

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2015

2015 FINANCIAL REPORT TO CITIZENS

The logo for the City of Edmonton, featuring the word "Edmonton" in white sans-serif font on a dark blue rectangular background.

Edmonton



The financial information presented in this report is consistent with the 2015 Annual Report which includes the consolidated financial statements (financial statements) for the City prepared in accordance with Canadian public sector accounting standards (PSAS). The complete 2015 Annual Report is available online at edmonton.ca/annualreport. More detailed information on the planning and budgeting process is available on the City's website at edmonton.ca/budget. Copies of the annual report are also available at each of the public library locations throughout the City.



MESSAGE FROM CITY COUNCIL

As we reflect back at the past year, 2015 was a defining year for us filled with accomplishments and accolades, challenges and championships. No doubt, it was a challenging year as we faced some of the toughest economic conditions in recent history. Yet in our own unique and very Edmonton way, we remain excited, energized and optimistic about our future.



Back Row (left to right):

Mike Nickel – Ward 11
 Dave Loken – Ward 3
 Andrew Knack – Ward 1
 Mayor Don Iveson
 Michael Oshry – Ward 5
 Michael Walters – Ward 10
 Scott McKeen – Ward 6

Front Row (left to right):

Bev Esslinger – Ward 2
 Ben Henderson – Ward 8
 Ed Gibbons – Ward 4
 Bryan Anderson – Ward 9
 Tony Caterina – Ward 7
 Amarjeet Sohi – Ward 12

*(elected in fall 2015 federal election
 as a Member of Parliament)*

As City Council, we have not strayed from our vision of building a great city that provides a high quality of life to our citizens. It's a vision of a city that's connected, innovative, progressive and sustainable. In keeping with this vision, we continue to move forward on some of our city's most transformational projects like Blatchford, the Walterdale Bridge, Rogers Place and LRT expansion. These projects, and the many others taking shape in our city, will not only change the face of Edmonton, it will change our global image.

Edmonton remains well positioned for continued growth, though perhaps more modestly than in previous years. With a commitment to fiscal responsibility and thoughtful planning, we have the right fundamentals in place to steer us through challenges and ensure our continued success. Because what we love about this city – our innovative spirit, our willingness to help others and our ambition to be, build and make something – remains at the heart of everything we do.



INTRODUCTION

Edmonton's inventive and resilient spirit was evident again in 2015. Unlike other places, Edmonton kept growing. New jobs, festivals and ventures emerged all over the city. Edmonton welcomed newcomers as eagerly as new ideas. We opened our city and our hearts to Syrian refugees. In 2015, we exhibited relentless courage, innovation and cooperation.

Like many parts of the world, Edmonton experienced the realities of economic cycles that continue to shift. Change is a universal certainty. Municipal management is about continual evolution; it is about adapting to changes in our environment and understanding our citizens' priorities. For the past 20 years, we have regularly examined our budgets to look for efficiencies and potential revenue streams in order to take care of emerging needs without increasing taxes. The City continues to monitor its financial performance and strategies to address growth and increased demand for services.

For 2015, the City was able to execute its business plan and budget as expected. The City completed the first year of the 2015 – 2018 capital budget, the City's first four year capital budget, which will see continued investment into key infrastructure projects in the years to come.

Over the course of 2015, our Administration continued our thoughtful, deliberate work to build a workplace culture that fosters collaboration and integration. Our job is to use our skills and expertise to support Council in decision-making and support

communities in reaching their goals. Throughout 2015, we have remained steadfast in our commitment to the citizens of Edmonton and to delivering on City Council's priorities.

We hosted several world-class sporting events and greeted thousands of new residents. In 2015, Edmonton hosted major international sporting events such as the FIFA Women's World Cup, International Triathlon Union (ITU) World Triathlon and Red Bull Crashed Ice. Along with dozens of new and returning festivals, Edmonton's world-class events are gaining international attention. In fact, *Around The Rings* ranked Edmonton one of the world's top 10 sports cities—the only North American city alongside cities like London and Beijing to top the list. National Geographic named Edmonton one of the Best Summer Trips of 2015.

Our work is about innovation, growth and building a great City. We are proud to serve the people of Edmonton.



Linda D.M. Cochrane
City Manager



Todd Burge, CPA, CMA
Chief Financial Officer & Treasurer
General Manager

ECONOMIC OVERVIEW

Innovation, resilience and a diversified economy helped insulate the Metro Edmonton region from the volatile economic climate in 2015. While other places struggled with economic progress, Metro Edmonton consistently grew.

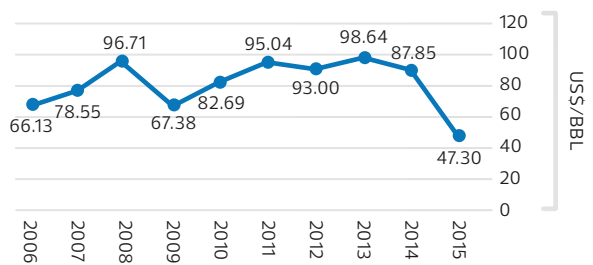
As the hub for employment, education, business, recreation, medical and social services, Edmonton took steps toward sustainable growth that will benefit everyone in the region.

Edmonton increased to 5.8% in 2015, up from 5.2% in 2014. This was due to increases in the working-age population and labour force as Metro Edmonton continued to attract job seekers.

EMPLOYMENT

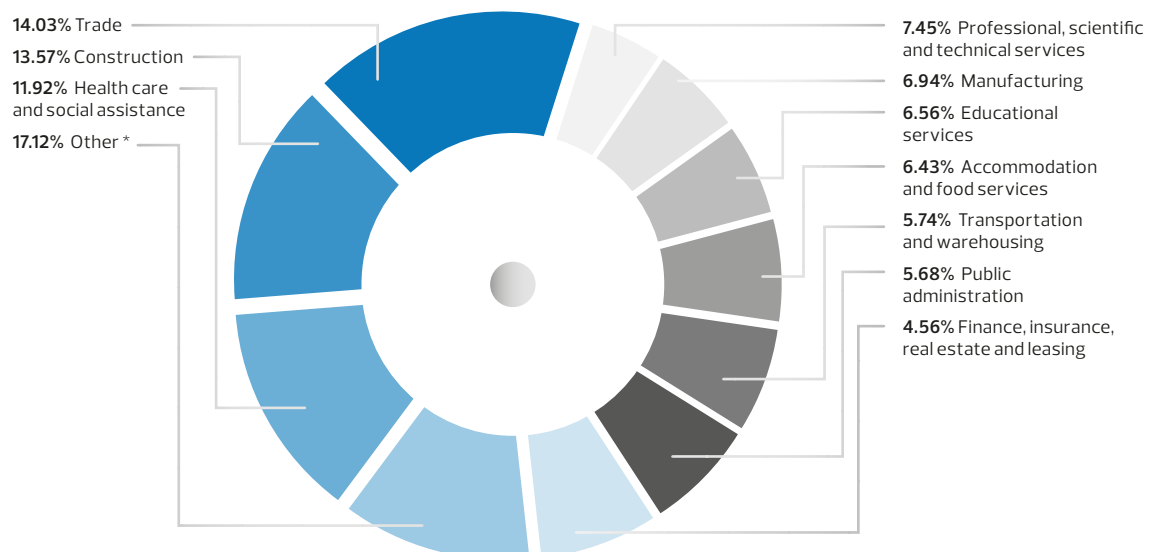
In 2015, despite the volatility in oil prices, economic indicators for Metro Edmonton were more robust than those for Alberta and Canada. Overall, the Edmonton economy added approximately 28,000 positions during 2015, which accounted for about 20% of all net new jobs generated in Canada. Employment expanded by 3.7% in 2015, well above the national average employment growth of 0.8%. Regardless of job gains in employment, unemployment in Metro

**Average Annual Oil Prices –
West Texas Intermediate**



Source: Bloomberg

**Percentage of Workforce Employed
by Industry for the Edmonton Region**



Source: Statistics Canada.

