2016 ANNUAL REPORT

CITY OF EDMONTON,
ALBERTA, CANADA
FOR THE YEAR ENDED
DECEMBER 31, 2016

Edmonton

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Produced by the City of Edmonton, Financial and Corporate Services, with support from Communications and Engagement and other civic departments, offices and agencies.


WER

OUR ORGANIZATION

The City of Edmonton provides reliable, cost-effective services for the day-to-day needs of 932,546 residents and plays a leading role as the hub of a metropolitan region of 1.3 million. City Council sets policy and budget and provides direction for the City Manager. The City Manager and Administration implement City Council's vision and administer public services. Administration is organized into departments responsible for diverse aspects of public service, while City-owned subsidiaries and authorities provide additional services on the City's behalf.

MESSAGE FROM CITY COUNCIL

As we look back on 2016, much of our city's success and strength have come from our connections, to this place and to one another. In a year filled with challenges, Edmontonians came together as a community to face these obstacles with both enthusiasm and empathy. We, as City Council, continue to be inspired by the generosity of spirit and resourcefulness of our citizens.

Back Row (left to right):
Tony Caterina – Ward 7
Bryan Anderson –Ward 9
Mike Nickel – Ward 11
Scott McKeen – Ward 6
Mayor Don Iveson
Michael Walters – Ward 10
Bev Esslinger – Ward 2
Ben Henderson – Ward 8
Ed Gibbons – Ward 4

Front Row (left to right):
Andrew Knack – Ward 1
Mohinder Banga – Ward 12
Michael Oshry – Ward 5
Dave Loken – Ward 3

As a community, we began 2016 with an incredible demonstration of kindness and inclusion, as Edmontonians opened their homes and arms to hundreds of Syrian refugees. We came together once again in response to the devastating fires in Fort McMurray. Time and again, Edmontonians united to help those in need — honouring this city's history as a safe gathering place for all people.

This past year was one of physical change for Edmonton. We celebrated the opening of Rogers Place, which will not only be a catalyst for transforming our downtown but will connect Edmontonians like no other building has in our history. While the journey of building Rogers Place was not easy, Council remained firm in our belief that the arena would benefit our city. As development continues around Rogers Place with new office towers and hotels, our vision of a vibrant and connected downtown is coming to life.

TIME AND AGAIN, EDMONTONIANS UNITED TO HELP THOSE IN NEED — HONOURING THIS CITY'S HISTORY AS A SAFE GATHERING PLACE FOR ALL PEOPLE.

City Council also made progress on important transportation projects that will better connect Edmontonians and encourage greater collaboration with our regional partners. We broke ground on the Valley Line LRT, which will provide Edmontonians with enhanced public transit to a larger segment of the city. The Province completed construction on the Anthony Henday and the City has started plans for the long-awaited overhaul of Yellowhead Trail, both of which will help our region grow as a centre of industry and innovation.

AS CITY COUNCIL, WE REMAIN COMMITTED TO BUILDING AN EDMONTON WE CAN ALL TAKE PRIDE IN.

932,546

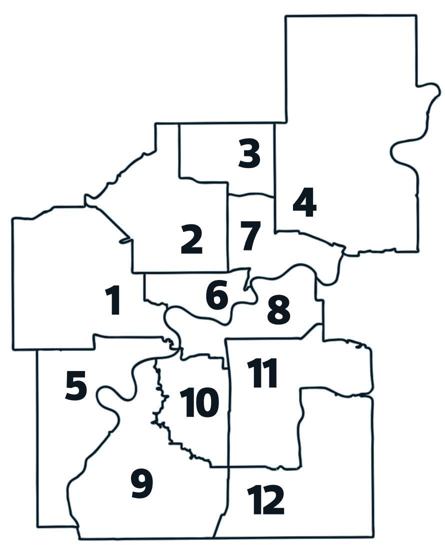
Population of Edmonton

2016 Census Canada

Edmonton's economy has shown remarkable resilience and despite the challenges we have faced, we are well-positioned for continued prosperity. As City Council, we remain committed to building an Edmonton we can all take pride in. Our city is changing quickly, but with these changes come new opportunities for Edmontonians to connect with each other like never before. It's a chance for all of us to demonstrate our ingenuity and tenacity, qualities which will help us to reach new heights together.

CITY COUNCILLOR REPRESENTATION BY WARD

Edmonton comprises 12 municipal wards, as outlined on this map. One councillor represents each ward. The Mayor is elected across all wards.



MESSAGE FROM CITY MANAGER

Edmonton has seen incredible change over the last decade. Double digit population growth is a big part of the story, as is the fact that we are one of the youngest big cities in Canada. As the relationship between the community and its local government strengthens, a rich dialogue with citizens has become an essential part of our business. Cities are now being recognized on the national stage with a new prominence as economic and innovation engines.

The fundamental role of the City Administration is to carry out the direction that City Council sets and to serve citizens to build the communities they envision.

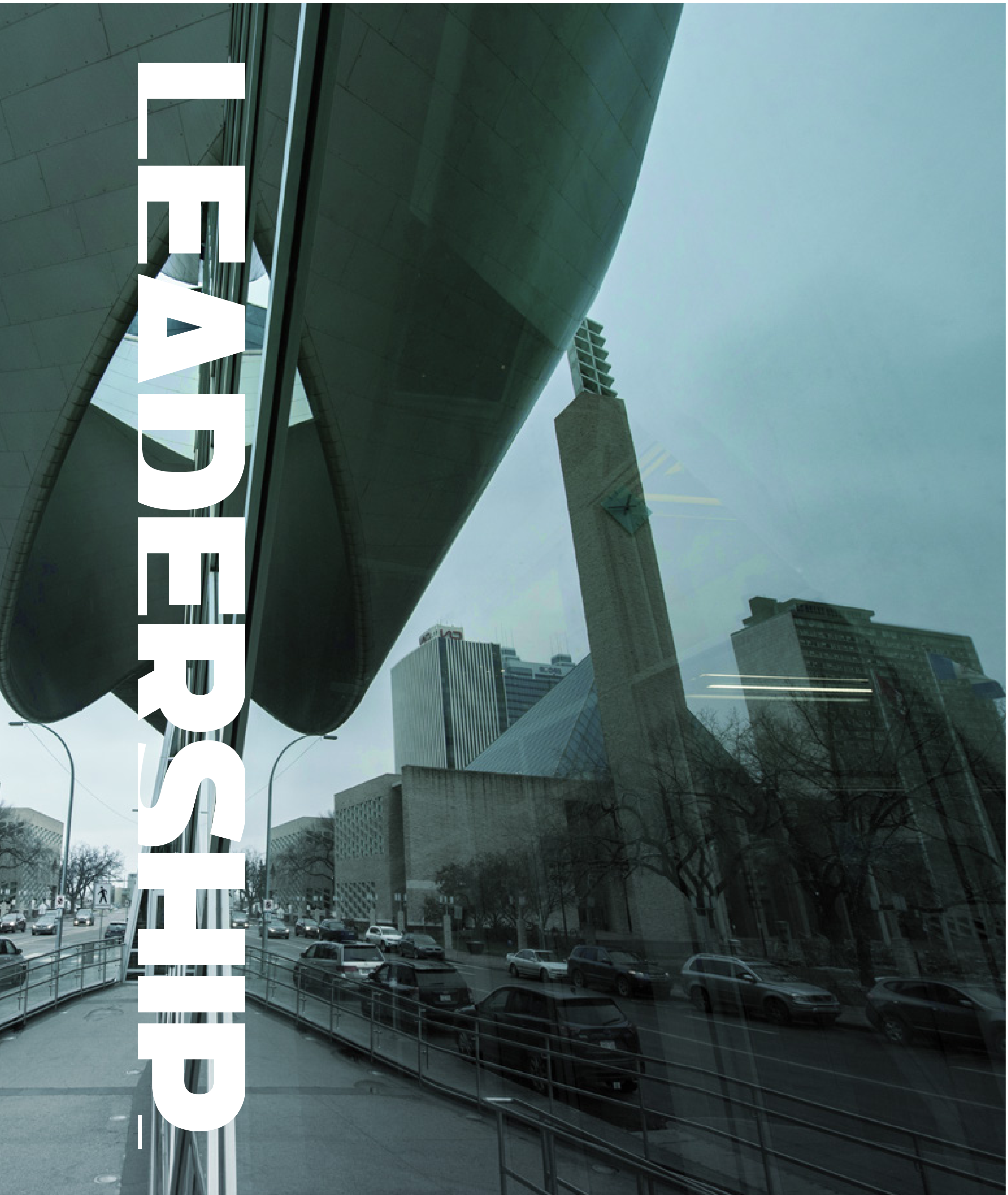
We believe our organization also needs to adapt quickly to evolving political, social, economic and technological change.

Our leadership team has taken great steps over the past year to embed integration and collaboration into our organizational structure. Our executive team's primary role is to be integration managers, taking a broad system view and ensuring that each business area is driving toward corporate outcomes.

As the speed of change in Edmonton intensifies, our organization is prepared to adapt. I am very proud of the excellent service our employees provide to our residents every day. Together, we are proud to serve City Council and the people of Edmonton.

Linda D.M. Cochrane
City Manager

LEADERSHIP



LEGISLATIVE AND ADMINISTRATIVE ORGANIZATIONAL CHART

CITY COUNCIL

Mayor and 12 Councillors

Community and Public Services Committee Four Councillors

Executive Committee Mayor and four Councillors

Urban Planning Committee Four Councillors

Utility Committee Four Councillors

Audit Committee Mayor, four Councillors and two external members

Office of the City Auditor David Wiun, City Auditor

Other Committees Council has other committees to handle various tasks (e.g. Council Services)

EPCOR Utilities Inc. Hugh Bolton, Chair

Police Commission Cathy Palmer, Chair

Edmonton Public Library Board Brian Heidecker, Chair

Edmonton Economic Development Corporation Angela Fong, Chair

Other Commissions, Agencies, Boards and Authorities

CITY OF EDMONTON ADMINISTRATION

City Manager Linda Cochrane

Citizen Services Rob Smyth, Deputy City Manager

City Operations Doug Jones, Deputy City Manager

Communications and Engagement Carolyn Campbell, Deputy City Manager

Financial and Corporate Services Todd Burge, Deputy City Manager and Chief Financial Officer

Integrated Infrastructure Services Adam Laughlin, Deputy City Manager

Sustainable Development Gary Klassen, Deputy City Manager

POLITICAL AND ADMINISTRATIVE STRUCTURE

CITY COUNCIL

Edmonton's City Council consists of 13 elected representatives including one mayor and 12 councillors. The mayor is elected by all Edmontonians who vote in the civic election, while councillors are elected by voters in the wards they represent. On February 26, 2016, Councillor Mohinder Banga was sworn in to represent Ward 12, replacing Amarjeet Sohi who won a seat in the 2015 federal election. Under the *Local Authorities Election Act*, amended in 2012, City Council elections are held every four years. The next election is scheduled for October 16, 2017.

City Council meets two or three times a month and has a number of standing committees that meet regularly, including the Community and Public Services, Urban Planning, Utility, Executive and Audit committees. Meetings of City Council and committees are open to the public.

CITY COUNCIL CONSISTS OF 13 ELECTED REPRESENTATIVES INCLUDING ONE MAYOR AND 12 COUNCILLORS.

The Community and Public Services and Urban Planning committees are directed by City Council and deal with matters specifically related to items that fall within their jurisdiction. The Executive Committee makes recommendations and advises Council on items that are more corporate and intergovernmental in nature. The Utility Committee reviews and recommends to City Council items related to policy and rate-setting for waste management, sanitary and storm water drainage utilities, as well as the water and wastewater in-city operations of EPCOR. The Audit Committee aids City Council in fulfilling its oversight responsibilities for financial reporting, audit and enterprise risk management.

Edmontonians are appointed to more than 20 agencies, boards, commissions and task forces. Whether advisory, decision-making, quasi-judicial or governing, all provide citizens with an opportunity to participate in the present and future direction setting of the city.

AUDITOR

Appointed by and accountable to City Council, the Office of the City Auditor provides internal audit services. In providing such services to the corporation, the Office of the City Auditor performs the key roles of guardian and agent of change by performing independent audits and studies of civic departments and programs.

CITY ADMINISTRATION

City Administration operates under the leadership of the City Manager as Chief Administrative Officer. The City Manager ensures City Administration carries out Council's direction and administers public services. Linda Cochrane was appointed as City Manager by City Council in March of 2016.

A corporate-wide restructuring occurred early in 2016, intended to bring together similar corporate functions for better integration and alignment with the priorities of Edmontonians. City Administration, including the Office of the City Manager, is made up of the following departments:

Citizen Services

City Operations

Communications and Engagement

Financial and Corporate Services

Integrated Infrastructure Services

Sustainable Development

Each department is responsible for particular aspects of public service, ensuring that citizens have access to the essential services needed in a livable city. Additionally, there are City-owned subsidiaries and authorities that provide services to the City and to the public on the City's behalf.

EDMONTON ECONOMIC DEVELOPMENT CORPORATION

Edmonton Economic Development Corporation (EEDC) is a wholly owned subsidiary of the City of Edmonton tasked with cultivating the energy, innovation and investment needed to build a prosperous and resilient Edmonton economy. They lead and manage Edmonton Tourism, Shaw Conference Centre, Startup Edmonton, Make Something Edmonton, Edmonton Research Park, an Urban Economy team, and a Trade and Investment team. EEDC also has a joint-venture with the University of Alberta called TEC Edmonton. EEDC reports to a 14-member board of directors, including Edmonton's mayor, with members appointed, by City Council, from both the private and public sector.

1.9 M

Citizen calls to 311

EDMONTON POLICE COMMISSION

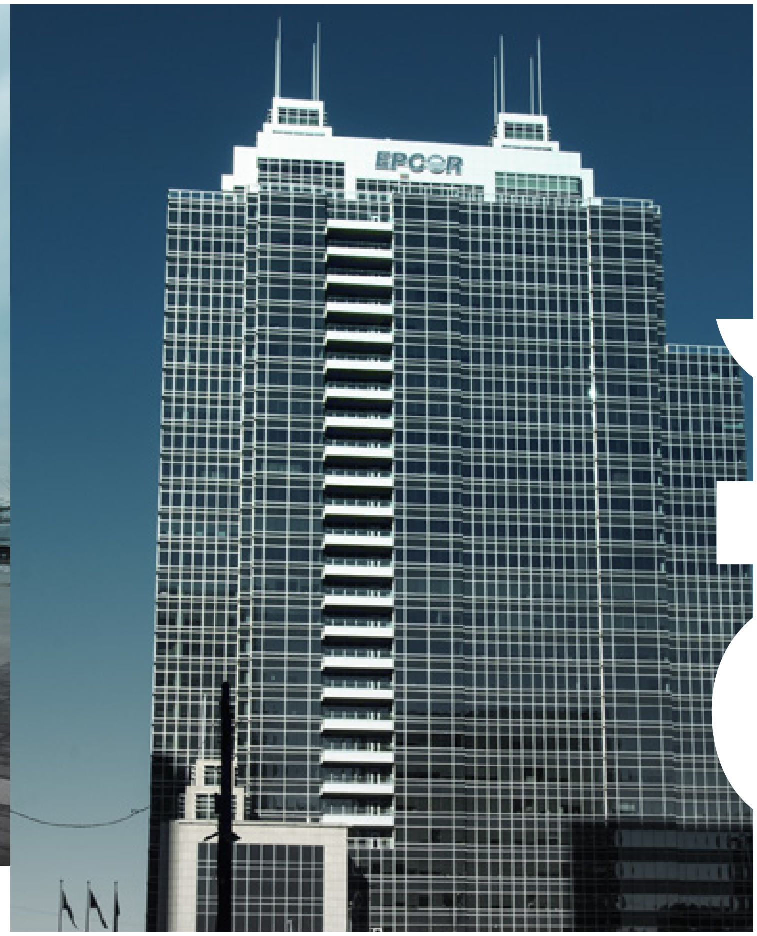
Appointed by City Council, the Edmonton Police Commission is a group of citizens whose mission is to increase public safety through independent governance and civilian oversight of the Edmonton Police Service. One of the Commission's duties is the allocation of funds provided by Council to maximize the Edmonton Police Service's ability to enhance safety and combat crime. The Edmonton Police Commission consists of nine citizens and two city councillors. The Commission obtains its authority from the provincial *Police Act* which prescribes the powers, duties, functions and constraints of a municipal police commission, and the City of Edmonton Bylaw 14040.

EDMONTON PUBLIC LIBRARY

As a strong advocate for literacy and learning, the Edmonton Public Library (EPL) engages the community with more than 16,000 programs and events each year, along with millions of physical and digital resources. Memberships are free, and library services can be accessed online at epl.ca or at any of the 20 branches located throughout the city, including a temporary location at Enterprise Square downtown while the Stanley A. Milner Library undergoes a revitalization.

EPL operates under the authority of the *Libraries Act* of Alberta, and is governed by a 10-member board of trustees appointed by City Council. Board membership is comprised of nine citizens and one city councillor.

EDMONTON PUBLIC LIBRARY ENGAGES THE COMMUNITY WITH MORE THAN 16,000 PROGRAMS AND EVENTS EACH YEAR, ALONG WITH MILLIONS OF PHYSICAL AND DIGITAL RESOURCES.



WASTE RE-SOLUTIONS

2492369 Canada Corporation, operating as Waste RE-solutions Edmonton, provides services related to infrastructure development, implementation and ongoing operation of waste management systems and facilities, as well as advisory and consulting services. Waste RE-solutions Edmonton, a wholly-owned subsidiary of the City of Edmonton, is governed by a board of directors including professionals appointed by the shareholder.

OTHER BOARDS

In addition to the boards highlighted above, hundreds of Edmontonians play valuable roles as members of commissions, agencies, boards, and authorities that provide leadership and advice in vital aspects such as business development, assessment, transportation, housing, historical preservation and much more. Many citizens volunteer their services — evidence of the vibrant volunteerism for which Edmonton is known internationally.

MANY CITIZENS VOLUNTEER THEIR SERVICES — EVIDENCE OF THE VIBRANT VOLUNTEERISM FOR WHICH EDMONTON IS KNOWN INTERNATIONALLY.

EPCOR UTILITIES INC.

EPCOR Utilities Inc. (EPCOR) is wholly owned by the City of Edmonton, and City Council appoints the utility's board of directors and chairs. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure. Its subsidiaries also provide electricity and water services and products to residential and commercial customers, including electricity and natural gas plants in Alberta. EPCOR operates in Canada and the United States with its head office in Edmonton and employs 2,700 people.


EXPLORE EDMONTON
honor
EXPLORE EDMONTON

EDMONTON: REAL CONNECTED. ALIVE.

Edmonton is a young city brimming with passion for today and promise for the future. We are proud of who we are and confident in what our city is becoming. We pull together when our neighbours are in need of help. We explore new opportunities and create year-round fun. We're always ready to say "Come on in. You are welcome here."

BUILDING AN EXTRAORDINARY CITY

Edmonton is increasingly known as a centre for industrial development, healthcare excellence and green energy research. We successfully compete on the global stage for funding, talent and business investment, while also building our reputation as a caring and generous city.

Metro Edmonton continues to grow despite a slower economy, and we continue to plan for the city's expansion in a responsible and successful manner. In 2016, the Metro Mayors Alliance, including Mayor Don Iveson and Mayors of Strathcona County, Leduc County, City of Leduc, City of Fort Saskatchewan, Parkland County, City of Spruce Grove, City of St. Albert and Sturgeon County, signed a Memorandum of Understanding to plan, decide and act as one united region on regionally significant issues. These nine municipalities represent 95 per cent of the region's population and 96 per cent of its assessment base. This agreement will ensure Metro Edmonton remains functional and balanced to help build our shared prosperity.

In 2016, Edmonton once again opened its doors to the international community. We were the first and only Canadian city to host Festival International des Sports Extrêmes (FISE), the world's biggest action sports festival. We proudly hosted Tour of Alberta, showcasing our incredible river valley to an international audience of more than 47 million. The road to the Olympic Games in Rio ran through Edmonton, with qualifying tournaments in men's volleyball, gymnastics and track and field. These three events combined for an economic impact of $10.3 million. In addition, for the second year in a row, *Around the Rings*, an online publication covering the Olympic movement, ranked Edmonton as number 7 among the world's top sports cities.

Our excellent service delivery to Edmontonians at a corporate and personal level continues to be recognized. Make Something Edmonton was awarded the Best Place Identity award at the City Nation Place Awards in London, England, UK for its creative and engaging approach to capturing what makes Edmonton special. The City also took home five of ten design excellence awards at the 2016 Prairie Design Awards, which celebrate new standards of creativity and skill in architecture and interior design. These winning projects were chosen by architectural associations in Alberta, Saskatchewan and Manitoba.

30,403

Applications for development, building & combination permits


BUILDING,
ARKELLS
MORNING REPORT
AVAILABLE NOW

EDMONTON'S ACCOMPLISHMENTS IN 2016

One vision – many partners. Edmonton continues to log successes under its 10 year strategic plan, *The Way Ahead 2009–2018*. It's all possible thanks to continuing partnerships between the City, our residents, our regional neighbours, and our business and government partners.

GOOD NEIGHBOURS

Edmonton lies at the heart of Treaty 6 territory and 2016 marked the 140th commemoration of the signing of this treaty. Today, we continue to nurture this connection by celebrating our shared history with indigenous peoples of the region, including more than 52,000 – or five per cent of the population – in Edmonton alone.

The City's commitment to relationship and reconciliation was evident in 2016 with a series of awareness workshops to help employees enter into a deeper appreciation for indigenous culture and history. The sessions, designed by the City's School of Business and Edmonton Indigenous Employee Resource Network, prompted conversations about how employees can individually and collectively advance along the path of greater awareness and inclusion.

On-time completion of City space within the new downtown Edmonton Tower was made possible in part by a unique training and apprenticeship partnership between the City, Oteenow Employment and Training Society, and other partners.

Edmonton Transit System partners with regional transit providers to offer a Universal Transit Pass (U-Pass) program across the region to students at the University of Alberta, MacEwan University, the Northern Alberta Institute of Technology and NorQuest College. In addition to St. Albert and Strathcona County, the program was expanded to include unlimited travel on Fort Saskatchewan, Spruce Grove and Leduc County transit systems.

Edmontonians demonstrated an overwhelming generosity of spirit when the Wood Buffalo wildfires in May spurred the largest evacuation in Canadian history. Citizens went above and beyond to help evacuees in many different ways, while the City joined forces with other orders of government and local social agencies to provide assistance where it was needed most. The City sent Fire Rescue personnel and equipment to the Wood Buffalo Region; Animal Care and Control cared for more than 350 pets; and, the City managed an emergency reception centre that accommodated and assisted more than 25,000 people over the course of 23 days.

EDMONTONIANS DEMONSTRATED AN OVERWHELMING GENEROSITY OF SPIRIT WHEN THE WOOD BUFFALO WILDFIRES IN MAY SPURRED THE LARGEST EVACUATION IN CANADIAN HISTORY.

FOUNDATIONS FOR THE FUTURE

The iconic City-owned Rogers Place opened its doors on September 8, 2016 as an eye-catching landmark for citizens and visitors alike, and a symbol of the extraordinary revitalization of Edmonton's downtown. Rogers Place sparked $5 billion of investment into our downtown, including more than 25 acres of development in Edmonton's ICE district, with 1.3 million square feet of office space and an additional 300,000 square feet of retail space.

Edmonton Tower, located in ICE District, opened in November 2016. The City is leasing 17 floors, bringing together city employees in one space for greatly enhanced collaboration and efficiency. It is the largest municipal office move in Canadian history, and is being watched across the country as we explore the opportunities inherent in new workspace, new productivity technologies and new ways of working.

The Edmonton Service Centre on the second floor of Edmonton Tower opened on February 27, 2017 and brings together civic service counters previously spread across multiple downtown buildings for improved customer service and convenience.

