

City of Edmonton

# UTILITY SERVICES

2015 ANNUAL REPORT

Edmonton





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An employee at the Edmonton Waste Management Centre monitors compost produced from organic waste

# MESSAGE FROM THE MANAGER

I am pleased to present the first consolidated Utility Services Annual Report, highlighting 2015 accomplishments of the Waste Management Utility and the Drainage Utility, which were integrated to form one branch at the end of 2015.



Integration is by no means an easy task, but it allows for great opportunities. Everything we do, and the way that we do it, is in service to residents. Given the nature of our work and common values shared between the Waste Management and Drainage utilities, it makes sense to optimize the way we deliver services and programs by working together. Our employees have been working through the integration with the utmost professionalism and, despite having to adapt to our new reality, I am particularly proud of their unwavering commitment to keeping service to residents as the top priority.

During 2015, we advanced our efforts to divert waste from landfill with the continued construction and operation of Enerkem's Waste to Biofuels and Chemicals Facility, and the planning and design of the Anaerobic Digestion Facility to expand our capacity to process organic waste.

We also opened our fourth Eco Station in northeast Edmonton, which contributed towards the Eco Stations' record-breaking year with 277,787 visits. These facilities demonstrate our commitment to innovatively meeting the demands of a growing city while remaining steadfast in our efforts to preserve and sustain Edmonton's environment.

In 2015, we saw significant strides in flood mitigation with the completion of sanitary sewer upgrades in Millwoods and a record-breaking 20,070 lot grading inspections. We also distributed an impressive \$223,528 in financial subsidies to homeowners for backwater valve installations as a result of 30,000 phone, counter and e-mail inquiries.

We rely heavily on our well-established connection to residents so they understand how they can contribute to reducing waste in our city and maintaining a healthy and sustainable drainage system. In 2015, the grasscycling outreach campaign encouraged 58 per cent of single family residents to usually leave their grass clippings on the lawn. Edmonton is often referred to as a 'Festival City', and 2015 saw collaboration with our many festival organizers, most significantly the Heritage Days Festival, to help prevent adverse releases to the storm sewers during events.

Utility Services continues to meet the demands of a busy and growing city. We have a branch with more than 800 employees, and as work on the integration unfolds in 2016, I am confident that the joint force of our employees' talent, passion and dedication will further improve our services and capabilities as we learn from and bring out the best in each other.

**Chris Ward**  
Branch Manager, Utility Services



Binod Rajbhandari, receiving his City Manager's Award of Excellence, for developing software to forecast design and construction resources. Pictured with (left to right) Chris Ward (Branch Manager), Linda Cochrane (Acting City Manager), Clement Yong, and Anju Rajbhandari



# STRATEGIC FRAMEWORK

## WASTE MANAGEMENT UTILITY VISION

**To be a customer-driven world leader in sustainable and innovative waste management.**

The Waste Management Utility builds partnerships that contribute to delivering services that are cost effective, environmentally sustainable and customer focused. As leaders in providing waste management solutions, the Waste Management Utility will continue to be environmental champions and globally recognized as innovative leaders in waste management.

## WASTE MANAGEMENT UTILITY MISSION

**To provide waste management services for the City of Edmonton taking into consideration the needs of residents, the preservation of natural resources, the protection of the environment and the financial capabilities of the City.**

The Waste Management Utility is committed to reducing its environmental footprint through utilizing the best economically and financially available means to manage waste and engage citizens to reduce waste through community outreach. The Waste Management Utility provides responsive services by collecting and processing residential and non-residential waste to recover resources and increase landfill diversion rates. These operations are aided by internal and external support services.

## DRAINAGE UTILITY VISION

**Excellence and innovation in wastewater, stormwater and biosolids management through customer service, environmental stewardship, and fiscal responsibility.**

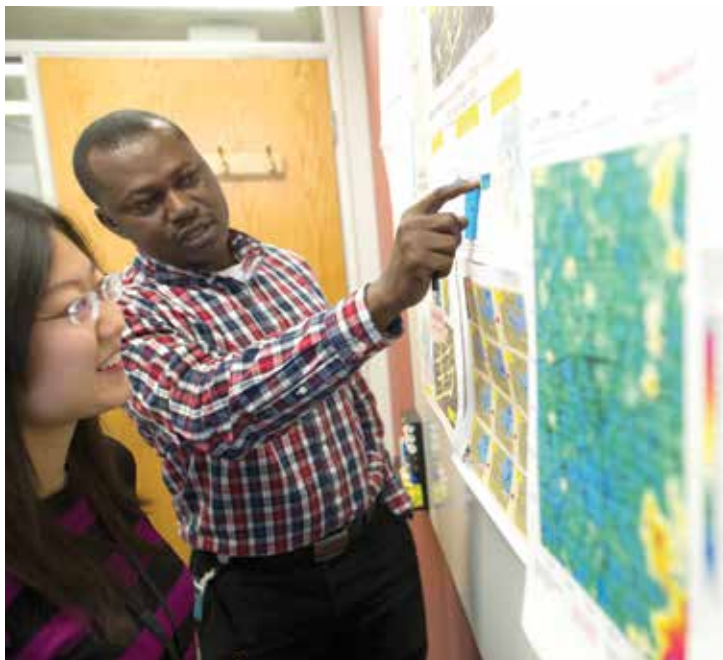
The Drainage Utility provides high quality and reliable service to customers in a safe and sustainable manner. Through well-maintained drainage infrastructure, efficient and up-to-date management systems, innovative system planning, and attention to continuous improvement, the Drainage Utility contributes to City of Edmonton strategic goals in the areas of sustainable growth, quality of life, prosperity, health, and the environment.

## DRAINAGE UTILITY MISSION

**We protect public health and the environment by managing wastewater, stormwater and biosolids through environmentally and financially sustainable practices for the City of Edmonton, the North Saskatchewan River system, and our regional partners.**

The Drainage Utility minimizes the negative impacts resulting from the disposal of wastewater, stormwater and biosolids on public health, quality of life, and the environment including the North Saskatchewan River, the City of Edmonton, and the Capital Region. The Drainage Utility contributes to Edmonton's vision leading the way in environmental stewardship, innovative design, and cost-efficiency, and by meeting ISO 14001 environmental performance expectations.

### ▼ Rainfall Density mapping– Open Data rainfall



## VALUES

The following values for Utility Services reflect City of Edmonton goals and priorities, our professional values and the nature of our work:

### ENVIRONMENTAL STEWARDSHIP & PUBLIC HEALTH

Utility Services continues to be a leader in environmental performance and public health and safety standards. We meet or exceed municipal, provincial and federal requirements for stewardship of the environment, public health, and public safety.

### EXCELLENT SERVICE

Utility Services achieves excellence in customer service. We are innovative in finding ways to deliver services that are both efficient and effective. We provide access to our leading-edge facilities. We stay current with emerging technologies and best practices to provide valued service to customers, partners and other stakeholders.

### COLLABORATION

Utility Services recognizes the increasing cross-jurisdictional and cross-functional nature of environmental, asset management, and financial challenges and the need for collaborative processes to find solutions. We work collaboratively within the Branch and with others in the Department, the City, our regional partners, EPCOR, other orders of government, other municipalities and related organizations to achieve common goals, efficient use of resources, and innovative solutions to challenges.

### SUSTAINABILITY

Utility Services plays a key role in the long-term sustainability of our City. We adopt integrated sustainable practices that benefit citizens and the environment; we repair, replace and build new facilities to achieve sustainable urban development goals; and we enable affordable utility rates for the people of Edmonton over the long term.

### ENGAGED AND INSPIRED EMPLOYEES

Utility Services is proud of the expertise of its team. Our work environment is innovative, positive, team-oriented and safe. We perform our jobs with integrity and transparency.

▼ Drainage Operations combination unit

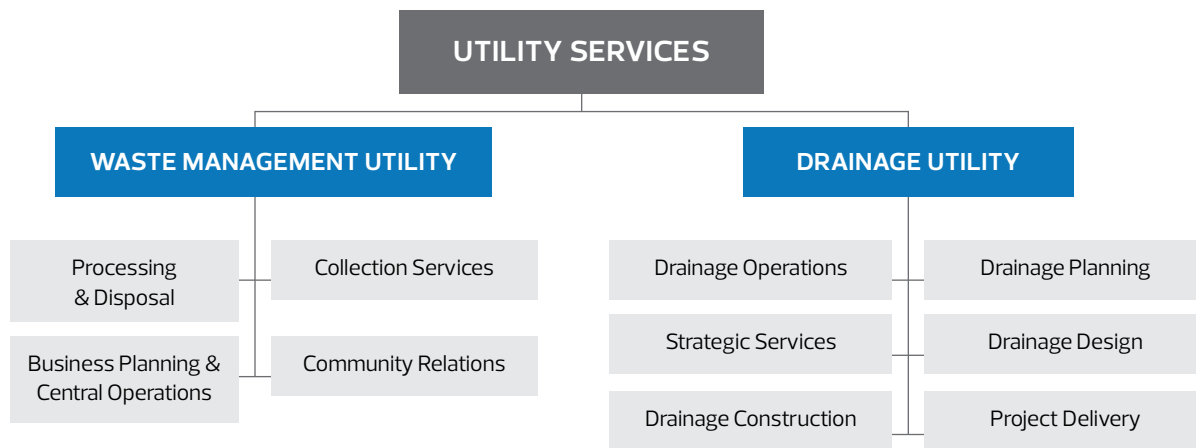


“ Great response time by @CityofEdmonton after calling 311 re a blocked storm drain. City is on it within a few hours same day #saturday #yeg ”

🐦 @kimedmonton

## ORGANIZATIONAL STRUCTURE

Under Utility Services, the City of Edmonton manages two utilities: the Waste Management Utility and the Drainage Utility. The City owned utilities provide vital services that play an integral part in the day-to-day lives of City of Edmonton residents. The utilities also help promote City Council's overall vision and long-term strategic objectives through the following organizational structure:



The **Waste Management Utility** is a leader in sustainable waste solutions with innovative systems that divert waste from landfill and treat waste as a resource. The City's integrated waste management system closely aligns with three of City Council's 10-year strategic goals: Preserve & Sustain Edmonton's Environment; Improve Edmonton's Livability; and Ensure Edmonton's Financial Sustainability.

The **Drainage Utility** provides sanitary and stormwater drainage services to Edmonton residents by planning, building, operating, and maintaining pipes, tunnels, pump stations, and stormwater management facilities that make up the City's drainage network. It is the Drainage Utility's mission to protect the environment and public health for residents. The drainage planning, design and construction, and project delivery services support other departments within the City. The Drainage Utility closely aligns with five of City Council's 10-year strategic goals: Preserve & Sustain Edmonton's Environment; Improve Edmonton's Livability; Diversify Edmonton's Economy; Ensure Edmonton's Financial Sustainability; and Transform Edmonton's Urban Form.














“Great customer service: @CityofEdmonton Drainage & 311. Big thanks to Sewer Service crew 612 Art & James.”

 @FloydBye

◀ Sewer Service crew



The following is the summary of the Waste Management Utility's performance measures:

| Strategies/Tactics/Actions   | Measures   | Actual  |         |         | 2015 Target | Link to strategic goal   |
|--|--|---------|---------|---------|-------------|--|
|  |  | 2013    | 2014    | 2015    |             |  |
| GOAL: OPERATIONAL SUSTAINABILITY   |  |         |         |         |             |  |
| 1.1 Deliver efficient, environmentally sound collection services   | Cost per tonne for curbside collection of refuse and recyclables             | \$136   | \$140   | \$143   | \$147       | <br>Ensure Edmonton's Financial Sustainability  |
| 1.2 Continue to maximize efficiencies by addressing geographic expansion and traffic congestion              |  |         |         |         |             |  |
| GOAL: ENVIRONMENTAL STEWARDSHIP  |  |         |         |         |             |  |
| 2.1 Process residential and non-residential waste to recover resources and increase landfill diversion rates | Compliance with environmental permits and regulations                        | 100%    | 100%    | 100%    | 100%        | <br>Ensure Edmonton's Financial Sustainability  |
|  | Percentage diversion of residential waste from landfill                      | 51%     | 51%     | 52%     | 55%         |  |
| 2.2 Develop the Anaerobic Digestion Facility to increase landfill diversion of organics                      | Cost per tonne of material processed at the Edmonton Waste Management Centre | \$84    | \$93    | \$99    | \$99        | <br>Preserve & Sustain Edmonton's Environment   |
| 2.3 Continue to expand services to non-residential sector for collection and processing of waste             | Tonnes of non-residential waste diverted from landfill                       | 85,000  | 69,000  | 65,000  | 80,000      |  |
| GOAL: CITIZENS WELL SERVED   |  |         |         |         |             |  |
| 3.1 Provide responsive services that meet the changing needs of our customers                                | Number of users of Eco Stations and Big Bin Events                           | 240,683 | 249,590 | 287,989 | 270,000     | <br>Improve Edmonton's Livability             |
|  | Number of missed collection stops per 10,000                                 | 3       | 3       | 2       | 4           |  |
| 3.2 Operate 4 Eco Stations and 12 Big Bin Events   | Percentage of customers satisfied with waste collection services             | N/A     | 89%     | 89%     | 90%         | <br>Preserve & Sustain Edmonton's Environment |
| 3.3 Maintain high levels of customer satisfaction and low incidents of missed collection                     |  |         |         |         |             |  |
| GOAL: INNOVATION AND TECHNOLOGY  |  |         |         |         |             |  |
| 4.1 Maintain our leadership status focusing on innovation and attracting green businesses                    | Percentage diversion of residential waste from landfill                      | 51%     | 51%     | 52%     | 55%         | <br>Preserve & Sustain Edmonton's Environment |
| 4.2 Convert waste to biofuels  |  |         |         |         |             |  |
| GOAL: COMMUNITY ENGAGEMENT   |  |         |         |         |             |  |
| 5.1 Engage and facilitate residents' participation in waste reduction, reuse and recycling                   | Percentage of households recycling   | N/A     | 92%     | 93%     | 93%         | <br>Preserve & Sustain Edmonton's Environment |
| 5.2 Continue to deliver education and social marketing programs with the support of volunteers               |  |         |         |         |             |  |



“Great episode (Amazing Race), I didn’t realize Edmonton did that much in the plant, impressive!”