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

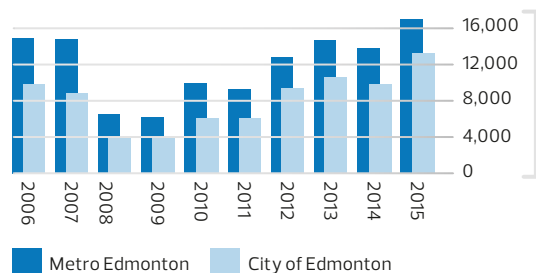
RESIDENTIAL CONSTRUCTION

The residential construction sector in the Metro Edmonton region had a strong year in 2015 as shown by the advances seen in building permits and relatively high levels of new housing starts.

The value of building permits issued in Metro Edmonton stood at \$6.2 billion in 2015 – comparable with levels recorded in 2014. Strong construction intentions in the non-residential sector drove the total value of building permits in 2015 while construction intentions in the residential sector remained unchanged from 2014. In Alberta, the annual growth in the value of building permits in 2015 declined significantly by 27% from 2014. At the national level, the value of building permits was also down – decreasing by 6% from the prior year.

Construction started on over 13,311 new housing units in the city in 2015 – an increase of 36% from 2014. The entire Metro Edmonton area reported approximately 17,000 new housing starts in 2015, which is a 22% increase year-over-year.

Annual Housing Starts



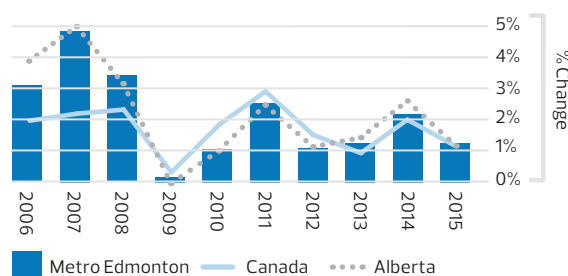
Source: Canada Mortgage and Housing Corporation

INFLATION

In spite of strong growth in building permits and housing starts in Edmonton and the region, inflation remained relatively low by historical standards. Inflation, as measured by the Consumer Price Index (CPI), came in at 1.2% for the Metro Edmonton area in 2015 while the comparable figure was 1.1% for both Alberta and Canada.

Inflation was held in check during 2015 as a result of weak energy prices and lower costs associated with shelter. With rental vacancy rates now rising, the costs for rental accommodation in Metro Edmonton are beginning to ease.

Annual Consumer Price Index



Source: Statistics Canada.

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

877,926

people call
Edmonton home
2014 City Census





31,267

applications for
development,
building and
combination permits



EDMONTON'S DEMOGRAPHIC ADVANTAGE

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

Excellent population, employment and income growth over the past several years means that the local economy has the depth and momentum to weather the decline in Alberta's energy sector. However, 2016 will see growth continue to slow in the city and the region as low energy prices limit expansion in areas such as manufacturing, logistics, financial services and hospitality.

Edmonton's economic performance during 2015 was strong despite the low oil price environment and global economic sluggishness. Increasing full-time employment and higher incomes supported retail activity while a growing population helped drive residential construction activity to record-high levels.

DEMOGRAPHICS

Population (2014 City Census) 877,926

Population Age Distribution (%) (2014 City Census)

| | |
|-------|-------|
| 0-4 | 6.13 |
| 5-19 | 16.74 |
| 20-29 | 16.18 |
| 30-39 | 15.94 |
| 40-49 | 13.45 |
| 50-59 | 13.82 |
| 60-64 | 5.29 |
| 65+ | 12.45 |

Median Age (2011 Statistics Canada)

| | |
|------------------|------|
| City of Edmonton | 36.0 |
| Alberta | 36.5 |
| Canada | 40.6 |

Area in square kilometers 700

City of Edmonton employees
(full time equivalents) 14,866

Household median total income (2013 Statistics Canada):

| | |
|-----------------|----------|
| Edmonton region | \$98,480 |
| Alberta | \$97,390 |
| Canada | \$76,550 |



2015 FINANCIAL HIGHLIGHTS

This section provides summary financial results and highlights for the consolidated operations of the City of Edmonton relative to the original 2015 operating budget as approved by City Council.

2015 OPERATING BUDGET

City Council approved the 2015 operating budget resulting in a combined municipal and education property tax increase of 5.7% for civic programs, including the 1.5% dedicated to fund the neighbourhood renewal program. The budget recognizes the overall level of services and programs required to support a vibrant, growing city and balances limited sources of revenue with the demands of a diverse and growing population.

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

CAPITAL BUDGET

A new four-year capital budget for 2015–2018 was approved in December 2014. The expanded capital budget cycle allows Council to focus more on longer-term planning. The capital budget strikes a balance between growth and renewal and will advance work on significant capital projects and begin work on new capital projects. This will see investment in major capital initiatives including LRT projects, a police campus, a transit garage, new and upgraded libraries, renewal and upgrade of recreation facilities, fire stations, bridges, continued neighbourhood renewal and arterial roadway work.