Edmonton's late-night economy within our hottest entertainment districts continues to thrive and play a crucial role in our city's resiliency and transformation. *Edmonton's Late Night Economy Economic Impact Study 2016* showed the total impact of our late-night economy was $1.3 billion in 2014. In 2016, Edmonton was the first North American city to receive the Purple Flag designation from the Association of Town and City Management for the safety and vibrancy of its Warehouse District downtown.

A Transit Strategy is being developed to guide future development and investment in our transit system, which is a foundational element to building a great city. In 2016, extensive public engagement exercises, involving more than 20,000 Edmontonians, were completed by the City to inform the development of the Strategy.

THE ICONIC CITY-OWNED ROGERS PLACE ARENA OPENED ITS DOORS ON SEPTEMBER 8, 2016.

In 2016, Edmonton was rated as the most open Canadian municipality on the Open Cities Index 2016 Report Card, released by the Public Sector Digest. The Open City and Innovation Branch also received a Government Technology Exhibition Conference Distinction Award in the category of Excellence in Public Service Delivery. This recognition solidifies our efforts at becoming a national leader in open data and enhances our reputation as a globally competitive, transparent and inclusive city. How data is used can be impactful and beneficial, influencing everything from infrastructure to festivals, contributing to the overall livability of our city. It allows for direct visibility into how decisions are made, empowering citizens and enhances the relationship between citizens and public organizations. There are currently 1,335 data sets in the open data catalogue, with more than 280 created in 2016.

800 +

City sponsored festivals & events


SUSTAINABILITY.
Danger
36
ETS
1076

SUSTAINABILITY

A sustainable city must continually reinvent and repair its critical infrastructure – the means by which people move, dispose of waste, receive the goods they need and access recreational opportunities.

Such work further contributes to economic sustainability, with the addition of jobs, and enhances our city's natural beauty. From the $1.8 billion Valley Line LRT to the $110.5 million downtown east-side Quarters development to the $24 million Mechanized River Valley Access project, Edmonton is continually on the grow.

In 2016, work was completed on the Terwillegar Park Footbridge. This $25.9 million stressed ribbon bridge is a unique addition to Edmonton's River Valley and provides an alternative way of connecting Edmontonians to additional areas of the city. In addition to this bridge, construction began on the Mechanized River Valley Access Project to connect 100th Street near the Hotel Macdonald and the river valley trail system near the Low Level Bridge. It will include a funicular as well as an outdoor elevator and a broad staircase with generous landings. It is designed with spaces for people to exercise, to sit and relax or to spend time sight-seeing, while addressing the challenges those with mobility issues face in trying to make their way down the valley.

In October of 2016, City Council unanimously approved the construction for a downtown bike grid, featuring Edmonton's first cycle track. The $7.5-million grid will be made of 7.1 kilometres of separated bike lanes running along 100 and 102 avenues and 99, 103 and 106 streets. The bike lanes promote the use of bicycling as an active mode of transportation that is safe and healthy. They also provide easy access to major destinations within downtown and to bicycle commuter routes that connect to downtown.

Edmonton has been working with Calgary and the provincial government to develop City Charters for the two big cities. The cities have evolved into complex corporations responsible for billions of dollars of services, infrastructure and operations. Charters would give Edmonton and Calgary more authority and flexibility to help address the unique challenges and opportunities they face.

EDMONTON HAS BEEN WORKING WITH CALGARY AND THE PROVINCIAL GOVERNMENT TO DEVELOP CITY CHARTERS FOR THE TWO BIG CITIES.

In 2016 and early 2017, draft policy proposals for the charters on topics such as administrative efficiency, community planning and environmental stewardship were shared with the public and stakeholders. The City Charters are scheduled to be finalized in 2017.

GREENER LIVING

City Council recently approved the framework for a renewable energy utility in the Blatchford community and construction on the 217 hectares of former downtown airport land will begin in 2017. The utility will be based on a District Energy Sharing System, which is an extremely energy-efficient way to provide heating, cooling and hot water to homes and buildings. Combined with energy efficient building standards and the use of renewable energy sources, the system will make great strides in achieving the vision for a carbon neutral community that is a leader in sustainable urban design.

The Federation of Canadian Municipalities awarded Edmonton the Sustainable Communities Award for the Brownfield Redevelopment Program for its work in helping to revitalize previously contaminated properties by providing grants for testing and remediation costs. City costs are recovered later through an uplift in property taxes resulting from redevelopment.

Edmonton's Community Energy Transition Strategy saw significant movement on implementing an eight-year action plan to move Edmonton towards a more sustainable and resilient future. The City moved forward on the development of a number of key programs including: a residential buildings program designed to help Edmontonians make their homes more efficient; a large buildings energy reporting and disclosure program; an electric vehicle strategy and pilot program; and, a marketing program to help transform the market and drive Edmontonians towards decisions that help us reduce greenhouse gases.

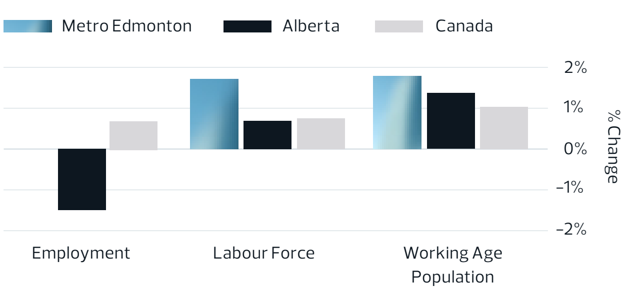
ECONOMIC PERFORMANCE

The City of Edmonton continued to outperform most other areas of Alberta over the course of 2016, despite continuing weak oil prices and significant job losses in the second half of the year.

OVERALL PERFORMANCE

Employment in Metro Edmonton was essentially unchanged between 2015 and 2016. Significant employment losses in construction, manufacturing and professional services were offset by gains in logistics, healthcare, education and public administration. Overall, the region had an average employment level of 761,000 positions for 2016. However, Edmonton's unemployment rate increased from 6.0 per cent in 2015 to 7.4 per cent as the region's working age population continued to expand and the number of job seekers grew.

Labour Market Developments — 2016 Annual Change

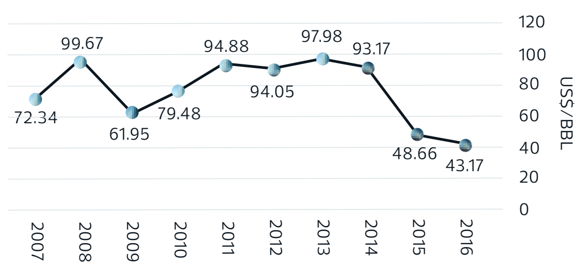


Source: Statistics Canada

At the provincial level, the impact of lower energy prices, reduced investment and the disruption of economic activity due to the Wood Buffalo wildfires in May caused provincial employment levels to contract by approximately 36,000 positions, or 1.6 per cent, between 2015 and 2016. Alberta's unemployment rate was 8.1 per cent in 2016, up from 6.0 per cent in 2015.

For the country, there was modest employment growth of 0.7 per cent, as some of the gains in the first half of 2016 were wiped out by losses in the third quarter when energy production and exports decreased after the Wood Buffalo wildfires. Continuing low energy prices, sluggish business investment and disappointing export performance resulted in growth estimates for Canada being revised down on several occasions. As a result, the Bank of Canada has continued to maintain very low interest rates to stimulate faster growth and absorb the surplus production capacity in the Canadian economy. The national unemployment rate moved up slightly from 6.9 per cent at the end of 2015 to 7.0 per cent in 2016 as the growth in the number of job seekers outpaced that of employment.

Average Annual Oil Prices – West Texas Intermediate



Source: Thomson Reuters

After bottoming below $30.00 per barrel in February 2016, the US benchmark oil price (West Texas Intermediate or WTI) has made a significant recovery, reaching approximately $53 per barrel in late January 2017. As can be seen from the Average Annual Oil Prices graph, the downturn in oil prices since mid-2014 has been longer and the recovery more modest than that of 2008 to 2010.

This 'lower for longer' trend reflects the difference in key factors behind lower oil prices. The collapse in 2008 was driven by a demand shock as the global economy went into recession. Prices recovered as soon as economic activity picked up. Since mid-2014 oil prices have fallen due to excess supply. Adjusting supply to meet demand is a much more difficult and time consuming process. Hence, while energy prices will improve, the profile of the recovery will be much longer and potentially very volatile.

METRO EDMONTON HAS AN AVERAGE EMPLOYMENT LEVEL OF 761,000 POSITIONS FOR 2016.

The implication for Edmonton and Alberta is that investment activity in the energy sector will be muted, resulting in modest growth prospects over the medium term.

RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton decreased significantly as slower population growth and an increase in supply lead to a rise in the rental vacancy rate of 4.2 per cent in 2015 to 7.1 per cent in 2016. As a result, builders cut back sharply on housing starts for multi-family housing units as overall housing starts continued to feel the effects from the relatively strong levels seen in 2015.

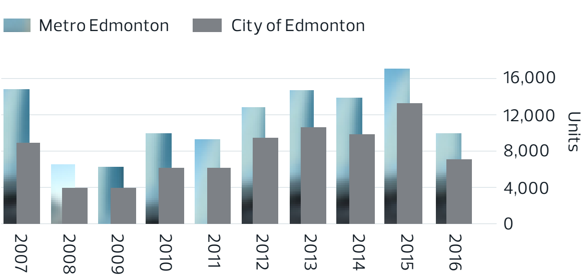
The value of building permits was also down in 2016 at $5.6 billion, well below the $6.2 billion recorded in 2015. Reduction in building intentions was most evident in the residential sector, with the value of permits down almost 23 per cent. The largest share of this decline in permit values came from multi-family buildings. Non-residential permits, in contrast, were up, with increases in industrial, commercial and institutional permits.

Alberta also saw weaker permit values as the value of permits issued for industrial, residential and commercial facilities fell by almost 19 per cent between 2015 and 2016. At the national level, the value of permits was down approximately one per cent as lower non-residential permit values outweighed a record high in residential building intentions.

HOUSING STARTS

Both the City and Metro Edmonton saw housing starts slow between 2015 and 2016. In the City, construction started on 7,263 units compared with 13,311 in 2015 — a reduction of approximately 45 per cent. Throughout Metro Edmonton, there were 10,036 housing starts in 2016 down from 17,050 in 2015 — a reduction of 41 per cent year over year. The principal factor in the lower numbers was a reduction in starts for multi-family units.

Annual Housing Starts

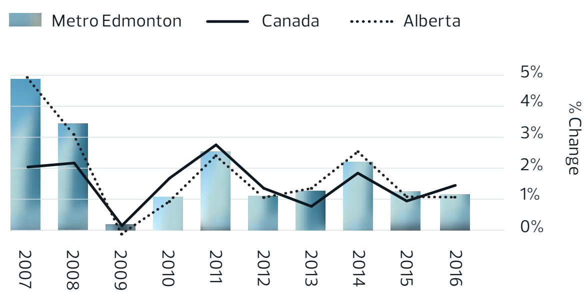


Source: Canada Mortgage and Housing Corporation

INFLATION

Inflation levels remained low in Metro Edmonton. Inflation, as measured by the Consumer Price Index, came in at 1.1 per cent in 2016, compared to 1.2 per cent in 2015. The comparable figure was 1.1 per cent for Alberta and 1.4 per cent for Canada.

Annual Consumer Price Index



Source: Statistics Canada

Inflation was held in check in 2016 by continuing low energy prices — natural gas for home heating was at a nine year low in 2016, in addition to lower food prices and falling rental housing costs. With the rental vacancy rate still rising, rental housing costs are anticipated to continue to ease.

SUMMARY

The City's economic performance remains one of the best in the province. Stable employment numbers between 2015 and 2016, combined with continuing population growth, helped to stabilize retail, personal services and other components of the region's and the city's economies. Looking forward, growth will return to the province, the region and the city in the coming year with employment beginning to expand, particularly in the latter half. However, the unemployment rate will continue to rise as new job seekers come to Metro Edmonton due to relatively good conditions compared to other areas in Alberta.

FINANCIAL INFORMATION

The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton (the City) to provide municipal services and infrastructure. It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2016 financial performance, as well as significant financial policies, strategies and plans to address financial risk and sustainability.


FINANCIAL

FINANCIAL STATEMENT DISCUSSION & ANALYSIS

The financial statement discussion and analysis provides a financial overview of the 2016 City operations and also discusses the City's financial practices related to control, accountability, long-term sustainability and risk management.

The 2016 Annual Report includes the consolidated financial statements (the financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS). KPMG LLP have audited the financial statements and have provided the accompanying Independent Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the *Municipal Government Act* (MGA) of Alberta. The following financial statement discussion and analysis should be read in conjunction with the financial statements. Both have been prepared by and are the responsibility of Management of the City of Edmonton. A five year statistical review of key information has also been provided.

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

2016 FINANCIAL HIGHLIGHTS

In 2016, the City continued to execute its business plan and budget as expected. The second year of the four year capital budget for 2015-2018 continued with investment into key infrastructure projects. The capital budget includes new and upgraded libraries, fire stations, a police campus, a transit garage, the renewal and upgrade of recreation facilities, construction of new transportation assets such as the Valley Line LRT, roads and bridges and reconstruction of roads through the neighbourhood renewal program. The capital budget strikes a balance between growth and renewal and advances work on significant capital projects. The 2016 operating budget advanced Council priorities with a property tax increase for civic programs at 3.4 per cent, including 0.8 per cent dedicated to fund the Valley Line LRT.

The City ended the year with a $63.8 million surplus (2.5 per cent of budgeted tax-supported expenses) for general government (tax-supported) operations relative to the budget. The surplus is primarily a result of lower than expected snow and ice control costs, personnel savings, and other net favourable variances across City programs, partially offset by lower than expected transit fare revenue, facility attendance and rental revenue and various other net unfavourable program variances.

The City maintains a healthy financial position with an overall accumulated surplus of $14,425.1 million. The City continues to monitor its financial performance and strategies to address growth and increased demand for services and continues to monitor the impacts of the economic slowdown. An expanded discussion of these challenges is included in the long-term sustainability and risk management portion of this document.

SIGNIFICANT TRENDING

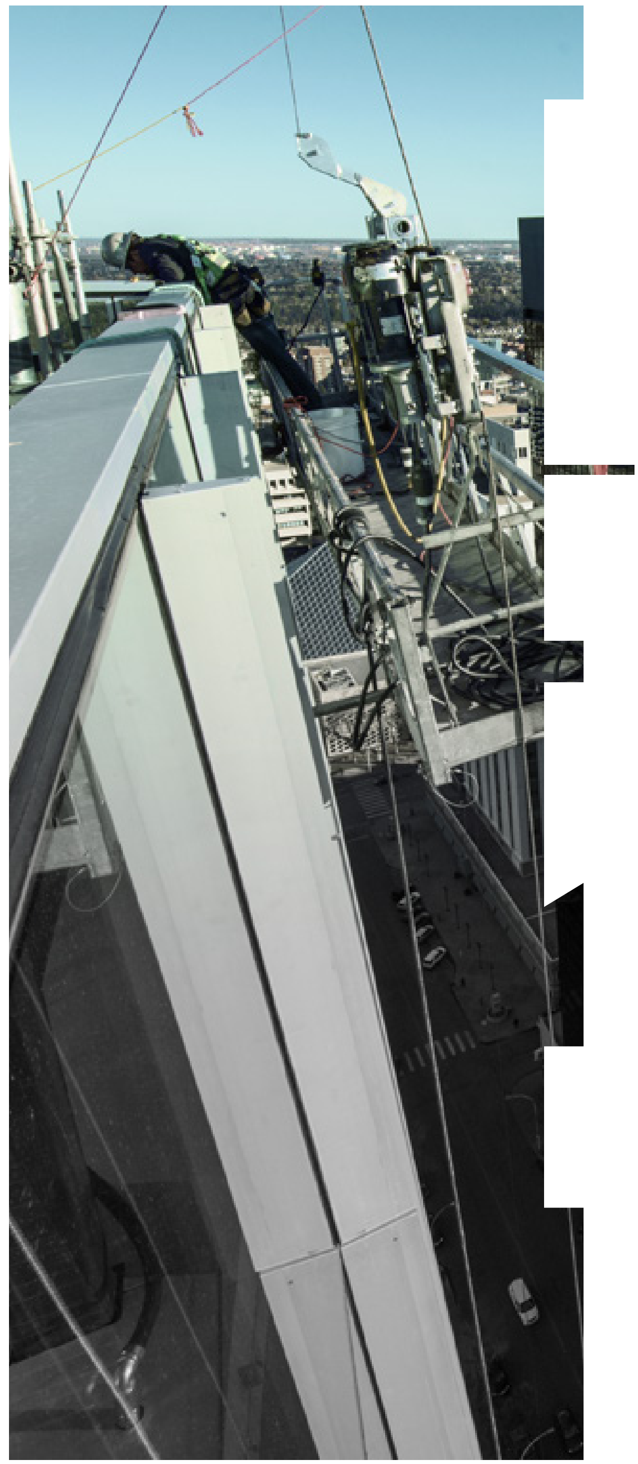
The City continues to see growth and net in-migration into the area. Between the 2012 and the 2016 census, the City grew by 14.1 per cent with minimal changes in the population age distribution, and total taxable assessment increased by $38.0 billion. With the rapidly growing population comes the demand for additional services and infrastructure. The City's cost of service delivery increased by $605.1 million since 2012 and net capital asset additions were $6,344.3 million over the same time period. The cost to provide these services and infrastructure were largely paid for with property taxes, user fees, grants and debt. From 2012 to 2016, total revenues increased by $884.4 million. The largest increases in revenues were in the areas of property taxes, the City's investment in EPCOR, and user fees and sale of goods and services. Debt increased by a net $949.9 million, or 39.8 per cent, between 2012 and 2016 in order to advance priority infrastructure projects and take advantage of lower interest rates.

Refer to the Statistical Review section of the annual financial report for further information on these trends as well as other statistical data.

THE CITY CONTINUES TO MONITOR ITS FINANCIAL PERFORMANCE AND STRATEGIES TO ADDRESS GROWTH AND INCREASED DEMAND FOR SERVICES.

FINANCIAL POSITION

The City has maintained a strong financial position ending the year with a net financial asset position (financial assets less liabilities) of $959.1 million, an overall decrease of $122.0 million compared to prior year. The significant changes in net-financial assets and non-financial assets are discussed in the following sections. The primary components of the net financial asset balance are the City's investment of $2,672.2 million in the EPCOR subsidiary, investments of $1,898.8 million and long-term debt of $3,338.9 million. Overall the City increased its accumulated surplus to $14,425.1 million, an increase of 6.1 per cent from the prior year balance of $13,599.8 million. The change in the accumulated surplus arises from the annual excess of revenues over expenses of $836.3 million partially offset by other comprehensive loss of $11.0 million relating to the EPCOR subsidiary.



THE CITY MAINTAINS A HEALTHY FINANCIAL POSITION WITH AN OVERALL ACCUMULATED SURPLUS OF $14.4 BILLION.

CASH POSITION

The City's cash position is comprised of cash and temporary investments. Temporary investments are used to ensure that sufficient cash and liquid assets are available to manage the timing of the City's operating and capital expenditures. The cash position has increased to $491.1 million from $328.2 million, an increase of $162.9 million.

The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2016. During the year, cash was raised through a combination of $995.9 million from operations and $285.8 million from net borrowing. The City spent $1,109.7 million to acquire tangible capital assets, net of proceeds on disposal, and increased its investments by $150.1 million. The City also received a dividend from the EPCOR subsidiary of $141.0 million during the year.

RECEIVABLES

Receivables include amounts owed to the City related to trade and other, local improvements, taxes and government transfers. The receivables balance of $348.0 million decreased by $125.0 million from the prior year balance of $473.0 million. Note 3 to the financial statements provides further information on the composition of the receivables balance.

The majority of the decrease in receivables is related to government grants. At the end of 2015 the City had $141.4 million in Municipal Sustainability Initiative government grant receivables primarily for funding of capital projects, which were received in 2016. The balance of government grants receivable at the end of 2016 was $0.3 million. Details on federal and provincial government transfers are provided in Note 18 to the financial statements.

The increase of $7.8 million in trade and other receivables is largely due to $11.8 million in provincial recoveries related to the fire relief efforts provided by the City for the Wood Buffalo fires and various other year-over-year changes.

$813.4 M

Market value of Ed Tel Endowment Fund

THE ED TEL ENDOWMENT FUND HAS CONTRIBUTED A TOTAL OF $703.7 MILLION TO THE CITY

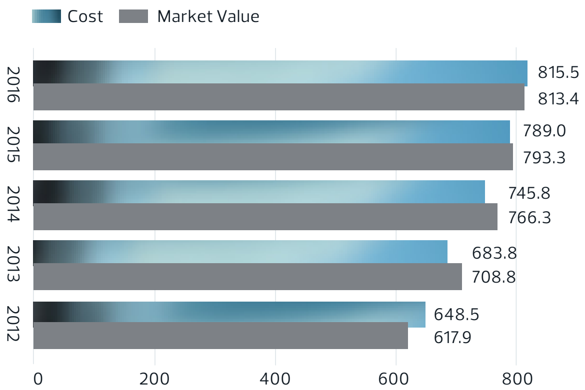
Local improvement receivables increased by a net $2.8 million due to local improvement construction completed during the year of $11.3 million, less current year local improvement property taxes collected of $8.5 million to repay the cost of construction. More significant local improvement construction took place in the neighbourhoods of Glenora, Avonmore, Westwood and Rosslyn. Property owners have the option to pay for local improvements at the outset of the project or finance the local improvement over a period of time. Local improvement revenue and a receivable from the property owner are recognized in the year the local improvement project is complete.

INVESTMENTS

All investments held by the City must comply with the MGA, the associated provincial investment regulation, *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable and prudent level of risk. Asset mix is determined based upon the investment earning objectives, investment time horizon and level of risk tolerance. The Investment Committee's role is to oversee the City's investments. Members are selected to bring both investment and business expertise to the Committee. By monitoring the City's investment program and implementing changes as necessary, the committee ensures that the funds are well positioned and appropriately invested to meet their objectives. The committee is confident that the asset allocation policies remain appropriate, and will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks are available in the 2016 Investment Committee Annual Report which is available on the City of Edmonton's website.

The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected as the City's investment custodian in 2008. A review of the City's banking and custody services is completed periodically.

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



Included in investments of $1,898.8 million are amounts held as cash, amounts receivable, fixed income, common and preferred shares and pooled infrastructure funds, all held within a Short Term Bond Fund, a Balanced Fund, the Ed Tel Endowment Fund and the Sinking Fund. At year end the market value of the investment portfolio was $1,891.8 million, 0.4 per cent below the investment cost. The City considers this decline in value to be temporary in nature.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $465.0 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw 11713. Since inception, the fund has contributed a total of $703.7 million to the City with dividends of $40.2 million provided from the fund in 2016. The 2016 dividend includes a special dividend of $8.0 million approved in 2015 and paid in 2016. At June 30, 2015 the market value of the Ed Tel Endowment Fund was 16 per cent above the inflation adjusted principal and following Bylaw 11713 was in a position to pay a special dividend. The special dividend was used to fund capital consistent with the budget strategy to redirect investment earnings to capital. The fund ended the year with an investment book value of $815.5 million compared to a market value of $813.4 million, with the difference considered a temporary decline.

The Sinking Fund was established so that monies could be set aside regularly for the eventual redemption of various public debenture issues (borrowings). There is one outstanding debenture issue, maturing in 2018 at a value of $100.0 million, for which the Sinking Fund is accumulating assets. The investment book value and market value of the fund at the end of the year were $86.4 million and $85.9 million, respectively.

Additional investments are managed for trust assets under administration's control, including City sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting standards, trust assets not owned by the City are excluded from the reporting entity. Note 21 to the financial statements provide summary disclosures with respect to trust assets under City administration.