Ellen Hancock









▼ Battery Newman thanks Eco Station staff for making sure his chemical friends are taken care of at the Eco Station

“Dropped off household items today @CityofEdmontonKennedale Eco Station. What a great facility!”






 Stephane Labonne



The following is the summary of the Drainage Utility's performance measures:

| Strategies/Tactics/Actions                            |  | Measures  | Actual |        |             | 2015 Target | Link to strategic goal   |
|---|--|---|--------|--------|-------------|-------------|--|
|   |  |   | 2013   | 2014   | 2015        |             |  |
| GOAL: HEALTHY LIVING AND ENVIRONMENTAL STEWARDSHIP    |  |   |        |        |             |             |  |
| 1.1   | Mitigate the environmental and public health impacts of combined sewers  | Edmonton Watershed Contaminant Reduction Index Score (five-year rolling average)  | 6.7    | 6.5    | 6.7         | 6.5         | <br>Improve Edmonton's Livability<br><br>Preserve & Sustain Edmonton's Environment     |
| 1.2   | Coordinate with regulators to ensure understanding and compliance with current and emerging regulations  | River Water Quality Index<br><i>* available from Alberta Environment and Parks later 2016</i>   | 73     | *      | *           | 87          |  |
| 1.3   | Reduce the amount and improve the quality of stormwater discharge through a variety of approaches including encouraging low impact development, increasing the use of green infrastructure and exploring innovative techniques | Kg of Total Loading – Total suspended solids (five-year rolling average)  | 43,500 | 52,000 | 53,300      | 51,000      |  |
| 1.4   | Develop solutions to support the beneficial use of biosolids   |   |        |        |             |             |  |
| 1.5   | Engage in Proactive Watershed management and planning such as the River for Life Strategy  |   |        |        |             |             |  |
| 1.6   | Minimize system odour emissions and air entrapment impacts   |   |        |        |             |             |  |
| 1.7   | Proactively manage the potential impacts of climate change through adaptation of current systems   |   |        |        |             |             |  |
| 1.8   | Support conservation of natural areas and wetlands   |   |        |        |             |             |  |
| GOAL: CITIZENS WELL SERVED                            |  |   |        |        |             |             |  |
| 2.1   | Reduce the risk of flooding for private property and public spaces   | Percentage of emergencies responded to within 2 hours   | n/a    | n/a    | 84.0%       | 80.0%       | <br>Improve Edmonton's Livability<br><br>Preserve & Sustain Edmonton's Environment |
| 2.2   | Increase customer satisfaction with drainage services and responsiveness   | Number of Blocked Mainline Sewers per 100 KM  | 2.4    | 2.3    | 1.3         | 2.5         |  |
| 2.3   | Strengthen customer relations through communication, engagement and education by developing proactive programs   | Percentage of mature neighbourhoods at 1:100 level of service   | 6.0%   | 6.0%   | 8.7%        | 9.0%        |  |
| GOAL: SUPPORTING AND ENHANCING GROWTH AND DEVELOPMENT |  |   |        |        |             |             |  |
| 3.1   | Manage ongoing wastewater and stormwater servicing programs to ensure growth and development is well planned and coordinated   | Percent of Land Development Applications reviewed on time   | 28.8%  | 46.3%  | 55.0%       | 75.0%       | <br>Transform Edmonton's Urban Form   |
| 3.2   | Support densification and infill development through planning and implementation of system upgrading and/or green infrastructure   | Pipe Capacity Rating (SAN–STM–CSO: 2/B or Better)<br><i>* New measure, no target set for 2015 based on the 2016–2018 business plan &amp; budget</i> | N/A    | N/A    | 96%–50%–80% | N/A         |  |
| 3.3   | Coordinate on industrial land development to support the City's prosperity goals   |   |        |        |             |             | <br>Diversify Edmonton's Economy  |
| 3.4   | Enhance servicing in a regional context by supporting planning for growth and coordination/ harmonization of regional servicing  |   |        |        |             |             |  |



| Strategies/Tactics/Actions   | Measures  | Actual  |         |         | 2015 Target | Link to strategic goal  |
|--|---|---------|---------|---------|-------------|---|
|  |   | 2013    | 2014    | 2015    |             |   |
| GOAL: SUSTAINABLE INFRASTRUCTURE   |   |         |         |         |             |   |
| 4.1 Proactive maintenance, rehabilitation and replacement of assets through increased monitoring, inspection and condition assessment  | Percentage of infrastructure at or above the minimum level of condition rating                | 90.9%   | 90.8%   | 90.8%   | 90.0%       | <br>Transform Edmonton's Urban Form<br><br><br>Ensure Edmonton's Financial Sustainability   |
| 4.2 Enhance the processes around data gathering, management and application, and link the data more effectively into the planning, design, construction, and maintenance phase | Percentage capital (as rehabilitation) re-invested compared to total system replacement value | 0.29%   | 0.35%   | 0.45%   | 0.47%       |   |
| 4.3 Integrate an asset management philosophy into day-to-day activities to extend responsibility across Drainage   |   |         |         |         |             |   |
| 4.4 Increase innovation to achieve more efficient and effective management of Drainage infrastructure  |   |         |         |         |             |   |
| GOAL: FISCAL RESPONSIBILITY  |   |         |         |         |             |   |
| 5.1 Ensure a fair and equitable rate structure that supports necessary Drainage initiatives  | Annual Net Income   | \$34.6M | \$50.4M | \$43.3M | \$39.8M     | <br>Ensure Edmonton's Financial Sustainability   |
|  | Percentage Rate Increase  | 7.5%    | 7.8%    | 3.2%    | 3.2%        |   |
| 5.2 The Drainage Utility is operating in a manner that is financially sustainable  | Debt to Net Asset Ratio   | 55.0%   | 53.0%   | 50.0%   | 56.0%       |   |
|  | Cash Position   | \$47.8M | \$25.6M | \$17.8M | \$57.8M     |   |
| 5.3 Engage in transparent and efficient budgeting and reporting processes to provide clear and timely financial information  |   |         |         |         |             |   |
| 5.4 Manage the process of funding the renewal of developer contributed assets  |   |         |         |         |             |   |
| GOAL: ORGANIZATIONAL EXCELLENCE  |   |         |         |         |             |   |
| 6.1 Ensure workforce sustainability through effective recruitment, training and retention  | Employee Engagement Survey Score  | 66.3%   | 68.0%   | N/A     | 70.0%       | <br>Ensure Edmonton's Financial Sustainability<br><br><br>Improve Edmonton's Livability |
|  | Percentage turnover per 100 FTEs (excluding retirement)                                       | 3.5%    | 6.4%    | 3.4%    | 6.0%        |   |
| 6.2 Improve internal communication, coordination and collaboration within Drainage and between City departments  |   |         |         |         |             |   |
| 6.3 Develop a culture to support a high performing organization  |   |         |         |         |             |   |
| 6.4 Optimize equipment management and adopt new technology to support effective and efficient operations   |   |         |         |         |             |   |
| 6.5 Enhance knowledge transfer within and across Drainage functions  |   |         |         |         |             |   |

\*All 2015 Targets updated based on Budget

## 2015 HIGHLIGHTS

In 2015, the Drainage Utility achieved a decrease in the number of blocked mainline sewers per 100 km length. The blockages decreased from 2.3 in 2014 to 1.3 in 2015. The preventative maintenance program of the sewers throughout the City has been one of the key drivers in ensuring that the system is operating safely and efficiently. The Drainage Utility will continue to service and maintain Edmonton's drainage system to a high level of standard.

In 2015, the Waste Management Utility had a record two missed-collection stops per 10,000, as compared to three missed-collection stops per 10,000 in 2014. Also, the Waste Management Utility had an 89 per cent customer satisfaction rate with waste collection services and continued to process residential waste, diverting 52 per cent of residential waste from landfill.



Looking up from the bottom of an access shaft





**The following  
achievements  
contribute to City  
Council's goal**

### **PRESERVE & SUSTAIN EDMONTON'S ENVIRONMENT**

1. The Waste Management Utility collected 250,528 tonnes of residential waste from 206,576 single unit and 163,636 multi unit households.
2. The Drainage Utility provided high quality and reliable sanitary and stormwater drainage services to approximately 250,000 customers.
3. Utility Services is committed to reducing its environmental impact, meet environmental objectives and comply with all regulations through ENVISO, the City of Edmonton's environmental management system. In 2015, Utility Services successfully completed an external re-registration ENVISO audit for the Waste Management Utility and an external surveillance ENVISO audit for the Drainage Utility. Both external audits served as reminders of Utility Services' commitment to continually monitor and improve its environmental performance.
4. Partnerships with the Alberta Capital Region Wastewater Commission and EPCOR demonstrated Utility Services' ability to manage biosolids disposal in Edmonton. In 2015, 37,680 dry tonnes of biosolids were beneficially used, exceeding the target. The Drainage Utility partners with the Waste Management Utility to utilize biosolids in the production of compost, and transferred 13,210 dry tonnes to the Edmonton Composting Facility in 2015. This partnership also manages the NutriGold program, which beneficially applied 11,709 dry tonnes, exceeding the target of 10,100 dry tonnes.
5. Utility Services continued to exchange and share knowledge about solid waste, stormwater, water and wastewater with other Canadian municipalities, through participation in the National Solid Waste Benchmarking Initiative and the National Water and Wastewater Benchmarking Initiative. Apart from serving as a reference point for comparing Canadian municipalities, these benchmarking initiatives are used to further develop programs that are environmentally, socially and financially responsible.
6. In 2015, the Kennedale Eco Station, the City's fourth, officially opened and contributed towards the Eco Stations' record-breaking year with 277,787 visits. Additionally, the Kennedale Eco Station has applied for the Leadership in Energy and Environmental Design (LEED) Gold standard.
7. The Waste Management Utility's various waste, recycling and composting operations, combined with backyard composting, grasscycling and reuse practiced by residents resulted in diversion of 52 per cent of residential waste from landfill in 2015.
8. Construction and operation of Enerkem's Waste to Biofuels and Chemicals Facility continued in 2015. Once fully operational, this facility will produce 38 million litres annually of clean fuels and biochemicals.
9. Planning and design of the Anaerobic Digestion Facility was initiated in 2015. This facility will expand the organics waste processing capacity by approximately 40,000 tonnes and will divert this material from landfill. It will also contribute towards producing quality compost and generate biogas, which will be converted into renewable electricity and heat to be utilized at the Edmonton Waste Management Centre. Additionally, greenhouse gas emissions will be reduced from the operation of this facility.

“Every Friday I'm filled with gratitude for @CityofEdmonton garbage collectors—thank you so much for always picking up garbage & recycling.”

🐦 @Dreamerdejong



10. The Edmonton Waste Management Centre provided a wide variety of waste processing and disposal services to residents and businesses. Approximately 210,000 waste loads were delivered to the Edmonton Waste Management Centre, and 513,000 tonnes of waste were processed at the facility.
11. A mobile mapping application was created in 2015 to track and address collector safety and environmental concerns. This application helped achieve an 82 per cent commitment rate from 427 residents to implement safer set-out practices of waste and recycling.
12. The Edmonton Waste Management Centre reduced its environmental footprint through composting operations which generated over 54,078 tonnes of CO<sub>2</sub> equivalent offsets from greenhouse gases (GHG). Additionally, the Landfill Gas Recovery System, owned and operated by Capital Power, effectively reduced landfill gas emissions from Clover Bar Landfill and generated 57,689 tonnes of CO<sub>2</sub> equivalent offsets.
13. The Drainage Utility staff initiated the Yellow Fish Road program at Hawrelak Park in 2015. Yellow Fish Road is an educational program from Trout Unlimited Canada to help prevent adverse releases to the storm sewers by painting a yellow fish stencil on storm drains that lead to natural watercourses. Additionally, the Drainage Utility staff met with various festival organizers to help them understand the correct use of the sewer system during their events, such as the use of grease traps, disposal of greywater wastes and issues with hauled wastewater. This ensures that festivals comply with the Drainage Bylaw 16200 requirements.
14. In 2015, a joint three-year study was initiated with the University of Alberta that focuses on chloramine dissipation in storm sewers. Chloramine, which is used to treat the city's drinking water, is considered toxic to aquatic life when it reaches the river via the storm system. The goal of the study is to develop a model that will determine chloramine dissipation in the storm sewers under different conditions and its effects on aquatic life.
15. In 2015, the Drainage Utility was active in the community, working with the public to ensure a clean and safe environment as well as stewardship of the River Valley. The year included:
  - 5,077 compliance inspections
  - 588 notices to comply
  - 2,673 outfall inspections
  - 404 spill reports
  - 798 environmental inquiries
  - 735 odour responses
16. Regular maintenance of the City's sewer assets remains crucial to maintain environmental and health standards. Operational crews completed the following:
  - 593 kilometres of high pressure flushing
  - 34 kilometres of hydro mechanical cleaning (chain flail)
  - 157 kilometres of mainline television/inspection (CCTV)
17. A major awareness campaign was conducted for "Pollution Prevention for Operations Associated with Boiler Discharge and Maintenance". The objective is to reduce heavy metals in the biosolids coming from Gold Bar Wastewater Treatment Plant.