2.1 million

citizens calls
made to 311 to ask
about City services
and programs

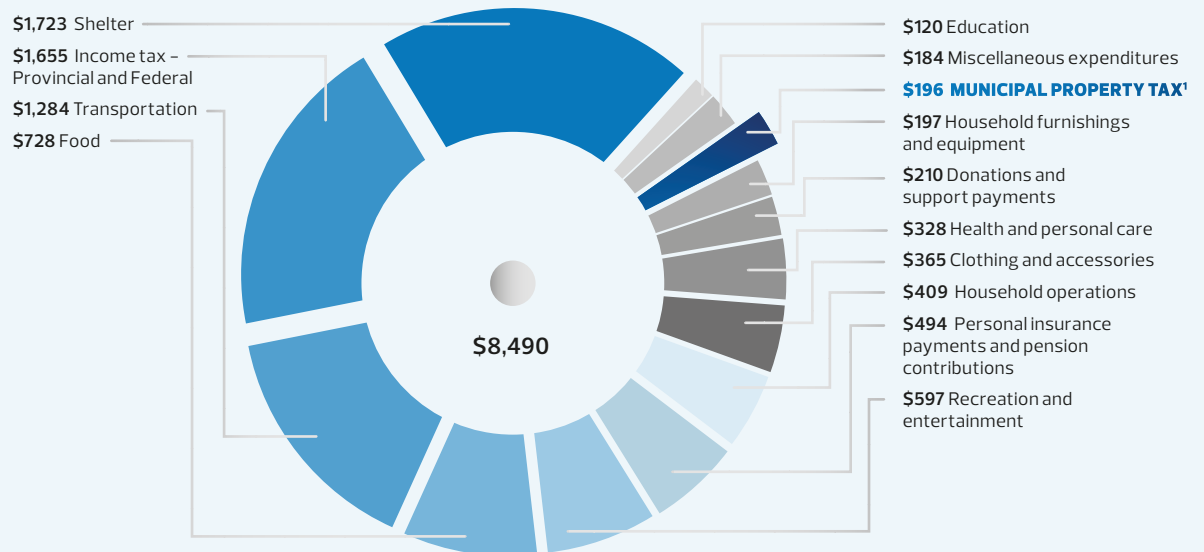


COST OF CITY SERVICES TO EDMONTONIANS

Monthly household expenses include all of the basic expenses to live and enjoy life in Edmonton. The typical household costs include shelter, transportation and federal and provincial income taxes. The approved 2015 operating budget has set the municipal property tax at a level that accounts

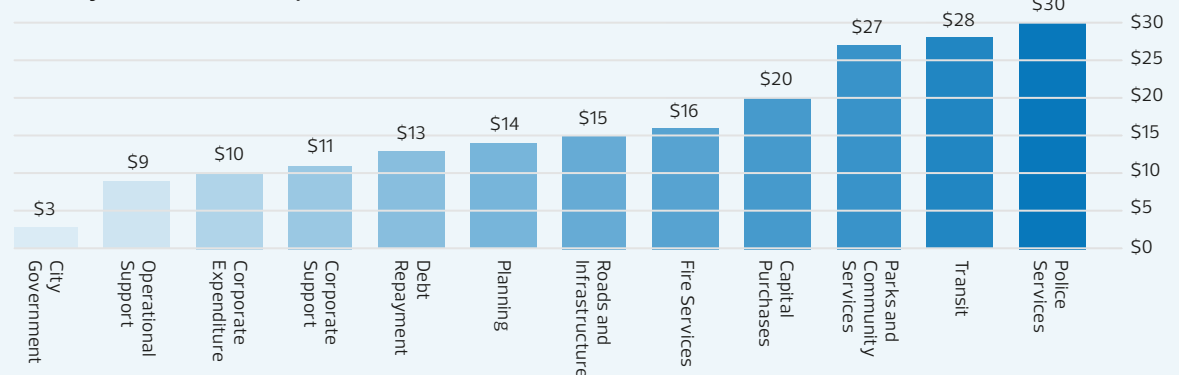
for only 2.3% of monthly household costs – \$196 per month for the average citizen. For that \$196 a month, the value Edmontonians receive from municipal property tax far exceeds the purchasing power of a typical consumer. Property taxes are used to deliver various publically available services such as police, transit, and fire rescue, as well as providing access to parks, sports fields, community recreation centers, libraries and much more.

Monthly Average Household Spending (2014 Statistics Canada)



1. Municipal property tax is based on a typical household with a home assessed at \$401,000 for the 2015 tax year.

Where your \$196 in Municipal Taxes Go¹



1. Distribution based on 2015 approved operating budget

2015 FINANCIAL RESULTS

The following financial statements outline 2015 revenues, expenses, assets, liabilities and overall accumulated surplus for the City's consolidated programs and services.

OPERATING REVENUES

Operations – Source of Revenues (millions of \$)

| | 2015 | 2014 | Change |
|--|------------|------------|----------|
| Net taxes available for municipal purposes | \$ 1,350.8 | \$ 1,237.7 | \$ 113.1 |
| User fees and sales of goods and services | 759.0 | 675.0 | 84.0 |
| Subsidiary operations – EPCOR | 259.7 | 190.8 | 68.9 |
| Franchise fees | 138.0 | 133.6 | 4.4 |
| Investment earnings | 133.9 | 150.4 | (16.5) |
| Government transfers – operating | 120.5 | 117.5 | 3.0 |
| Fines and penalties | 85.7 | 83.7 | 2.0 |
| Licenses and permits | 81.2 | 79.3 | 1.9 |
| Developer and customer contributions – operating | 10.3 | 14.4 | (4.1) |
| Total | \$ 2,939.1 | \$ 2,682.4 | \$ 256.7 |

Consolidated operating revenues increased by \$256.7 million from the prior year due to: \$113.1 million in increased taxation revenue from a combined rate increase and growth; \$84.0 million increased user fees and sales of goods and services; a \$68.9 million increase in EPCOR earnings; \$16.5 million decrease in investment earnings and a \$7.2 million net increase in other revenue sources. Other revenue sources include franchise fees, government transfers, licenses and permits, fines and penalties and operating developer contributions.

Property tax is the primary revenue source available to the City to pay for municipal services. Total tax revenues in 2015 were \$1,781.4 million, with \$427.0 million collected on behalf of the province for education school tax and \$3.6 million for business revitalization zones. The remaining net taxes available for municipal services of \$1,350.8 million accounted for 46.0% of total operating revenues, a similar percentage compared to 2014. Net taxes for municipal services are collected annually to support City operations, with certain amounts directed towards specific programs such as neighbourhood renewal, community revitalization and local improvement projects. The remaining tax revenues are applied generally across all City departments.

The increase in user fees from 2014 is largely due to population growth and higher demand for services and is consistent with annual growth from prior years. The largest increases were seen in land sales, admission and program revenues at the City's recreation facilities as well as drainage and waste rate revenues due to higher customer counts and consumption.

Investment earnings decreased from prior year by \$16.5 million due to the impact of the global economic slowdown on investment markets.

Operating revenues are higher than budget by \$198.1 million, or 7.2% of the revenue budget, primarily due to greater than budgeted investment earnings, predominantly in the Ed Tel Endowment Fund, greater than budgeted net income from EPCOR, higher than budgeted operating government transfers, and higher than expected land sales, included within user fees and sales.

Investment earnings were greater than budget due to better than expected returns and higher than budgeted fund balances. Government transfers were favourable compared to budget due to the Provincial City Transportation Fund grant of \$18.2 million received by the City and applied as an operating contribution towards the 41st Avenue/Queen Elizabeth II interchange construction.



EXPENSES

Operations – Expenses by Major Category (millions of \$)

| | 2015 | 2014 | Change |
|--|-------------------|-------------------|-----------------|
| Salaries, wages and benefits | \$ 1,447.9 | \$ 1,370.7 | \$ 77.2 |
| Materials, goods and utilities | 332.4 | 295.2 | 37.2 |
| Contracted and general services | 294.4 | 270.2 | 24.2 |
| Interest and bank charges | 128.9 | 112.6 | 16.3 |
| Grants and other | 71.8 | 72.1 | (0.3) |
| Amortization of tangible capital assets | 491.1 | 479.5 | 11.6 |
| Loss on asset disposal/replacement of tangible capital assets | 10.2 | 12.1 | (1.9) |
| Total | \$ 2,776.7 | \$ 2,612.4 | \$ 164.3 |

Operating expense increases of \$164.3 million over the prior year primarily related to net increases in personnel costs of \$77.2 million, materials goods and utilities of \$37.2 million, contracted and general services of \$24.2 million and interest and bank charges of \$16.3 million. The remainder of the increase from prior year was within amortization, loss on asset disposal and grants and other.