DEBT RECOVERABLE

Debt recoverable consists of amounts borrowed by the City and provided to non-profit organizations through loans and leases receivable. These amounts are recorded at a value equivalent to the related outstanding long-term debt as at December 31, 2016. The balance decreased from $60.6 million at the end of 2015 to $11.5 million at the end of 2016, for a net decrease of $49.1 million. The majority of the decrease was due to a reclassification of debt recoverable to advances secured by tangible capital assets, within non-financial assets.

Note 5 to the financial statements provides further information on the composition and change in debt recoverable.

LAND FOR RESALE

Land for resale includes land inventory that the City ultimately intends to develop for sale or land determined to be surplus to the municipal needs. The balance is recorded at the lower of cost and estimated net realizable value. Costs associated with preparation for sale are added to the cost of the land. Land for resale increased by $24.3 million during 2016 resulting in a balance of $223.8 million. This was mainly due to land servicing costs for the Blatchford Redevelopment Project.

THE CITY ENTERED INTO A P3 AGREEMENT, WITH TRANSED PARTNERS, FOR THE DESIGN, CONSTRUCTION, OPERATION AND MAINTENANCE OF STAGE 1 OF THE VALLEY LINE LRT FROM MILL WOODS TO DOWNTOWN.

INVESTMENT IN EPCOR

EPCOR builds, owns and operates electrical transmission and distribution networks in Canada as well as water and wastewater treatment facilities and infrastructure in Canada and the United States. EPCOR also provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly owned subsidiary, as a government business enterprise. EPCOR's 2016 consolidated financial statements have been prepared by EPCOR's management in accordance with International Financial Reporting Standards (IFRS). Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and therefore inter-organizational transactions and balances are not eliminated. In 2016, the investment in EPCOR recorded by the City increased to $2,672.2 million from $2,515.2 million in 2015, a net increase of $157.0 million. The net increase is due to EPCOR's reported net income for the year of $309.0 million, offset by other comprehensive losses of $11.0 million and a dividend of $141.0 million provided to the City. At the beginning of 2016, EPCOR had approximately 9 per cent ownership in Capital Power. During the year, EPCOR sold the majority of its shares in Capital Power and in January 2017 the remaining shares were sold, leaving EPCOR fully divested in Capital Power. By divesting in Capital Power, EPCOR is able to focus more on its core business activities. Summary financial information for EPCOR is included in Note 20 to the financial statements. Additional detail is available directly from the organization, using contact information provided at the back of this Annual Report.

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance of $736.5 million at the end of 2016 has increased by $27.1 million over the prior year balance of $709.4 million. Accounts payable and accrued liabilities is comprised of trade and other, developer obligations, payroll and remittances and accrued interest amounts owing. Information on the composition of the accounts payable and accrued liability balance is provided in Note 7 to the financial statements. Trade payables increased by $39.5 million due to the Valley Line LRT Public Private Partnership (P3) construction cost obligation of $53.7 million and an additional contaminated sites liability of $17.2 million recognized during the year. These increases were partly offset with lower payables relating to the construction of Rogers Place and the 41st Avenue/Queen Elizabeth II interchange project which were substantially completed in 2016.

In February 2016 the City entered into a P3 agreement with TransEd Partners for the design, construction, operation and maintenance of Stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period runs from 2016-2020 and the total commitment for construction over the life of the contract is $1.5 billion. In accordance with the agreement, the City will repay the total cost of construction to TransEd Partners by the end of 2050.

DEFERRED REVENUE

Deferred revenue is largely made up of government transfers, provided to fund operating or capital expenses. These revenues are externally restricted until used for the purpose intended. Externally restricted contributions received or receivable during the year amounted to $491.6 million, of which $374.4 million was recognized as revenue to fund related eligible expenses. This resulted in a deferred revenue balance of $317.2 million, a net increase of $117.2 million compared to 2015. The majority of the increase is due to Municipal Sustainability Initiative and Green Trip Incentives Program capital grant revenue received during the year in advance of capital expenses. Operating deferred revenue includes other revenue amounts received in advance of services provided. Additional detail with respect to balances and changes in deferred revenue is included in Note 8 to the financial statements.

DEBT

The City utilizes debt to finance capital expenditures under principles and limits established within the City's Debt Management Fiscal Policy (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the application of funds used for debt servicing once debt is retired.

DEBT SUPPORTS THE CITY'S LONG-TERM CAPITAL PLANS AND STRATEGIES, WHILE MAINTAINING LONG-TERM FINANCIAL AFFORDABILITY, FLEXIBILITY AND SUSTAINABILITY.

The City has three main types of debt: tax-supported debt funded by tax levy, self-supporting tax-guaranteed debt funded through dedicated non-tax levy revenues, and self-liquidating debt funded through programs that are self-sustaining such as utilities and local improvements. As self-supporting tax-guaranteed debt is guaranteed by the tax levy, it is classified as tax-supported debt. The City's Debt White Paper discusses the City's policies and strategies with respect to debt management. It is one of the six white papers discussing the key financial principles, strategies and policies to be incorporated into Edmonton's Financial Sustainability Plan. The Debt White Paper is available on the City of Edmonton's website.

Since 1993, borrowing completed by the City has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the debt rating of the Government of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually. The City continued to benefit from low interest rates for new borrowing during the year with ranges as follows:

Borrowing Terms and Interest Rates

Term	Interest rates
5 year	1.24% to 1.60%
10 year	1.78% to 2.30%
15 year	2.15% to 2.80%
20 year	2.45% to 3.06%
25 year	2.65% to 3.25%
30 year	2.72% to 3.37%
35 year	2.85% to 3.41%

The net long-term debt of $3,338.9 million at December 31, 2016 increased by $305.7 million (10.1 per cent) over the 2015 balance. The gross amount of debentures and mortgages payable of $3,430.2 million is offset by $91.3 million in related amounts receivable from EPCOR. The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009.

$2.7 B
Investment in EPCOR

Debt Schedule (millions of $)	Tax-Supported			Self-Liquidating	Total Debt (net)
	Long-term	Short-term	Total		
Opening	$ 1,979.8	$ 60.0	$ 2,039.8	$ 993.4	**$ 3,033.2**
Borrowings	285.8		285.8	156.3	**442.1**
Principal Payments	(90.6)		(90.6)	(45.8)	(**136.4**)
Ending	**$ 2,175.0**	**$ 60.0**	**$ 2,235.0**	**$ 1,103.9**	**$ 3,338.9**


LRT

THE CITY CARRIES LEVELS OF DEBT AND DEBT SERVICING WELL BELOW THE LEGISLATED LIMITS.

Of the total net long-term debt of $3,338.9 million, $2,235.0 million is tax-supported, including $60.0 million in short-term debt, and $1,103.9 million is self-liquidating.

During the year, a total of $442.1 million was added through new debenture borrowings and mortgages, with $285.8 million considered tax-supported and $156.3 million self-liquidating. Tax-supported debt was borrowed to finance the Rogers Place arena construction and various other capital projects including the Walterdale Bridge reconstruction and construction of the Westwood transit garage. The increase in self-liquidating debt is largely due to increased investment in drainage infrastructure.

Debt principal repayments of $136.4 million were made during the year; $90.6 million for tax-supported debt and $45.8 million for self-liquidating debt.

Up to $796.7 million has been previously approved in short-term borrowing to fast-track expenditures in advance of funding from provincial or federal transfer payments. Since 2010, $120.0 million has been borrowed with $60.0 million repaid in 2015, leaving $60.0 million in five-year short-term debt payable at December 31, 2016. Interest is payable semi-annually and the remaining principal is to be paid utilizing the government transfer monies when received in 2017. Further use of short-term borrowing is not anticipated at this time based on the approved capital expenditure projections and government transfer cash flows.

Total borrowing of $573.3 million has been approved as of December 31, 2016 for the Rogers Place arena. At the end of 2016, a total of $563.1 million has been borrowed to finance the design, land purchase and construction of the arena, with $150.3 million borrowed in 2016 . The debt servicing related to this borrowing will be funded largely through future community revitalization levy tax revenues generated through development, as well as lease revenues and ticket surcharges.

Tax-supported debt of $883.7 million has been approved for the Valley Line LRT land purchases and P3 procurement and construction costs. At the end of 2016 $120.6 million has been borrowed.

A Regulation under Section 271 of the MGA establishes limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by the Regulation, is calculated as two times consolidated revenue net of revenue from subsidiary operations – EPCOR, capital government transfers, and contributed tangible capital assets. Debt servicing costs are not to exceed 35 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit. Debt servicing, for purposes of calculating the MGA debt servicing limit, is the amount of principal and interest for the subsequent year relating to debt in place at the end of the year reported.

Debt and Debt Service Limits – MGA
(millions of $)

	2016	2015
Debt limit	**$ 5,627.0**	$ 5,556.1
Debt limit used	**$ 3,338.9**	$ 3,033.2
Percentage used (%)	**59.3**	54.6
Debt service limit	**$ 984.8**	$ 972.3
Debt service limit used	**$ 341.0**	$ 285.7
Percentage used (%)	**34.6**	29.4

The internal DMFP sets more conservative debt service limits than those established in the MGA, with limits for all City operations and tax-supported operations. Under the City's policy, the total debt service limit is calculated at 22 per cent of total consolidated revenues and the tax-supported debt service limit is calculated at 15 per cent of tax-supported revenues.

THE FINANCIAL STABILIZATION RESERVE PROVIDES FLEXIBILITY IN ADDRESSING FINANCIAL RISKS TO ENSURE THE ORDERLY PROVISION OF SERVICES TO CITIZENS.

Debt and Debt Service Limits – DMFP
(millions of $)

	2016	2015
Total debt service limit	**$ 619.0**	$ 611.2
Debt service limit used	**$ 262.0**	$ 304.3
Percentage used (%)	**42.3**	49.8
Tax supported debt service limit	**$ 348.6**	$ 331.0
Debt service limit used	**$ 170.8**	$ 218.8
Percentage used (%)	**49.0**	66.1

NON-FINANCIAL ASSETS

Non-financial assets include tangible capital assets, inventories, advances secured by tangible capital assets and other assets used to provide services. Tangible capital assets are managed and held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets. These assets have economic lives that extend beyond a year and are not for sale in the ordinary course of operations. In 2016, debt recoverable was reclassified to advances secured by tangible capital assets, within non-financial assets. Note 5 to the financial statements provides further information on the reclassification.

Net tangible capital assets of $13,342.1 million have increased by 7.2 per cent compared to the 2015 balance of $12,449.1 million. The net increase of $893.0 million is a result of acquisitions and contributions of tangible capital assets of $1,436.8 million, offset by annual amortization of $526.6 million and disposals of assets with a net book value of $17.2 million. Tangible capital assets placed in service were primarily in asset categories of building, roadways and drainage systems. Schedule 1 – Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and the related accumulated amortization for each of the significant asset types.

2016 was the second year of the 2015-2018 capital budget, approved by City Council in December 2014, with capital spending during the year focused on key growth projects as well as maintenance of existing infrastructure. The capital additions in 2016 of $1,436.8 million , including contributed assets, were comparable to the additions of $1,331.2 million in 2015 and continue to be a substantive capital investment in city infrastructure for both growth and renewal. Progress was made during the year on significant capital projects, such as the neighbourhood renewal program, drainage and roadway systems across the City, the Valley Line LRT and completion of Rogers Place.

ACCUMULATED SURPLUS

The accumulated surplus reflects the City's net economic resources that have been built up over time. As reflected in Note 16 to the financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including the 2016 ending position of general government operations, reserves, equity invested in tangible capital assets and advances for construction. The City has maintained a strong accumulated surplus, ending 2016 with a total of $14,425.1 million, an increase of 6.1 per cent from the prior year.

As of December 31, 2016, general government (tax-supported) operations has a year-end position of $63.8 million and the City's share of unrestricted excess sinking fund earnings is $2.5 million. Included in the restricted surplus of $4,031.3 million is $2,672.2 million relating to EPCOR, $815.5 million from the Ed Tel Endowment Fund, a combined accumulated surplus of $111.0 million from the enterprise and utility operations of Land Enterprise, Drainage Utility and Waste Management Utility, as well as $392.8 million in reserves for future expenditures.

The utility and enterprise retained earnings of $111.0 million at the end of 2016 increased by $29.4 million from prior year, mainly due to positive operating results at the end of the year for enterprise and utility operations.

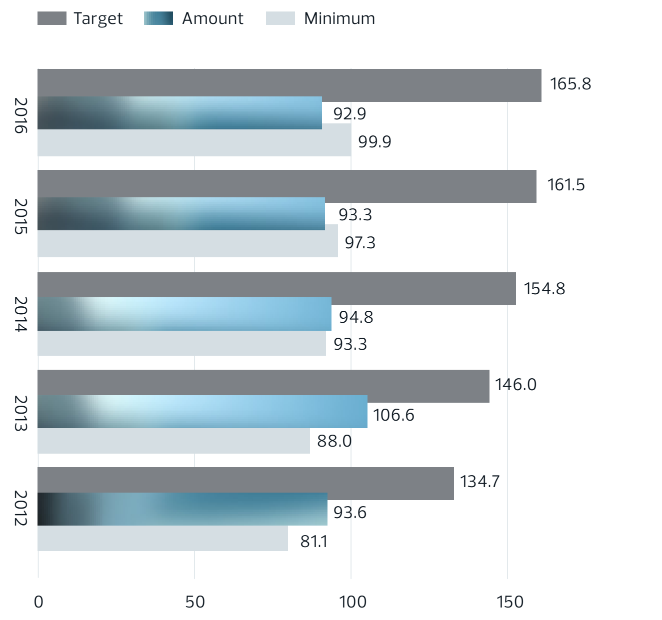
RESERVES

The City maintains a Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves, requires the approval of City Council. In accordance with the policy, a review of reserves was completed in 2015 to ensure they continue to support the financial goals and serve the highest priority needs of the city and its citizens. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2018.

A schedule of reserves has been provided in Note 15 to the financial statements. The reserve balance of $392.8 million also includes reserves of the City of Edmonton Library Board, Non-Profit Housing Corporation, Edmonton Economic Development Corporation and Fort Edmonton Management Company, as approved by their respective Boards.

The second largest reserve account held by the City, as at December 31, 2016, is the Financial Stabilization reserve (FSR) (the first being the Local Improvement reserve). This reserve was established in 1997 to provide flexibility in addressing financial risks associated with revenue instability and emergent financial issues, and to ensure the orderly provision of services to citizens. City policy establishes that the FSR must have a minimum balance of 5 per cent with a target balance of 8.3 per cent of current general government expenses (excluding non-cash amortization).

Financial Stabilization Reserve
(millions of $)



In 2015, Administration conducted a risk-based review of the FSR and concluded that the respective minimum and target balances of 5 per cent and 8.3 per cent of current general government expenses (excluding non-cash amortization) were appropriate, and that a risk-based review of the FSR be completed every three years to determine the reasonableness of the minimum and target percentages. Any annual general government surplus will be applied to the FSR in the subsequent year. Any annual tax-supported deficit would draw on the reserve.

$92.9 M

Balance of the Financial Stabilization Reserve

Of the overall reserve balance, an amount of $92.9 million is held within the FSR. The 2016 general government surplus of $63.8 million will be transferred to the FSR in 2017 with $20.0 million then appropriated for funding within the 2017 and 2018 operating budget, as approved by City Council. After reflecting the approved transactions, the adjusted FSR balance of $136.8 million will exceed the minimum level as set within the policy of $99.9 million but will be below the target level of $165.8 million.

During the year, $28.9 million in funding was transferred from the FSR to the appropriated FSR to fund future project expenses and $17.8 million of the appropriated FSR was applied to fund expenses in 2016, as previously approved by Council.

The Local Improvement reserve accumulates the annual difference between local improvement revenues and debt servicing related to local improvements. The reserve ended the year with a balance of $108.8 million, an increase of $3.4 million from the prior year. This was due to revenues recognized for local improvement construction during the year, partially offset by funds used to pay for local improvement debt servicing costs. The City borrows to finance 50 or 100 per cent of the local improvement construction cost. Debt servicing related to the borrowing is repaid through the collection of local improvement amounts from the benefiting property owners.

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

The Traffic Safety and Automated Enforcement reserve policy allocates the annual budgeted photo enforcement revenues to the reserve and also allows for annual surpluses from this program to accumulate in the reserve. The reserve provides for the transparent allocation of automated enforcement revenue towards the Office of Traffic Safety, Edmonton Police Service, other traffic safety initiatives and City Council approved expenditures, such as but not limited to, third party community infrastructure programs. The 2016 year-end balance of the reserve was $29.7 million. The policy requires a minimum balance of 5 per cent of annual photo enforcement revenues to manage revenue fluctuations, which was $2.6 million for 2016. The increase in the reserve balance of $0.3 million represents photo enforcement revenues of $52.1 million in excess of incurred expenses of $51.8 million for 2016.

$1.4 B

Capital asset additions

The LRT Reserve is used to accommodate differences between LRT project costs and related funding. The reserve balance increased by $16.6 million to end the year with a balance of $31.1 million. In 2016, 0.8 per cent of the overall annual property tax increase of 3.4 per cent was dedicated to fund the construction of the Valley Line LRT. The remaining dedicated tax levy funding and government grants, after funding LRT related expenses, were transferred to the reserve at year end. The reserve funds will be used to pay for future LRT expenses.

THE LRT RESERVE IS USED TO ACCOMMODATE DIFFERENCES BETWEEN LRT PROJECT COSTS AND RELATED FUNDING.

The Interim Financing Reserve is used to accommodate timing differences between project operating costs and the receipt of future revenue intended to fund such costs. On November 29, 2016 City Council approved an amendment to the scope of the reserve to further accommodate differences that arise between the timing of budgeted expenses and payment of the expenses. This will ensure that the City can levy taxes in a manner that aligns with cash outflows. At the end of 2016, the reserve has a deficit balance of $26.6 million, which will be replenished upon receipt of future revenues.

EQUITY IN TANGIBLE CAPITAL ASSETS

As summarized in Note 14 to the financial statements, equity in tangible capital assets represents the investment made in tangible capital assets after deducting the portion financed by outstanding long-term debt net of debt secured by Sinking Fund assets, long-term debt for land redevelopment, debt recoverable and debt on advances secured by tangible capital assets. An increase of $618.1 million for 2016, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance of equity in tangible capital assets to $10,215.8 million for the year.

ADVANCES FOR CONSTRUCTION

Advances for construction represents funding received in advance of related capital expenses as well as capital expenses to be financed at year end.

At the end of 2016, $111.6 million of funding/financing is in place where capital expenses have not yet been incurred, compared to $182.2 million at the end of 2015, a net decrease of $70.6 million. This is mainly due to use of debt to finance capital expenditures for major projects including Rogers Place and the Valley Line LRT.

FINANCIAL OPERATIONS

The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

COMPARISON TO PRIOR YEAR

Operating Revenues – Comparison to Prior Year (millions of $)	**2016 Actual**	**2015 Actual**	**Change $**	**Change %**
Taxes	$ 1,433.8	$ 1,338.1	$ 95.7	7.2
User fees and sales	743.3	758.5	(15.2)	(2.0)
Subsidiary operations – EPCOR	309.0	259.7	49.3	19.0
Franchise fees	144.7	138.0	6.7	4.9
Investment earnings	126.8	133.9	(7.1)	(5.3)
Government transfers – operating	112.8	120.6	(7.8)	(6.5)
Fines and penalties	91.2	85.7	5.5	6.4
Licenses and permits	74.5	81.2	(6.7)	(8.3)
Developer/customer contributions – operating	7.1	10.7	(3.6)	(33.6)
Total	**$ 3,043.2**	**$ 2,926.4**	**$ 116.8**	**4.0**

Consolidated revenues exceeded expenses for the year by $836.3 million after accounting for contributed tangible capital assets, government transfers for capital, developer and customer contributions for capital and local improvements.

Overall, operating revenues increased by $116.8 million from the prior year due to an increase of $95.7 million in taxation revenue from a combined rate increase and growth, a $49.3 million increase in EPCOR earnings and a net increase of $1.9 million from various other revenue sources, offset by $15.2 million decrease in revenue from user fees and sales of goods and services, a $7.8 million decrease in government transfers and a $7.1 million decrease in investment earnings.

Property tax is the primary source of revenue available to the City to pay for municipal services. In 2016 net taxes available for municipal services of $1,433.8 million accounted for 47.1 per cent of total operating revenues, a similar percentage compared to 2015. Total tax revenues in 2016 were $1,885.4 million, with $448.0 million collected on behalf of the Province for education school tax and $3.6 million for business revitalization zones.

Net taxes for municipal services are collected annually to support operations, with certain amounts directed towards specific programs such as neighbourhood renewal, community revitalization and LRT construction. The remaining tax revenues are applied generally across all departments. Note 17 to the financial statements provides further detail with respect to tax revenue.

The decrease in user fees and sales of goods and services from prior year is largely due to lower land sales compared to 2015. Last year there were significant land sales in the downtown arena district. This decrease was partially offset with higher rate revenues in the Drainage and Waste Management utilities as a result of increased rates and customer growth, as well as provincial recoveries accrued in 2016 related to the Wood Buffalo fires.

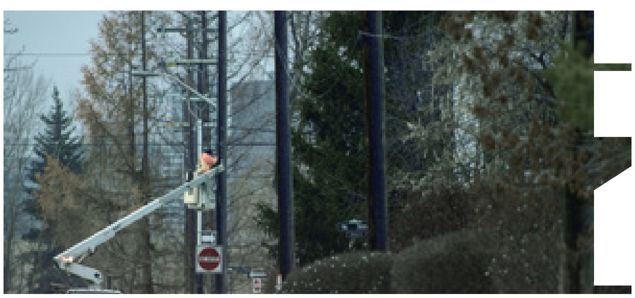
Operating government transfers decreased from the prior year primarily due to the 41st Avenue/Queen Elizabeth II interchange project as the majority of the work related to the project occurred in 2015.

Investment earnings decreased from the prior year due to the impact of the global economic slowdown on the capital markets.

Operating Expenses by Object – Comparison to Prior Year
(millions of $)

	2016 Actual	2015 Actual	Change $	Change %
Salaries, wages and benefits	$ 1,538.5	$ 1,447.9	$ 90.6	6.3
Materials, goods and utilities	267.6	332.4	(64.8)	(19.5)
Contracted and general services	282.1	281.8	0.3	0.1
Interest and bank charges	128.5	128.9	(0.4)	(0.3)
Grants and other	80.0	71.7	8.3	11.6
Amortization of tangible capital assets	526.6	491.1	35.5	7.2
Loss on disposal/replacement of tangible capital assets	13.3	10.2	3.1	30.4
Total	**$ 2,836.6**	**$ 2,764.0**	**$ 72.6**	**2.6**

Operating expense increases of $72.6 million over the prior year related to net increases in personnel costs of $90.6 million and amortization of tangible capital assets of $35.5 million. These increases were partially offset with decreases in materials, goods and utilities of $64.8 million. The remainder of the change from prior year was within contractor and general services, grants and other, loss on asset disposal and interest and bank charges.



The increase in personnel costs is consistent with contractual rate adjustments. Materials, goods and utility costs decreased from prior year largely due to higher costs in 2015 related to downtown arena land sales, as well as lower snow and ice control costs in 2016 resulting from warm weather and lower than normal precipitation. The increase in contracted and general services in 2016 was due to the recognition of a contaminated site liability in Drainage Services, offset with lower costs for the 41st Ave/Queen Elizabeth II interchange project, where a majority of the work occurred in 2015, lower snow and ice control costs as a result of favourable weather, and lower fleet costs as a result of fewer significant weather events. The net increase in amortization from the prior year is due to additional assets coming into service over the last two years including Rogers Place, roadway and drainage systems and the Metro Line LRT in 2015.