◀ Picture given to a waste collector from a family in Millwoods to thank him for collecting their waste every week



**The following achievements contribute to City Council's goal**

### IMPROVE EDMONTON'S LIVABILITY

1. In 2015, the Reuse Centre received a record 243 tonnes of reuse items and 29,187 total customer visits. Of the 243 tonnes received, 92 per cent of the materials were diverted from landfill.
2. Through community outreach and engagement, the Waste Management Utility successfully delivered 969 tours and presentations to 24,601 individuals.
3. The Waste Management Utility's partnership with Quality One Training and Support Inc. at the Edmonton Waste Management Centre, continued to provide employment opportunities to an average of 70 previously marginalized individuals with employment barriers.
4. Some residents with mobility restrictions require assistance to place their waste or recycling out for collection. At the end of 2015, 276 residents were receiving the door-side Assisted Waste Collection Service.
5. In 2015, the grasscycling outreach campaign was successful in increasing resident participation in grasscycling. About 58 per cent of single family residents with a lawn to mow usually leave their grass clippings on the lawn now.
6. In 2015, the Flood Prevention Program saw 459 homes, and inspected and visited 58 multi-family units.
7. 2015 was another record-breaking year for the Drainage Utility with the number of lot grading inspections totalling 20,070. In addition, over 30,000 phone, counter and e-mail inquiries were handled and homeowners in Edmonton received \$223,528 in financial subsidies for backwater valve installation.
8. A public Open Data webpage was launched with a map and table of near-real-time rainfall totals and qualitative storm severity assessment. It informs the public of how much rain has fallen near their area and what it may mean as far as effects, such as potential flooding. This webpage was promoted internally and in the local media, with the local weather broadcasts using this information.
9. Sanitary sewer upgrades to the Bearspaw neighbourhood were completed in 2015 to reduce the flood risk of severe storms in Bearspaw and Keheewin neighbourhoods (which statistically occur once per century).

## ▼ Outfall replacement in river valley near Hawrelak Park



**The following  
achievements  
contribute to City  
Council's goal**

### TRANSFORM EDMONTON'S URBAN FORM

1. The Drainage Utility was pleased to have an employee, Binod Rajbhandari, recognized as the recipient of the City Manager's Award of Excellence – Innovation category for the development of a resource estimating planning software used to forecast design and construction resources.
2. The digitization of all as-built drawings began in the Drainage Utility for more efficient delivery of information and less paper waste, as well as automating the engineering review process.
3. The Drainage Utility established a centralized electronic method and developed procedures to handle locate requests, improving communication with locating companies.
4. 2015 saw the completion of the design for Ekota Dry Pond and Menisa Storm Relief project. Construction will commence in April 2016 and be completed in 2017. This project will provide flood risk reduction for Ekota and Menisa neighbourhoods for severe storm events (which statistically occur once per century).
5. The Drainage Utility's Neighbourhood Renewal Program has seen an increase in services rehabilitation, a 700 per cent increase from 2014. In 2015, eight neighbourhood designs and two additional special project designs were completed, as compared to six neighbourhood designs completed in 2014.



# FINANCIAL SUMMARY

## WASTE MANAGEMENT UTILITY

The 2015 Utility Services Annual Report reflects the financial performance and significant accounting policies for the Waste Management Utility with the following unaudited financial statements, schedules, and notes to financial statements:

### WASTE MANAGEMENT UTILITY

Statement of Financial Position

Statement of Operations and Accumulated Surplus

Statement of Change in Net Debt

Statement of Cash Flows

Schedule 1: Schedule of Tangible Capital Assets

Schedule 2: Tangible Capital Expenditures Statement

Schedule 3: Financial Indicators




## WASTE MANAGEMENT UTILITY

These Financial Statements are intended to report on the financial condition as of December 31, 2015 to ensure accountability, transparency and to assist with both long-term financial and strategic planning. The requirements for municipal financial reporting are standardized across Canada based on the Public Sector Accounting Handbook. The Public Sector Accounting Board establishes accounting standards for the public sector, providing guidance for financial and other performance information. These financial statements represent a transitional step towards Public Sector Accounting Standards statements, with the 2015 reports being prepared in the Municipal reporting format and comparative information for 2014 restated to adapt with the new format. The reports will continue to move towards compliance with Public Sector Account Standards in future years.

In order to address temporary non-regulated program losses and to achieve target cash balances, a tax-supported equity contribution was approved in the 2015 Operating Budget process. Annual draws were approved to occur for four years, 2015 to 2018. The principal and interest (1.5%) are paid annually, starting with the first draw in 2015 equal to the non-regulated net deficit of \$1,572. This loan will ensure non-regulated rate increases can be minimized as this loan will serve to cover operating shortfalls.

The following discussion is intended to be read alongside the unaudited financial statements.

**“ Learning to backyard compost (thanks to city of edmonton compost workshops) to reduce household waste and produce great soil #gogreenyeg ”**

 @AvenueEdmonton





## STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides information on the Waste Management Utility's ability to finance its activities and to meet both obligations and commitments. The year 2015 ended with a net debt position, financial assets less than liabilities, of \$230,766. This is a decrease in net debt of \$1,881 from the previous year. The overall financial position of the Waste Management Utility has improved in 2015, as demonstrated by the increase in both assets and accumulated surplus.

The financial assets have grown by \$9,770 from \$23,777 in 2014 to \$33,547. The primary component for the increase in financial assets is the cash and cash equivalents. There is an offsetting increase in liabilities of \$7,889 from \$256,424 in 2014 to \$264,313. The primary components of the change are the increase in the revaluation of post-closure liability of \$4,361 and additional long-term debt to fund tangible capital assets of \$3,887.

The Landfill Closure and Post-Closure liability revaluation increased from the 2014 forecast, as a result of the revised estimated date for application of the landfill closure and the requirement for remediation work on the landfill liner. The closure date is highly dependent on the progress of capping the landfill over the coming years and is subject to change based on achieved timelines and costs.

An important change in accounting practice for 2015 is the tracking of inventory of materials and supplies at Edmonton Waste Management Centre. Historically, inventory was tracked on a separate system. In 2015, the Waste Management Utility began using the corporate accounting system looking to provide improved control, transparency and valuation. The \$144 Inventory includes concrete and marketable recyclables, like plastics, fibre and metals.

The Waste Management Utility's accumulated surplus of \$57,153 is an increase of \$10,800 from the previous year. The components of accumulated surplus are unrestricted accumulated operating deficit, restricted surplus and equity in tangible capital assets. The major contributors to the 2015 increase are various sources of funding for tangible capital assets which are offset by addition of assets, annual excess of revenues over expenses and a tax supported equity contribution for non-regulated operations. Note 8 to the Financial Statements provides disclosure of the current accumulated surplus position.



# STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

The Statement of Operations and Accumulated Surplus reports the annual operating revenues, expenses, and the resulting excess or deficit. The 2015 approved budget forecasted a loss position, while the actual operating result was an excess of revenue over expenses before other revenues of \$2,811 as compared to \$946 in 2014. Other sources of revenue not from operations are contributed tangible capital assets of \$5,320 resulting in an excess of revenue over expenses of \$8,131.

The major categories of revenues are rate revenue, program revenue, and government transfers – operating. Rate revenue is generated through fees for residential collection and waste disposal, and account for 84.9 per cent of the Waste Management Utility revenues. Program revenue comprises 14.0 per cent of revenues and include non-residential waste collection, fees for recycling and disposal services at the Edmonton Waste Management Centre, revenue from the sale of recyclable materials, Eco Stations user fees and other partnership revenues and environmental credits. The revenue streams of these activities are susceptible to variability. Some factors outside the control of the Waste Management Utility include collection customer counts, extent to which private haulers use services at Edmonton Waste Management Centre, global commodity prices for recyclable materials, and the results of external businesses located at Edmonton Waste Management Centre.

Rate revenue was on budget and higher than 2014 by \$15,470. The increase over budget and improved performance over 2014 was the result of the 2015 residential waste service rate increase as well as growth of 3.0 per cent at year end in total customer base.

Program revenues were \$1,828 higher than budget. Revenues at the Edmonton Waste Management Centre have been affected by on-going site access issues associated with construction on Anthony Henday Drive and competition from other landfills and transfer stations. This year has shown some small recoveries. Additionally, increased revenues from commercial collection, and Eco Stations offset decreases in marketable recyclables and reduced greenhouse gas revenue.

Interest and government transfers account for the balance of total revenues. The government transfer of \$2,000 from the Alberta Innovates Energy and Environment Solutions grant is offset by a corresponding operating grant payment to the owner of the Edmonton Waste to Biofuels and Chemicals Facility.

Overall, expenses were slightly below the 2015 approved budget, with the exception of external services, intra-municipal recoveries, and materials, goods and supplies. The unbudgeted Landfill Closure and Post-Closure liability revaluation resulted in an offsetting entry which increased operating expenditures by \$4,361. An unfavourable variance occurred when unforeseen repair costs were incurred for the biosolids pipeline. These variances to budget were offset by savings from delays in capital put into service, thus lowering operating costs on personnel, materials, intra-municipal services, utilities, interest and amortization.

This year's expenses exceeded 2014 results due to the addition of new positions, as approved in the 2015 operating budget, increase in the revaluation of the post-closure costs, increased processing of biosolids, slightly offset by savings on intra-municipal services for vehicles and equipment.





## STATEMENT OF CHANGE IN NET DEBT

The Statement of Change in Net Debt is a key indicator of the Waste Management Utility's overall financial health. The net debt balance of \$230,766 indicates liabilities are greater than financial assets. For the Waste Management Utility, a position of total long term debt exceeding net book value of non-contributed assets is acceptable as illustrated by the established target in the Waste Management Utility Fiscal Policy C558A allowing for debt to net assets ratio of 50 to 70 per cent. The overall position of the Waste Management Utility stabilized in 2014 and 2015 with a net difference of only \$1,881. This variance is composed of an increase in excess revenues over expenditures, addition of contributed capital assets at the Edmonton Waste Management Centre of \$5,320 and the first draw on the tax supported equity contribution for non-regulated losses of \$1,572.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides the sources and use of cash classified as operating, capital or financing activities. The cash position from 2014 to 2015 has improved by \$11,138. The major factors resulting in the improved cash balance are operating activities with total excess of revenues over expenses increased by \$7,185, addition of contributed capital assets at Edmonton Waste Management Centre of \$5,320, and revaluation of the post-closure liability by \$4,361. The improved position in excess revenues over expenses resulted in an improved accounts receivable position.

## CONCLUSION

Since operating under the utility model, 2014 was the first year the Waste Management Utility achieved an excess of revenue over expenses. A continuation of improved operating performance was seen in 2015, with an excess of revenue over expenses from operations of \$2,811 as opposed to the 2015 budgeted loss.

Ongoing monitoring and oversight of crucial areas will continue to enhance the financial viability of the Waste Management Utility. The Waste Management Utility will continue to grow and work towards becoming self-sufficient under the utility model.



## WASTE MANAGEMENT UTILITY

## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at December 31, 2015 (in thousands of dollars)

|  | 2015 |           | 2014 |           |
|--|------|-----------|------|-----------|
| <b>FINANCIAL ASSETS</b>  |      |           |      |           |
| Cash and cash equivalents                                      | \$   | 14,894    | \$   | 3,756     |
| Accounts receivable  |      | 18,653    |      | 20,021    |
|  |      | 33,547    |      | 23,777    |
| <b>LIABILITIES</b>   |      |           |      |           |
| Accounts payable and accrued liabilities                       |      | 16,194    |      | 15,464    |
| Deferred revenue   |      | 55        |      | 54        |
| Employee benefit obligations                                   |      | 2,596     |      | 2,349     |
| Provision for landfill closure and post-closure costs (Note 6) |      | 19,988    |      | 16,964    |
| Long-term debt (Note 5)  |      | 225,480   |      | 221,593   |
|  |      | 264,313   |      | 256,424   |
| <b>NET DEBT</b>  |      | (230,766) |      | (232,647) |
| <b>NON-FINANCIAL ASSETS</b>                                    |      |           |      |           |
| Tangible capital assets (Schedule 1, Note 4)                   |      | 287,758   |      | 278,941   |
| Prepaid expenses   |      | 17        |      | 59        |
| Inventory of materials and supplies                            |      | 144       |      | -         |
|  |      | 287,919   |      | 279,000   |
| <b>ACCUMULATED SURPLUS (Note 8)</b>                            | \$   | 57,153    | \$   | 46,353    |

See accompanying notes to financial statements



## WASTE MANAGEMENT UTILITY

STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS (UNAUDITED)

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

|   | Budget     | 2015       | 2014       |
|---|------------|------------|------------|
| <b>REVENUE</b>  |            |            |            |
| Rate revenue  | \$ 146,529 | \$ 149,046 | \$ 133,576 |
| Program revenue   | 22,769     | 24,597     | 23,980     |
| Government transfers – operating (Note 7)                         | -          | 2,004      | 4,000      |
| <b>Total Revenue</b>  | 169,298    | 175,647    | 161,556    |
| <b>EXPENSES</b>   |            |            |            |
| Salaries, wages, and employee benefits                            | 43,391     | 41,901     | 38,311     |
| Materials, goods, supplies, and utilities                         | 11,284     | 11,416     | 9,201      |
| Contracted and other services                                     | 74,880     | 75,884     | 67,145     |
| Intra-municipal services  | 26,529     | 25,523     | 25,469     |
| Debenture interest  | 10,442     | 9,842      | 9,917      |
| Amortization of tangible capital assets                           | 20,807     | 19,951     | 18,068     |
| Biofuel grant   | -          | 2,000      | 4,000      |
| Intra-municipal recoveries  | (14,872)   | (13,681)   | (11,501)   |
| <b>Total Expenses</b>   | 172,461    | 172,836    | 160,610    |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES – BEFORE OTHER</b> | (3,163)    | 2,811      | 946        |
| <b>OTHER</b>  |            |            |            |
| Contributed tangible capital assets                               | -          | 5,320      | -          |
| <b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES</b>                | (3,163)    | 8,131      | 946        |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                     | 46,353     | 46,353     | 42,750     |
| Tax supported equity contribution                                 | -          | 1,572      | 1,000      |
| Tangible capital assets transferred from other Civic Departments  | -          | 1,097      | 1,657      |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                           | \$ 43,190  | \$ 57,153  | \$ 46,353  |