Personnel costs increased consistent with contractual rate adjustments, while materials, goods and utility costs increased from prior year largely due to expenditures related to downtown arena land sales. Contracted and general services increased from prior year as a result of increased activity and general inflationary increases. Interest and debt charges increased over prior year predominantly as a result of interest on borrowing related to construction of Rogers Place arena and other significant debt financed projects. The increase in amortization from prior year is due to significant road and LRT assets coming into service in 2015, namely the Metro Line LRT, partially offset by a one-time Fleet services amortization expense adjustment in 2014.

Consolidated operating expenses of \$2,776.7 million were generally managed within the approved budget. Roadway and parking expenses were \$57.8 million greater than budget due in part to higher amortization expenses of \$21.0 million resulting from the favourable construction season that allowed for more than anticipated arterial, neighbourhood and road construction projects to be put into service during the year. These costs are partially offset by \$17.0 million lower than budgeted costs for buses and LRT mainly due to the delayed opening of the Metro Line LRT. There were greater than anticipated costs related to the 41st Avenue/Queen Elizabeth II interchange, which is fully offset by the increase in government transfers mentioned above. Costs of land sales were greater than budgeted by \$12.0 million due to the timing of the sales, which are offset by related revenues from the sale of land. Community services costs in excess of budget were partially offset by lower than expected social housing grant expenses due to delays in grant applications.



90 million

rides on ETS
during the year

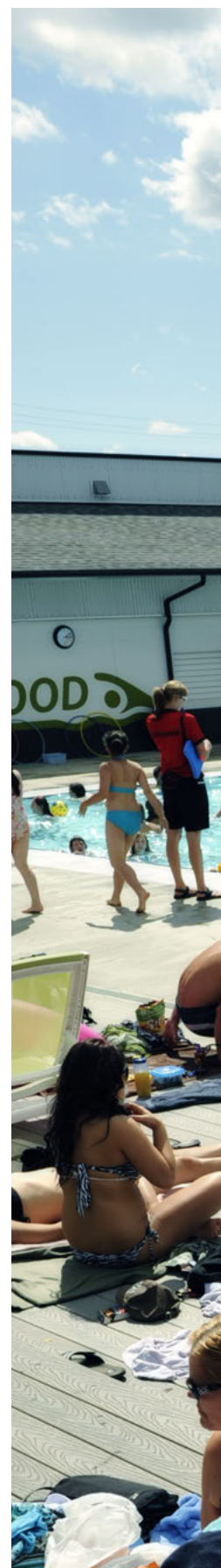
CONSOLIDATED STATEMENT OF OPERATIONS (NOTE 1)

For the year ended December 31, 2015 (in thousands of dollars)

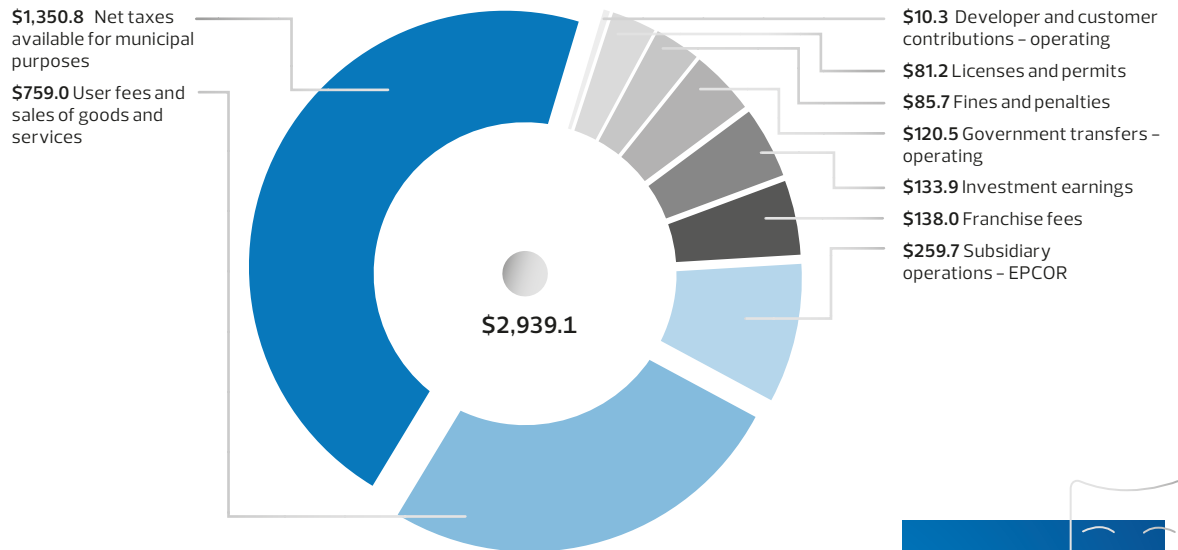
| | Budget | 2015 | 2014 |
|--|--------------|--------------|--------------|
| Revenues | | | |
| Operating revenues: | | | |
| Net taxes available for municipal purposes | \$ 1,345,986 | \$ 1,350,772 | \$ 1,237,696 |
| User fees and sale of goods and services | 729,485 | 759,005 | 674,965 |
| Subsidiary operations – EPCOR | 209,389 | 259,680 | 190,849 |
| Franchise fees | 140,077 | 138,012 | 133,654 |
| Investment earnings | 33,737 | 133,880 | 150,363 |
| Government transfers – operating | 102,316 | 120,562 | 117,491 |
| Fines and penalties | 88,183 | 85,679 | 83,660 |
| Licenses and permits | 84,743 | 81,220 | 79,340 |
| Developer and customer contributions – operating | 7,057 | 10,283 | 14,422 |
| | 2,740,973 | 2,939,093 | 2,682,440 |
| Expenses | | | |
| Bus and light rail transit | 426,743 | 409,731 | 389,079 |
| Roadway and parking | 351,593 | 409,355 | 397,037 |
| Police | 371,685 | 372,646 | 356,887 |
| Fire Rescue | 199,241 | 196,262 | 189,831 |
| Bylaw enforcement | 35,776 | 37,823 | 35,604 |
| Parks and recreation (Note 2) | 237,339 | 248,079 | 225,012 |
| Planning and corporate properties | 108,203 | 111,474 | 94,460 |
| The City of Edmonton Library Board (Note 2) | 56,228 | 57,462 | 53,421 |
| Convention and tourism (Note 2) | 45,394 | 52,194 | 44,456 |
| Community and family | 44,397 | 45,017 | 41,315 |
| Public housing | 28,641 | 17,956 | 20,784 |
| Corporate administration | 188,240 | 187,379 | 174,486 |
| General municipal (Note 3) | 201,123 | 164,790 | 160,718 |
| Fleet Services | 7,737 | 55,877 | |
| Pension adjustments and other | 8,884 | 13,749 | 13,894 |
| Tax appeals and allowances | 8,155 | 12,665 | 7,599 |
| Utility and enterprise services: | | | |
| Waste Management | 172,462 | 171,618 | 160,624 |
| Drainage Services | 148,152 | 138,584 | 136,948 |
| Land Enterprise | 61,501 | 74,022 | 29,067 |
| Fleet Services (Note 4) | | | 81,159 |
| | 2,701,494 | 2,776,683 | 2,612,381 |
| Excess of Revenues over Expenses before other | 39,479 | 162,410 | 70,059 |
| Other | | | |
| Capital revenues: | | | |
| Contributed tangible capital assets | 147,500 | 343,327 | 177,478 |
| Government transfers – capital | 355,757 | 181,216 | 224,599 |
| Developer and customer contributions – capital | 131,950 | 97,924 | 63,153 |
| Local improvements | 10,971 | 13,394 | 22,402 |
| | 646,178 | 635,861 | 487,632 |
| Excess of Revenues over Expenses | \$ 685,657 | \$ 798,271 | \$ 557,691 |