Operating Expenses by Function – Comparison to Prior Year
(millions of $)

	2016 Actual	2015 Actual	Change $	Change %
Transportation services	$ 814.3	$ 819.1	$ (4.8)	(0.6)
Protective services	659.2	605.2	54.0	8.9
Community services	571.2	543.9	27.3	5.0
Waste Management	181.8	171.6	10.2	5.9
Drainage Services	172.1	138.6	33.5	24.2
Land Enterprise	19.3	74.0	(54.7)	(73.9)
Fleet services	27.3	55.9	(28.6)	(51.2)
Corporate administration, general municipal and other	391.4	355.7	35.7	10.0
Total	**$ 2,836.6**	**$ 2,764.0**	**$ 72.6**	**2.6**

In terms of operating expense variances by function compared to prior year, all areas had increases related to personnel costs. In addition to general personnel cost increases, expenses fluctuated from prior year for the following reasons by function.

Transportation services realized lower costs in 2016, due to lower snow and ice control costs, as well as lower costs for the 41st Ave/Queen Elizabeth II interchange project, where a majority of the work occurred in 2015.

Protective services expenses increased in 2016 mainly as a result of a personnel cost increase resulting from the new contract for the Edmonton Police Association. Also included in the 2016 expenses are costs related to the Wood Buffalo forest fire relief efforts, which are fully offset by accrued provincial reimbursements within revenues.

Community Services expense increases in 2016 were mainly related to increased demand for the Family and Community Support Services and the Cornerstones housing program grants, therefore an increase in related grant expenses.

Drainage Utility costs increased over prior year due to various factors including recognition of $17.2 million in contaminated sites liabilities for the remediation of a former wastewater treatment lagoon and plant.

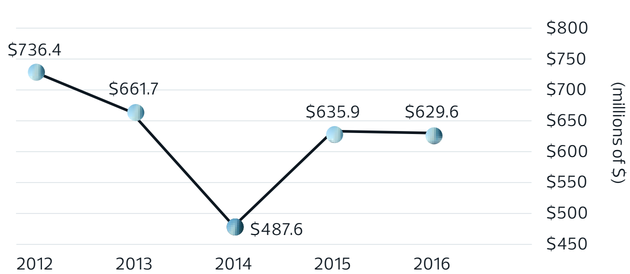
Land Enterprise costs decreased in comparison to prior year as there were significant land sales and related costs in the downtown arena district in 2015.

The decrease in Fleet services cost from prior year was due to lower amortization, more recoveries of internal City work, and lower contractor costs as a result of fewer significant weather events.

Cost increases in corporate administration, general municipal and other were generally a result of additional personnel costs and an increase in amortization due to additional assets coming into service in 2016, namely Rogers Place.

For financial statement reporting purposes capital revenues comprise government transfers, contributed tangible capital assets, developer and customer contributions and local improvement revenues. These revenue sources are approved by City Council as funding sources for capital projects through the capital budget process. The capital revenue is recognized in the same period that costs for construction of the assets are incurred.

Capital Revenues – Five Year Trend



Capital revenues decreased from the prior year by $6.3 million, due to decrease in developer and customer contributions of $29.4 million, contributed tangible capital assets of $20.1 million, and local improvement revenues of $2.4 million, partially offset by an increase in government transfers of $45.6 million.

Contributed tangible capital assets decreased from prior year as a result of reduced development activity and therefore a related decrease in developer contributed infrastructure assets such as roads, sidewalks and drainage infrastructure. Capital developer and customer contributions were lower than prior year due to the completion of a significant capital project in 2015, which was funded by developer and customer contributions. Government transfers increased over prior year due to advancement on key projects funded through government grants in 2016, including the Valley Line LRT.

COMPARISON TO BUDGET

Operating Revenue – Comparison to Budget
(millions of $)

	2016 Budget	2016 Actual	Variance $	Variance %
Taxes	$ 1,429.6	$ 1,433.8	$ 4.2	0.3
User fees and sales	876.0	743.3	(132.7)	(15.1)
Subsidiary operations – EPCOR	214.3	309.0	94.7	44.2
Franchise fees	135.9	144.7	8.8	6.5
Investment earnings	84.5	126.8	42.3	50.1
Government transfers – operating	107.3	112.8	5.5	5.1
Fines and penalties	100.4	91.2	(9.2)	(9.2)
Licenses and permits	78.6	74.5	(4.1)	(5.2)
Developer/ customer contributions – operating	7.4	7.1	(0.3)	(4.1)
Total	**$ 3,034.0**	**$ 3,043.2**	**$ 9.2**	**0.3**

Operating revenues were higher than budget by $9.2 million, or 0.3 per cent of the revenue budget, primarily due to greater than budgeted net income for EPCOR and higher than anticipated investment earnings, partially offset by lower than budgeted revenue from user fees and sales and fines and penalties. The lower than budgeted user fees and sales were primarily a result of less than expected land sales due to ongoing negotiations as well as less funding for the 41st Avenue/Queen Elizabeth II interchange project as the project is near completion. This is fully offset with lower than budgeted 41st Avenue/Queen Elizabeth II interchange expenditures. Investment earnings were higher than budgeted as a result of realizing some one-time gains as well as strong equity market returns later in the year.

79 M

Transit trips in the City

Operating Expenses by Function – Comparison to Budget
(millions of $)

	2016 Budget	2016 Actual	Variance $	Variance %
Transportation services	$ 812.9	$ 814.3	$ (1.4)	(0.2)
Protective services	644.4	659.2	(14.8)	(2.3)
Community services	602.2	571.2	31.0	5.1
Waste Management	182.7	181.8	0.9	0.5
Drainage Services	154.7	172.1	(17.4)	(11.2)
Land Enterprise	138.0	19.3	118.7	86.0
Fleet services	23.5	27.3	(3.8)	(16.2)
Corporate administration, general municipal and other	402.6	391.4	11.2	2.8
Total	**$ 2,961.0**	**$ 2,836.6**	**$ 124.4**	**4.2**

Operating expenses of $2,836.6 million varied from budget by $124.4 million, or 4.2 per cent of the consolidated expenditure budget.

Transportation services had higher than anticipated net costs of $1.4 million. There were higher than budgeted amortization costs of $24.9 million as a result of a favourable construction season allowing for more than anticipated arterial, neighbourhood and road construction projects being put into service over the last two years. Various other expenditures of $21.0 million including losses on disposal of retired roadway assets also contributed to higher than budgeted costs. These increases are partially offset by lower snow and ice control costs of $26.0 million due to favourable weather conditions, and less than budgeted costs for the 41st Avenue/Queen Elizabeth II interchange project of $18.5 million. The reduced costs for the interchange project are offset with lower funding recognized within user fees and sales revenue.

Protective Services were higher than budgeted by $14.8 million, mainly as a result of the settlement of the Edmonton Police Association contract, where the budget was held corporately, and costs related to the Wood Buffalo forest fire relief efforts. Costs related to the Wood Buffalo forest fire relief efforts are fully offset by accrued provincial reimbursements within revenues.

OPERATING EXPENSES OF $2.8 BILLION VARIED FROM BUDGET BY 4.2%.

Community services expenditures were under budget during the year by $31.0 million, or 5.1 per cent of the allocated budget. This was due to lower than anticipated Cornerstones II grant expenses of $13.3 million as a result of delayed applications, a decrease in Revolving Industrial Servicing Fund rebates of $7.2 million, resulting from slower progress on certain developments, and lower consulting costs as a result of rescheduling projects.

Drainage Utility costs were greater than budget primarily as a result of recognizing a $17.2 million contaminated sites liability and related expense during the year.

Land Enterprise incurred lower than budgeted costs for land sales due to timing of the sales, mainly for the Blatchford Redevelopment.

General municipal includes the budget for corporate financial strategies to provide flexibility for unknown amounts. In 2016, expenditures were lower than budgeted due to lower debt interest costs, and lower expenses for corporate financial strategies. These were partially offset by higher amortization costs, mainly due to completion of Rogers Arena.

Capital Revenues – Comparison to Budget
(millions of $)

2016 actual	$ 629.6
2016 budget	$ 838.8
Variance $	$ (209.2)
Variance %	(24.9)

The majority of the $209.2 million variance between the budget and actual capital revenue is generally due to timing differences around capital project expenditures, and therefore the timing in the recognition of the related capital revenues. Capital government transfers and developer and customer contributions were lower than budget by $362.9 million due to timing of capital projects, particularly on the Valley Line LRT, Metro Line LRT, Sanitary Servicing projects and certain building rehabilitation projects. Capital revenues associated with contributed tangible capital assets were greater than budget by $153.3 million due to higher than anticipated infrastructure assets contributed by developers as a result of continued expansion and growth in the City. The remainder of the variance was due to local improvements.

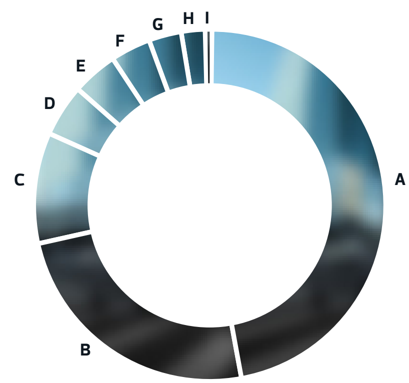
Schedule 2 – Consolidated Schedule of Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. A description of each of the segments is provided in Note 25 to the financial statements.

28.7%

Total operating expenses for provision of Transportation services

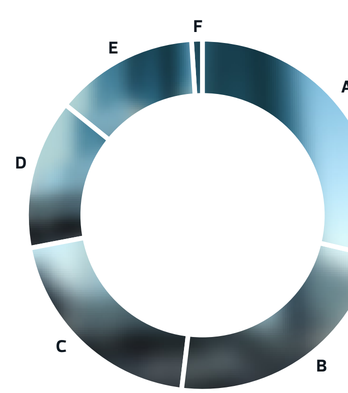
Sources of Revenues – Operating
(millions of $)

		$	%
A	Taxation	$ 1,433.8	47.1%
B	User fees and sales of goods and services	743.3	24.4%
C	Subsidiary operations – EPCOR	309.0	10.2%
D	Franchise fees	144.7	4.8%
E	Investment earnings	126.8	4.2%
F	Government transfers – operating	112.8	3.7%
G	Fines and penalties	91.2	3.0%
H	Licenses and permits	74.5	2.4%
I	Developer and customer contributions – operating	7.1	0.2%
		$ 3,043.2	**100.0%**



Distribution of Expenses – Operating
(millions of $)

		$	%
A	Transportation services	$ 814.3	28.7%
B	Protective services	659.2	23.2%
C	Community services	571.2	20.1%
D	Corporate administration, general municipal and other	391.4	13.8%
E	Utility and enterprise services	373.2	13.2%
F	Fleet services	27.3	1.0%
		$ 2,836.6	**100.0%**



FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and takes a proactive approach to identify and address financial challenges.

RESPONSIBLE FISCAL MANAGEMENT

In 2008, thousands of Edmontonians came together to imagine a common vision for the future of the City. The result of their conversation was *The Way Ahead*, a strategic plan that serves as a guide to achieve City Council's vision for 2040. *The Way Ahead* establishes six 10-year strategic goals for 2009-2018 that directs planning and helps to move the City closer to the vision that was developed together as a community.

To identify strategies to achieve the 10-year strategic goals, the City developed directional plans, also called *The Ways*. These plans are: *The Way We Grow; The Way We Move; The Way We Live; The Way We Green; and The Way We Prosper*. In addition to *The Ways*, Edmonton's Financial Sustainability Plan is under development and outlines how the City will ensure its continued sound fiscal management and long-term financial sustainability. This Framework will build on the solid financial governance policies and practices currently in place, reaffirm what is still relevant, and make recommendations on financial policies and strategies. The development of the framework involves an assessment of leading practice and research on several financial policy and strategy topics. White papers have been developed to provide a foundation for discussing the key financial issues and questions related to debt, franchise fees, investments, user fees and property assessment and taxation.

In 2016, the user fees and property assessment and taxation white papers were approved by City Council. Further information on Edmonton's Financial Sustainability Plan, including the white papers, are available on the City's website.

The Way Ahead has been instrumental in helping the City respond to the changing world and continuing to deliver on what is most important to Edmontonians. City Council and City Administration regularly review *The Way Ahead* and progress toward the 2040 vision. In 2014, City Council updated the plan with a revised transportation goal to reflect the need to create a more integrated transportation system that offers greater travel choices for Edmontonians. City Council also approved updated corporate outcomes, measures and targets to make sure the City is on track to achieving the overall vision. In 2015, City Administration reviewed progress toward the 10-year goals defined by these updated outcomes, measures and targets, and developed *The Way Ahead Implementation Plan 2016-2018*. This implementation plan pulls from *The Ways* plans to outline the 23 initiatives that will be delivered together as an organization to ensure that the 10 year goals are reached for 2018. By bringing together the most impactful strategies from *The Ways* into a single plan, *The Way Ahead Implementation Plan 2016-2018* supports more effective resource allocation in the City's new multi-year operating budget. Using *The Way Ahead Implementation Plan* as a guide, the City is better equipped than ever to monitor progress toward corporate performance targets and re-allocate resources to initiatives that have been

THE MULTI-YEAR BUDGETING APPROACH ALLOWS THE CITY TO ALIGN STRATEGY, BUSINESS PLANS, AND OPERATING AND CAPITAL BUDGETS, TO ENSURE THE DOLLARS ARE SPENT TO ACHIEVE CITY COUNCIL'S VISION.

agreed on as most important to the City's success over the next three years. In 2016, City Council approved the Program and Service Review, which is a review of all City services to ensure the services are relevant and are being provided in an efficient and effective manner. The review is expected to be carried out over the next two to three years.

Multi-year operating budgeting, introduced for the first time through the City's three year 2016-2018 operating budget, provides more flexibility in how the City finances operations and includes opportunities to adjust the budget twice a year through the Supplementary Operating Budget Adjustment process approved by City Council. Funding priorities can be reallocated across different years of the budget and net operating requirements can be assessed over a longer term allowing for more prudent and informed financial decision-making, while building stable program and service delivery. Semi-annual operating budget adjustments will accommodate changes in provincial or federal budgets, changes imposed by the legislation, Council directed changes to priorities, operating impacts of capital projects and unforeseen changes to economic forecasts impacting City revenues and expenses. This multi-year approach allows the City to align strategy, business plans, and operating and capital budgets, to ensure the dollars are spent to achieve City Council's vision. It also allows for better alignment with Councillor election terms, resulting in more informed, strategic and well-rounded financial decision making.

The 10-year Capital Investment Agenda was updated in 2014. The Capital Investment Agenda for 2015-2024 identifies the City's 10 year capital needs and priorities for growth projects and investment targets for renewal based upon known funding sources, as well as the City's financial capacity and debt position. It assists Council in making long-term strategic decisions on how to best allocate City resources to build and maintain the infrastructure requirements over the next decade. The 2015-2024 Capital Investment Agenda is available on the City's website. In an effort to ensure consistent, efficient and transparent delivery of capital projects, the Integrated Infrastructure Services department was created in 2016. The department integrates concept, design and build functions for all types of infrastructure, with the intent to integrate capital projects across the City.

City Council's utility fiscal policies govern the financial relationship between the City and each of the municipally owned or operated utilities. These policies require the utilities to operate in a manner that balances the best service at the lowest cost while employing private sector approaches to rate setting. Each utility is to charge rates sufficient to meet expenditure and cash flow requirements, repay capital debt and ensure financial sustainability. The policies also require the Drainage Utility to pay the City a franchise fee on utility revenue. The City's Waste Management Utility is exempt from paying a franchise fee to the City.

On October 25, 2016, City Council approved Bylaw 17698 that includes an extension of the Performance Based Regulation (PBR) Plans for EPCOR water services and wastewater treatment services that covers the period from April 1, 2017 to March 31, 2022. This process allows for City Council to have oversight and governance for water and wastewater treatment rates over a longer term and provides incentive for EPCOR to operate more efficiently while providing appropriate service levels.

5.7 M

Visits to City of Edmonton recreation facilities

BUDGETING

Edmonton's multi-year operating and capital budget-setting process is critical in planning and providing for the City's core services as well as longer term infrastructure planning. The City aims to optimize the balance between affordable taxes for property owners and reasonable user fees, while achieving program results and maintaining priority services for the general public. The operating budget identifies planned long-term revenues and expenses using a program-based approach focused on service delivery and advancement towards the City's long-term goals. From year-to-year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs, as a result of reprioritization or other factors. With limited sources of revenue available to municipalities to pay for civic services, a balance is required in order to meet the demands of a diverse and growing population. This challenge is dealt with through budget deliberations and updates. City Council decides the overall levels of services and types of programs and long-term investments required to support a growing, vibrant city.

On December 3, 2015, City Council approved the 2016-2018 operating budget. The original approved operating budget resulted in a 3.4 per cent general property tax increase in 2016. A similar increase was forecast to occur in 2017 and a 4.8 per cent increase for 2018. During the second quarter of 2016, Edmonton's economy slowed, which lead Administration to review the original assumptions used to develop the 2017 and 2018 budgets. Through the Supplementary Operating Budget Adjustment process, assumptions were updated to reflect the current economic projections. Adjustment were also made to reflect the impacts of new provincial legislation on climate change, increased minimum wage, changes to federal and provincial grant programs, and changes to operating impacts of capital projects. As a result City Council approved a 3.1 per cent property tax increase for 2017, that includes 1.5 per cent for Neighbourhood Renewal and 0.6 per cent for the Valley Line LRT. This was the lowest property tax increase to residents in the past 10 years. The property tax increase for 2018 is projected to be 5.0 per cent.

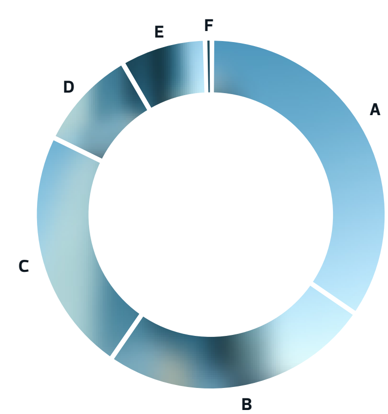
The Bylaw to establish the 2017 municipal tax for all property types will be set by City Council in April 2017. Changes to the operating budget which impact the tax levy may be completed prior to the taxation bylaw approval.

THE 2015–2018 CAPITAL BUDGET WILL INVEST $8.3 BILLION ON CITY INFRASTRUCTURE.

The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It determines the investment in Edmonton's hard infrastructure including the construction of buildings like recreation centers and libraries, transportation assets like LRT lines and bridges, and for underground infrastructure like sewage systems. Supplementary capital budget adjustments are made twice each year (or as required) as needs are refined, as projects advance and as funding sources are confirmed or amended. 2016 was the second year of the four year 2015-2018 capital budget cycle, the previous capital budget cycles were three years. Similar to the operating budget, extending the capital budget allows for better long-term strategic decision-making and alignment with Councillor election terms. The original 2015-2018 capital budget was approved by Council in December 2014, with subsequent adjustments through Supplementary Capital Budget Adjustments. The four-year capital budget will see investment of $8.3 billion on infrastructure based on the adjusted approved capital budget as at December 31, 2016. This includes cash flows for projects extending beyond 2018 and excludes the carry forward of capital budgets for projects not completed from the previous capital budget cycle.
The funding and financing sources are as follows:

2015-2018 Capital Budget - Funding Sources
(millions of $)

A	Government transfers and contributions	$	2,872.8
B	Accumulated surplus including reserves		2,082.0
C	Tax-supported debt financing		1,881.3
D	Self-liquidating debt financing		777.8
E	Pay-as-you-go		663.5
F	Other		34.3
		$	**8,311.7**



Capital requirements directly related to EPCOR are not included in the capital budget.

THE CAPITAL BUDGET STRIKES A BALANCE BETWEEN INVESTMENTS IN INFRASTRUCTURE GROWTH AND THE REQUIREMENT TO MAINTAIN AND RENEW EXISTING CITY ASSETS.

ACCOUNTING AND FINANCIAL REPORTING

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City currently utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within financial services and delivered to each business area based on their needs. Accounting and financial reporting functions are centralized in order to improve the quality and timeliness of financial reporting and increase accounting oversight and transactional consistency. The overall objective of centralization is to provide better financial decision-making.

The City of Edmonton Library Board, the Edmonton Police Service, Waste RE-solutions Edmonton and Edmonton Combative Sports Commission utilize the same accounting system as the City but report through their own boards or commissions. EPCOR, Edmonton Economic Development Corporation, Non-Profit Housing Corporation and Fort Edmonton Management Company each have independent accounting systems and report through their respective boards.

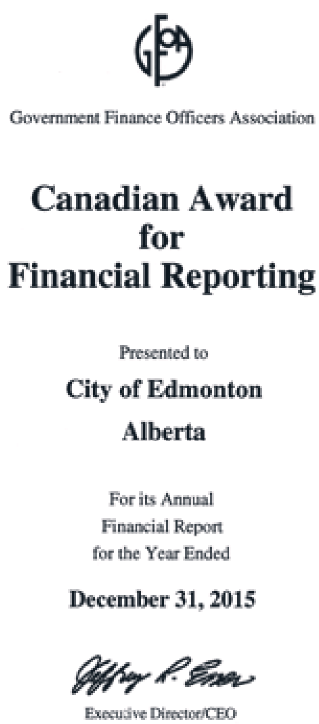
Monthly operating financial performance reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date and year-end projected results relative to corresponding budgets and reporting on significant City reserves. Quarterly operating reporting also includes debt and economic updates and is provided to City Council along with recommendations to address opportunities and challenges. Capital reporting for second, third and fourth quarters is reviewed with City Council as well. In 2016, year-end capital financial reporting was completed for the first time using the capital and operating budgeting and reporting system. This allowed for a more detailed, clear and efficient comparison of actual results to budget. The integration of operating financial reporting within the budget and reporting system is in progress.

The operating budget is also presented in a format consistent with its presentation in the audited annual financial statements. Significant adjustments reflected in the financial statement budget presentation were required to adhere to PSAS. The objective is to provide City Council and other users of the financial statements and budget documents an improved understanding of the budget approved by City Council compared to the actual results reported in the audited financial statements. This version of the annual budget was included for information as a part of the 2016 budget package and is available on the City's website.

The City continues its commitment to compliance with public sector accounting standards as established by the PSAS board. Details of future accounting standards and pronouncements are included in Note 1 to the financial statements.

RECOGNITION FOR ACHIEVEMENT

Award programs in the financial area continue to recognize the City of Edmonton for a high standard of achievement. The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year-ended December 31, 2015. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.


Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

City of Edmonton
Alberta

For its Annual Financial Report for the Year Ended

December 31, 2015

Executive Director/CEO

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, the contents of which conform to program standards. Such reports should go beyond the minimum requirements of public sector accounting standards and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs. A Canadian Award for Financial Reporting is valid for a period of one year only. This is the 23rd consecutive year that the City of Edmonton has received this award.

The GFOA established the Popular Annual Financial Reporting Awards Program to recognize local governments for producing high quality summarized annual financial reports. The reports must be readily accessible and easily understandable to the general public and other interested parties without a background in public finance. The City received the **Popular Annual Financial Reporting Award** for the third consecutive year for their 2015 Financial Report to Citizens.

The City also received the GFOA award for **Distinguished Budget Presentation** for the 2016-2018 fiscal years beginning January 1, 2016 and ending December 31, 2018. In order to receive this award, a governmental unit must publish a budget document of the highest quality that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

For the seventeenth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations.

AUDITING PROCESS

The MGA requires municipal councils to appoint an independent auditor. In 2015, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Professional Accountants, as External Auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit.