See accompanying notes to financial statements

## WASTE MANAGEMENT UTILITY

## STATEMENT OF CHANGE IN NET DEBT (UNAUDITED)

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

|   | Budget     | 2015         | 2014         |
|---|------------|--------------|--------------|
| <b>EXCESS OF REVENUES OVER EXPENSES</b>               | \$ (2,562) | \$ 8,131     | \$ 946       |
| Acquisition of tangible capital assets                |            | (22,510)     | (25,416)     |
| Contributed tangible capital assets                   |            | (5,320)      | -            |
| Proceeds on disposal of tangible capital assets       |            | 159          | -            |
| Amortization of tangible capital assets               |            | 19,951       | 18,068       |
|   | -          | (7,720)      | (7,348)      |
| Net decrease in prepaid expenses                      |            | 42           | 1            |
| Net increase in inventories of materials and supplies |            | (144)        | -            |
| Tax supported equity contribution                     |            | 1,572        | 1,000        |
|   | -          | 1,470        | 1,001        |
| <b>DECREASE (INCREASE) IN NET DEBT</b>                | (2,562)    | 1,881        | (5,401)      |
| <b>NET DEBT, BEGINNING OF YEAR</b>                    |            | (232,647)    | (227,246)    |
| <b>NET DEBT, END OF YEAR</b>                          | \$ (2,562) | \$ (230,766) | \$ (232,647) |

See accompanying notes to financial statements



## WASTE MANAGEMENT UTILITY

## STATEMENT OF CASH FLOWS (UNAUDITED)

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

|   | 2015             | 2014            |
|---|------------------|-----------------|
| <b>OPERATING</b>  |                  |                 |
| Excess of revenues over expenses  | \$ 8,131         | \$ 946          |
| Non-cash items included in excess of revenues over expenses:            |                  |                 |
| Amortization of tangible capital assets                                 | 19,951           | 18,068          |
| Contributed tangible capital assets                                     | (5,320)          | -               |
| Changes in non-cash items:  |                  |                 |
| Accounts receivable   | 1,368            | (3,674)         |
| Accounts payable and accrued liabilities                                | 730              | 3,897           |
| Deferred revenue  | 1                | (1,487)         |
| Employee benefit obligations  | 247              | (229)           |
| Provision for landfill closure and post-closure costs                   | 3,024            | (76)            |
| Prepaid expenses  | 42               | 1               |
| Inventory of materials and supplies                                     | (144)            | -               |
| <b>Cash provided by operating activities</b>                            | <b>28,030</b>    | <b>17,446</b>   |
| <b>CAPITAL</b>  |                  |                 |
| Acquisition of tangible capital assets                                  | (22,510)         | (25,416)        |
| Proceeds on disposal of tangible capital assets                         | 159              | -               |
| <b>Cash applied to capital activities</b>                               | <b>(22,351)</b>  | <b>(25,416)</b> |
| <b>FINANCING</b>  |                  |                 |
| Debenture borrowings  | 20,682           | 17,786          |
| Repayment of long-term debt   | (16,795)         | (15,420)        |
| Tax supported equity contribution                                       | 1,572            | 1,000           |
| <b>Cash provided by financing activities</b>                            | <b>5,459</b>     | <b>3,366</b>    |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b> | <b>11,138</b>    | <b>(4,604)</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                     | <b>3,756</b>     | <b>8,360</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                           | <b>\$ 14,894</b> | <b>\$ 3,756</b> |

See accompanying notes to financial statements

## WASTE MANAGEMENT UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

## 1. GENERAL

The Waste Management Utility is owned and operated by the City of Edmonton primarily to provide the collection, disposal and recycling of residential solid waste services for the City. On January 1, 2009 City Council converted Waste Management Services, partially funded from tax levy, to a full Utility operation, with operating and capital requirements fully funded from customer rates.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Waste Management Utility are prepared by management in accordance with accounting principles for local governments. Significant aspects of the accounting policies adopted by the City are as follows:

### a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

### b) Due from the City of Edmonton

Amounts due from the City of Edmonton are excess funds managed by the City and interest earned is recorded by the Waste Management Utility. Since the funds are invested in short term investments, it is considered to be part of cash and cash equivalents on these statements.

### c) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

### d) Use of estimates

"The preparation of financial statements in conformity with accounting principles for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Management has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities, capital asset useful lives as well as provisions made for allowances for accounts receivable. Actual results could differ from those estimates. "

### e) Non-financial assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and prepaid expenses.

### f) Tangible capital assets

Tangible capital assets, excluding those contributed to the Waste Management Utility, are recorded at original cost. This includes materials, labour, contract work and other appropriately allocated costs. Tangible capital assets contributed to the Waste Management Utility are recorded at their estimated fair value on the date of contribution.



## WASTE MANAGEMENT UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

The cost of routine maintenance and repairs and the replacement of minor parts are charged to expense as incurred. Certain expenditures relating to replacement of components incurred during major maintenance are capitalized and amortized over the estimated benefit period of such expenditures.

Assets under construction are capitalized at cost and are not amortized. These amounts are transferred to the appropriate asset category when construction is complete and the asset is in service. The project life-cycle from preliminary design to construction completion may exceed one year. Therefore, it is not uncommon to carry forward assets under construction at the fiscal year-end.

**g) Restricted surplus**

Restricted surplus consists of advances for construction. These amounts are available to finance future capital projects.

**h) Amortization**

Capital assets are generally amortized individually on a straight-line basis over their useful lives. A gain or loss on disposal will be realized if the disposed asset is not fully amortized and proceeds from disposal do not equal current book value.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

| ASSET CATEGORY                    | Useful Life    | Amortization Rate |
|-----------------------------------|----------------|-------------------|
| Processing Facilities & Equipment | 10 to 40 years | 2.50% to 10.00%   |
| Land improvements                 | 15 to 25 years | 4.00% to 6.67%    |
| Buildings                         | 15 to 75 years | 1.33% to 6.67%    |
| Machinery and equipment           | 6 to 25 years  | 4.00% to 16.67%   |
| Vehicles                          | 5 to 12 years  | 8.33% to 20.00%   |

These estimates are subject to revision in future periods based on new or additional information.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

**i) Landfill closure and post-closure care**

As per accounting standard PS3270, the total liability represents the sum of discounted estimated future cash flows associated with post-closure activities.

**j) Deferred revenue**

The funds received as deferred revenue may only be used in the conduct of certain programs or in the completion of specific work. When the funds are used, they are recognized as revenue in the fiscal year the related expenses are incurred or services are performed.

## WASTE MANAGEMENT UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

### 3. WASTE MANAGEMENT UTILITY FISCAL POLICY (Policy Number C558A)

On September 23, 2014, the Waste Management Utility Fiscal Policy C558A was adopted by City Council. The revised policy reflects City Council directions on the financial objectives and management for the Waste Management Utility. The purpose of the policy is to:

- Ensure that the Waste Management Utility is operated in a manner that reflects City Council's overall vision and philosophical objectives for the Utility.
- Ensure that there is a consistent approach year over year for the financial planning, budgeting, and rate setting for the City managed Utility.
- Ensure that the Utility is financially sustainable over the long term.

### 4. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of both contributed and non-contributed assets. Non-contributed tangible capital assets are comprised of those that are funded by the Waste Management Utility. Contributed tangible capital assets are generally assets or funding contributed by entities external to the Waste Management Utility.

Tangible capital assets consist of the following:

| TANGIBLE CAPITAL ASSET                    | Cost              | Accumulated<br>Amortization | 2015<br>Net Book<br>Value | 2014<br>Net Book<br>Value |
|---|-------------------|-----------------------------|---------------------------|---------------------------|
| Processing Facilities & Equipment         | \$ 164,627        | \$ 115,263                  | \$ 49,364                 | \$ 53,343                 |
| Land                                      | 16,050            | -                           | 16,050                    | 10,267                    |
| Land Improvements                         | 40,025            | 12,001                      | 28,025                    | 27,318                    |
| Buildings                                 | 121,095           | 26,476                      | 94,619                    | 83,243                    |
| Vehicles                                  | 41,182            | 19,465                      | 21,717                    | 23,923                    |
| Machinery & Equipment                     | 86,974            | 24,442                      | 62,532                    | 63,679                    |
|   | 469,953           | 197,647                     | 272,307                   | 261,773                   |
| Capital Assets Under Construction         | 15,452            | -                           | 15,452                    | 17,168                    |
| <b>Total</b>                              | <b>\$ 485,405</b> | <b>\$ 197,647</b>           | <b>\$ 287,759</b>         | <b>\$ 278,941</b>         |
| Tangible Capital Assets – Contributed     | \$ 16,994         | \$ 2,501                    | \$ 14,493                 | \$ 9,898                  |
| Tangible Capital Assets – Non-Contributed | 468,411           | 195,146                     | 273,265                   | 269,043                   |
|   | \$ 485,405        | \$ 197,647                  | \$ 287,758                | \$ 278,941                |



## WASTE MANAGEMENT UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

## 5. LONG-TERM DEBT

The Waste Management Utility utilizes debt to finance capital expenditures under principles and limits established within the Waste Management Utility Fiscal Policy. The policy is intended to support the Waste Management Utility's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability. Debt is administered by the Alberta Capital Finance Authority, utilizing the debt rating of the Government of Alberta and combines borrowing volumes across Alberta. Interest rates are set at the time of borrowing and remain constant throughout the term of the debenture.

Existing long-term debt matures in 2040. Debenture interest is payable at rates ranging from 1.8% to 6.4%. The average rate is 4.4% for 2015 (2014 – 2.9%) with terms of 10, 15 and 25 years. Payments are made annually or semi-annually. The long-term debt and principal repayment schedules as of December 31, 2015 are as follows:

Long-term debt repayment schedule

|              |           | Principal      |           | Interest      |           | Total          |
|--------------|-----------|----------------|-----------|---------------|-----------|----------------|
| 2016         | \$        | 18,169         | \$        | 9,396         | \$        | 27,565         |
| 2017         |           | 18,459         |           | 8,631         |           | 27,090         |
| 2018         |           | 17,869         |           | 7,861         |           | 25,730         |
| 2019         |           | 15,175         |           | 7,156         |           | 22,331         |
| 2020         |           | 13,607         |           | 6,532         |           | 20,139         |
| Thereafter   |           | 142,201        |           | 37,784        |           | 179,985        |
| <b>Total</b> | <b>\$</b> | <b>225,480</b> | <b>\$</b> | <b>77,360</b> | <b>\$</b> | <b>302,840</b> |

## 6. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Provincial legislation requires closure and post-closure care of landfill sites for 25 years from date of official closure. Costs include re-naturalizing, landscaping, removal of groundwater and leachates, environmental monitoring, inspections and maintenance.

The liability is forecast using the best information available to management at a point in time, although future events such as change of closure date or regulatory requirements may result in significant changes to the estimated total expenses. The total estimated expenses are reviewed and updated on an annual basis.

## 7. GOVERNMENT TRANSFERS

|                      | 2015      |              | 2014      |              |
|----------------------|-----------|--------------|-----------|--------------|
| Operating transfers: |           |              |           |              |
| Federal              | \$        | 4            | \$        | -            |
| Provincial           |           | 2,000        |           | 4,000        |
|                      | <b>\$</b> | <b>2,004</b> | <b>\$</b> | <b>4,000</b> |

## WASTE MANAGEMENT UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

In 2015, the Federal Government provided an operating grant of \$4 (2014 – \$0) through the Metis Youth Summer Placement Program. The Metis Summer Placement Program provides a wage subsidy of 50% (up to minimum wage) to employers who hire Metis youth, between the ages of 15 to 30 during the summer months.

The Provincial Government has provided \$14.5 million and \$10 million in 2007 and 2010 respectively, through the Alberta Innovative & Science Grant for a solid waste gasification demonstration facility. In 2015, \$2,000 was recognized as revenue (2014 – \$4,000) upon reaching a milestone on the construction of the Waste to Biofuels and Chemicals Facility.

## 8. ACCUMULATED SURPLUS

The Waste Management Utility's total accumulated surplus consists of its accumulated operating position (unrestricted), restricted amounts and equity in tangible capital assets as summarized below. Total accumulated surplus for the Waste Management Utility has also been disclosed as reflected in the audited City of Edmonton Consolidated Financial Statements. Differences are due to the elimination of intercompany transactions between the Waste Management Utility and other civic departments as required for consolidation purposes in the City of Edmonton Consolidated Financial Statements.

|   | 2015 |               | 2014 |               |
|---|------|---------------|------|---------------|
| Accumulated operating deficit   | \$   | (6,346)       | \$   | (12,343)      |
| Restricted surplus  |      | 1,220         |      | 1,348         |
| Equity in tangible capital assets   |      | 62,279        |      | 57,348        |
| <b>Total accumulated surplus – Entity Statements</b>                                  |      | <b>57,153</b> |      | <b>46,353</b> |
| Accumulated operating deficit   | \$   | (7,581)       | \$   | (12,010)      |
| Restricted surplus  |      | 1,220         |      | 1,348         |
| Equity in tangible capital assets   |      | 58,343        |      | 57,348        |
| <b>Total accumulated surplus – City of Edmonton Consolidated Financial Statements</b> |      | <b>51,982</b> |      | <b>46,686</b> |

## 9. COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform with the accounting principles used for local governments which were adopted in the current year.