Notes:

- The statements have been prepared in accordance with Canadian public sector accounting standards and are consistent with the consolidated financial statements presented in the 2015 Annual Report.
- The City of Edmonton Public Library Board, Edmonton Economic Development Corporation (within Convention and tourism) and Fort Edmonton Management Company (within Parks and recreation) each received tax-levy funding of \$48,787, \$17,733 and \$3,743 respectively for the year.
- General municipal consists of expenses related to facility maintenance, landscaping, capital project management, risk management, general financing, requisitions to boards and authorities and other corporate expenditures.
- Fleet services transitioned from an enterprise operation to a tax-supported operation effective January 1, 2015.



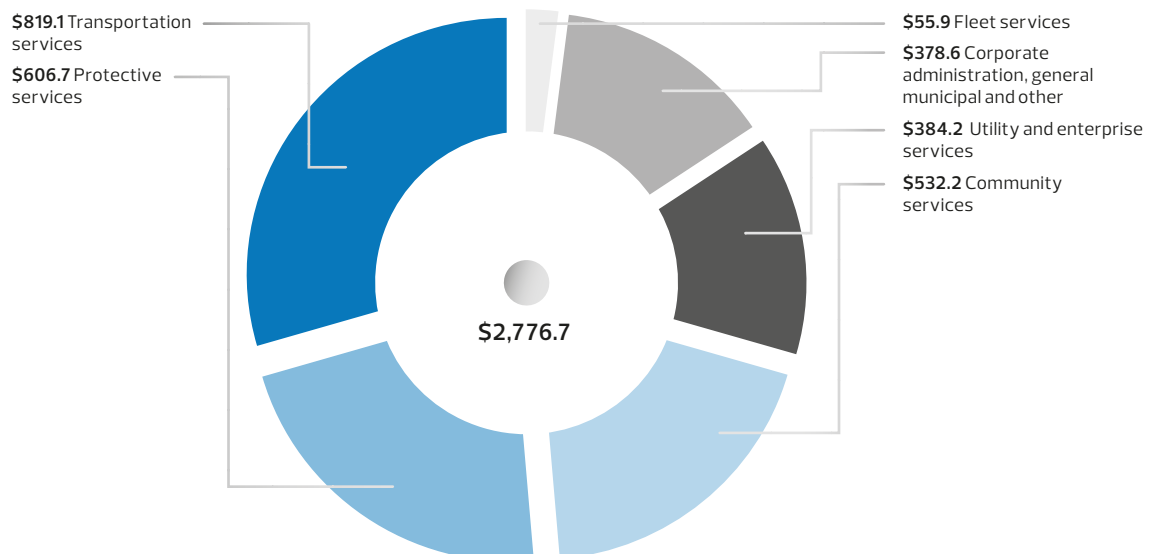
Operations – Source of Revenues (millions of \$)



5.7 million

visits to
City of Edmonton
recreation facilities

Operations – Distribution of Expenses (millions of \$)



CAPITAL REVENUES

2015 capital revenues of \$635.9 million were \$10.3 million less than the budget of \$646.2 million. The variance is related to decreased government transfers of \$174.5 million, generally due to timing differences around project expenditures, as capital revenues are recognized as funding sources to offset the related project expenditures. This decrease in government transfer revenue is offset by higher than budgeted contributed tangible capital assets with a \$195.8 million positive variance. The remaining difference in actual to budget capital revenues is due to lower than expected developer and customer

contributions of \$34.0 million and slightly higher than anticipated local improvement revenue of \$2.4 million.

Capital revenues increased by \$148.2 million from \$487.7 million in 2014 to \$635.9 million in the current year. This increase in revenue is due to additional contributed tangible capital assets of \$165.8 million and developer and customer contributions of \$34.8 million, partially offset by decreases in government transfers recognized of \$43.4 million and local improvement revenues of \$9.0 million.

750

festivals and
events supported
by the City

6.9 million

visitors to
edmonton.ca



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOTE 1)

December 31, 2015 (in thousands of dollars)

| | 2015 | 2014 |
|--|---------------|---------------|
| Financial Assets | | |
| Cash and temporary investments | \$ 328,225 | \$ 442,497 |
| Receivables | 472,975 | 304,196 |
| Investments | 1,748,665 | 1,678,768 |
| Debt recoverable | 60,629 | 51,446 |
| Land for resale | 199,543 | 244,441 |
| Investment in EPCOR (Note 2) | 2,515,196 | 2,340,366 |
| | 5,325,233 | 5,061,714 |
| Liabilities | | |
| Promissory notes payable | 99,770 | 99,579 |
| Accounts payable and accrued liabilities | 709,419 | 714,616 |
| Deposits | 54,884 | 57,331 |
| Deferred revenue | 200,050 | 98,811 |
| Employee benefit obligations | 126,776 | 127,407 |
| Landfill closure and post-closure care | 19,988 | 16,964 |
| Long-term debt | 3,033,223 | 2,895,724 |
| | 4,244,110 | 4,010,432 |
| Net Financial Assets | 1,081,123 | 1,051,282 |
| Non-Financial Assets | | |
| Tangible capital assets | 12,449,085 | 11,629,860 |
| Inventory of materials and supplies | 51,206 | 44,228 |
| Other assets | 18,427 | 20,029 |
| | 12,518,718 | 11,694,117 |
| Accumulated Surplus | \$ 13,599,841 | \$ 12,745,399 |

Notes:

1. The statements have been prepared in accordance with Canadian public sector accounting standards and are consistent with the consolidated financial statements presented in the 2015 Annual Report.
2. EPCOR is a separate corporation wholly owned by the City of Edmonton. In accordance with accounting standards, the city recognizes EPCOR's annual net income as well as its investment in EPCOR within the consolidated financial statements.

CASH

The City's 2015 ending cash position, including cash and temporary investments, was \$328.2 million, representing a decrease of \$114.3 million from the prior year. The decrease is mainly the result of increased investment in capital assets combined with borrowing and repayment of long-term debt.