The City's Audit Committee serves as a Committee of Council to assist in fulfilling its oversight responsibilities. Audit Committee is responsible for providing oversight and consideration of audit matters brought forward by the City Auditor and the External Auditor. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 16097, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes a recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

Agent of Change Role — to conduct proactive and forward looking projects based on the provision of strategic, risk and control-related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and

Guardian Role — to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

23rd

Consecutive year the City has received the Canadian Award for Financial Reporting

LONG-TERM SUSTAINABILITY AND RISK MANAGEMENT

The City is committed to an integrated approach to risk management, as it is a critical component of the City's long term sustainability. As with any municipality, there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects and ensuring risks are properly managed. A number of strategies are in place or are being developed to mitigate risks faced by the City and to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City. Integral to achieving sustainability is the continuing use of a comprehensive Enterprise Risk Management Framework. A number of risk management activities are undertaken on an ongoing basis across the corporation.

THE CITY'S DEBT MANAGEMENT FISCAL POLICY PROVIDES FOR PRUDENT MANAGEMENT OF DEBT.

The Enterprise Risk Management policy was approved by City Council on March 1, 2016. The policy ensures that enterprise risks are proactively identified, evaluated, communicated and managed on an ongoing basis. Guided by this policy, the Enterprise Risk Management process continues to evolve as the City moves further toward status as a risk-mature organization.

A corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and risk control inspections. Risk management analysis has been embedded into the multi-year business planning process to enhance the level of awareness and transparency of risk.

Environmental risks are monitored through internal City practices, which aid in the effective management of environmental risks and responsibilities.

The City continues to monitor economic conditions and impacts on the City's financial status so that strategies can be adjusted accordingly. For example, hedges are purchased for future fuel purchases when deemed beneficial, in order to stabilize operating budgets in the face of fuel price fluctuations. Similarly, forward currency contracts are used to mitigate foreign exchange risk within the City's foreign equity investments. Borrowing is completed through the Alberta Capital Finance Authority, which allows Alberta municipalities to borrow at interest rates which would not be available to municipalities acting independently. The interest rates are set for the term of the borrowing, therefore reducing risk associated with interest rate fluctuation.

The City has a Financial Stabilization Reserve which may be used to address emergent needs without impacting the City's financial position in the long-term. A financial risk based review was completed for the City in 2015, identifying potential risks faced by the City and the probable financial cost of each risk. The review substantiated the minimum and target balances of the reserve established through City policy.

The City's Debt Management Fiscal Policy provides for prudent management of debt and ensures debt is used responsibly without burdening the financial health and long-term sustainability of the City. On February 16, 2016, Administration presented a high level review of the Debt Management Fiscal Policy against the debt management practices in other major Canadian cities. Administration continues to monitor the use of debt and provide debt forecasts as part of the on-going reporting to City Council.

ENTERPRISE RISK MANAGEMENT CONTINUES TO EVOLVE AS THE CITY MOVES FURTHER TOWARD STATUS AS A RISK–MATURE ORGANIZATION.

Strategic risk registers for each of *The Ways* directional plans have been completed and updated on an annual basis since 2014. A strategic risk register lists the risks to achieving the goals and objectives in *The Ways* plans, and allows the City to manage these risks to improve the chances of achieving the City's vision as described in *The Way Ahead*. On November 24, 2016, Audit Committee was presented with an annual update on the Strategic Risk Registers. This was the first year the updates of all five risk registers were synchronized into one report. This synchronization facilitated the creation of the Corporate Strategic Risk Register, which provides a summary of the top ten risks facing the City's strategic plans. The current process, consistent with the requirements of the Enterprise Risk Management policy, is to update the register on an annual basis and present it to the Audit Committee for analysis and discussion.

59.3%

of MGA debt limit used by the City

Additionally, there is an ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and appropriate measures are established to identify and control project risk. More recent examples of this practice can be seen with the Rogers Place arena construction and Valley Line LRT projects. In the case of the Rogers Place arena project, a Guaranteed Maximum Price agreement was established with the contractors in order to insulate the City from cost overruns. The Valley Line LRT is being developed with the construction, operation and maintenance provided through a public–private partnership (P3) delivery method, which shares risks between the City and its private partners.

With the current economic environment the City will face economic uncertainty for some time to come. The business plans, operating and capital budgets aim to balance the economic realities of our taxpayers with the need to continue providing services that ensure a great quality of life in Edmonton.

Edmonton's drive over the past decade to build a strong, diversified, and sustainable economy has already proven its value. The momentum of the City's growth, sound fiscal management, and timely investment in capital infrastructure has provided Edmonton with a strong financial foundation. However, the City still faces challenges of funding the increased demand for services and infrastructure in light of recent economic conditions and an inelastic primary revenue source in the form of property taxes. Property taxes will fund close to 60 per cent of the City's operating costs from 2016 to 2018, including portions dedicated to capital projects, however they lag in reacting to the economic conditions and increased demand for services and infrastructure from a growing population. This emphasizes the need for long-term planning, risk management and diversification of City revenues. The City is working to address the infrastructure and service funding gap through various strategies and diversification of revenue streams.

The Office of Infrastructure and Funding Strategy provides tools and processes to assist in managing the infrastructure gap to achieve the best possible balance between renewal and growth for a growing city. These strategies are embedded within the 10-year Capital Investment Agenda (2015-2024) and City Council's Infrastructure Strategy.

The City, along with the City of Calgary, entered into a Memorandum of Understanding with the Government of Alberta in mid-2012 to explore options for a legislative framework that recognizes the evolving needs of the two large cities, including more fair and effective revenue generating tools for the cities . In October 2014, both municipalities signed a Big City Charter framework agreement with the Province on developing charters for the cities. The two cities have evolved into complex corporations responsible for billions of dollars of services, infrastructure and operations. The charters will provide Edmonton and Calgary more authority and flexibility related to funding and other governing policies to help address risks and sustainability challenges faced by the two cities.
In 2016 and early 2017, draft policy proposals for the charters on administrative efficiency, community planning and environmental stewardship were shared with the public and stakeholders. The charters are scheduled to be finalized in 2017.

City of Edmonton continued to participate in the Municipal Government Act (MGA) Review process throughout 2016. The MGA is the second-largest piece of legislation in Alberta and helps define how Alberta municipalities are governed, funded and developed. The current MGA Review began in 2012 and is expected to be completed in the fall of 2017.

In December 2016, Bill 21: the *Modernized Municipal Government Act* received Royal Assent at the Alberta Legislature. Bill 21 is the second legislative piece resulting from the MGA Review process and includes new tools for social housing and amendments to encourage regional collaboration – both considerations that are very important to the City of Edmonton.

The Modernized MGA should provide a platform to support efficient local governance recognizing the already high standards of responsibility and accountability that larger municipalities in the region demonstrate. It should clarify roles and responsibilities and provide municipalities with the fiscal certainty needed to best deliver the services and infrastructure our citizens expect.

AA+

Credit rating from Standard & Poor's

CONCLUSION

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

For the fifth consecutive year, Standard & Poor's has provided the City of Edmonton a rating of AA+. This rating is the second-highest possible, and reflects the City's strong financial and economic fundamentals. In August 2016, Standard & Poor's revised their yearly outlook rating of the City of Edmonton upward from negative to stable. The revised outlook revision reflected Edmonton's moderate debt burden, strong budgetary performance, exceptional liquidity position, strong economy that has some concentration in the energy sector, and low contingent liabilities. The rating also indicated that the City has very strong financial management and strong, but somewhat limited budgetary flexibility as a result of commitments for significant capital projects.

The City has a robust set of financial policies, manages debt and liquidity prudently, and has business plans that detail formal risk management strategies and policies. Debt has been used strategically to move priority capital projects ahead and to capitalize on low interest rates. Although debt levels are increasing, debt and debt servicing costs remain well within both the legislated and City policy limits.

The economic slowdown realized in 2016 has reinforced the need to closely monitor the City's financial results and to maintain flexibility in developing financial strategies. As the major centre for the region, the City will be challenged in managing emerging competing financial needs, including finding a balance between maintaining existing services while addressing the needs associated with growth. City Council's focus on longer-term planning, as demonstrated by the multi-year approach to business plans and budgets, will help the City position itself well for the future. Furthermore, Edmonton's Financial Sustainability Plan outlines guiding principles to ensure continued sound fiscal management and long-term financial sustainability.

Todd Burge, CPA, CMA
Deputy City Manager and Chief Financial Officer
Financial and Corporate Services
April 25, 2017

CONSOLIDATED FINANCIAL STATEMENTS


STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

To assist in meeting its responsibility, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are appropriately authorized and accurately recorded, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

Prior to their submission to City Council, the consolidated financial statements have been reviewed and recommended for approval by the Audit Committee. The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Professional Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Linda D.M. Cochrane
City Manager

April 25, 2017
Edmonton, Canada

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

April 25, 2017
Edmonton, Canada

INDEPENDENT AUDITORS' REPORT

TO HIS WORSHIP THE MAYOR AND MEMBERS OF COUNCIL OF THE CITY OF EDMONTON

We have audited the accompanying consolidated financial statements of the City of Edmonton (the City), which comprise the consolidated statement of financial position as at December 31, 2016, the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2016, and its consolidated results of operations, its consolidated changes in net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

April 25, 2017
Edmonton, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (*in thousands of dollars*)

		2016		2015
Financial Assets				
Cash and temporary investments (Note 2)	**$**	**491,141**	$	328,225
Receivables (Note 3)		**347,971**		472,975
Investments (Note 4)		**1,898,782**		1,748,665
Debt recoverable (Note 5)		**11,473**		60,629
Land for resale		**223,841**		199,543
Investment in EPCOR (Note 20)		**2,672,193**		2,515,196
		5,645,401		5,325,233
Liabilities				
Promissory notes payable (Note 6)		**79,869**		99,770
Accounts payable and accrued liabilities (Note 7)		**736,468**		709,419
Deposits		**56,273**		54,884
Deferred revenue (Note 8)		**317,232**		200,050
Employee benefit obligations (Note 9)		**135,049**		126,776
Landfill closure and post-closure care (Note 10)		**22,447**		19,988
Long-term debt (Note 11)		**3,338,950**		3,033,223
		4,686,288		4,244,110
Net Financial Assets		**959,113**		1,081,123
Non-Financial Assets				
Tangible capital assets (Note 12)		**13,342,101**		12,449,085
Inventory of materials and supplies		**52,979**		51,206
Other assets (Note 13)		**70,864**		18,427
		13,465,944		12,518,718
Accumulated Surplus (Note 16)	**$**	**14,425,057**	$	13,599,841

Commitments and contingent liabilities (Notes 22 and 24)
See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Mayor Don Iveson

Councillor Bev Esslinger

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget	**2016**	2015
Revenues			
Net taxes available for municipal purposes (Note 17)	$ 1,429,610	**$ 1,433,782**	$ 1,338,107
User fees and sale of goods and services	876,005	**743,314**	758,538
Subsidiary operations – EPCOR (Note 20)	214,309	**309,053**	259,680
Franchise fees	135,859	**144,720**	138,012
Investment earnings	84,494	**126,782**	133,880
Government transfers – operating (Note 18)	107,332	**112,767**	120,562
Fines and penalties	100,397	**91,164**	85,679
Licenses and permits	78,584	**74,498**	81,220
Developer and customer contributions – operating	7,450	**7,091**	10,750
	3,034,040	**3,043,171**	2,926,428
Expenses			
Transportation services:			
Bus and light rail transit	443,559	**433,297**	409,731
Roadway and parking	369,341	**381,033**	409,355
	812,900	**814,330**	819,086
Protective services:			
Police	393,355	**406,006**	372,646
Fire rescue	209,139	**211,075**	194,705
Bylaw enforcement	41,899	**42,100**	37,823
	644,393	**659,181**	605,174
Community services:			
Parks and recreation	259,640	**257,007**	251,636
Planning and corporate properties	137,324	**122,991**	112,374
Public library	59,999	**60,568**	57,462
Community and family	50,852	**58,123**	45,017
Convention and tourism	47,653	**39,166**	52,194
Public housing	46,767	**33,350**	25,199
	602,235	**571,205**	543,882
Utility and enterprise services:			
Waste Management Utility	182,680	**181,806**	171,618
Drainage Utility	154,707	**172,085**	138,584
Land Enterprise	138,029	**19,322**	74,022
	475,416	**373,213**	384,224
Corporate administration	197,987	**196,397**	187,379
General municipal	200,535	**190,859**	164,790
Fleet services	23,521	**27,306**	55,877
Ed Tel Endowment Fund	4,073	**4,073**	3,606
	2,961,060	**2,836,564**	2,764,018
Excess of Revenues over Expenses before other	72,980	**206,607**	162,410
Other			
Contributed tangible capital assets (Note 12)	170,000	**323,266**	343,327
Government transfers – capital (Note 18)	534,702	**226,811**	181,216
Developer and customer contributions – capital	123,495	**68,510**	97,924
Local improvements	10,613	**11,057**	13,394
Excess of Revenues over Expenses	911,790	**836,251**	798,271
Accumulated Surplus, beginning of year	13,599,841	**13,599,841**	12,745,399
Subsidiary operations – EPCOR – other comprehensive (loss) income (Note 20)		(**11,035**)	56,171
Accumulated Surplus, end of year	**$ 14,511,631**	**$ 14,425,057**	**$ 13,599,841**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

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

	Budget	**2016**	2015
Excess of Revenues over Expenses	$ 911,790	**$ 836,251**	$ 798,271
Acquisition of tangible capital assets	(2,059,502)	**(1,113,603)**	(987,874)
Contributed tangible capital assets (Note 12)	(170,000)	**(323,266)**	(343,327)
Proceeds on disposal of tangible capital assets		**3,929**	10,643
Amortization of tangible capital assets	476,011	**526,622**	491,104
Loss on disposal/replacement of tangible capital assets		**13,302**	10,229
	(1,753,491)	**(893,016)**	(819,225)
Net acquisition of inventory of materials and supplies		**(1,773)**	(6,978)
Net (acquisition) use of other assets		**(3,753)**	1,602
Reclassification of debt recoverable to other non-financial assets (Note 5)		**(48,684)**	
		(54,210)	(5,376)
Subsidiary operations - EPCOR -other comprehensive (loss) income (Note 20)		**(11,035)**	56,171
(Decrease) increase in net financial assets	(841,701)	**(122,010)**	29,841
Net financial assets, beginning of year	1,081,123	**1,081,123**	1,051,282
Net financial assets, end of year	$ 239,422	**$ 959,113**	$ 1,081,123

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2016	2015
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	**$ 836,251**	$ 798,271
Add (deduct) items not affecting cash and temporary investments:		
Subsidiary operations – EPCOR	**(309,053)**	(259,680)
Amortization of tangible capital assets	**526,622**	491,104
Loss on disposal/replacement of tangible capital assets	**13,302**	10,229
Contributed tangible capital assets	**(323,266)**	(343,327)
Change in non-cash items:		
Receivables	**125,004**	(168,779)
Debt recoverable	**49,156**	(9,183)
Land for resale	**(24,298)**	44,898
Inventory of materials and supplies	**(1,773)**	(6,978)
Other assets	**(52,437)**	1,602
Accounts payable and accrued liabilities	**27,049**	(5,197)
Deposits	**1,389**	(2,447)
Deferred revenue	**117,182**	101,239
Employee benefit obligations	**8,273**	(631)
Landfill closure and post-closure care	**2,459**	3,024
	995,860	654,145
Capital Activities		
Acquisition of tangible capital assets	**(1,113,603)**	(987,874)
Proceeds on disposal of tangible capital assets	**3,929**	10,643
	(1,109,674)	(977,231)
Investing Activities		
Dividend from subsidiary (Note 20)	**141,021**	141,021
Net increase in investments	**(150,117)**	(69,897)
	(9,096)	71,124
Financing Activities		
Promissory notes issued	**259,494**	239,333
Repayment of promissory notes	**(279,395)**	(239,142)
Debenture borrowings	**442,118**	318,871
Repayment of long-term debt	**(136,391)**	(181,372)
	285,826	137,690
Increase (decrease) in cash and temporary investments	**162,916**	(114,272)
Cash and temporary investments, beginning of year	**328,225**	442,497
Cash and temporary investments, end of year	**$ 491,141**	$ 328,225

Operating activities for 2016 include $33,477 (2015 – $34,662) of interest received and $120,724 (2015 – $117,637) of interest paid.

See accompanying notes to consolidated financial statements.

SCHEDULE 1 – CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

For the year ended December 31, 2016 (in thousands of dollars)

	Opening Balance	Additions and Transfers	Disposals	**Closing Balance**
Cost				
Land	$ 1,490,894	$ 63,967	$ (322)	**$ 1,554,539**
Land improvements	1,055,256	72,618	(14,345)	**1,113,529**
Buildings	2,014,995	616,875	(431)	**2,631,439**
Vehicles	962,260	43,350	(11,915)	**993,695**
Machinery and equipment	778,489	101,494	(27,459)	**852,524**
Engineering structures:				
Roadway system	6,641,135	592,851	(57,744)	**7,176,242**
Drainage system	3,326,321	414,737		**3,741,058**
Light rail transit	1,289,238	11,256		**1,300,494**
Waste	164,627	4,473		**169,100**
Bus system	149,520	6,057		**155,577**
Other	27,356	1,595	(117)	**28,834**
	17,900,091	1,929,273	(112,333)	**19,717,031**
Assets under construction	1,230,464	(492,404)	(2,397)	**735,663**
	19,130,555	1,436,869	(114,730)	**20,452,694**
Accumulated Amortization				
Land improvements	397,844	34,351	(13,512)	**418,683**
Buildings	846,399	79,126	(791)	**924,734**
Vehicles	546,170	59,857	(10,971)	**595,056**
Machinery and equipment	422,373	66,794	(24,095)	**465,072**
Engineering structures:				
Roadway system	3,270,797	194,192	(48,030)	**3,416,959**
Drainage system	689,893	47,778		**737,671**
Light rail transit	323,343	32,400		**355,743**
Waste	115,263	3,943		**119,206**
Bus system	63,267	6,907		**70,174**
Other	6,121	1,274	(100)	**7,295**
	6,681,470	526,622	(97,499)	**7,110,593**
Net Book Value	$ 12,449,085	$ 910,247	$ (17,231)	**$ 13,342,101**

Additions to assets under construction are reported net of those tangible capital assets placed in service during the year, which are shown in their respective asset classifications.

See accompanying notes to consolidated financial statements.

SCHEDULE 2 – CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 26)

For the year ended December 31, 2016 (in thousands of dollars)

	Tax – Supported											
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax-Supported	Total Tax-Supported	Waste Management	Drainage Services	Land Enterprise	EPCOR	Ed Tel Endowment Fund	**2016**
Revenue												
Net taxes available for municipal purposes	$ 345,652	$ 529,720	$ 302,033	$	$ 255,662	$ 1,433,067	$	$	$ 715	$	$	**$ 1,433,782**
User fees and sale of goods and services	160,960	37,984	115,906	11,149	22,556	348,555	189,612	173,970	31,177			**743,314**
Subsidiary operations – EPCOR										309,053		**309,053**
Franchise fees					153,628	153,628		(8,908)				**144,720**
Investment earnings	1		568		54,384	54,953	154	866			70,809	**126,782**
Government transfers – operating	4,506	27,290	34,233		44,734	110,763	2,000	4				**112,767**
Fines and penalties		65,848	909		24,407	91,164						**91,164**
Licenses and permits	700	3,462	58,625		10,899	73,686		812				**74,498**
Developer and customer contributions – operating		119	6,958		14	7,091						**7,091**
Appropriation of earnings					40,226	40,226					(40,226)	
	511,819	664,423	519,232	11,149	606,510	2,313,133	191,766	166,744	31,892	309,053	30,583	**3,043,171**
Expenses												
Salaries, wages and benefits	318,202	524,559	267,087	75,048	243,714	1,428,610	45,889	62,284	1,682			**1,538,465**
Materials, goods and utilities	74,561	32,374	57,981	37,539	26,112	228,567	15,360	12,238	11,449			**267,614**
Contracted and general services	117,896	82,022	112,479	(134,554)	(14,561)	163,282	88,854	21,147	4,730		4,073	**282,086**
Interest and bank charges	39,336	553	37,633	4,584	15,381	97,487	9,685	19,872	1,461			**128,505**
Grants and other		580	53,973		24,603	79,156	806	8				**79,970**
Amortization of tangible capital assets	251,593	17,168	43,538	44,907	91,722	448,928	21,158	56,536				**526,622**
Loss (gain) on disposal/replacement of tangible capital assets	12,742	1,925	(1,486)	(218)	285	13,248	54					**13,302**
	814,330	659,181	571,205	27,306	387,256	2,459,278	181,806	172,085	19,322		4,073	**2,836,564**
Excess (shortfall) of Revenues over Expenses before Other	(302,511)	5,242	(51,973)	(16,157)	219,254	(146,145)	9,960	(5,341)	12,570	309,053	26,510	**206,607**
Other												
Contributed tangible capital assets	129,884		18,896		3,507	152,287		170,979				**323,266**
Government transfers – capital	164,310	11,040	37,151	1,867	8,517	222,885	972	2,954				**226,811**
Developer and customer contributions – capital	3,085		41,039			44,124	98	24,288				**68,510**
Local improvements					11,057	11,057						**11,057**
	297,279	11,040	97,086	1,867	23,081	430,353	1,070	198,221				**629,644**
Excess (shortfall) of Revenues over Expenses	$ (5,232)	$ 16,282	$ 45,113	$ (14,290)	$ 242,335	$ 284,208	$ 11,030	$ 192,880	$ 12,570	$ 309,053	$ 26,510	**$ 836,251**

See accompanying notes to consolidated financial statements.

SCHEDULE 2 – CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURES (NOTE 26)

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

	Tax – Supported											
	Transportation Services	Protective Services	Community Services	Fleet Services	Other Tax–Supported	Total Tax–Supported	Waste Management	Drainage Services	Land Enterprise	EPCOR	Ed Tel Endowment Fund	**2015**
Revenue												
Net taxes available for municipal purposes	$ 363,653	$ 492,619	$ 279,735	$ 2,664	$ 198,777	$ 1,337,448	$	$	$ 659	$	$	**$ 1,338,107**
User fees and sale of goods and services	157,762	26,936	120,520	11,197	12,829	329,244	173,591	167,803	87,900			**758,538**
Subsidiary operations – EPCOR										259,680		**259,680**
Franchise fees					146,678	146,678		(8,666)				**138,012**
Investment earnings	2		604		56,987	57,593	23	893			75,371	**133,880**
Government transfers – operating	18,189	26,723	25,387		48,258	118,557	2,005					**120,562**
Fines and penalties		62,593	987		22,099	85,679						**85,679**
Licenses and permits	824	3,345	63,750		12,189	80,108		1,112				**81,220**
Developer and customer contributions – operating	4	200	9,593			9,797			953			**10,750**
Appropriation of earnings					28,644	28,644					(28,644)	
	540,434	612,416	500,576	13,861	526,461	2,193,748	175,619	161,142	89,512	259,680	46,727	**2,926,428**
Expenses												
Salaries, wages and benefits	309,047	479,872	247,804	72,218	229,038	1,337,979	41,901	66,464	1,529			**1,447,873**
Materials, goods and utilities	96,733	30,002	54,361	37,240	23,352	241,688	14,730	11,039	64,936			**332,393**
Contracted and general services	132,698	77,560	114,331	(122,773)	(9,915)	191,901	84,977	(5,152)	6,449		3,606	**281,781**
Interest and bank charges	40,197	487	39,431	6,156	12,891	99,162	9,807	18,736	1,166			**128,871**
Grants and other		457	46,345		24,823	71,625	200		(58)			**71,767**
Amortization of tangible capital assets	232,400	15,826	39,792	63,789	71,811	423,618	19,952	47,534				**491,104**
Loss (gain) on disposal/replacement of tangible capital assets	8,011	970	1,818	(753)	169	10,215	51	(37)				**10,229**
	819,086	605,174	543,882	55,877	352,169	2,376,188	171,618	138,584	74,022		3,606	**2,764,018**
Excess (shortfall) of Revenues over Expenses before Other	(278,652)	7,242	(43,306)	(42,016)	174,292	(182,440)	4,001	22,558	15,490	259,680	43,121	**162,410**
Other												
Contributed tangible capital assets	99,939		42,211		4,905	147,055	5,320	190,952				**343,327**
Government transfers – capital	143,121	10,637	20,103	915	6,037	180,813		403				**181,216**
Developer and customer contributions – capital	29,087	12	33,043			62,142		32,986	2,796			**97,924**
Local improvements					13,394	13,394						**13,394**
	272,147	10,649	95,357	915	24,336	403,404	5,320	224,341	2,796			**635,861**
Excess (shortfall) of Revenues over Expenses	$ (6,505)	$ 17,891	$ 52,051	$ (41,101)	$ 198,628	$ 220,964	$ 9,321	$ 246,899	$ 18,286	$ 259,680	$ 43,121	**$ 798,271**

See accompanying notes to consolidated financial statements.

