,013	(827)	
Edmonton Non-Profit Housing Corporation	8,079	6,649	1,430	

The financial results provided above are consistent with those reported in the annual financial statements for the respective organizations or operations. The contribution to municipal operations reflects the amount, excluding taxation, included in the Summary of Municipal Operations. Edmonton Economic Development Corporation revenues include \$13,086 of tax levy funding. Edmonton Public Library Board revenues include \$37,660 of tax levy funding.

State of the City Report



Find out more about main achievements in civic operations from the past year and new initiatives that will continue transforming Edmonton into an even greater city for future generations.

Information on the City
of Edmonton is available at
www.edmonton.ca

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