RECEIVABLES

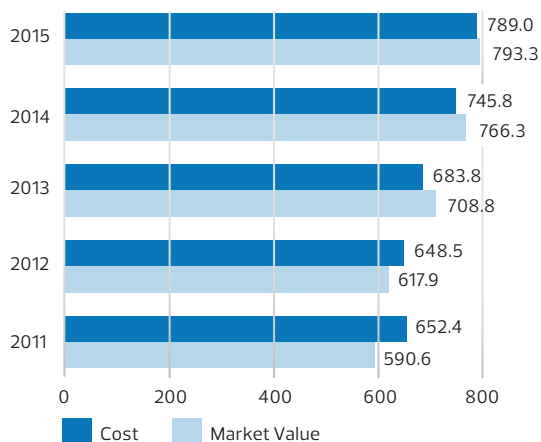
The majority of the increase in receivables is related to government grants. At the end of the year, the City had \$141.9 million in government grant receivables related primarily to funding for capital projects, the majority of which were received early in 2016. The remainder of the trade and other receivables increase is due to year-over-year variations relating to the City's operations.

INVESTMENTS

All of the City of Edmonton investment funds outperformed their benchmarks in 2015. Performance of the funds ranged from 0.9% (Money Market Fund) to 7.8% (Ed Tel Endowment and Pension Funds), depending on each fund's asset mix. Over a four-year term, returns have remained strong and have continued to exceed their policy benchmarks. Dividends of \$28.6 million were paid to the City from the Ed Tel Endowment Fund in 2015. Since 1995, the fund has earned a compound annual rate of return of 8.3% versus the benchmark return of 7.3% and grown its principal from \$465 million to \$793.3 million (market value of the fund at the end of 2015). Since inception the Ed Tel Endowment Fund has paid \$663.5 million in dividends to the City.

More detailed information on the investment performance and benchmarks is available in the Investment Committee 2015 Annual Report on the City's website at edmonton.ca/investments.

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



DEBT

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

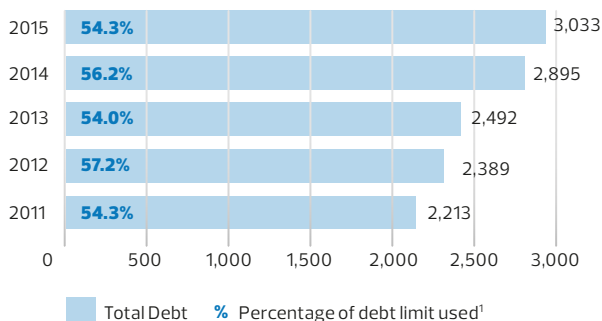
The City has three main types of debt: tax-supported debt funded by tax levy, self-supporting tax-guaranteed debt funded through dedicated non-tax levy revenues, and self-liquidating debt funded through self-sustaining programs such as utilities and local improvements. As self-supporting tax guaranteed debt is guaranteed by tax levy, it is classified as tax-supported debt.

The City ended the year with a debt balance of \$3,033.2 million. A total of \$318.9 million was added through new debenture borrowing and mortgages in 2015, with \$211.8 million considered tax-supported and \$107.1 million self-liquidating. Repayments of \$181.4 million were made on outstanding long-term debt during the year. The majority of the tax-supported debt was borrowed to finance the Rogers Place arena construction and land and design work for the Valley Line LRT expansion. The increase in self-liquidating debt is largely due to increased investment in drainage infrastructure.

Total borrowing of \$541.8 million has been approved for the Rogers Place Arena. As of December 31, 2015, \$402.3 million has been borrowed to finance the design, land purchase and construction of the arena. Tax-supported debt of \$744.1 million has been approved for the design, land purchase, public-private partnership (P3) procurement and construction costs related to the Valley Line LRT project. At the end of 2015, \$101.2 million has been borrowed to finance the design, land purchase and procurement costs. Construction and related borrowings are expected to occur through the construction period.

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

**Debt
(millions of \$)**



¹ The City's debt limit, as defined by Provincial legislation, is calculated as two times consolidated revenue net of revenue from subsidiary operations – EPCOR, capital government transfers, and contributed tangible capital assets.



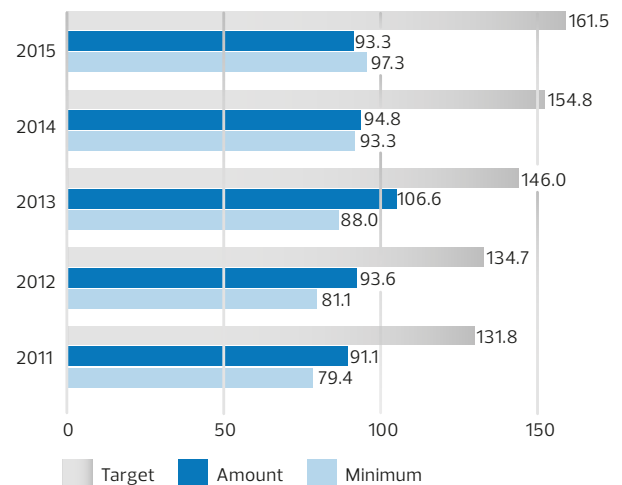


1 million +
square feet of land
in downtown was
under construction
in 2015

FINANCIAL STABILIZATION RESERVE

Within the City's accumulated surplus, the Financial Stabilization Reserve (FSR) is maintained to provide flexibility to address financial risks associated with revenue instability and unforeseen costs and to ensure the orderly provision of services to citizens. The reserve balance as of December 31, 2015 was \$93.3 million. The 2015 general government surplus of \$27.6 million will be transferred to the FSR in 2016 with \$13.5 million then appropriated for funding within the 2016 and 2017 operating budget, as approved by City Council. After reflecting the approved transactions, the adjusted estimated FSR balance of \$107.4 million will exceed the minimum level as set within the policy of \$97.3 million but will be below the target level of \$161.5 million.

Financial Stabilization Reserve
(millions of \$)



COMMUNITY REVITALIZATION LEVY

A Community Revitalization Levy (CRL) is a funding source the City can use to dedicate future property tax revenue in a specific area to fund public projects designed to encourage new development and revitalize a specific area of the City. The City currently has CRLs approved for Belvedere, the Quarters and Capital City Downtown. To date, the costs in the early stages of each of the CRLs exceed the CRL revenue, resulting in deficit balances in the CRL reserves. CRL revenues in future years are expected to offset the current reserve deficit balances.

KEY FINANCIAL GOALS AND MEASUREMENTS

As part of the City's strategic plan, *The Way We Finance* outlines how the City will ensure sound fiscal management and long-term financial sustainability. The following are some key financial performance indicators, including details on the measurement, goals and results for the 2015 year end that demonstrate the City is well on its way to maintaining financial sustainability. More detailed information on financial performance and benchmarks is available online at dashboard.edmonton.ca/finance.