SCHEDULE 3 –SUPPLEMENTARY FINANCIAL INFORMATION OF INTERNALLY RESTRICTED ENTITIES

The assets, liabilities and the operations of the following related authorities are included in the City's consolidated financial statements. The amounts are reported before any inter-organizational transactions are eliminated.

For the year ended December 31, 2016 (in thousands of dollars)

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Waste RE-solutions Edmonton
Financial Position						
Financial assets	$ 21,138	$ 18,643	$ 2,942	$ 4,878	$ 136	$ 2,379
Liabilities	17,556	18,745	20,228	2,702	7	2,139
Net financial assets (debt)	3,582	(102)	(17,286)	2,176	129	240
Non-financial assets	34,948	4,536	34,150	500		5
Accumulated surplus	**$ 38,530**	**$ 4,434**	**$ 16,864**	**$ 2,676**	**$ 129**	**$ 245**
Operations						
Revenues	$ 50,155	$ 57,253	$ 8,642	$ 4,198	$ 472	$ 621
Expenses	(60,851)	(54,343)	(7,969)	(3,828)	(124)	(657)
Other	9,486		642			
Excess (shortfall) of revenues over expenses	**(1,210)**	**2,910**	**1,315**	**370**	**348**	**(36)**
Accumulated surplus (deficit), beginning of year	39,740	1,524	15,549	2,306	(219)	281
Accumulated surplus, end of year	**$ 38,530**	**$ 4,434**	**$ 16,864**	**$ 2,676**	**$ 129**	**$ 245**

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

	City of Edmonton Library Board	Edmonton Economic Development Corporation	Non-Profit Housing Corporation	Fort Edmonton Management Company	Edmonton Combative Sports Commission	Waste RE-solutions Edmonton
Financial Position						
Financial assets	$ 15,448	$ 14,564	$ 3,519	$ 2,099	$ 108	$ 1,833
Liabilities	12,757	20,273	23,121	598	327	1,572
Net financial assets (debt)	2,691	(5,709)	(19,602)	1,501	(219)	281
Non-financial assets	37,049	7,233	35,151	805		20
Accumulated surplus (deficit)	**$ 39,740**	**$ 1,524**	**$ 15,549**	**$ 2,306**	**$ (219)**	**$ 281**
Operations						
Revenues	$ 48,008	$ 45,320	$ 8,727	$ 4,032	$ 76	$ 864
Expenses	(57,803)	(47,112)	(7,291)	(3,848)	(171)	(583)
Other	12,711		642			
Excess (shortfall) of revenues over expenses	**2,916**	**(1,792)**	**2,078**	**184**	**(95)**	**281**
Accumulated surplus (deficit), beginning of year	36,824	3,316	13,471	2,122	(124)	
Accumulated surplus (deficit), end of year	**$ 39,740**	**$ 1,524**	**$ 15,549**	**$ 2,306**	**$ (219)**	**$ 281**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

01 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards (PSAS). Significant aspects of the accounting policies adopted by the City are as follows:

A. REPORTING ENTITY

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, these organizations and enterprises include the following:

The City of Edmonton Library Board
(Edmonton Public Library)

Edmonton Economic Development Corporation
(including EFF Media Investments Ltd. and TEC Edmonton joint venture)

Fort Edmonton Management Company

Edmonton Combative Sports Commission

The City of Edmonton Non-Profit Housing Corporation
(Non-Profit Housing Corporation)

Waste Management Utility
(including 2492369 Canada Corporation, operating as Waste RE-solutions Edmonton)

Drainage Utility
(Sanitary Drainage Services, Stormwater Drainage Services and Drainage Design and Construction)

Land Enterprise
(Land Development and Municipal Land Use Property)

Ed Tel Endowment Fund

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the public sector accounting treatment for a government business enterprise. Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus.

The City through its wholly owned subsidiary, Edmonton Economic Development Corporation, holds a 50 per cent interest in TEC Edmonton, a joint venture with the University of Alberta to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society. Proportionate consolidation is used to record the City's share in the joint venture.

The City administers Pension Funds, a Long-term Disability Plan and other assets on behalf of third parties. Related trust assets under administration for the benefit of external parties have been excluded from the reporting entity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

B. BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. 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 as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

C. USE OF ESTIMATES

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions. These estimates 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. Actual results could differ from those estimates.

Administration 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 including estimates for expropriation of municipal lands and contaminated sites remediation, useful lives of tangible capital assets as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

D. FOREIGN CURRENCY

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

E. TAX REVENUE

Annually, the City bills and collects property tax revenues for municipal purposes. Tax revenues are based on market value assessments determined in accordance with the MGA and annually established tax rates. Municipal tax rates are set each year by City Council in accordance with legislation and City Council-approved policies to raise the tax revenue required to meet the City's budget requirements. Tax revenues are recorded at the time tax billings are issued. Property assessments are subject to tax appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Tax revenues are recorded net of any tax appeals or allowances in the Consolidated Statement of Operations and Accumulated Surplus.

The City also bills and collects education tax on behalf of the Province of Alberta (the Province). Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis. Education taxes collected are remitted to the Province and the Edmonton Catholic Separate School District and are excluded from revenues and expenses in the Consolidated Statement of Operations and Accumulated Surplus. Education taxes collected as part of the incremental property taxes within a community revitalization levy (CRL) are retained to offset development costs in the area over the life of the CRL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

F. GOVERNMENT TRANSFERS

Government transfers are the transfer of monetary assets or tangible capital assets from other orders of government that are not the result of an exchange transaction and for which there is no expectation of repayment or direct financial return to the transferor in the future. The City receives government transfers from the Federal and Provincial governments to fund operating and capital expenditures. These transfers to the City are recognized as revenues when the transfers are authorized and all the eligibility criteria, if any, have been met, except when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability for the recipient. Prior to that time, any amounts received, along with restricted interest thereon are recorded as deferred revenue.

Authorized transfers from the City to other organizations or individuals are recorded as an expense when the transfer has been authorized and the eligibility criteria, if any, have been met by the recipient. The majority of transfers made by the City are in the form of grants or subsidies.

G. LOCAL IMPROVEMENTS

When a service or improvement is deemed to benefit a specific area more than the municipality as a whole, the project may be classified as a local improvement under the MGA, to be paid in whole or in part by a tax imposed on the benefiting property owners. The property owner's share of the improvement is recognized as revenue, and established as a receivable, in the period that the project expenditures are completed.

H. LAND FOR RESALE

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

I. INVESTMENTS

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the net present value basis over the terms of the issues. Investments in common and preferred shares and pooled funds are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded in the year incurred.

J. DEBT RECOVERABLE

Debt recoverable consists of long-term debt amounts that are recoverable under loans made to non-profit organizations. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31. Loans are recorded at the lower of cost and net recoverable value. A valuation allowance in the debt recoverable is recognized when the City no longer has reasonable assurance of collection.

K. 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, advances secured by tangible capital assets, inventory of materials and supplies and other assets.

i. Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. 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:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

Assets under construction are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that a tangible capital asset no longer contributes to the City's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

ii. Contributed Tangible Capital Assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. At the same time, equivalent revenues are recorded as contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii. Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks to the City incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective tangible capital asset classifications. All other leases are accounted for as operating leases and the related lease payments, net of tenant inducements, are charged to expenses on a straight-line basis over the lease term.

iv. Land Under Roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v. Inventory of Materials and Supplies

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi. Cultural, Historical and Works of Art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized. Costs for public art are expensed in the period they are incurred.

L. LANDFILL CLOSURE AND POST-CLOSURE LIABILITIES

The costs to close and maintain solid waste landfill sites are based on estimated future expenses, adjusted for inflation and discounted to current dollars. These costs are reported as a liability on the Consolidated Statement of Financial Position.

M. LIABILITY FOR CONTAMINATED SITES

Contaminated sites are the result of a chemical, organic or radioactive material or live organism in amounts that exceed an environmental standard being introduced into soil, water or sediment. The City recognizes a liability for remediation of contaminated sites when the following criteria have been met:

- an environmental standard exists,
- there is evidence that contamination exceeds an environmental standard,
- the City is directly responsible or accepts responsibility for the contamination,
- it is expected that future economic benefits will be given up, and
- a reasonable estimate of the amount can be made.

Sites that are currently in productive use are only considered contaminated sites if an unexpected event results in remediation. In cases where the City's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the City's best estimate, as of December 31, of the amount required to remediate non-productive sites to the current minimum standard of use prior to contamination. Where possible, provisions for remediation are based on environmental assessments completed on a site; for those sites where an assessment has not been completed, estimates of the remediation are completed using information available for the site and by extrapolating from the cost to clean up similar sites. The liability is recorded net of any estimated recoveries from third parties. When cash flows are expected to occur over extended future periods the City will measure the liability using present value techniques.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

N. EMPLOYEE BENEFIT OBLIGATIONS

The costs of post-employment benefits, compensated absences and termination benefits are recorded as an expense when the event that gives rise to the obligation occurs.

City employees participate in multi-employer pension plans that are administered by third parties. Obligations related to plan deficiencies are not recorded for these multi-employer pension plans as the City's share is not determinable. Contributions to multi-employer plans for current and past service are recorded as expenses in the year in which they become due.

Costs related to City-sponsored registered and non-registered defined benefit pension plans are recognized when earned by plan members. Plan obligations are actuarially determined using the projected benefit method prorated on service, applying management's best estimates of expected retirement ages of employees, salary and benefit escalation, plan investment performance and discount rates.

Actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service life of the related employee group. Adjustments arising from prior service costs relating to plan amendments and changes in the valuation allowance are recognized in the period in which the adjustment occurs. The City records the actuarially determined net fund asset or liability for City-sponsored registered pension plans. For jointly sponsored plans, the City records its proportionate share of that asset or liability.

O. RESERVES FOR FUTURE EXPENDITURES

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

P. EQUITY IN TANGIBLE CAPITAL ASSETS

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

Q. BUDGET INFORMATION

Operating budget information is consistent with amounts approved by City Council in April 2016, with the passing of Bylaw 17532 – 2016 Property Tax and Supplementary Property Tax Bylaw. The budget is reported on an accrual basis, consistent with principles applied in the consolidated financial statements.

Capital budgets reflect the 2016 budget originally approved by Council in December 2014 as a part of the overall 2015-2018 capital budget, plus any carry forward of unspent capital budget from previous years. Capital budget adjustments made as part of the spring and fall supplementary capital budget adjustment process are not reflected.

R. FUTURE ACCOUNTING STANDARD PRONOUNCEMENTS

The following summarizes upcoming changes to PSAS. In 2017, the City will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS1201, *Financial Statement Presentation*, PS3450, *Financial Instruments*, PS2601, *Foreign Currency Translation* and PS3041, *Portfolio Investments* must be implemented at the same time. *Related Party Disclosures* PS2200 and *Inter-Entity Transactions* PS3420 also require concurrent adoption.

i. Introduction to Public Sector Accounting Standards

The Public Sector Accounting (PSA) Handbook was previously written primarily to address the financial reporting needs of governments in Canada. With the broadened scope of the PSA Handbook to include government organizations that previously reported under Part V of the CPA Handbook, it was necessary to update the introduction to clarify the applicability of the PSA Handbook to various public sector entities. The new introduction is applicable for fiscal years beginning on or after January 1, 2017.

ii. Assets

PS3210, *Assets* provides additional guidance on the definition of assets and new disclosure requirements for those assets not recognized in the government's financial statements. This standard is applicable for fiscal years beginning on or after April 1, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

iii. Contingent Assets

PS3320, *Contingent Assets* establishes standards on the reporting and disclosure of possible assets that may arise from existing conditions or situations involving uncertainty. This standard is applicable for fiscal years beginning on or after April 1, 2017.

iv. Contractual Rights

PS3380, *Contractual Rights* establishes standards on the reporting and disclosure of a government's rights to economic resources that may arise from contracts or agreements that will result in both an asset and revenue in the future. This standard is applicable for fiscal years beginning on or after April 1, 2017.

v. Inter-entity Transactions

PS3420, *Inter-Entity Transactions* specifically addresses the reporting of transactions between entities controlled by a government and that comprise the government's reporting entity from both a provider and recipient perspective. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vi. Related Party Disclosures

PS2200, *Related Party Disclosures* requires sufficient information be disclosed about the terms and conditions on which transactions between related parties are conducted and the relationship underlying them. The disclosure provides information necessary to assess the effect that the related party relationships have had, or, if not recognized, may have had on the entity's financial position and financial performance. This standard is applicable for fiscal years beginning on or after April 1, 2017.

vii. Restructuring Transactions

PS3430, *Restructuring Transactions* establishes standards on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. This standard is applicable for fiscal years beginning on or after April 1, 2018.

viii. Financial Statement Presentation

PS1201, *Financial Statement Presentation*, requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships. This standard is applicable for fiscal years beginning on or after April 1, 2019.

ix. Financial Instruments

PS3450, *Financial Instruments* establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is the requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for the de-recognition of financial liabilities. This standard is applicable for fiscal years beginning on or after April 1, 2019.

x. Foreign Currency Translation

PS2601, *Foreign Currency Translation*, requires that monetary assets and liabilities denominated in a foreign currency and non-monetary items included in the fair value category, denominated in a foreign currency, be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses are to be presented in the new statement of re-measurement gains and losses. This standard is applicable for fiscal years beginning on or after April 1, 2019.

xi. Portfolio Investments

PS3041, *Portfolio Investments* has removed the distinction between temporary and portfolio investments. This section was amended to conform to PS3450, *Financial Instruments*, and now includes pooled investments in its scope. Upon adoption of PS3450 and PS3041, PS3030, *Temporary Investments* will no longer apply. This standard is applicable for fiscal years beginning on or after April 1, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

02 CASH AND TEMPORARY INVESTMENTS

		2016		2015
Cash	**$**	**33,175**	$	9,131
Temporary investments		**457,966**		334,252
Cheques outstanding in excess of deposits				(15,158)
	$	**491,141**	$	328,225

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market value. These investments have effective interest rates of 0.0 to 1.6 per cent (2015 – 0.5 to 1.5 per cent) and generally mature within ninety days from the date of purchase. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year from the date of purchase.

The City has access to an unsecured line of credit of up to $100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit as of December 31, 2016 (2015 – $966).

03 RECEIVABLES

		2016		2015
Trade and other	**$**	**189,971**	$	182,205
Local improvements		**96,882**		94,058
Taxes		**60,801**		54,841
Government transfers:				
Building Canada Fund		**281**		281
Other		**36**		3
Municipal Sustainability Initiative				141,421
Alberta Community Partnership Program				166
	$	**347,971**	$	472,975

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

04 INVESTMENTS

	Amortized Cost		Market Value	
	2016	2015	**2016**	2015
Cash	**$ 608**	$ 876	**$ 608**	$ 876
Amounts receivable (payable) — net	**937**	(874)	**937**	(874)
Fixed income:				
Short-term notes and deposits	**74,021**	8,793	**73,888**	8,369
Government and government guaranteed bonds	**580,843**	623,234	**574,967**	631,604
Corporate bonds and debentures	**339,779**	258,665	**335,547**	257,366
Pooled fund	**86,396**	77,648	**86,594**	87,836
	1,081,039	968,340	**1,070,996**	985,175
Common and preferred shares:				
Canadian	**271,213**	259,727	**285,829**	261,645
International	**437,268**	418,244	**418,126**	408,355
Global	**73,062**	66,488	**78,353**	73,528
	781,543	744,459	**782,308**	743,528
Pooled infrastructure funds	**30,525**	32,060	**32,840**	32,731
Other investments	**4,130**	3,804	**4,130**	3,804
	$ 1,898,782	$ 1,748,665	**$ 1,891,819**	$ 1,765,240

Short-term notes and deposits have effective interest rates of 0.1 to 1.0 per cent (2015 – 0.0 to 1.1 per cent) and mature within one year from the date of purchase. Government and corporate bonds and debentures have effective interest rates of 0.6 to 5.2 per cent (2015 – 0.5 to 5.6 per cent) with maturity dates from February 24, 2017 to December 1, 2064 (2015 – January 14, 2016 to December 1, 2064). The pooled fixed income fund represents an interest in a fund consisting of corporate bonds, government bonds and inflation-linked bonds.

Fixed income and international common and preferred shares ended the year with market value below cost. The City considers this decline in value to be temporary in nature.

The pooled infrastructure fund represents an interest in a globally diversified portfolio of core-yielding infrastructure investments.

Investments with a cost of $815,471 (2015 – $788,961) and market value of $813,397 (2015 – $793,285) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. In 2016, an annual appropriation from the earnings of the Fund of $40,226 (2015 – $28,644), including a special dividend of $8,045 (2015 – $0), was withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. In accordance with the Bylaw the Fund is in a position to pay a special dividend when the market value of the Fund, as at June 30 of the preceding year, is greater than 15 per cent of the inflation adjusted principal at that time. Any amendment to the Bylaw requires advertisement and a public hearing.

Included in investments are the Sinking Fund assets with a carrying value of $86,350 (2015 — $79,315) and a market value of $85,931 (2015 – $82,016). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $14,180 (market value – $14,655).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

05 DEBT RECOVERABLE

Debt recoverable of $11,473 (2015 – $60,629) consists of amounts borrowed by the City which are loaned to non-profit organizations, including a net investment in a lease receivable. The financial arrangements are in accordance with section 264 of the MGA and are authorized by City bylaws. The arrangements have the same general repayment terms as the respective debt with interest accrued on outstanding amounts. As of December 31, 2016, the non-profit organizations are in compliance with the terms of the financial arrangements.

Lease receivables of $10,742 bear an implicit annual interest rate of 4.3 per cent and will be recovered in annual amounts to the year 2044. Loan receivables of $731 will be recovered in annual amounts to the year 2018 with interest rates ranging from 4.0 to 6.0 per cent (2015 – 4.0 to 6.0 per cent).

Principal and interest payments recoverable for each of the next 5 years and thereafter are as follows:

	Principal	Interest	**Total**
2017	$ 902	$ 467	**$ 1,369**
2018	275	456	**731**
2019	237	445	**682**
2020	247	434	**681**
2021	258	424	**682**
Thereafter	9,554	5,437	**14,991**
	$ 11,473	$ 7,663	**$ 19,136**

In February 2017, the City received an exit payment of $638 from Edmonton Northlands to partially offset the Northlands scoreboard loan receivable.

On March 7, 2017, City Council approved Bylaw 17861 and a deferral of the September 15, 2016 and March 17, 2017 payments on the Edmonton Northlands EXPO Centre loan receivable to July 12, 2017, subject to conditions including the submission of a revised business plan by June 30, 2017. As a result, debt recoverable of $48,684 has been reclassified to other non-financial assets (Note 13). Management is of the opinion that this amount is adequately secured by tangible capital assets, including the Edmonton Northlands EXPO Centre. The loan agreement gives the power and right to the City to take possession of the tangible capital assets in the event of default. If a sustainable business plan that meets the obligations of the loan agreement is not received by June 30, 2017, Management is of the opinion that the City will realize its security by taking ownership of the tangible capital asset.

06 PROMISSORY NOTES PAYABLE

As at December 31, 2016, the City has issued six (2015 – seven) promissory notes payable with maturity dates from January 25, 2017 to April 20, 2017 (2015 – January 6, 2016 to June 22, 2016) with interest rates ranging from 0.1 per cent to 0.2 per cent (2015 – 0.1 per cent to 0.4 per cent).

The promissory notes are being accounted for at amortized cost, with the amount for the six notes at maturity totaling $80,000 (2015 – $100,000) and a discounted value of $79,869 (2015 – $99,770).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

07 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade and other	**$ 488,205**	$ 448,729
Developer obligations	**123,951**	123,046
Payroll and remittances	**102,603**	117,145
Accrued interest	**21,709**	20,499
	$ 736,468	$ 709,419

08 DEFERRED REVENUE

Deferred revenue is comprised of the funds noted below, the use of which is externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

Interest earned on contributions is included in contributions received. Certain deferred revenues relate to government transfers as further described in Note 18.

	2015	Externally Restricted Contributions Received	Revenue Recognized	**2016**
Operating:				
Revenue in advance of service performed and other	$ 32,619	$ 34,749	$ 36,093	**$ 31,275**
Development permits	21,019	13,095	15,660	**18,454**
Affordable Housing Municipal Block Funding	19,497	152	2,793	**16,856**
	73,135	47,996	54,546	**66,585**
Capital:				
Municipal Sustainability Initiative	99,093	265,897	166,347	**198,643**
Green Transit Incentives Program	10,094	68,868	43,587	**35,375**
Other	7,367	100,332	101,484	**6,215**
Alberta Community Resilience Program	7,820		2,954	**4,866**
Parks Community Initiatives	2,541	3,045	2,686	**2,900**
Alberta Community Partnership Program		5,488	2,840	**2,648**
	126,915	443,630	319,898	**250,647**
	$ 200,050	$ 491,626	$ 374,444	**$ 317,232**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

09 EMPLOYEE BENEFIT OBLIGATIONS

	2016	2015
Accrued vacation	**$ 75,422**	$ 71,001
Post-employment benefits	**25,167**	21,514
Banked overtime	**12,670**	12,970
Major medical and dental plans	**6,761**	7,367
Supplementary management retirement plan	**5,451**	4,447
Income replacement plan	**4,159**	4,346
Health care spending	**3,526**	3,917
Group life insurance plan	**972**	292
Other	**921**	922
	$ 135,049	$ 126,776

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations until pensioners reach the age of 65.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2016 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 2.0 per cent (2015 — 2.3 per cent). The accrued benefit obligation as at December 31, 2016 is $21,525 (2015 - $18,705). The change is comprised of current service cost of $5,395 (2015 - $4,198), interest cost of $506 (2015 - $526), actuarial loss of $155 (2015 - actuarial gain of $1,330) and benefits paid during the year of $3,236 (2015 - $3,061).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2016 were $1,450 (2015 - $1,567). Eligible dental obligations for 2016 were $367 (2015 - $294). Other post-employment benefits were $1,825 (2015 - $948).

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements and administrative costs are applied to each of the respective plans.

A supplementary management retirement plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability for total current and past service costs of $5,451 (2015 - $4,447) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2016. Unamortized net losses of $1,646 (2015 - $1,711) will be amortized over the nine (2015 — eight) year average remaining service period of active plan participants.

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2016, completed by Aon Hewitt.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2016 expenses of amounts not used in the current year that are eligible to be carried forward under the terms of the plan.

A group life insurance plan is provided by the City, funded equally by employer and employees. The plan is administered by Great West Life.

Other employee benefit obligations for 2016 include $310 (2015 — $302) for the Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan liability (Note 21c).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

10 LANDFILL CLOSURE AND POST-CLOSURE CARE

Under Provincial legislation, the City has a liability for closure and post-closure care costs for its landfill sites. The Clover Bar landfill site reached full capacity and was closed August 2009. The period for post-closure care is 25 years. The costs to maintain a closed solid waste landfill site are based on estimated future expenses in current dollars by applying a discount rate at the City's average long-term borrowing rate of 3.8 per cent (2015 — 4.0 per cent) and inflation rate of 3.0 per cent (2015 — 3.0 per cent). An amount of $22,447 (2015 - $19,988) has been accrued. The liability was increased by $4,588 (2015 - $4,361) to reflect revised post-closure care cost estimates, offset by $2,129 (2015 - $1,337) which was expensed in the year to reflect cash outlays for post-closure care.