## WASTE MANAGEMENT UTILITY

## SCHEDULE 1 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

|   | Processing<br>Facilities &<br>Equipment | Land             | Land<br>Improvements | Buildings        | Vehicles         | Machinery &<br>Equipment | Capital<br>Assets Under<br>Construction | 2015              | 2014              |
|---|---|------------------|----------------------|------------------|------------------|--------------------------|---|-------------------|-------------------|
| <b>COST:</b>  |   |                  |                      |                  |                  |                          |   |                   |                   |
| BALANCE, BEGINNING OF YEAR  | \$ 164,523                              | \$ 10,267        | \$ 37,782            | \$ 105,429       | \$ 38,837        | \$ 82,830                | \$ 17,168                               | \$ 456,836        | \$ 429,754        |
| Additions to assets under construction                              | -                                       | -                | -                    | -                | -                | -                        | 22,510                                  | 22,510            | 25,416            |
| Contributed tangible capital assets                                 | -                                       | -                | 150                  | 5,170            | -                | -                        | -                                       | 5,320             | -                 |
| Transfer from capital assets<br>under construction                  | 104                                     | 5,783            | 2,093                | 10,215           | 1,887            | 4,144                    | (24,226)                                | -                 | -                 |
| Tangible capital assets transferred from<br>other Civic Departments | -                                       | -                | -                    | 281              | 816              | -                        | -                                       | 1,097             | 1,666             |
| Disposal of tangible capital assets                                 | -                                       | -                | -                    | -                | (358)            | -                        | -                                       | (358)             | -                 |
| BALANCE, END OF YEAR  | 164,627                                 | 16,050           | 40,025               | 121,095          | 41,182           | 86,974                   | 15,452                                  | 485,405           | 456,836           |
| <b>ACCUMULATED AMORTIZATION:</b>                                    |   |                  |                      |                  |                  |                          |   |                   |                   |
| BALANCE, BEGINNING OF YEAR  | (111,180)                               | -                | (10,464)             | (22,186)         | (14,914)         | (19,151)                 | -                                       | (177,895)         | (159,818)         |
| Annual amortization   | (4,083)                                 | -                | (1,537)              | (4,290)          | (4,750)          | (5,291)                  | -                                       | (19,951)          | (18,068)          |
| Accumulated amortization on capital<br>assets transferred           | -                                       | -                | -                    | -                | -                | -                        | -                                       | -                 | (9)               |
| Accumulated amortization on disposals                               | -                                       | -                | -                    | -                | 199              | -                        | -                                       | 199               | -                 |
| BALANCE, END OF YEAR  | (115,263)                               | -                | (12,001)             | (26,476)         | (19,465)         | (24,442)                 | -                                       | (197,647)         | (177,895)         |
| <b>2015 NET BOOK VALUE OF</b>                                       |   |                  |                      |                  |                  |                          |   |                   |                   |
| <b>TANGIBLE CAPITAL ASSETS</b>                                      | <b>\$ 49,364</b>                        | <b>\$ 16,050</b> | <b>\$ 28,024</b>     | <b>\$ 94,619</b> | <b>\$ 21,717</b> | <b>\$ 62,532</b>         | <b>\$ 15,452</b>                        | <b>\$ 287,758</b> | <b>\$ 278,941</b> |
| <b>2014 NET BOOK VALUE OF</b>                                       |   |                  |                      |                  |                  |                          |   |                   |                   |
| TANGIBLE CAPITAL ASSETS   | \$ 53,343                               | \$ 10,267        | \$ 27,318            | \$ 83,243        | \$ 23,923        | \$ 63,679                | \$ 17,168                               | \$ 278,941        |                   |

## WASTE MANAGEMENT UTILITY

SCHEDULE 2: TANGIBLE CAPITAL  
EXPENDITURES STATEMENT (UNAUDITED)

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

|   | 2015-2018<br>Approved Budget |         | 2015<br>Approved Budget |        | 2015<br>Actual |
|---|------------------------------|---------|-------------------------|--------|----------------|
| <b>Expenditures</b>   |                              |         |                         |        |                |
| <b>Collection Services Facilities</b>                                   |                              |         |                         |        |                |
| Eco Station Facilities  | \$                           | 6,829   | \$                      | 2,329  | \$ 5,926       |
| Kennedale Facility  |                              | 150     |                         | 150    | 101            |
|   |                              | 6,978   |                         | 2,478  | 6,027          |
| <b>Processing &amp; Disposal Facilities</b>                             |                              |         |                         |        |                |
| Anaerobic Digestion Facility  |                              | 36,799  |                         | 5,870  | 2,468          |
| Integrated Processing & Transfer Facility                               |                              | 23,018  |                         | 748    | 727            |
| Refuse Derived Fuel Dryer   |                              | 9,950   |                         | 3,000  | 43             |
| Cure Site Land Use & Development  |                              | 9,000   |                         | 3,000  | -              |
| Landfill Capping and Revegetation                                       |                              | 4,819   |                         | 1,535  | 700            |
| Material Recovery Facility Renewal (MRF)                                |                              | 2,053   |                         | 1,043  | 259            |
| Arterial Roadway Assessment (ARA)                                       |                              | 2,000   |                         | 500    | -              |
| Equipment Storage & Maintenance Facility                                |                              | 607     |                         | 607    | 480            |
|   |                              | 88,246  |                         | 16,303 | 4,678          |
| <b>Collection Services and Processing &amp; Disposal Infrastructure</b> |                              |         |                         |        |                |
| EWMC Infrastructure   |                              | 29,419  |                         | 10,720 | 7,405          |
| Collection Facilities and Infrastructure                                |                              | 3,325   |                         | 400    | 281            |
| Eco Station Facilities Rehabilitation                                   |                              | 1,760   |                         | 1,760  | 757            |
|   |                              | 34,503  |                         | 12,879 | 8,443          |
| <b>Vehicles and Equipment</b>   |                              |         |                         |        |                |
| Equipment and Vehicles  |                              | 28,323  |                         | 7,633  | 1,924          |
| Waste Containers  |                              | 9,972   |                         | 2,667  | 1,438          |
|   |                              | 38,295  |                         | 10,300 | 3,362          |
| <b>Total Capital Expenditures</b>                                       | \$                           | 168,023 | \$                      | 41,961 | \$ 22,510      |
| <b>Capital Expenditures by Financing</b>                                |                              |         |                         |        |                |
| <b>Non-Contributed Financing</b>  |                              |         |                         |        |                |
| Self-Liquidating Debt   | \$                           | 136,914 | \$                      | 35,727 | \$ 20,810      |
| Retained Earnings   |                              | 20,266  |                         | 6,234  | 910            |
| Landfill Closure and Post-Closure Care                                  |                              | -       |                         | -      | 790            |
| <b>Subtotal Non-Contributed Financing</b>                               | \$                           | 157,180 | \$                      | 41,961 | \$ 22,510      |
| Contributed Financing   |                              | 10,843  |                         | -      | -              |
| <b>Total Capital Expenditures</b>                                       | \$                           | 168,023 | \$                      | 41,961 | \$ 22,510      |

## WASTE MANAGEMENT UTILITY

## SCHEDULE 3: FINANCIAL INDICATORS (UNAUDITED)

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

|   | 2013<br>Actual | 2014<br>Actual | 2015<br>Approved<br>Budget | 2015<br>Actual | 2016<br>Approved<br>Budget |
|---|----------------|----------------|----------------------------|----------------|----------------------------|
| <b>1 Rate Sufficient to Meet Expenditures and Cash Flow</b>                                 |                |                |                            |                |                            |
| Net Income (loss) <sup>1</sup>  | \$ (2,189)     | \$ 243         | \$ (2,562)                 | \$ 2,746       | \$ 954                     |
| Target: Positive Net Income   | No             | Yes            | No                         | Yes            | Yes                        |
| <b>2 Cash Position</b>  |                |                |                            |                |                            |
| Pay As You Go Requirement <sup>2</sup>  | \$ 3,144       | \$ 3,912       | \$ 5,354                   | \$ 5,354       | \$ 5,081                   |
| Risk Allowance  | -              | -              | \$ 2,700                   |                | \$ 2,100                   |
| Target Cash Position  | \$ 3,144       | \$ 3,912       | \$ 8,054                   | \$ 5,354       | \$7,181                    |
| Actual Cash Balance   | \$ 8,360       | \$ 3,756       | \$ 1,317                   | \$ 14,894      | \$760                      |
| Actual Cash ≥ Target  | Yes            | No             | No                         | Yes            | No                         |
| <b>3 Residential Customer Rate Impacts</b>  |                |                |                            |                |                            |
| <u>Single Unit</u>  |                |                |                            |                |                            |
| Monthly Billing Increase  | \$ 2.16        | \$ 1.98        | \$ 3.35                    | \$ 3.35        | \$ 2.31                    |
| Impact of Customer Rate   | 6.5%           | 5.6%           | 9.0%                       | 9.0%           | 5.7%                       |
| Monthly Unit Rate   | \$ 35.36       | \$ 37.34       | \$ 40.69                   | \$ 40.69       | \$ 43.00                   |
| <u>Multi Unit</u>   |                |                |                            |                |                            |
| Monthly Billing Increase  | \$ 1.40        | \$ 1.29        | \$ 2.18                    | \$ 2.18        | \$1.50                     |
| Impact of Customer Rate   | 6.5%           | 5.6%           | 9.0%                       | 9.0%           | 5.7%                       |
| Monthly Unit Rate   | \$ 22.98       | \$ 24.27       | \$ 26.45                   | \$ 26.45       | \$ 27.95                   |
| Target: Stable, consistent rate increases   | No             | No             | No                         | No             | No                         |
| <b>4 Financing of Capital Investments</b>   |                |                |                            |                |                            |
| Debt to Net Assets Ratio  | 85%            | 82%            | 83%                        | 83%            | 82%                        |
| Target: Between 50% – 70%; balancing cash availability, construction inflation and interest | No             | No             | No                         | No             | No                         |

Change in financial indicators from prior years in accordance with Waste Management Utility Fiscal Policy C558A, which was adopted by City Council on September 23, 2014.

- 1 Net income excludes operating expenses related to contributed assets as they are not funded by the Utility (rates)
- 2 Pay As You Go represents the portion of next year's capital funded by operating cash flow.





\* An employee at work at the Advanced Research Facility

# FINANCIAL SUMMARY

## DRAINAGE UTILITY

The 2015 Utility Services Annual Report reflects the financial performance and significant accounting policies for the Drainage Utility with the following unaudited financial statements, schedules and notes to the financial statements:

Statement of Financial Position

Statement of Operations and Accumulated Surplus

Statement of Change in Net Debt

Statement of Cash Flows

Schedule 1: Schedule of Tangible Capital Assets

Schedule 2: Tangible Capital Expenditures Statement

Schedule 3: Financial Indicators





## DRAINAGE UTILITY

These Financial Statements are intended to report on the financial condition as of December 31, 2015 to ensure accountability, transparency and to assist with both long-term financial and strategic planning. The requirements for municipal financial reporting are standardized across Canada based on the Public Sector Accounting Handbook. The Public Sector Accounting Board establishes accounting standards for the public sector, providing guidance for financial and other performance information. These financial statements represent a transitional step towards Public Sector Accounting Standards statements, with the 2015 reports being prepared in the Municipal reporting format and comparative information for 2014 restated to adapt with the new format. The reports will continue to move towards compliance with Public Sector Accounting Standards in future years.

At the June 17, 2014 Executive Committee, Drainage Design & Construction was consolidated within the Drainage Utility. Previously, Drainage Design & Construction was considered part of the overall City of Edmonton tax levy operations. Although Drainage Design & Construction was considered part of the Drainage Utility at the end of 2014 they reported year end financial results separately from the Drainage Utility and was therefore not included in the 2014 Annual Report. The 2015 Annual Report presentation reports full consolidated financial results including Drainage Design & Construction with comparative figures restated for 2014.

The following discussion is intended to be read alongside the unaudited financial statements.

“@CityofEdmonton love your 311 app! Reported sewer smell outside and got quick callback and in-person timely response. Thank you! #yeg <3 ”

🐦@itsyboom





# STATEMENT OF FINANCIAL POSITION

The Statement of Financial Position provides information on the Drainage Utility's ability to finance its activities and to meet its liabilities and commitments. These statements provide a summary of the Assets, Liabilities, Non-Financial Assets and Accumulated Surplus of the Drainage Utility. The year 2015 ended with a net financial debt position (financial assets less liabilities) of \$413,660, an increase in net debt of \$46,669 from the previous year. The change in position relates to various changes over the previous year in both financial assets and financial liabilities within the Statement of Financial Position. These balances are described in further detail in the sections that follow.

## FINANCIAL ASSETS

At the end of 2015, the Drainage Utility financial assets position has decreased to \$170,624 from \$188,757, an overall decrease of \$18,133. The primary components include a decrease in cash and cash equivalents of \$10,504 and a reduction of \$5,884 in Due from EPCOR reflecting the current year transfer payments from EPCOR related to the financing of Gold Bar assets.

## LIABILITIES

The Drainage Utility total liabilities at the end of 2015 were \$584,284, an increase of \$28,536 from the previous year. The main areas of increase are deferred revenues and long-term debt categories, which are partially offset by a decrease in accounts payable and accrued liabilities. Deferred revenues of \$8,363 have increased by \$7,793 over 2014 reflecting externally restricted grant monies received in 2015 from the Alberta Community Resilience Program for Dry Ponds.

The Drainage Utility has outstanding long-term debt of \$480,118. During 2015, the Drainage Utility issued \$51,915 in new debt and made principal repayments of \$25,055 on existing debt, resulting in a net increase of \$26,860 in long-term debt from 2014.