Goal: maintain tax-supported debt service level below 15%

December 2015 Result:

10.6%



Goal: maintain municipal debt within the legislated debt limit

December 2015 Result:

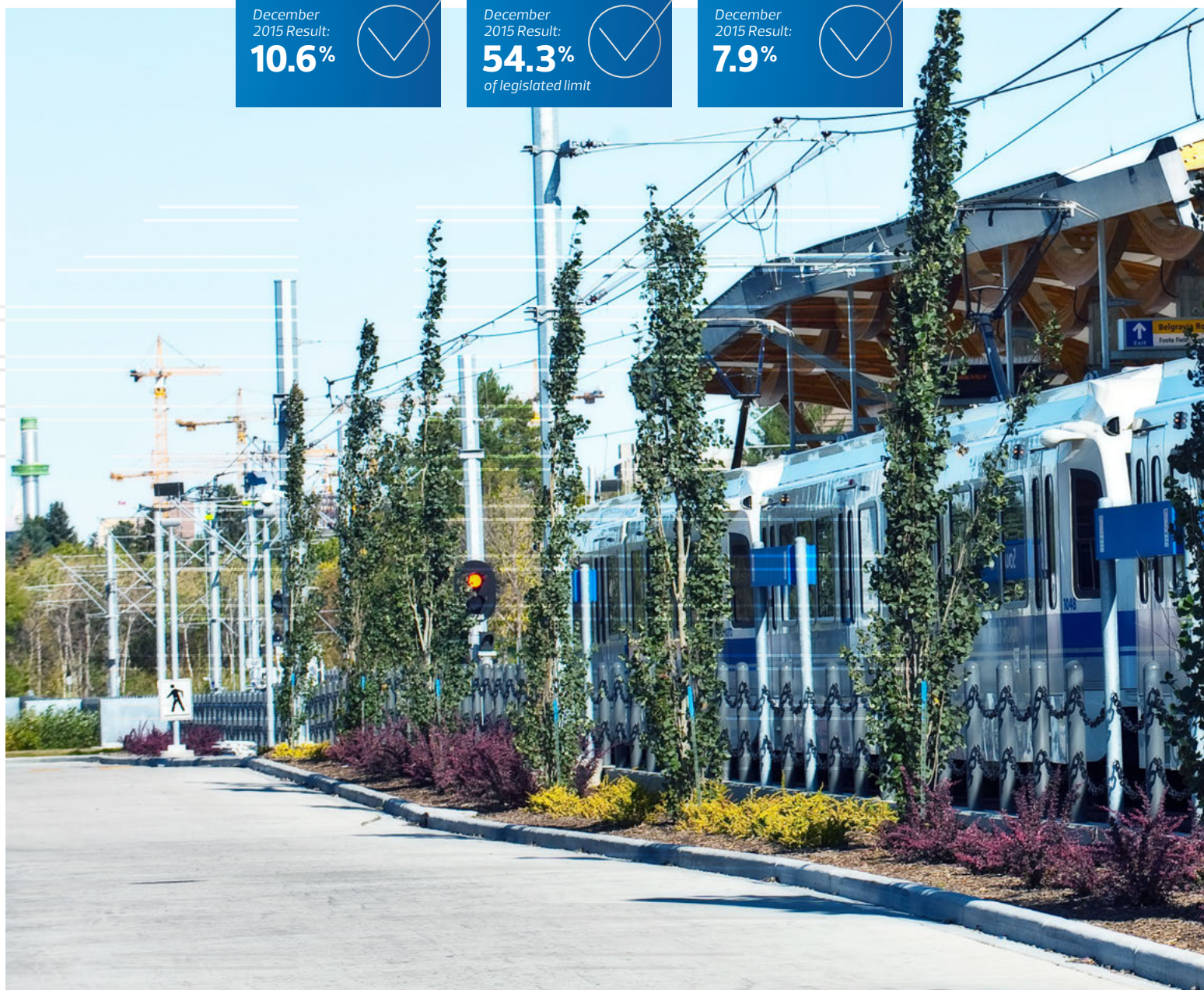
54.3%
of legislated limit



Goal: meet or exceed an investment return of 6.5%

December 2015 Result:

7.9%





Goal: capital infrastructure renewal rate is equal to or greater than 1.0

December 2015 Result:

1.0



Goal: maintain a credit rating of AA+

December 2015 Result:

AA+



ACCOMPLISHMENTS AND FUTURE PLANS

The City of Edmonton worked hard in 2015 to provide cost-effective infrastructure that met the high standards of citizens. Signs of a \$5 billion transformation occurring downtown couldn't be ignored. Over 1,000,000 square feet of land in the core hosted active construction sites. Twenty-five cranes towering over our city gave Edmontonians plenty of reasons to look up.

466

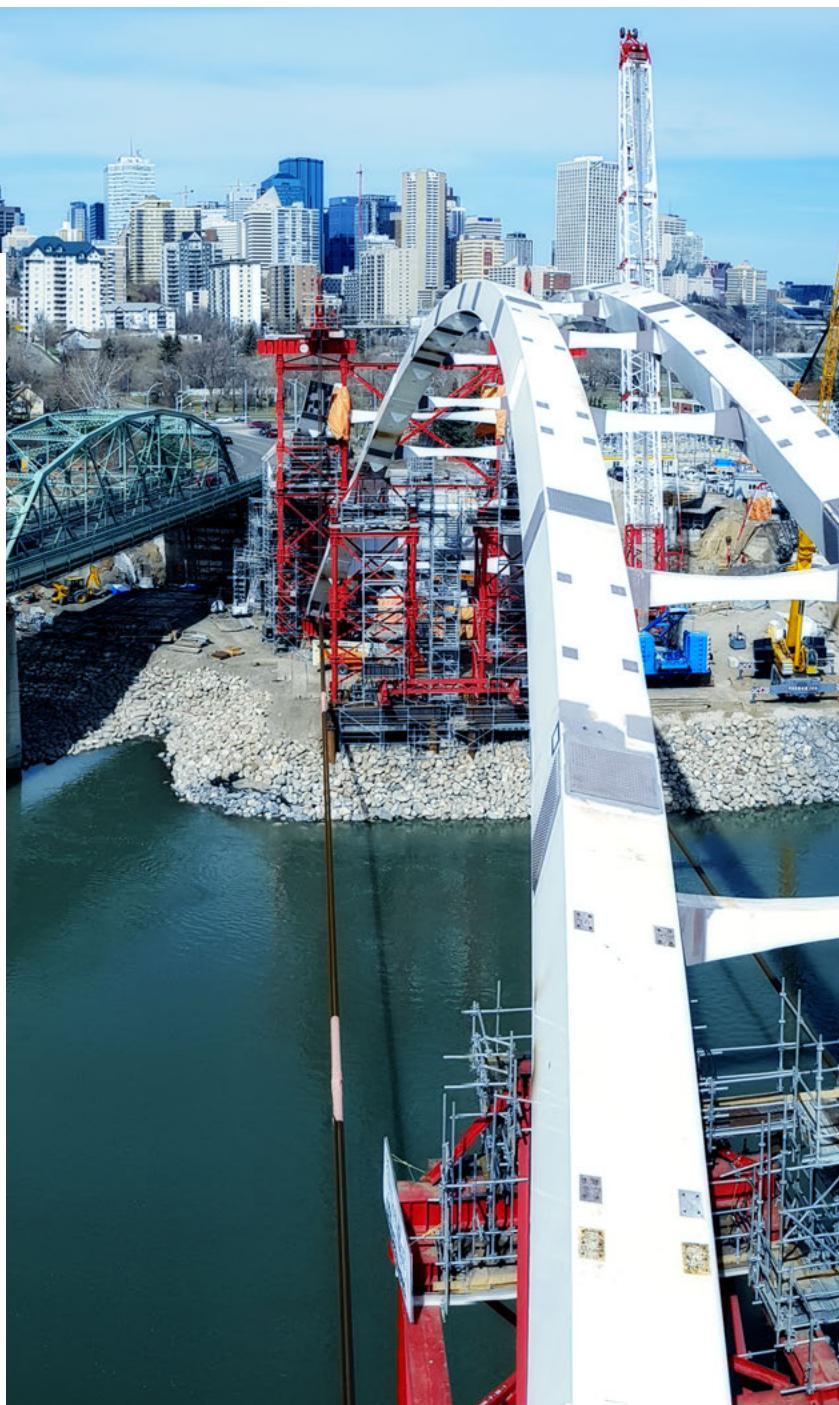
active capital projects with planned expenditures in the 2015 to 2018 budget cycle