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of groundwater and leachates from the site, ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

The City entered into a contract with Beaver Regional Waste Management Services Commission for the provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site and has committed to send a minimum of 70,000 tonnes per year. The City continues to exceed the minimum annual requirement.

11 LONG-TERM DEBT

A. DEBT PAYABLE

Debt payable includes the following amounts:

	2016	2015
Debentures	**$ 3,420,474**	$ 3,126,907
Mortgages	**9,814**	12,274
	3,430,288	3,139,181
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	**91,338**	105,958
	3,338,950	3,033,223
Long-term debt comprises:		
Self-liquidating debt (includes debt secured by Sinking Fund assets (Note 4))	**1,103,899**	993,403
Tax-supported debt	**2,235,051**	2,039,820
	$ 3,338,950	$ 3,033,223

The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

Outstanding debentures of $100,000 are secured by Sinking Fund assets held within the City's investments with a carrying value of $86,350 (market value – $85,931) and required earnings of 5.0 per cent (2015 – 5.0 per cent). These assets are comprised of government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $14,180 (market value – $14,655).

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2017	$ 64,698	$ 161,643	$ 226,341	$ 14,814	$ 211,527
2018	163,283	104,800	268,083	13,435	254,648
2019	59,791	106,419	166,210	6,691	159,519
2020	59,214	108,682	167,896	7,043	160,853
2021	59,853	111,281	171,134	7,105	164,029
Thereafter	788,398	1,642,226	2,430,624	42,250	2,388,374
	$ 1,195,237	$ 2,235,051	$ 3,430,288	$ 91,338	$ 3,338,950

Interest:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2017	$ 52,594	$ 82,315	$ 134,909	$ 12,801	$ 122,108
2018	49,786	77,168	126,954	12,381	114,573
2019	38,534	72,961	111,495	3,468	108,027
2020	35,875	68,748	104,623	3,057	101,566
2021	33,190	64,442	97,632	2,623	95,009
Thereafter	224,746	503,394	728,140	10,231	717,909
	$ 434,725	$ 869,028	$ 1,303,753	$ 44,561	$ 1,259,192

Total Payments:	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2017	$ 117,292	$ 243,958	$ 361,250	$ 27,615	$ 333,635
2018	213,069	181,968	395,037	25,816	369,221
2019	98,325	179,380	277,705	10,159	267,546
2020	95,089	177,430	272,519	10,100	262,419
2021	93,043	175,723	268,766	9,728	259,038
Thereafter	1,013,144	2,145,620	3,158,764	52,481	3,106,283
	$ 1,629,962	$ 3,104,079	$ 4,734,041	$135,899	$ 4,598,142

EPCOR receivable amounts offset self-liquidating debt and interest payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

B. DEBT AND DEBT SERVICE LIMITS

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. As allowed under the Regulation, the revenue from EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

		2016		2015
Total debt limit per Regulation	**$**	**5,627,370**	$	5,556,132
Total debt		**3,338,950**		3,033,223
Percentage used (%)		**59.3**		54.6
Total debt service limit per Regulation	**$**	**984,790**	$	972,323
Total debt service		**341,022**		285,745
Percentage used (%)		**34.6**		29.4

C. MATURITIES AND INTEREST RATES

Existing long-term debt matures in annual amounts in periods 2018 through 2050 and debenture interest is payable at rates ranging from 1.6 to 8.5 per cent (2015 - 1.6 to 8.5 per cent).

The average annual interest rate is 3.8 per cent for 2016 (2015 - 4.0 per cent).

D. INTEREST ON LONG-TERM DEBT

		2016		2015
Self-liquidating debt	**$**	**51,861**	$	50,926
Tax-supported debt		**81,308**		79,251
		133,169		130,177
Less payments on offsetting amounts receivable		**13,121**		13,541
Long-term debt interest included in interest and bank charges	**$**	**120,048**	$	116,636

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

12 TANGIBLE CAPITAL ASSETS

	Net Book Value	
	2016	2015
Land	**$ 1,554,539**	$ 1,490,894
Land improvements	**694,846**	657,412
Buildings	**1,706,705**	1,168,596
Vehicles	**398,639**	416,090
Machinery and equipment	**387,452**	356,116
Engineered structures:		
Roadway system	**3,759,283**	3,370,338
Drainage system	**3,003,387**	2,636,428
Light rail transit	**944,751**	965,895
Waste	**49,894**	49,364
Bus system	**85,403**	86,253
Other	**21,539**	21,235
	12,606,438	11,218,621
Assets under construction	**735,663**	1,230,464
	$ 13,342,101	$ 12,449,085

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

A total of $323,266 in land, land improvements and engineered structures were contributed to the City in 2016 (2015 – $343,327) and were recorded at their fair value at the time received.

13 OTHER ASSETS

	2016	2015
Advances secured by tangible capital assets (Note 5)	**$ 48,684**	$
Prepaid expenses — operational	**17,066**	14,544
Benefit plan asset	**5,114**	3,883
	$ 70,864	$ 18,427

14 EQUITY IN TANGIBLE CAPITAL ASSETS

	2016	2015
Tangible capital assets (Schedule 1)	**$ 20,452,694**	$ 19,130,555
Accumulated amortization (Schedule 1)	**(7,110,593)**	(6,681,470)
Long-term debt (Note 11)	**(3,338,950)**	(3,033,223)
Debt secured by Sinking Fund assets	**86,350**	79,315
Long-term debt for land redevelopment	**66,146**	41,860
Debt for advances secured by tangible capital assets	**48,684**	
Debt recoverable (Note 5)	**11,473**	60,629
	$ 10,215,804	$ 9,597,666

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

15 RESERVES FOR FUTURE EXPENDITURES

	2016	2015
General Government:		
Local improvement	**$ 108,795**	$ 105,418
Financial stabilization	**92,852**	93,286
LRT	**31,056**	14,467
Financial stabilization – appropriated	**30,255**	18,627
Traffic safety and automated enforcement	**29,650**	29,394
Affordable housing	**27,761**	25,244
Funds in lieu – residential	**23,780**	21,577
Parkland	**21,533**	25,054
Fleet services – vehicle replacement	**14,798**	6,797
Development services	**13,988**	22,727
Enterprise portfolio/Commonwealth Stadium	**10,638**	12,029
Natural areas	**9,368**	9,328
Perpetual care	**6,950**	6,542
Tax–supported debt	**4,318**	3,592
Tree management	**3,535**	3,269
Other	**2,974**	2,359
Heritage resources	**2,703**	3,787
Self insurance – vehicles	**2,500**	2,500
Aggregate site development and land reclamation	**1,803**	754
Vehicle for Hire	**1,188**	910
St. Francis Xavier	**1,138**	887
Development incentive	**1,016**	1,671
Community revitalization levy – Belvedere	**(5,938)**	(4,721)
Community revitalization levy – Quarters	**(9,156)**	(8,845)
Community revitalization levy – Capital City Downtown	**(14,913)**	(8,637)
Interim financing	**(26,588)**	(18,653)
	386,004	369,363
City of Edmonton Library Board	**4,696**	4,245
Non-Profit Housing Corporation	**1,020**	1,308
Edmonton Economic Development Corporation	**800**	488
Fort Edmonton Management Company	**300**	230
	$ 392,820	$ 375,634

The City invests in public infrastructure within a community revitalization levy area, which is intended to spur new development. The property tax revenue from the new development, along with any revenue from property sales or a lift in the value of existing property within the area, is directed to paying the costs of the infrastructure, including financing costs, for up to twenty years. Timing differences between incurring costs and the collection of tax revenues have created deficit balances in the community revitalization levy reserves at the end of 2016. The existing shortfalls will be recovered through future community revitalization levy tax revenues.

The Interim Financing Reserve is used to accommodate timing differences between project operating costs and related funding sources, as well as timing of budgeted expenses and payment of the expenses. The existing shortfall will be recovered through the future funding sources.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

16 ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

		2016		2015
General government operations	**$**	**63,849**	$	27,605
Excess earnings on Sinking Fund		**2,526**		3,191
Restricted surplus:				
EPCOR Utilities Inc.		**2,672,193**		2,515,196
Ed Tel Endowment Fund		**815,471**		788,961
Land Enterprise		**106,673**		97,234
Pension and benefits		**18,643**		16,288
Edmonton Economic Development Corporation		**15,139**		7,102
Drainage Utility		**6,197**		(8,102)
Fort Edmonton Management Company		**2,164**		1,536
Waste RE-solutions Edmonton		**2,077**		1,178
Non-Profit Housing Corporation		**1,058**		1,270
City of Edmonton Library Board		**637**		637
Edmonton Combative Sports Commission		**129**		(219)
Waste Management Utility		**(1,914)**		(7,581)
Reserves for future expenditures (Note 15)		**392,820**		375,634
Equity in tangible capital assets (Note 14)		**10,215,804**		9,597,666
Advances for construction		**111,591**		182,245
	$	**14,425,057**	$	13,599,841

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

17 NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	Budget	**2016**	2015
Taxes:			
Property taxes	$ 1,842,171	**$ 1,836,454**	$ 1,717,262
Revenue in lieu of taxes	37,579	**37,605**	44,414
Community revitalization levy	9,889	**11,979**	7,934
Other	4,200	**9,197**	10,854
Special tax — alley lighting		**854**	891
Tax appeals and allowances	(10,456)	**(10,649)**	(12,665)
	1,883,383	**1,885,440**	1,768,690
Less taxes on behalf of:			
Education	453,773	**448,086**	427,019
Business revitalization zones		**3,572**	3,564
	453,773	**451,658**	430,583
Net taxes available for municipal purposes	$ 1,429,610	**$ 1,433,782**	$ 1,338,107

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to Receivables – Trade and other (Note 3).

Local improvement levies are not included in net taxes available for municipal purposes and are reflected separately on the Consolidated Statement of Operations and Accumulated Surplus.

Provincial education taxes collected on incremental tax revenue within the CRL are retained to offset development costs in the related area. As at December 31, 2016 the City has three active CRL areas: the Quarters, Belvedere and Capital City Downtown. The CRL taxes collected include property taxes, revenue in lieu of taxes and other taxes. In 2016, $3,608 (2015 – $3,337) incremental tax levy was collected in the Quarters CRL, including $757 (2015 – $452) in education taxes. The Belvedere CRL collected $715 (2015 – $659) in incremental tax levy during the year, including $160 (2015 – $151) in education taxes. The Capital City Downtown CRL collected $7,656 (2015 – $3,938) in incremental tax levy during the year, including $1,707 (2015 – $666) in education taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

18 GOVERNMENT TRANSFERS

	Budget	**2016**	2015
Operating transfers:			
Federal	$ 44,347	**$ 45,132**	$ 44,472
Provincial	62,985	**67,635**	76,090
	107,332	**112,767**	120,562
Capital transfers:			
Federal	31,900	**15,505**	2,000
Provincial	502,802	**211,306**	179,216
	534,702	**226,811**	181,216
Total Government Transfers	$ 642,034	**$ 339,578**	$ 301,778

The City and PPP Canada Inc. signed an agreement to provide Federal government funding for the Valley Line LRT expansion. In 2016, the City received and recorded $10,505 (2015 – $0) as revenue.

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2016, the City received $68,868 (2015 – $457), including earned interest of $420 (2015 – $146) and temporary rental income of $48 (2015 – $41). In 2016, the City recognized $43,587 (2015 – $8,048) as capital government transfers. Deferred revenue of $35,375 (2015 – $10,094) has been recorded.

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. In 2016, the City recognized operating government transfers of $2,793 (2015 – $177). $16,856 (2015 – $19,497) has been recorded as deferred revenue, including interest of $152 (2015 – $177).

In 2007, the Province introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. In 2016, the City received $265,897 (2015 – $282,841) from the Province, including interest of $1,119 (2015 – $12). In 2016, the City recognized $160,752 (2015 – $169,885) as capital government transfers and $5,595 (2015 – $19,930) as operating government transfers. $198,643 has been recorded as deferred revenue (2015 – $99,093).

A grant of up to $29,000 has been approved under the Alberta Innovation and Science program to provide funding for a solid waste gasification demonstration facility. In 2016, the City received $2,000 (2015 – $2,000), and $2,000 (2015 – $2,000) has been recognized as government transfers for operations. $61 (2015 — $55) including interest of $6 (2015 – $2), has been recorded as deferred revenue.

Under the Federal Gas Tax Fund, the City received $47,332 (2015 – $46,023), and recognized $5,000 as capital government transfers (2015 – $2,000) and $43,605 (2015 — $43,605) as operating government transfers, to fund debt servicing costs related to the South LRT. A receivable has been recorded of $33 (2015 – $1,240 as a deferred revenue).

In 2016, the City received a grant of $22,325 (2015 – $18,007) from the Province for Family and Community Support Services funding. $23,035 was recognized as operating revenue in 2016 (2015 – $17,297). $0 has been recorded as deferred revenue (2015 – $710).

The Province approved funding through the Alberta Disaster Recovery Program for flood damage in 2013. No new funding was received in 2016 (2015 – $0). The City recognized $64 (2015 – $176) as capital revenue with $543 (2015 – $607) remaining in deferred revenue.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

19 EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	**2016**	2015
Mayor:				
Iveson	$ 177	$ 41	**$ 218**	$ 215
	177	41	**218**	215
Councillors:				
Anderson	100	21	**121**	119
Banga	89	18	**107**	
Caterina	100	23	**123**	111
Esslinger	100	24	**124**	123
Gibbons	100	22	**122**	120
Henderson	100	22	**122**	121
Knack	100	24	**124**	123
Loken	100	23	**123**	122
McKeen	100	22	**122**	120
Nickel	100	21	**121**	120
Oshry	100	21	**121**	120
Sohi				126
Walters	100	24	**124**	123
	1,189	265	**1,454**	1,448
Chief Administrative Officer (City Manager)	478	7	**485**	1,325
City Assessor	216	30	**246**	264
	$ 2,060	$ 343	**$ 2,403**	$ 3,252

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

The City of Edmonton Members of Council are provided with a transition allowance, upon the conclusion of their service, equal to three weeks salary for each year served, to a maximum of 36 weeks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

20 SUBSIDIARY OPERATIONS — EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained at their website or by contacting the corporate offices of EPCOR.

	2016	2015
Financial position:		
Current assets	**$ 530,457**	$ 670,919
Capital assets	**4,983,314**	4,568,189
Investment in Capital Power	**5,798**	166,886
Other assets	**641,957**	682,151
Total assets	**6,161,526**	6,088,145
Current liabilities (including current portion of long–term debt of $14,880 (2015 – $242,476)	**389,767**	598,535
Non–current liabilities	**1,195,055**	1,099,308
Long–term debt	**1,904,511**	1,875,106
Total liabilities	**3,489,333**	3,572,949
Accumulated other comprehensive income	**86,663**	97,698
Share capital contribution	**23,795**	23,795
Retained earnings	**2,561,735**	2,393,703
Shareholder's equity	**$ 2,672,193**	$ 2,515,196
Results of operations:		
Revenues	**$ 1,945,741**	$ 2,017,569
Gain on sale and dividend income from investment in Capital Power	**51,110**	
Equity share of income – Capital Power		5,010
Expenses	(**1,687,798**)	(1,703,360)
Impairment of investment in Capital Power		(59,539)
Net income	**$ 309,053**	$ 259,680
Changes in shareholder's equity:		
Shareholder's equity – opening	**$ 2,515,196**	$ 2,340,366
Net Income	**309,053**	259,680
Other comprehensive (loss) income	(**11,035**)	56,171
Dividend to shareholder (City of Edmonton)	(**141,021**)	(141,021)
Shareholder's equity – ending	**$ 2,672,193**	$ 2,515,196

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

In 2009, through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power. Through an equity investment in Capital Power, a 72 per cent interest in that business was retained. In 2016, EPCOR sold off the majority of their remaining common shares. At December 31, 2016 EPCOR owned 249,364 shares of Capital Power which they subsequently sold in January 2017 resulting in EPCOR no longer holding an interest in Capital Power.

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including Sinking Fund payments (Note 11) and deferred financing charges, are as follows:

2017	$	14,865
2018		412,589
2019		6,747
2020		7,102
2021		192,459
Thereafter		1,296,916
	$	1,930,678

EPCOR has issued letters of credit for $72,733 (2015 – $48,106) to meet the credit agreements of electricity market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes EPCOR's related party transactions with the City for the year.

		2016		2015
Dividend paid to the City	**$**	**141,021**	$	141,021
Franchise fees and revenue tax paid to the City		**76,504**		75,077
Financing expenses paid or payable to the City		**9,293**		10,032
Sales of administrative and construction services from the City		**9,217**		8,619
Property taxes and other taxes paid to the City		**15,386**		14,660
Costs of capital construction paid or payable to the City		**4,561**		3,817
Power and water purchased by the City		**4,446**		4,249
Other services purchased by the City		**89,658**		82,727

All transactions are in the normal course of operations and are recorded at the exchange value based on normal commercial rates or as agreed to by the parties.

The following summarizes EPCOR's related party balances with the City.

		2016		2015
Trade and other receivables	**$**	**33,376**	$	50,236
Property, plant and equipment		**4,561**		3,817
Trade and other payables		**8,026**		7,466
Loans and borrowings issued in the name of the City		**90,439**		104,458
Deferred revenue		**2,135**		870

The City's financial statements include the net balance payable to EPCOR within accounts payable and accrued liabilities and offsetting receivables from EPCOR of $91,338 (2015 – $105,958), presented on a PSAS basis, which have been applied to reduce the City's consolidated long-term debt (Note 11).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

21 PENSION AND LONG-TERM DISABILITY PLANS

A. LOCAL AUTHORITIES PENSION PLAN

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 11.39 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 15.84 per cent thereafter. Employees of the City are required to make current service contributions of 10.39 per cent of pensionable salary up to YMPE and 14.84 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2016 were $105,909 (2015 – $100,777) and by the employees to the LAPP in 2016 were $97,157 (2015 – $92,490).

The LAPP reported a deficiency for the overall plan as at December 31, 2015 of $923,416. Information as at December 31, 2016 was not available at the time of preparing these financial statements.

B. SPECIAL FORCES PENSION PLAN

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.26 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 2.79 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over no more than 15 years. Participants of the SFPP are required to make current service contributions of 9.16 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 2.79 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2016 were $29,125 (2015 – $24,482) and by the employees to the SFPP in 2016 were $26,923 (2015 – $22,632).

The SFPP reported a deficiency for the plan as at December 31, 2015 of $161,642 comprised of a deficit of $198,400 for pre-1992 and a surplus of $36,758 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

C. CITY-SPONSORED PENSION PLANS

The City, in conjunction with the City of Edmonton Investment Committee, administers Pension Fund and Long-term Disability Plan assets on behalf of third parties. Related trust assets not owned by the City have been excluded from the reporting entity. Assets consist of government, government guaranteed and corporate bonds valued at market quotations from Canadian and global investment dealers, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Other investments within the Pension Funds and Long-term Disability Plan include global infrastructure assets.

The following summarizes plans sponsored by the City.

i. Annuity Plan

The multi-employer Annuity Fund provided lifetime benefits to retired members and beneficiaries only. As of December 4, 2014 there are no longer any beneficiaries of this plan and the fund is closed to new members. The plan is being wound up and surplus funds attributable to the City are not yet known. The surplus fund position is being held in trust by the City until the assets are distributed.

Total benefits paid during the year were $0 (2015 – $0).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

ii. Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 15 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $54 (2015 – $54).

iii. Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $7,698 (2015 – $7,190). Employer contributions for the year were $3,380 (2015 – $3,569) and employee contributions for the year were $2,810 (2015 – $2,988).

iv. Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $224 (2015 – $200). Employer contributions were $67 (2015 – $87) and employee contributions for the year were $17 (2015 – $22).

Actuarial valuations for Annuity, Police Supplementary, Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plans and an actuarial extrapolation for the Fire Fighters' Supplementary Pension Plan were completed by Aon Hewitt as at December 31, 2016. Each 2016 actuarial valuation and extrapolation were based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.0 per cent (2015 – 2.25 per cent). The discount rate used to determine the accrued benefit obligation is 5.75 per cent (2015 – 6.0 per cent). The expected rate of return on plan assets is 5.75 per cent (2015 – 6.0 per cent). The expected salary increase is 3.0 per cent (2015 - 3.5 per cent), plus a merit and promotion increase in the FFSPP (which varies by service). The Fire Chief Plan assumes a 0.5 per cent merit and promotion increase per annum for those with greater than 5 years of service.

Each pension fund's assets are valued at fair value. The fair value actual rate of return is 8.0 per cent (2015 - 7.8 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2016**	2015
Fair value of assets	$ 14,386	$ 11,573	$ 211,308	$ 3,435	**$ 240,702**	$ 226,728
Accrued benefit obligation		268	185,205	3,785	**189,258**	178,487
Funded status – surplus (deficit)	14,386	11,305	26,103	(350)	**51,444**	48,241
Unamortized net actuarial (gain) loss			(940)	40	**(900)**	(601)
Accrued benefit asset (liability)	14,386	11,305	25,163	(310)	**50,544**	47,640
Valuation allowance	14,386	11,305			**25,691**	24,837
Employee portion of accrued benefit asset			11,323		**11,323**	10,397
Net fund asset (liability)	$	$	$ 13,840	$ (310)	**$ 13,530**	$ 12,406

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.4 years (2015 – 16.4 years) and of the Fire Chief plan of 2.4 years (2015 – 3.4 years). The accrued benefit asset for the FFSPP is shared 55 per cent by the City as the employer and 45 per cent by employees.
The net employer share of the fund asset balance for the FFSPP is included in Receivables – Trade and other (Note 3).
The net fund liability for the Fire Chief Plan is included within Employee Benefit Obligations – Other (Note 9).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2016**	2015
Current service cost	$	$	$ 5,456	$ 57	**$ 5,513**	$ 5,325
Amortization of actuarial loss (gain)	779	(143)	(40)	14	**610**	(415)
Increase in valuation allowance	79	775			**854**	1,695
Less: employee contributions			(2,810)	(17)	**(2,827)**	(3,010)
Benefit plan expense for the year	858	632	2,606	54	**4,150**	3,595
Interest cost on accrued benefit obligation		16	10,571	213	**10,800**	10,012
Expected return on plan assets	(858)	(648)	(11,855)	(192)	**(13,553)**	(12,736)
Benefit plan interest (income) expense	(858)	(632)	(1,284)	21	**(2,753)**	(2,724)
Total benefit plan related expense	$	$	$ 1,322	$ 75	**$ 1,397**	$ 871

D. LONG-TERM DISABILITY PLAN

The City administers the Long-term Disability Plan (the Plan), made available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2016. The Plan's assets are valued at fair value.

	2016	2015
Fair value of assets	**$ 127,024**	$ 127,864
Less: Accrued benefit obligation	**77,465**	68,302
Net assets	**$ 49,559**	$ 59,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

22 COMMITMENTS

A. CONTRACTUAL OBLIGATIONS

To mitigate the risk of fluctuation in fuel prices, the City has entered into swap transactions to purchase 21.1 million litres of heating oil for monthly periods from January 2017 through December 2017. The contracts have settlement dates ranging from February 7, 2017 through January 8, 2018 at prices from $0.48 to $0.62 per litre, for a total commitment of $11,507.

In February 2016 the City entered into a Public–Private Partnership Agreement for the design, construction, operation, and maintenance of stage 1 of the Valley Line LRT from Mill Woods to Downtown. The construction period runs from 2016–2020. The total commitment for construction over the life of the contract is $1,456,495. In 2016, $53,661 related to construction costs have been accrued and are included in Accounts payable and accrued liabilities – Trade and other (Note 7). The operating and maintenance period runs from 2021–2050. The total commitment for the service level payments and maintenance payments to be made during the operating period is based on current estimated ridership levels and inflation. The service level payments are estimated to be $830,000 and maintenance payments are estimated to be $250,000.