## NON-FINANCIAL ASSETS

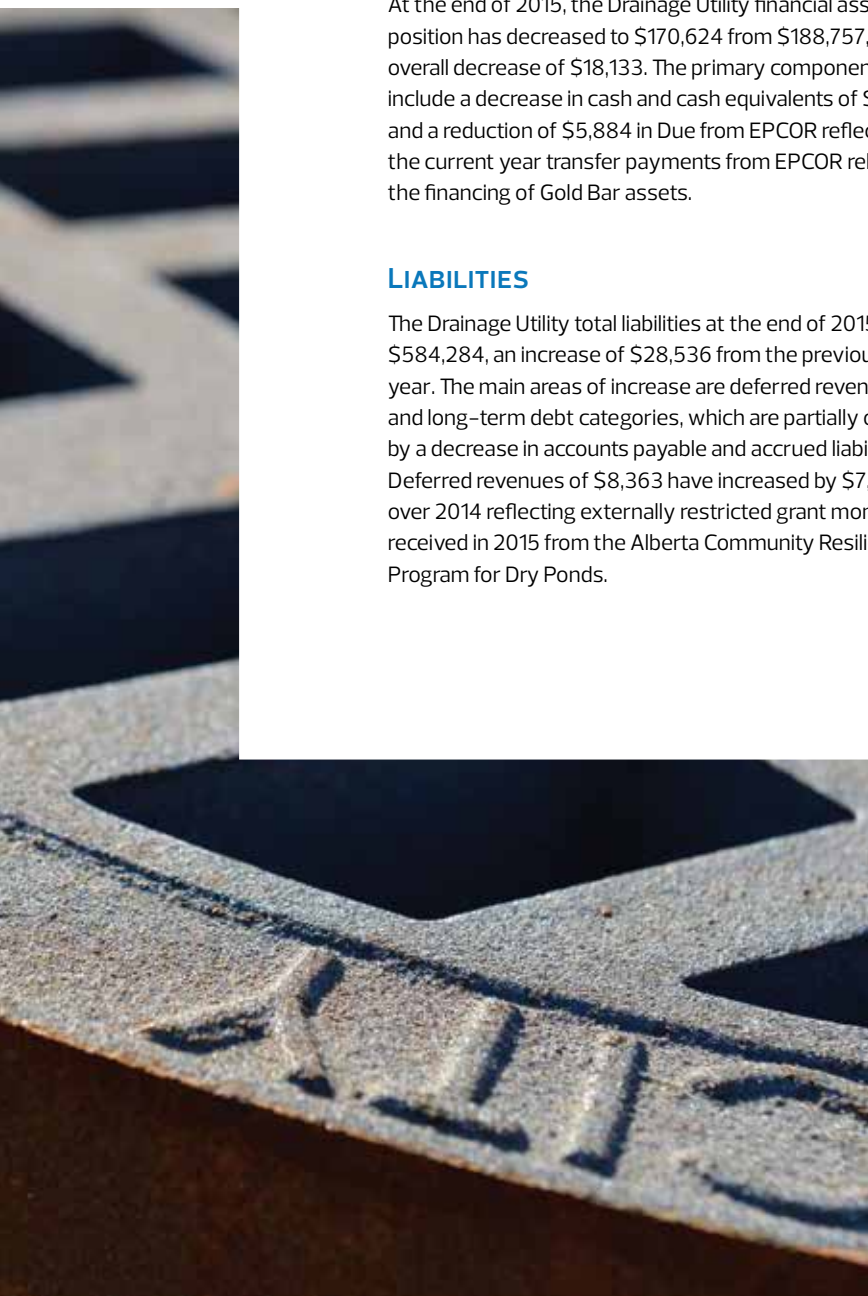
At the end of 2015, the net book value of tangible capital assets were \$2,980,888, comprised of \$2,018,181 of contributed assets and \$962,707 of non-contributed assets. Of the \$319,026 net increase, contributed assets are up \$218,181 and non-contributed assets increased by \$100,845.

Contributed capital relates to assets that are funded by external parties. The growth in contributed capital assets requires the Drainage Utility to plan and provide for the maintenance and future replacement of these assets, which are the responsibility of the Drainage Utility.

The Drainage Utility's capital assets are constructed or purchased to provide on-going service delivery to our ratepayers and support the collection and transmission of wastewater and stormwater from residential and non-residential customers.

The first year of a 4-year Capital Budget, beginning in 2015, was approved by City Council in November 2014. The 2015 capital spend was \$150,857 with a budget of \$171,068. This represents the Drainage Utility's largest capital spend since 2008 when the Drainage Utility delivered \$157,713 in utility infrastructure.

During 2015, \$40,660 was invested in Drainage System Rehabilitation, \$34,609 in the City's Drainage Neighbourhood Renewal Program and \$33,096 million in Drainage Flood Mitigation Program. Capital investments in these three areas totaled \$108,365 and 72% of the Drainage Utility's capital spend. Refer to Schedule 2 for more details.



# STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

The Statement of Operations and Accumulated Surplus reports the annual operating revenues, expenses and other external contributions to calculate the accumulated surplus or deficit at the end of the current year.

The 2015 approved budget for excess revenue over expenses was \$12,846. Actual excess over revenues was \$19,597. This represented a \$2,616 increase in revenue (1.6%) and a \$4,135 decrease in expenditures (2.7%).

The total 2015 revenues from the Drainage Utility's operations were \$169,813, with a budget of \$167,197. Approximately \$158,606 (93%) was derived from utility rates charged to residential and non-residential customers, with the remainder generated from non-rate revenue (e.g. revenue from the regulatory services, service connections, lot grading, external construction projects, regional biosolids disposal and investment earnings).

Expenses of \$150,216 in 2015 were lower than the budget of \$154,351 by \$4,135 (2.7%). Less than anticipated borrowing due to deferred capital spending and lower

capitalization of financed assets in previous years resulted in lower interest costs of \$1,814 and lower amortization costs of \$3,454 respectively. Additionally, there was lower spending of \$1,670 than budgeted for the Drainage Utility as a result of a GST refund from Canada Revenue Agency related to prior year GST payments on Permanent Area Contribution assessments.

The increase in costs related to contracting and other services is the result of Drainage Design & Construction internal project volume exceeding budget in 2015. The increase in project volume also resulted in increased intra-municipal recoveries.

The 2015 Drainage Utility's excess of revenue over expenditure was \$19,597 (budgeted \$12,846) will be factored into future strategic planning and used to help fund future operating and capital priorities.

▼ Bylaw inspector explaining Fats, Oils and Grease (FOG) program to restaurant manager





## STATEMENT OF CHANGE IN NET DEBT

The Statement of Change in Net Debt is an indicator of the financial health of the Drainage Utility. A net debt balance indicates that liabilities are greater than the liquid financial assets available (cash and cash equivalents). The net debt position is not the sole indicator of financial health as the Drainage Utility is guided by policies that provide guidance on debt financing parameters to ensure the long term financial goals of the Drainage Utility are met.

Net Debt increased by \$46,669 to \$413,660 in 2015 from \$366,991 in 2014. This is identified by an increase in excess revenue over expenses that is reduced by the acquisition of contributed and non-contributed tangible capital assets. Although overall net debt increased \$46,669 in 2015, the impact to the net debt to assets ratio decreased from 51% in 2014 to 50% in 2015. This was a result of an increase in non-contributed tangible capital asset financing through retained earnings in the current year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows summarizes the sources and use of cash for the year into three activities – operating, capital, and financing. The cash position for the Drainage Utility decreased by \$10,504 in 2015. During the year, cash was raised by \$110,584 from operating activities and \$26,860 from net borrowing. A total of \$147,948 was used in the acquisition of tangible capital assets, net of proceeds on disposals.

## CONCLUSION

The Drainage Utility finished 2015 with excess revenue ahead of budget by \$6,751 and had a capital spend of \$150,857, its second highest total ever and first time over \$150 million since 2008. The Drainage Utility is a capital intensive operation demonstrated by the significant infrastructure investments in 2015.

The Drainage Utility continues to operate with a focus on providing stable and consistent rate increases with overall long-term financial sustainability. The Drainage Utility's capital program will continue to contribute to a growing and vibrant City.





## DRAINAGE UTILITY

## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at December 31, 2015 (in thousands of dollars)

|  | 2015 |           | 2014 |           |
|--|------|-----------|------|-----------|
| <b>FINANCIAL ASSETS</b>                      |      |           |      |           |
| Cash and cash equivalents                    | \$   | 78,749    | \$   | 89,253    |
| Accounts receivable                          |      | 22,246    |      | 23,991    |
| Due from EPCOR (Note 6)                      |      | 69,629    |      | 75,513    |
|  |      | 170,624   |      | 188,757   |
| <b>LIABILITIES</b>                           |      |           |      |           |
| Accounts payable and accrued liabilities     |      | 18,875    |      | 25,276    |
| Deposits                                     |      | 2,431     |      | 2,224     |
| Deferred revenue                             |      | 8,363     |      | 570       |
| Employee benefit obligations                 |      | 4,868     |      | 4,791     |
| Long-term debt (Note 6)                      |      | 549,747   |      | 522,887   |
|  |      | 584,284   |      | 555,748   |
| <b>NET DEBT</b>                              |      | (413,660) |      | (366,991) |
| <b>NON-FINANCIAL ASSETS</b>                  |      |           |      |           |
| Tangible capital assets (Schedule 1, Note 5) |      | 2,980,888 |      | 2,661,862 |
| Prepaid expenses                             |      | 149       |      | 152       |
| Inventory of materials and supplies          |      | 1,487     |      | 1,584     |
|  |      | 2,982,524 |      | 2,663,598 |
| <b>ACCUMULATED SURPLUS</b> (Note 8)          | \$   | 2,568,864 | \$   | 2,296,607 |

See accompanying notes to financial statements

## DRAINAGE UTILITY

STATEMENT OF OPERATIONS AND  
ACCUMULATED SURPLUS (UNAUDITED)

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

|  | Budget              | 2015                | 2014                |
|--|---------------------|---------------------|---------------------|
| <b>REVENUE</b>   |                     |                     |                     |
| Rate revenue   | \$ 156,400          | \$ 158,606          | \$ 155,065          |
| Program revenue  | 10,797              | 11,202              | 9,448               |
| Gain on disposal of capital assets                               | -                   | 5                   | -                   |
| <b>Total Revenue</b>   | <b>167,197</b>      | <b>169,813</b>      | <b>164,513</b>      |
| <b>EXPENSES</b>  |                     |                     |                     |
| Salaries, wages and employee benefits                            | 66,140              | 66,464              | 62,442              |
| Materials, goods, supplies and utilities                         | 36,891              | 22,199              | 24,762              |
| Contracted and other services                                    | 73,073              | 109,480             | 79,524              |
| Intra-municipal services   | 29,991              | 27,768              | 22,582              |
| Local access fee   | 8,443               | 8,666               | 8,340               |
| Debenture interest   | 20,723              | 18,799              | 18,074              |
| Amortization of tangible capital assets                          | 51,017              | 47,562              | 44,605              |
| Intra-municipal recoveries                                       | (131,927)           | (150,722)           | (117,343)           |
| <b>Total Expenses</b>  | <b>154,351</b>      | <b>150,216</b>      | <b>142,986</b>      |
| <b>EXCESS OF REVENUE OVER EXPENSES – BEFORE OTHER</b>            | <b>12,846</b>       | <b>19,597</b>       | <b>21,527</b>       |
| <b>OTHER</b>   |                     |                     |                     |
| Government transfers – capital (Note 7)                          | -                   | 404                 | -                   |
| Local improvements   | -                   | 636                 | 2,869               |
| Developer and customer contributions – capital                   | -                   | 32,985              | 34,533              |
| Contributed tangible capital assets                              | -                   | 190,952             | 85,059              |
| <b>EXCESS OF REVENUE OVER EXPENSES</b>                           | <b>12,846</b>       | <b>244,574</b>      | <b>143,988</b>      |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                    | <b>2,296,607</b>    | <b>2,296,607</b>    | <b>2,126,556</b>    |
| Tangible capital assets transferred from other Civic Departments | -                   | 27,683              | 24,819              |
| Net equity transfer from tax-supported operations                | -                   | -                   | 1,244               |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                          | <b>\$ 2,309,453</b> | <b>\$ 2,568,864</b> | <b>\$ 2,296,607</b> |

See accompanying notes to financial statements

## DRAINAGE UTILITY

## STATEMENT OF CHANGE IN NET DEBT (UNAUDITED)

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

|  | 2015      |                  | 2014      |                  |
|--|-----------|------------------|-----------|------------------|
| <b>EXCESS OF REVENUE OVER EXPENSES</b>                         | <b>\$</b> | <b>244,574</b>   | <b>\$</b> | <b>143,988</b>   |
| Acquisition of tangible capital assets                         |           | (150,857)        |           | (139,290)        |
| Contributed tangible capital assets                            |           | (190,952)        |           | (85,059)         |
| Proceeds on disposal of tangible capital assets                |           | 2,909            |           | 706              |
| Amortization of tangible capital assets                        |           | 47,562           |           | 44,605           |
| Gain on sale of tangible capital assets                        |           | (5)              |           | -                |
|  |           | (291,343)        |           | (179,038)        |
| Net decrease (increase) in prepaid expenses                    |           | 3                |           | (122)            |
| Net decrease (increase) in inventory of materials and supplies |           | 97               |           | (42)             |
| Net equity transfer from tax-supported operations              |           | -                |           | 1,244            |
|  |           | 100              |           | 1,080            |
| <b>INCREASE IN NET DEBT</b>                                    |           | <b>(46,669)</b>  |           | <b>(33,970)</b>  |
| <b>NET DEBT, BEGINNING OF YEAR</b>                             |           | <b>(366,991)</b> |           | <b>(333,021)</b> |
| <b>NET DEBT, END OF YEAR</b>                                   | <b>\$</b> | <b>(413,660)</b> | <b>\$</b> | <b>(366,991)</b> |

See accompanying notes to financial statements



## DRAINAGE UTILITY

## STATEMENT OF CASH FLOWS (UNAUDITED)

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

|  | 2015             | 2014             |
|--|------------------|------------------|
| <b>OPERATING</b>   |                  |                  |
| Excess of revenue over expenses                              | \$ 244,574       | \$ 143,988       |
| Non-cash items included in excess of revenues over expenses: |                  |                  |
| Amortization of tangible capital assets                      | 47,562           | 44,605           |
| Contributed tangible capital assets                          | (190,952)        | (85,059)         |
| Gain on disposal of tangible capital assets                  | (5)              | -                |
| Changes in non-cash items:                                   |                  |                  |
| Accounts receivable  | 1,745            | (4,514)          |
| Due from EPCOR   | 5,884            | 12,655           |
| Accounts payable and accrued liabilities                     | (6,401)          | 6,618            |
| Deposits   | 207              | 571              |
| Deferred revenue   | 7,793            | (26)             |
| Employee benefit obligations                                 | 77               | (93)             |
| Prepaid expenses   | 3                | (122)            |
| Inventory of materials and supplies                          | 97               | (42)             |
| <b>Cash provided by operating activities</b>                 | <b>110,584</b>   | <b>118,581</b>   |
| <b>CAPITAL</b>   |                  |                  |
| Acquisition of tangible capital assets                       | (150,857)        | (139,290)        |
| Proceeds on disposal of tangible capital assets              | 2,909            | 706              |
| <b>Cash applied to capital activities</b>                    | <b>(147,948)</b> | <b>(138,584)</b> |
| <b>FINANCING</b>   |                  |                  |
| Debenture borrowings   | 51,915           | 40,454           |
| Repayment of long-term debt                                  | (25,055)         | (24,091)         |
| Net equity transfer from tax-supported operations            | -                | 1,244            |
| <b>Cash provided by financing activities</b>                 | <b>26,860</b>    | <b>17,607</b>    |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b> | <b>(10,504)</b>  | <b>(2,396)</b>   |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>          | <b>89,253</b>    | <b>91,649</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                | <b>78,749</b>    | <b>89,253</b>    |

See accompanying notes to financial statements

## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

## 1. GENERAL

The Drainage Utility is owned and operated by the City of Edmonton. In accordance with the City's Utility Fiscal Policy, the Drainage Utility is required to earn an annual rate of return and pay local access fees to the City of Edmonton.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Drainage Utility are prepared by management in accordance with accounting principles for local governments. Significant aspects of the accounting policies adopted by the City are as follows:

### a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified. Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

### b) Due from the City of Edmonton

Amounts due from the City of Edmonton are excess funds managed by the City and interest earned is recorded by the Drainage Utility. Since the funds are invested in short term investments, it is considered to be part of cash and cash equivalents on these statements.