BUILDING AN EXTRAORDINARY CITY

Just in time for back-to-school season, the Metro LRT line, after some setbacks, was opened to the public, connecting thousands of commuters to major destinations including NAIT, MacEwan University, Kingsway Mall and the Royal Alexandra Hospital. The Metro line will eventually transfer commuters to one of Edmonton's most exciting future destinations: Blatchford.

In August 2015, the City of Edmonton broke ground on one of the world's largest sustainable communities. Blatchford will incorporate new and developing technologies that will help redefine healthy community design.

Downtown wasn't the only neighbourhood experiencing new infrastructure. Residents in Edmonton's northeast community celebrated the grand opening of the Clareview Community Recreation Centre and Clareview Library. Across the river, the new Mill Woods Seniors & Multicultural Centre opened its doors. Continuing the theme of sustainable infrastructure, Edmonton celebrated the opening of the Kennedale Eco Station located in the northeast area of the City.



GROWING A GREENER CITY

Edmonton is serious about environmental sustainability. In 2015, the city took creative steps toward reducing Edmonton's ecological footprint, protecting the environment and increasing the well-being of both people and the planet.

The community of Blatchford is one of Edmonton's boldest endeavours toward environmental sustainability – and among the first of its kind in the world. In August, construction began on the first phase of residential development and a section of the central park.

In spring 2015, Edmonton demonstrated its environmental integrity by approving the Community Energy Transition Strategy. The strategy will diagnose energy and climate challenges, and help Edmonton transition to more renewable and reliable energy sources. By 2035, Edmonton aspires to see 10% of electricity consumption generated locally through alternate methods, such as solar energy.

In a pilot project aligned with the Community Energy Transition Strategy, Queen Elizabeth Outdoor Pool began absorbing the sun's rays to generate electricity to heat the water through a new solar power generating system.

Infill housing is an important component of building a sustainable city. Council approved changes in 2015 to the Zoning Bylaw, making it easier to build narrow lot houses, garage suites and garden suites.

The City of Edmonton was also recognized in 2015 with an Alberta Emerald Award for its Wildlife Passage Program. The program enables wildlife to travel from one area of the city to another, and encourages the consideration of wildlife needs in transportation and drainage projects.

CELEBRATING SOCIAL SUCCESSES

Edmonton is a generous city. We believe in equality for residents and recognize the importance of empathy and compassion. In 2015, we celebrated our diversity; committed to better helping those in need; and reconciled past, present and future relationships.

In January 2015, Chiefs representing the Confederacy of Treaty Six First Nations and Senior Representatives of Fort Edmonton signed a Memorandum of Understanding and Cooperation marking a new approach to the portrayal of First Nations people's history in the Park.

Following up on 2014's Year of Reconciliation in Edmonton, Edmontonians united at City Hall for the Reconciliation in Edmonton event in November 2015. Complete with photos, poetry, dance and artwork, the event was part of reconciling past, present and future relationships between Aboriginal and non-Aboriginal people in Edmonton.

In 2015, City Council unanimously approved the EndPovertyEdmonton strategy aimed at eliminating poverty in our city within a generation. The EndPovertyEdmonton Task Force identified strategies that will work to reduce and eventually eliminate poverty in our city.

Edmontonians closed 2015 by opening our arms and hearts. In December, we welcomed Syrian refugees to our city and helped families transition to a safer life in Edmonton.



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

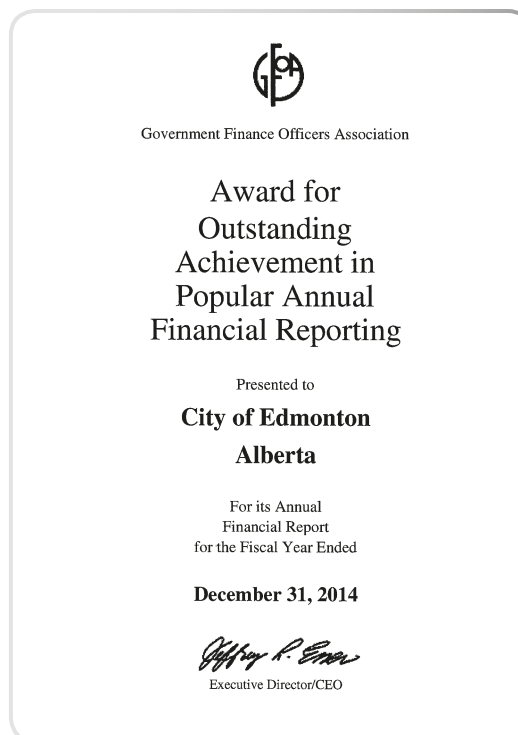
- Received for the City's annual financial report for the fiscal year ended December 31, 2014. Awarded by the Government Finance Officers Association of the United States and Canada (GFOA).
- Awarded to an annual report that is of high quality, easily readable, and efficiently organized whose contents clearly communicate the municipal government's financial picture, enhance an understanding of municipal government financial reporting and address user needs.
- The twenty-second consecutive year that the City of Edmonton has received this award.

POPULAR ANNUAL FINANCIAL REPORTING AWARD

- Received for the 2014 Financial Report to Citizens. Awarded by the Government Finance Officers Association of the United States and Canada (GFOA).
- 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.

DISTINGUISHED BUDGET PRESENTATION

- Received for the City's annual budget publication for the fiscal year beginning January 1, 2015. Awarded by the Government Finance Officers Association of the United States and Canada (GFOA).
- Awarded to a budget document that is of the highest quality that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.



ACHIEVEMENT OF EXCELLENCE IN PROCUREMENT AWARD

- Received in 2015 for excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. Awarded by the National Purchasing Institute.
- The sixteenth consecutive year that the City of Edmonton has received this award.

Edmonton received the *Sport Tourism Organization of the Year Award* for 2015 from the Canadian Sport Tourism Alliance (CSTA). The award recognizes the community or organization that best influenced sport tourism in their region in 2015.



2015 ANNUAL REPORT

CITY OF EDMONTON, ALBERTA, CANADA
FOR THE YEAR ENDED DECEMBER 31, 2015



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

2015 INVESTMENT COMMITTEE ANNUAL REPORT



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

For more information about
the City of Edmonton, visit:

www.edmonton.ca or call **311**

If you have inquiries about the 2015 Financial Report to Citizens,
direct them by mail or phone at:

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

Phone: 780-496-4944