### c) Inventories

Inventories held for consumption are recorded at the lower of cost or net realizable value.

### d) Use of estimates

The preparation of financial statements in conformity with accounting principles for local governments requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Management has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, accrued liabilities, capital asset useful lives as well as provisions made for allowances for accounts receivable. Actual results could differ from those estimates."

### e) Non-financial assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and prepaid expenses.

## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

f) **Tangible capital assets**

Tangible capital assets, excluding those contributed to the Drainage Utility, are recorded at original cost. This includes materials, labour, contract work and other appropriately allocated costs. Tangible capital assets contributed to the Drainage Utility are recorded at their estimated fair value on the date of contribution.

The cost of routine maintenance and repairs and the replacement of minor parts are charged to expense as incurred. Certain expenditures relating to replacement of components incurred during major maintenance are capitalized and amortized over the estimated benefit period of such expenditures.

Assets under construction are capitalized at cost and are not amortized. These amounts are transferred to the appropriate asset category when construction is complete and the asset is in service. The project life-cycle from preliminary design to construction completion may exceed one year. Therefore, it is not uncommon to carry forward assets under construction at the fiscal year-end.

g) **Restricted surplus**

Restricted surplus consists of advances for construction and the Sanitary Servicing Strategy Fund. These amounts are available to finance future capital projects. The SSSF consists of a pool of resources comprised of contributions by the Drainage Utility, developers and home builders to provide a framework for future major trunk development in the City over the next 75 years.

h) **Amortization**

Plant and infrastructure assets follow group accounting methods. In accordance with this practice, similar assets are grouped and amortized over their estimated useful lives on a straight line basis. Upon retirement of an asset from the group, the cost of the asset is cleared and offset with accumulated amortization. As a result, no gain or loss is recognized upon disposal. These assets comprise the majority of the Drainage Utility's asset base (86%).

Amortization rates for group accounting assets are as follows:

| ASSET CATEGORY                             | Useful Life | Amortization Rate | % of Net Asset Base |
|--|-------------|-------------------|---------------------|
| Collection and Transmission Infrastructure | 75 years    | 1.33%             | 84%                 |
| Pump/ Lift Stations                        | 44 years    | 2.27%             | 3%                  |
| Clover Bar and Transfer Stations           | 44 years    | 2.27%             | 2%                  |

These estimates are subject to revision in future periods based on new or additional information. One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

Non-core assets follow a traditional item accounting basis. These assets are generally amortized individually on a straight-line basis over their useful lives. A gain or loss on disposal will be realized if the disposed asset is not fully amortized and proceeds from disposal do not equal current book value.



## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

Amortization rates for non-core assets are as follows:

| ASSET CATEGORY                 | Useful Life | Amortization Rate     |
|--------------------------------|-------------|-----------------------|
| Office Buildings               | 44 years    | 2.27%                 |
| Laboratories/R&D Centers       | 44 years    | 2.27%                 |
| Warehouses                     | 10 years    | 10.00%                |
| Office Furniture and Equipment | 6.67 years  | 15.00%                |
| Computers                      | 5 years     | 20.00%                |
| GBIS/SCADA Equipment           | 10 years    | 10.00%                |
| Machinery and Equipment        | 5 years     | 20.00% or usage based |

These estimates are subject to revision in future periods based on new or additional information.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

i) **Deferred revenue**

The funds received as deferred revenue may only be used in the conduct of certain programs or in the completion of specific work.

When the funds are used, they are recognized as revenue in the fiscal year the related expenses are incurred or services are performed.

### 3. DRAINAGE SERVICES UTILITY FISCAL POLICY (Policy Number C304D)

Effective September 23, 2014, Drainage Services Utility Fiscal Policy, Policy Number C304D, was adopted by City Council. The purpose of this policy is to:

- a) Ensure that the Drainage Services Utility is operated in a manner that reflects City Council's overall vision and philosophical objectives for the Utility.
- b) Ensure that there is a consistent approach year over year for the financial planning, budgeting, and rate setting for the City managed Utility.
- c) Ensure that the Utility is financially sustainable over the long term.

### 4. TRANSFER OF GOLD BAR WASTEWATER TREATMENT FACILITY

At their meeting of January 20/21, 2009, City Council approved the transfer of the Gold Bar Wastewater Treatment Facility assets and liabilities to EPCOR, effective March 31, 2009. The transfer values and the terms of subsequent transactions were established within a master agreement and other supporting agreements.

## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

Net tangible capital assets of \$258,153 were transferred from the Drainage Utility to EPCOR, including \$47,925 in contributed assets, previously financed by developers and government transfers. In exchange, the Drainage Utility recorded \$111,646 in a long-term debt receivable and \$75,000 in transfer payments receivable, leaving a net capital equity contribution from the Drainage Utility to EPCOR of \$23,582. The City received the final \$100 in transfer payments in 2015. These payments are transferred to tax-supported operations and are shown as a reduction in the Drainage Utility's equity in the year the payment is received, as reflected in the net equity transfer on the Statement of Operations and Accumulated Surplus. The increase in the Drainage Utility's equity was originally recognized upon establishment of the transfer payment receivable in 2009.

The amount of \$69,629 due from EPCOR consists of a promissory note receivable over 25 years (Note 6) for the financing of Gold Bar assets. The repayment terms of promissory note are based on a blended semi-annual repayment schedule.

## 5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of both contributed and non-contributed Assets. Non-contributed tangible capital assets are comprised of those that are funded by the Drainage Utility. Contributed tangible capital assets are generally assets or funding contributed by entities external to the Drainage Utility.

Tangible capital assets consist of the following:

| TANGIBLE CAPITAL ASSET                    |    | Cost      | Accumulated<br>Amortization | 2015<br>Net Book<br>Value | 2014<br>Net Book<br>Value |
|---|----|-----------|-----------------------------|---------------------------|---------------------------|
| Collection & Transmission Infrastructure  | \$ | 3,215,195 | \$ 669,209                  | \$ 2,545,986              | \$ 2,271,915              |
| Pump/ Lift Stations                       |    | 72,902    | 17,584                      | 55,318                    | 45,705                    |
| Transfer Stations                         |    | 5,691     | 3,018                       | 2,673                     | 2,802                     |
| Land                                      |    | 111,917   | -                           | 111,917                   | 85,873                    |
| Office Buildings                          |    | 4,448     | 2,252                       | 2,196                     | 2,283                     |
| Laboratories/R&D Centers                  |    | 1,780     | 557                         | 1,223                     | 1,263                     |
| Warehouses                                |    | 18,885    | 13,055                      | 5,830                     | 7,352                     |
| Office Furniture and Equipment            |    | 175       | 155                         | 20                        | 34                        |
| Vehicles                                  |    | 8,911     | 3,239                       | 5,672                     | 5,064                     |
| Computer Equipment                        |    | 13,503    | 12,918                      | 585                       | 1,297                     |
| Construction Equipment                    |    | 39,739    | 19,441                      | 20,298                    | 15,953                    |
|   |    | 3,493,146 | 741,428                     | 2,751,718                 | 2,439,541                 |
| Capital Assets Under Construction         |    | 229,170   | -                           | 229,170                   | 222,321                   |
| <b>Total</b>                              | \$ | 3,722,316 | \$ 741,428                  | \$ 2,980,888              | \$ 2,661,862              |
| Tangible Capital Assets – Contributed     | \$ | 2,411,733 | \$ 393,552                  | \$ 2,018,181              | \$ 1,800,000              |
| Tangible Capital Assets – Non-Contributed |    | 1,310,583 | 347,876                     | 962,707                   | 861,862                   |
|   | \$ | 3,722,316 | \$ 741,428                  | \$ 2,980,888              | \$ 2,661,862              |

## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

## 6. LONG-TERM DEBT

The Drainage Utility utilizes debt to finance capital expenditures under principles and limits established within the Drainage Utility Fiscal Policy. The policy is intended to support the Drainage Utility's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability. Debt is administered by the Alberta Capital Finance Authority (ACFA), utilizing the debt rating of the Government of Alberta and combines borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, thus eliminating the risk associated with fluctuating interest rates.

Existing long-term debt matures in 2040. Debenture interest is payable at rates ranging from 2.8% to 8.0%. The average interest rate is 4.2% for all outstanding debt in 2015 (2014 – 4.3%) with terms of 10 and 25 years. Payments are made annually or semi-annually. The long-term debt and principal repayment schedules as of December 31, 2015 are as follows:

## a) Long-term debt is comprised of:

|   | 2015 |         | 2014 |         |
|---|------|---------|------|---------|
| Utility portion of long-term debt                       | \$   | 480,118 | \$   | 447,374 |
| EPCOR portion of long-term debt                         |      | 69,629  |      | 75,513  |
| Debentures payable to Alberta Capital Finance Authority | \$   | 549,747 | \$   | 522,887 |

Of the debentures payable to the Alberta Capital Finance Authority, \$69,629 in the following transactions relates to the amount owing to the Drainage Utility by EPCOR. As the debentures were previously issued for Gold Bar assets in the name of the City, the debt obligation remains with the City, with an offset of \$69,629 in receivable (Note 4).

## b) Long-term debt repayment schedule

|              | Principal |                | Interest  |                | Total             |
|--------------|-----------|----------------|-----------|----------------|-------------------|
| 2016         | \$        | 26,301         | \$        | 22,725         | \$ 49,026         |
| 2017         |           | 25,867         |           | 21,559         | 47,426            |
| 2018         |           | 25,455         |           | 20,404         | 45,859            |
| 2019         |           | 24,297         |           | 19,267         | 43,564            |
| 2020         |           | 25,009         |           | 18,155         | 43,164            |
| Thereafter   |           | 422,818        |           | 138,008        | 560,826           |
| <b>Total</b> | <b>\$</b> | <b>549,747</b> | <b>\$</b> | <b>240,118</b> | <b>\$ 789,865</b> |

## DRAINAGE UTILITY

## NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

## 7. GOVERNMENT TRANSFERS

|                                      | 2015   | 2014 |
|--------------------------------------|--------|------|
| Capital transfers:                   |        |      |
| Alberta Community Resilience Program | \$ 404 | \$ - |

In 2014, the Provincial Government established the Alberta Community Resilience Program to support communities in the development of long-term resilience to flood and drought events, while supporting integrated planning and healthy, functioning watersheds. Eligible capital projects under this program will enhance or enable the protection of critical infrastructure and/or mitigate public safety hazards.

In 2015, the Drainage Utility received \$8,224 (2014 – \$0) for Tawa Park, Malcolm Tweddle and Ekota dry ponds and recorded \$404 (2014 – \$0) as capital government transfers to offset related expenses eligible under the terms of this grant. \$7,820 (2014 – \$0) has been recorded as deferred revenue at the end of the year.

## 8. ACCUMULATED SURPLUS

The Drainage Utility's total accumulated surplus consists of its accumulated operating position (unrestricted), restricted amounts and equity in tangible capital assets as summarized below. Total accumulated surplus for the Drainage Utility has also been disclosed as reflected in the audited City of Edmonton Consolidated Financial Statements. Differences are due to the elimination of intercompany transactions between the Drainage Utility and other civic departments as required for consolidation purposes in the City of Edmonton Consolidated Financial Statements.

|   | 2015             | 2014             |
|---|------------------|------------------|
| Accumulated operating (deficit)/surplus   | \$ (8,102)       | \$ 23,757        |
| Restricted surplus  | 83,060           | 61,325           |
| Equity in tangible capital assets   | 2,493,906        | 2,211,525        |
| <b>Total accumulated surplus – Entity Statements</b>                                  | <b>2,568,864</b> | <b>2,296,607</b> |
| Accumulated operating (deficit)/surplus   | \$ (8,102)       | \$ 20,798        |
| Restricted surplus  | 83,060           | 61,325           |
| Equity in tangible capital assets   | 2,500,769        | 2,211,525        |
| <b>Total accumulated surplus – City of Edmonton Consolidated Financial Statements</b> | <b>2,575,727</b> | <b>2,293,648</b> |

## 9. COMPARATIVE INFORMATION

Comparative figures have been reclassified to conform with accounting principles used for local governments which were adopted in the current year.



## DRAINAGE UTILITY

### SCHEDULE 1 – SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

|  | Collection & Transmission Infrastructure |           |    | Pump/Lift Stations | Transfer Stations | Land    | Office Laboratories/Buildings |         | R&D Centres | Warehouses | Office Furniture & Equipment |       | Vehicles | Computer Equipment | Construction Equipment | Asset Under Construction | Capital | 2015    | 2014 |          |    |           |    |           |    |             |    |             |
|--|--|-----------|----|--------------------|-------------------|---------|-------------------------------|---------|-------------|------------|------------------------------|-------|----------|--------------------|------------------------|--------------------------|---------|---------|------|----------|----|-----------|----|-----------|----|-------------|----|-------------|
|  |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| COST:                                  |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| BALANCE, BEGINNING OF YEAR             | \$                                       | 2,900,266 | \$ | 61,759             | \$                | 5,691   | \$                            | 85,872  | \$          | 4,448      | \$                           | 1,780 | \$       | 18,885             | \$                     | 175                      | \$      | 7,523   | \$   | 33,504   | \$ | 222,322   | \$ | 3,355,728 | \$ | 3,107,447   |    |             |
| Acquisition of tangible capital assets |  | -         |    | -                  |                   | -       |                               | -       |             | -          |                              | -     |          | -                  |                        | -                        |         | -       |      | -        |    | 150,857   |    | 150,857   |    | 139,290     |    |             |
| Contributed tangible capital assets    |  | 155,619   |    | 6,384              |                   | -       |                               | 28,949  |             | -          |                              | -     |          | -                  |                        | -                        |         | -       |      | -        |    | -         |    | 190,952   |    | 85,059      |    |             |
| Transfer from capital assets           |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| under construction                     |  | 138,033   |    | 176                |                   | -       |                               | -       |             | -          |                              | -     |          | -                  |                        | 5,666                    |         | 134     |      | -        |    | (144,009) |    | -         |    | -           |    |             |
| Transfer of tangible capital assets    |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| from other Civic Departments           |  | 21,277    |    | 4,583              |                   | -       |                               | -       |             | -          |                              | -     |          | -                  |                        | 569                      |         | 1,254   |      | -        |    | -         |    | 27,683    |    | 24,819      |    |             |
| Disposal of tangible capital assets    |  | -         |    | -                  |                   | -       |                               | (2,904) |             | -          |                              | -     |          | -                  |                        | -                        |         | -       |      | -        |    | -         |    | (2,904)   |    | (706)       |    |             |
| BALANCE, END OF YEAR                   |  | 3,215,195 |    | 72,902             |                   | 5,691   |                               | 111,917 |             | 4,448      |                              | 1,780 |          | 18,885             |                        | 175                      |         | 8,911   |      | 39,739   |    | 229,170   |    | 3,722,316 |    | 3,355,909   |    |             |
| ACCUMULATED AMORTIZATION:              |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| BALANCE, BEGINNING OF YEAR             |  | (628,351) |    | (16,054)           |                   | (2,889) |                               | -       |             | (2,165)    |                              | (517) |          | (11,533)           |                        | (140)                    |         | (2,460) |      | (17,550) |    | -         |    | (693,866) |    | (649,442)   |    |             |
| Annual amortization                    |  | (40,858)  |    | (1,530)            |                   | (129)   |                               | -       |             | (87)       |                              | (40)  |          | (1,522)            |                        | (15)                     |         | (779)   |      | (1,891)  |    | -         |    | (47,562)  |    | (44,605)    |    |             |
| BALANCE, END OF YEAR                   |  | (669,209) |    | (17,584)           |                   | (3,018) |                               | -       |             | (2,252)    |                              | (557) |          | (13,055)           |                        | (155)                    |         | (3,239) |      | (19,441) |    | -         |    | (741,428) |    | (694,047)   |    |             |
| 2015 NET BOOK VALUE OF                 |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| TANGIBLE CAPITAL ASSETS                | \$                                       | 2,545,986 | \$ | 55,318             | \$                | 2,673   | \$                            | 111,917 | \$          | 2,196      | \$                           | 1,223 | \$       | 5,830              | \$                     | 20                       | \$      | 5,672   | \$   | 585      | \$ | 20,298    | \$ | 229,170   | \$ | \$2,980,888 | \$ | \$2,661,862 |
| 2014 NET BOOK VALUE OF                 |  |           |    |                    |                   |         |                               |         |             |            |                              |       |          |                    |                        |                          |         |         |      |          |    |           |    |           |    |             |    |             |
| TANGIBLE CAPITAL ASSETS                | \$                                       | 2,271,915 | \$ | 45,705             | \$                | 2,802   | \$                            | 85,873  | \$          | 2,283      | \$                           | 1,263 | \$       | 7,352              | \$                     | 34                       | \$      | 5,064   | \$   | 1,297    | \$ | 15,953    | \$ | 222,321   | \$ | \$2,661,862 |    |             |

## DRAINAGE UTILITY

SCHEDULE 2 – 2015 CAPITAL  
EXPENDITURES STATEMENT (UNAUDITED)

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

|  | 2015-2018<br>Approved Budget | 2015<br>Approved Budget | 2015<br>Actual |
|--|------------------------------|-------------------------|----------------|
| <b>Drainage Neighbourhood Renewal</b>          |                              |                         |                |
| Drainage Neighbourhood Renewal Coordination    | 108,670                      | 28,862                  | 34,256         |
| Sewer Upgrading                                | 27,310                       | 258                     | 353            |
| Service Connection Renewal                     | 3,794                        | 515                     | -              |
|  | 139,774                      | 29,635                  | 34,609         |
| <b>Drainage System Rehabilitation</b>          |                              |                         |                |
| Mill Woods Double Barrel Replacement/SESS SA1  | 17,726                       | 10,300                  | 11,357         |
| Structures Rehabilitation                      | 26,317                       | 5,368                   | 3,289          |
| Sewer Rehabilitation                           | 20,684                       | 4,944                   | 6,769          |
| High Priority Repair                           | 49,555                       | 11,845                  | 16,848         |
| Creek Erosion Protection                       | 9,493                        | 2,163                   | 1,598          |
| Optimization of 30 Avenue storm trunk overflow | 7,741                        | 309                     | 24             |
| Groat Road Trunk Sewer Rehabilitation          | 19,289                       | 2,060                   | 775            |
|  | 150,805                      | 36,989                  | 40,660         |
| <b>Flood Mitigation</b>                        |                              |                         |                |
| Neighbourhood Flood Mitigation Projects        | 43,655                       | 9,703                   | 11,178         |
| Expanded Neighbourhood Flood Mitigation        | 75,114                       | 14,140                  | 13,132         |
| Morris Pond                                    | -                            | -                       | 18             |
| Opportunistic Flood Mitigation Project         | 5,356                        | 5,356                   | 8,768          |
|  | 124,125                      | 29,199                  | 33,096         |
| <b>Environmental Quality Enhancement</b>       |                              |                         |                |
| Enhanced Biosolids Dewatering                  | 300                          | 300                     | -              |
| River for Life                                 | 3,267                        | -                       | -              |
| Biosolids Facilities Renewal                   | 8,053                        | 1,853                   | 1,272          |
| Fat, Oil and Grease Facility                   | -                            | -                       | -              |
| Environmental & Collection System Monitoring   | 1,698                        | 438                     | 428            |
| Quenelle Basin Loading Reduction               | -                            | -                       | -              |
| City Wide Odour Control Program                | 6,014                        | 1,545                   | 1,290          |
| Environmental Enhancement Projects             | 810                          | 155                     | 580            |
| Mill Creek End of Pipe Treatment Facility      | 10,959                       | 2,296                   | 354            |
|  | 31,101                       | 6,587                   | 3,924          |
| <b>Combined Sewer Overflow Strategy</b>        |                              |                         |                |
| Opportunistic Sewer Separation                 | 9,950                        | -                       | 63             |
| Combined Sewer Overflow Control Projects       | 8,333                        | 5,150                   | 3,089          |
|  | 18,283                       | 5,150                   | 3,152          |

(continued on next page)

## DRAINAGE UTILITY

SCHEDULE 2 – 2015 CAPITAL  
EXPENDITURES STATEMENT (UNAUDITED)

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

| (continued from previous page)               | 2015–2018<br>Approved Budget | 2015<br>Approved Budget | 2015<br>Actual |
|--|------------------------------|-------------------------|----------------|
| <b>Drainage System Expansion</b>             |                              |                         |                |
| Review/Inspect Developer Built Sewers        | 7,408                        | 1,666                   | 1,723          |
| Drainage Construction and Equipment          | 20,404                       | 5,037                   | 1,108          |
| Drainage Facility Upgrading                  | 10,646                       | 3,605                   | 2,707          |
| Kennedale Accommodation                      | 10,455                       | 5,150                   | 265            |
| Drainage IT Assets                           | 11,149                       | 2,951                   | 798            |
| Residuals Disposal Facility                  | –                            | –                       | (481)          |
| Interconnection Control Program              | 4,309                        | 1,030                   | 1,041          |
| Servicing for Downtown Intensification       | 17,601                       | 515                     | –              |
|  | 81,972                       | 19,954                  | 7,161          |
| <b>Sanitary Servicing Strategy Projects</b>  |                              |                         |                |
| Sanitary Servicing Strategy Projects         | 92,635                       | 23,008                  | 13,887         |
|  | 92,635                       | 23,008                  | 13,887         |
| <b>Drainage System Expansion</b>             |                              |                         |                |
| Initial Phase Downtown STM Drainage Services | 44,374                       | 9,010                   | 6,863          |
| Local Improvement                            | 25,791                       | 7,210                   | (1,294)        |
| Service Connection Expansion                 | 13,789                       | 3,296                   | 7,774          |
| Creek Erosion Protection                     | 4,309                        | 1,030                   | 699            |
|  | 88,263                       | 20,546                  | 14,042         |
| <b>Other</b>                                 | –                            | –                       | 326            |
| <b>Total Capital Expenditures</b>            | 726,958                      | 171,068                 | 150,857        |
| <b>Capital Expenditures by Financing</b>     |                              |                         |                |
| <b>Non-Contributed Financing</b>             |                              |                         |                |
| Self-Liquidating Debt                        | 404,617                      | 81,180                  | 51,066         |
| Retained Earnings                            | 176,120                      | 48,550                  | 78,023         |
| <b>Subtotal Non-Contributed Financing</b>    | 580,737                      | 129,730                 | 129,089        |
| Contributed Financing                        | 146,221                      | 41,338                  | 21,768         |
| <b>Total Capital Expenditures</b>            | 726,958                      | 171,068                 | 150,857        |

## DRAINAGE UTILITY

## SCHEDULE 3: FINANCIAL INDICATORS (UNAUDITED)

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

| Financial Indicators   | 2013<br>Actual | 2014<br>Actual | 2015<br>Approved<br>Budget | 2015<br>Actual | 2016<br>Approved<br>Budget |
|--|----------------|----------------|----------------------------|----------------|----------------------------|
| <b>1 Rate Sufficient to Meet Expenses</b>  |                |                |                            |                |                            |
| Net Income <sup>1</sup>  | \$ 34,629      | \$ 50,424      | \$ 39,762                  | \$ 43,296      | \$ 38,994                  |
| Target: Positive Net Income  | Yes            | Yes            | Yes                        | Yes            | Yes                        |
| <b>2 Cash Position (Combined)</b>  |                |                |                            |                |                            |
| Next Year's Capital Financed by Pay As You Go  | \$ 33,237      | \$ 43,550      | \$ 51,183                  | \$ 51,183      | \$ 54,963                  |
| Risk Allowance   |                |                |                            |                | \$ 1,860                   |
| Rate Stabilization   |                |                |                            |                | \$ 1,667                   |
| Cash Target  | \$ 33,237      | \$ 43,550      | \$ 51,183                  | \$ 51,183      | \$ 58,490                  |
| Cash Position  | \$ 47,971      | \$ 25,566      | \$ 57,834                  | \$ 17,820      | \$ 58,490                  |
| Target: Cash position at minimum equal to the Cash Target.                                   | Yes            | No             | Yes                        | No             | Yes                        |
| <b>3 Rate Increase</b>   |                |                |                            |                |                            |
| Sanitary   |                |                |                            |                |                            |
| Typical Residential Monthly Billing Increase   | \$ 1.00        | \$ 1.39        | \$ 0.50                    | \$ 0.50        | \$ 0.50                    |
| Impact of Customer Rate  | 5.2%           | 6.8%           | 2.3%                       | 2.3%           | 2.2%                       |
| Stormwater   |                |                |                            |                |                            |
| Typical Residential Monthly Billing Increase   | \$ 0.72        | \$ 0.86        | \$ 0.50                    | \$ 0.50        | \$ 0.50                    |
| Impact of Customer Rate  | 9.4%           | 10.3%          | 5.4%                       | 5.4%           | 5.1%                       |
| Combined   |                |                |                            |                |                            |
| Typical Residential Monthly Billing Increase   | \$ 1.72        | \$ 2.25        | \$ 1.00                    | \$ 1.00        | \$ 1.00                    |
| Impact of Customer Rate  | 6.4%           | 7.8%           | 3.2%                       | 3.2%           | 3.1%                       |
| Target: Stable, consistent rate increases  | Yes            | Yes            | Yes                        | Yes            | Yes                        |
| <b>4 Financing of Capital Investments</b>  |                |                |                            |                |                            |
| Debt to Net Assets Ratio   | 54%            | 51%            | 56%                        | 50%            | 58%                        |
| Target: Between 50% – 70%; balancing cash availability, construction inflation, and interest | Yes            | Yes            | Yes                        | Yes            | Yes                        |

1 Net income excludes operating expenses related to contributed assets as they are not funded by the Utility (rates).





◀ Mayor Iveson at the launch of the 2015 Go Bagless Campaign



“ Good on the Mayor! Love it. I started a few years ago not bagging my grass and I had the best lawn on my block. Neighbours took notice and no one around me bags their grass. The signs are not a waste because I use my sign year after year. I do not throw it out; I use it. When I do pick up my grass, it is for when I need mulching or greens for my compost bin. ”

🐦 @JennaMCurtis







“ Utility Services continues to meet the demands of a busy and growing city. We have a branch with more than 800 employees, and as work on the integration unfolds in 2016, I am confident that the joint force of our employees’ talent, passion and dedication will further improve our services and capabilities as we learn from and bring out the best in each other. ”

Chris Ward – Branch Manager, Utility Services

**For more information:**

[www.edmonton.ca/waste](http://www.edmonton.ca/waste)  
[www.edmonton.ca/drainage](http://www.edmonton.ca/drainage)

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