B. LEASE COMMITMENTS

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2017	$	34,918
2018		27,210
2019		22,198
2020		19,561
2021		18,602
Thereafter		262,193
	$	384,682

23 LIABILITY FOR CONTAMINATED SITES

As of December 31, 2016, the liability for contaminated sites includes sites associated with former City operations, sites acquired through tax forfeiture, historical acquisition of properties and former unofficial waste disposal sites from early in the City's history. The nature of contamination includes chemicals, heavy metals, salt, biosolids and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, fuel handling, vehicle storage and maintenance, metal manufacturing, stockyards, wastewater treatment plants and lagoons and the leaching of materials deposited in unauthorized landfills.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites. The City has recognized a net increase in the liability of $16,713 over the prior year, representing a total liability for the remediation of contaminated sites of $19,370 (2015 – $2,657). The liability is reported in Accounts payable and accrued liabilities – Trade and other (Note 7) in the Consolidated Statement of Financial Position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (*in thousands of dollars*)

24 CONTINGENT LIABILITIES

A. The City is the defendant in various lawsuits as at December 31, 2016. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

B. The City continues to review environmental objectives and liabilities for its activities and properties as well as any potential reclamation obligations. There may be contaminated sites that the City has identified that have the potential to result in remediation obligations. A liability has not been recorded for these sites because either the likelihood of the City becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

25 SEGMENT DISCLOSURES

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PS2700 *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly or reasonably attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes.

Segments include:

A. TAX-SUPPORTED PROGRAMS

Tax-supported programs directly supported by property taxes, including the tax allocation provided directly to other operations, as follows:

i. Transportation Services

Transportation Services includes bus, light rail transit, roadway and parking services.

ii. Protective Services

Protective Services is comprised of police, traffic safety, bylaw enforcement and fire rescue.

iii. Community Services

Community Services includes parks and recreation, community and family services, planning and corporate properties and public housing. Also included are the City of Edmonton Library Board, Edmonton Economic Development Corporation, Fort Edmonton Management Company, the Non-Profit Housing Corporation, the Vehicle for Hire Commission and Edmonton Combative Sports Commission, which are managed by separate boards or commissions.

iv. Fleet Services

Fleet Services provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments, and external customers, including EPCOR. The area operates under a full cost recovery model by directly charging other City departments for the provision of fleet services.

v. Other Tax-Supported

Other Tax-Supported consists of corporate administration, general municipal services, tax appeals and allowances and excess (deficiency) in Sinking Fund earnings. Revenues and expenses that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016 (in thousands of dollars)

B. WASTE MANAGEMENT

Waste Management delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs. Also included is Waste RE-solutions Edmonton.

C. DRAINAGE SERVICES

Drainage Services includes the Sanitary Drainage Utility (collection and transmission of wastewater) as well as the Stormwater Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements.

D. LAND ENTERPRISE

Land Enterprise is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and the disposal of land deemed surplus to municipal needs. Land Enterprise is intended to be operated on a self-sustaining basis.

E. EPCOR

EPCOR is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 20 to these financial statements provides condensed financial information for EPCOR.

F. ED TEL ENDOWMENT FUND

Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713.

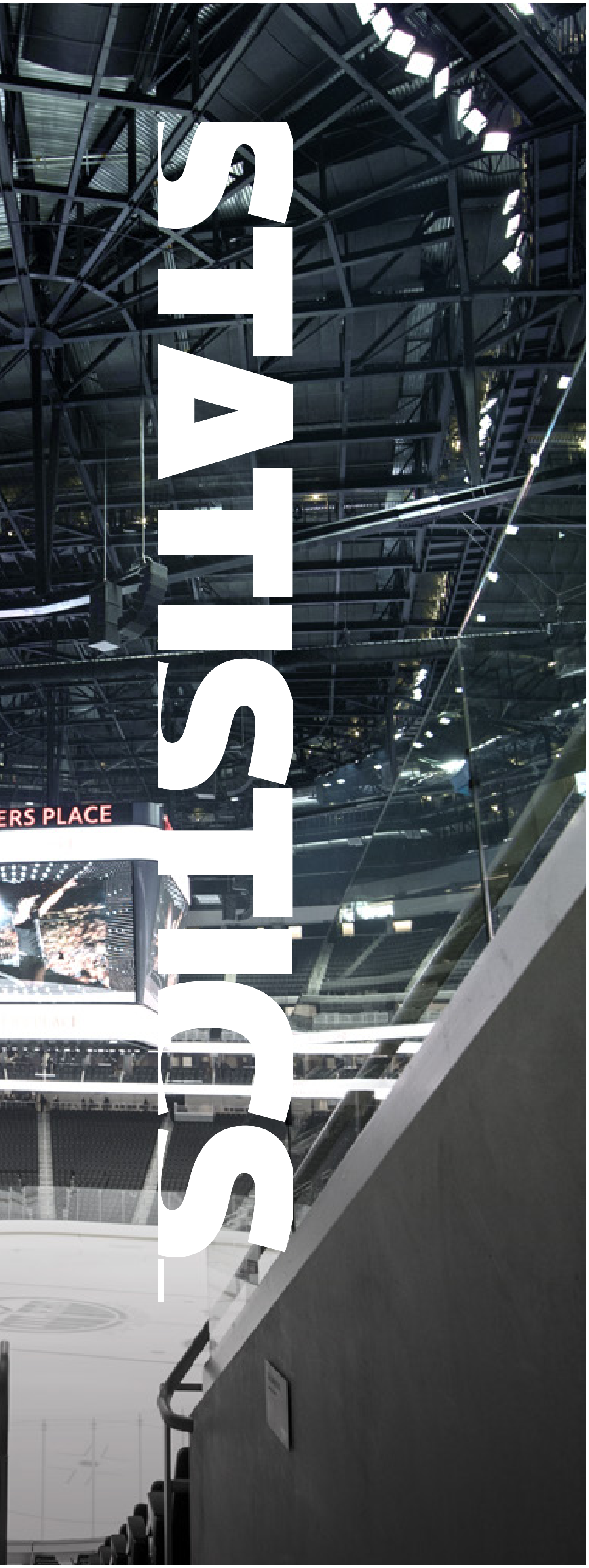
The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

26 SUBSEQUENT EVENT

At their meeting of April 12, 2017, City Council approved the transfer of the City's Drainage Utility's assets and liabilities to EPCOR Utilities Inc., effective September 1, 2017 or other such date as may be agreed between the parties. The transfer values and terms of subsequent transactions will be established, at later dates, with a master agreement and other supporting agreements.

27 COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.



STATISTICAL REVIEW

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016
GENERAL MUNICIPAL DATA

Unaudited

	2016	2015	2014	2013	2012
Population[1] (Note 1)	**932,546**	877,926	877,926	817,498	817,498
Population age distribution (%) (Note 2)					
0–4	**5.89**	6.13	6.13	6.15	6.15
5–19	**16.53**	16.74	16.74	16.95	16.95
20–29	**14.91**	16.18	16.18	17.08	17.08
30–39	**16.19**	15.94	15.94	15.46	15.46
40–49	**13.08**	13.45	13.45	14.08	14.08
50–59	**13.63**	13.82	13.82	13.83	13.83
60–64	**5.84**	5.29	5.29	4.91	4.91
65+	**13.93**	12.45	12.45	11.54	11.54
Area[2]					
in hectares	**69,980**	69,980	69,980	69,980	69,980
in square kilometres (rounded)	**700**	700	700	700	700
Value of building permits[2] ($000)	**$ 4,069,333**	$ 4,504,748	$ 4,624,608	$ 3,966,199	$ 3,419,353
Number of housing starts[3]	**7,263**	13,311	9,798	10,634	9,488
Household median total income[1] (Note 3)					
Metro Edmonton	**$ 101,470**	$ 101,470	$ 101,470	$ 98,480	$ 96,030
Alberta	**$ 100,750**	$ 100,750	$ 100,750	$ 97,390	$ 94,460
Canada	**$ 78,870**	$ 78,870	$ 78,870	$ 76,550	$ 74,540
Consumer price index[1] **— 2002 base year**					
Metro Edmonton	**134.9**	133.4	131.8	129.0	127.4
Alberta	**135.2**	133.7	132.2	128.9	127.1
Canada	**128.4**	126.6	125.2	122.8	121.7
Unemployment rate[1] (%) **— annual average**					
Metro Edmonton	**7.4**	6.0	5.2	4.9	4.7
Alberta	**8.1**	6.0	4.7	4.6	4.7
Canada	**7.0**	6.9	6.9	7.1	7.3
City of Edmonton employees (Note 4)	**15,180**	14,866	14,352	13,824	13,420

Sources: [1] Statistics Canada, [2] City of Edmonton Sustainable Development, [3] Canada Mortgage and Housing Corporation

Notes:

1. The population figures are as per the 2012 and 2014 City Census and the 2016 Canada Census.
2. The population age distribution for 2016 reflects 2016 City Census information. The population age distribution for 2014 and 2015 reflect 2014 City Census information and the population age distribution for 2012 and 2013 reflects the 2012 City Census information.
3. Updated figures for 2015 and 2016 household median total income are not yet available. The amounts shown reflect the latest 2014 data.
4. Positions are stated in full time equivalents, as budgeted and exclude EPCOR.

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016 ASSESSMENT AND TAX LEVY

Unaudited (*in thousands of dollars, except per capita*)

	2016	2015	2014	2013	2012
Assessment:					
Total taxable assessment	**$ 169,956,730**	$ 161,846,047	$ 149,252,793	$ 140,044,430	$ 131,963,278
Percentage of total assessment represented by:					
Residential properties	**75.0**	74.5	73.9	74.6	75.6
Commercial properties	**25.0**	25.5	26.1	25.4	24.4
Taxable assessment per capita	**$ 182,250**	$ 184,350	$ 170,006	$ 171,309	$ 161,423
Assessment for principal taxpayers (%) (Note 1)	**4.7**	4.7	4.7	4.6	4.1
Rates of taxation (mills):					
Single-family residences (%)	**8.00**	7.75	8.01	7.82	7.68
Other residential property (%)	**8.85**	8.58	8.84	8.61	8.43
Commercial and industrial (%)	**19.13**	18.85	18.00	18.22	18.88
Property tax levy, collections, and arrears:					
Arrears at January 1 (net)	**$ 54,714**	$ 46,481	$ 49,487	$ 43,973	$ 40,998
Tax Levy	**1,864,069**	1,742,986	1,604,987	1,479,341	1,390,327
Appeals and adjustments	(**10,436**)	(12,036)	(8,391)	(11,479)	(13,708)
Collections:					
Regular	(**1,812,704**)	(1,695,180)	(1,568,194)	(1,442,135)	(1,358,508)
Community Revitalization Levy	(**11,979**)	(7,934)	(2,071)	(783)	(487)
Arrears	(**36,011**)	(30,878)	(40,758)	(30,898)	(25,113)
Penalties on prior year arrears	**13,038**	11,275	11,421	11,467	10,464
Arrears at December 31 (net)	**$ 60,691**	$ 54,714	$ 46,481	$ 49,487	$ 43,973
Percentage of current property taxes collected (%)	**98.4**	98.4	98.4	98.3	98.7
Percentage of net property tax arrears collected (%)	**67.6**	66.4	82.4	70.3	61.3
Property tax arrears per capita (gross)	**$ 66.55**	$ 64.06	$ 54.09	$ 64.50	$ 60.18
Property tax arrears per capita (net)	**65.08**	62.32	52.94	60.53	53.79
Property tax levy per capita	**1,999.98**	1,985.35	1,828.16	1,809.60	1,700.71
Business revitalization zone tax levy	**$ 3,475**	$ 3,595	$ 3,406	$ 3,115	$ 3,005
Education requisitions	**$ 448,086**	$ 427,019	$ 406,400	$ 399,047	$ 390,227

Source: City of Edmonton Financial and Corporate Services

Note:

1. Includes the ten highest taxpayers by assessment value.

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016
INVESTMENT FUNDS (NOTE 1)

Unaudited (in thousands of dollars)

	2016	2015	2014	2013	2012
Balanced Fund					
Net assets – market value	**$ 654,169**	$ 625,543	$ 592,482	$ 535,846	$ 494,255
Net assets – cost	**658,057**	617,299	575,361	530,235	499,086
Net earnings	**39,962**	41,462	44,849	30,910	20,123
Fund rate (%)	**6.5**	7.2	8.5	6.2	4.2
Market (%)	**4.8**	5.8	10.9	8.7	6.7
Ed Tel Endowment Fund					
Net assets – market value	**$ 813,397**	$ 793,285	$ 766,277	$ 708,839	$ 617,935
Net assets – cost	**815,471**	788,961	745,839	683,798	648,507
Net earnings	**66,736**	71,765	86,754	56,752	23,821
Fund rate (%)	**8.5**	9.6	12.7	8.8	3.7
Market (%)	**8.1**	7.8	12.1	18.8	9.9
Sinking Fund					
Net assets – market value	**$ 85,931**	$ 82,016	$ 76,511	$ 69,498	$ 162,682
Net assets – cost	**84,721**	79,215	73,704	67,996	158,636
Net earnings:					
Required	**4,014**	3,674	3,356	4,102	7,843
(Deficiency) excess	**(1,532)**	(1,188)	(672)	(791)	1,609
Total	**$ 2,482**	$ 2,486	$ 2,684	$ 3,311	$ 9,452
Fund rate (%)	**3.1**	3.4	3.9	2.1	3.9
Market (%)	**1.3**	3.4	6.2	0.4	2.9

Source: City of Edmonton Financial and Corporate Services

Note:

1. This schedule summarizes significant investment funds maintained by the City of Edmonton.

   a. Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with Canadian public sector accounting standards.

   b. Fund rate is the rate expressed as the net earnings (losses) over prior year net assets at cost.

   c. Market return is based on the time-weighted method, in accordance with industry standards.

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016
LONG–TERM DEBT

Unaudited (in thousands of dollars, except per capita)

	2016	2015	2014	2013	2012
Debenture borrowing					
Self–liquidating	**$ 156,268**	$ 107,061	$ 85,983	$ 86,281	$ 95,686
Tax–supported	**285,850**	211,810	424,365	204,683	248,606
	$ 442,118	$ 318,871	$ 510,348	$ 290,964	$ 344,292
Debt limit per regulation	**$ 5,627,370**	$ 5,556,132	$ 5,154,292	$ 4,620,040	$ 4,178,294
Total debt limit used	**3,338,950**	3,033,233	2,895,724	2,492,420	2,389,003
Percentage used (%)	**59.33**	54.59	56.18	53.95	57.18
Debt service limit per regulation	**984,790**	972,323	902,001	808,507	731,201
Total debt service limit used	**341,022**	285,745	319,428	255,777	223,516
Percentage used (%)	**34.63**	29.39	35.41	31.64	30.57
General government debt service (Note 1)	**184,504**	231,799	150,248	126,100	113,452
General government debt service as a percentage of general government operating expenses (Note 1)	**7.5**	9.8	6.9	6.1	6.0
Long–term debt (gross)					
Self–liquidating	**$ 1,195,237**	$ 1,099,361	$ 1,047,876	$ 1,014,118	$ 1,076,208
Tax–supported	**2,235,051**	2,039,820	1,968,059	1,612,611	1,465,111
Long–term debt (net of EPCOR)					
Self–liquidating	**$ 1,103,899**	$ 993,403	$ 927,665	$ 879,809	$ 923,892
Tax–supported	**2,235,051**	2,039,820	1,968,059	1,612,611	1,465,111
Net debt per capita					
Self–liquidating	**$ 1,184**	$ 1,132	$ 1,057	$ 1,076	$ 939
Tax–supported	**2,397**	2,323	2,242	1,973	1,792
	$ 3,581	$ 3,455	$ 3,299	$ 3,049	$ 2,731
Percentage of net debt to be retired					
Within 5 years	**29.9**	28.2	26.7	27.9	26.6
Within 10 years	**56.3**	53.1	50.3	51.7	49.1

Source: City of Edmonton Financial and Corporate Services

Note:

1. Debt service includes principal and net interest.

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016 CONSOLIDATED EXPENSES

Unaudited (in thousands of dollars)

Operating Expenses by Function	**2016**	2015	2014	2013	2012
Transportation services	**$ 814,330**	$ 819,086	$ 786,116	$ 754,412	$ 695,084
Protective services	**659,181**	605,174	582,322	556,435	528,007
Community services	**571,205**	543,882	479,448	426,116	407,314
Utility and enterprise services	**373,213**	384,224	326,639	324,891	278,105
Corporate administration, general municipal and other	**391,329**	355,775	349,098	321,946	287,502
Fleet services	**27,306**	55,877	81,159	36,528	35,420
	$ 2,836,564	$ 2,764,018	$ 2,604,782	$ 2,420,328	$ 2,231,432

Operating Expenses by Object	**2016**	2015	2014	2013	2012
Salaries, wages and benefits	**$ 1,538,465**	$ 1,447,873	$ 1,370,715	$ 1,304,478	$ 1,219,733
Materials, goods and utilities	**267,614**	332,393	295,168	303,683	259,147
Contracted and general services	**282,086**	281,781	262,641	222,975	185,709
Interest and bank charges	**128,505**	128,871	112,543	99,772	93,951
Grants and other	**79,970**	71,767	72,099	76,074	87,284
Amortization of tangible capital assets	**526,622**	491,104	479,470	405,347	381,628
Loss on disposal/replacement of tangible capital assets	**13,302**	10,229	12,146	7,999	3,980
	$ 2,836,564	$ 2,764,018	$ 2,604,782	$ 2,420,328	$ 2,231,432

Source: City of Edmonton Financial and Corporate Services

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016 CONSOLIDATED REVENUE AND CAPITAL FINANCING

Unaudited (in thousands of dollars)

Revenues	**2016**	2015	2014	2013	2012
Net taxes available for municipal purposes	**$ 1,433,782**	$ 1,338,107	$ 1,230,097	$ 1,105,058	$ 1,024,195
User fees and sale of goods and services	**743,314**	758,538	674,639	631,885	595,277
Subsidiary operations – EPCOR	**309,053**	259,680	190,849	175,499	18,083
Franchise fees	**144,720**	138,012	133,654	127,327	117,406
Investment earnings	**126,782**	133,880	150,363	104,294	62,399
Government transfers – operating	**112,767**	120,562	117,491	119,381	110,758
Fines and penalties	**91,164**	85,679	83,660	78,449	55,643
Licenses and permits	**74,498**	81,220	79,340	68,748	64,452
Developer and customer contributions – operating	**7,091**	10,750	14,748	2,924	3,799
Revenues before other	**$ 3,043,171**	$ 2,926,428	$ 2,674,841	$ 2,413,565	$ 2,052,012
Contributed tangible capital assets	**323,266**	343,327	177,478	219,599	202,493
Government transfers – capital	**226,811**	181,216	224,599	380,960	485,713
Developer and customer contributions – capital	**68,510**	97,924	63,153	52,466	39,894
Local improvements	**11,057**	13,394	22,402	8,637	8,315
	$ 3,672,815	$ 3,562,289	$ 3,162,473	$ 3,075,227	$ 2,788,427

Capital Additions by Financing Source	**2016**	2015	2014	2013	2012
Capital Additions	**$ 1,436,869**	$ 1,331,201	$ 1,131,266	$ 1,235,710	$ 1,209,210
Financing Sources Applied:					
Pay-As-You-Go	**193,745**	232,145	222,086	151,345	147,348
Debenture borrowing	**511,577**	351,099	387,039	277,601	273,285
Government transfers – Provincial	**211,860**	179,216	224,221	345,841	425,431
Government transfers – Federal	**15,505**	2,000	378	35,119	60,282
Developer/partnership	**403,264**	418,782	242,814	282,119	252,799
Reserves/user fees/other	**100,918**	147,959	54,728	143,685	50,065
	$ 1,436,869	$ 1,331,201	$ 1,131,266	$ 1,235,710	$ 1,209,210

Source: City of Edmonton Financial and Corporate Services

STATISTICAL REVIEW FOR THE YEARS 2012 TO 2016 FINANCIAL POSITION, ANNUAL SURPLUS AND RESERVES

Unaudited (in thousands of dollars)

Financial Position and Annual Surplus Changes to Accumulated Surplus	2016	2015	2014	2013	2012
Financial assets	**$ 5,645,401**	$ 5,325,233	$ 5,061,714	$ 4,575,090	$ 4,506,427
Liabilities	**4,686,288**	4,244,110	4,010,432	3,473,510	3,252,311
Net financial assets	**959,113**	1,081,123	1,051,282	1,101,580	1,254,116
Non-financial assets	**13,465,944**	12,518,718	11,694,117	11,057,813	10,255,337
Accumulated surplus - ending	**$ 14,425,057**	$ 13,599,841	$ 12,745,399	$ 12,159,393	$ 11,509,453
Annual excess of revenues over expenses	**$ 836,251**	$ 798,271	$ 557,691	$ 654,899	$ 556,995
Other changes to accumulated surplus	**$ (11,035)**	$ 56,171	$ 28,315	$ (4,959)	$ 4,618

Reserves	2016	2015	2014	2013	2012
General Government:					
Local improvement	**$ 108,795**	$ 105,418	$ 97,386	$ 82,101	$ 77,988
Financial stabilization	**92,852**	93,286	94,772	106,577	93,614
LRT	**31,056**	14,467	20,299	17,407	18,334
Financial stabilization - appropriated	**30,255**	18,627	23,222	18,971	33,009
Traffic safety and automated enforcement	**29,650**	29,394	18,565		
Affordable housing	**27,761**	25,244	21,750	14,628	10,065
Funds in lieu — residential	**23,780**	21,577	16,414	10,645	10,399
Parkland	**21,533**	25,054	18,891	11,604	11,746
Fleet services - vehicle replacement	**14,798**	6,797	24,937	16,036	15,314
Development services	**13,988**	22,727	25,394	25,058	25,685
Enterprise portfolio / Commonwealth Stadium	**10,638**	12,029	10,821	6,691	6,137
Natural areas	**9,368**	9,328	9,280	8,631	7,870
Perpetual care	**6,950**	6,542	5,704	6,290	5,243
Tax-supported debt	**4,318**	3,592	6,727	6,818	6,199
Tree management	**3,535**	3,269	3,413	3,122	2,169
Other	**2,974**	2,359	2,166	2,244	(1,667)
Heritage resources	**2,703**	3,787	3,226	3,544	3,179
Self insurance - vehicles	**2,500**	2,500	2,500	2,500	2,500
Aggregate site development and land reclamation	**1,803**	754	114	1,460	1,335
Vehicle for Hire	**1,188**	910			
St. Francis Xavier	**1,138**	887	677	458	211
Development incentive	**1,016**	1,671	1,716	2,035	1,466
Community revitalization levy - Belvedere	**(5,938)**	(4,721)	(5,396)	(3,806)	(2,993)
Community revitalization levy - Quarters	**(9,156)**	(8,845)	(8,961)	(5,384)	(1,453)
Community revitalization levy - Capital City Downtown	**(14,913)**	(8,637)	(3,603)		
Interim financing	**(26,588)**	(18,653)	(6,688)		
Northlands — capital					1,146
	386,004	369,363	383,326	337,630	327,496
City of Edmonton Library Board	**4,696**	4,245	1,712	1,247	3,001
Non-Profit Housing Corporation	**1,020**	1,308	1,305	1,099	1,002
Edmonton Economic Development Corporation	**800**	488	1,414	1,529	1,946
Fort Edmonton Management Company	**300**	230	1,355	405	
	$ 392,820	$ 375,634	$ 389,112	$ 341,910	$ 333,445

Source: City of Edmonton Financial and Corporate Services

RELATED BOARDS AND AUTHORITIES

Further information regarding the Related Boards and Authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue NW
Edmonton, Alberta T5J 1P7
Phone: 780-424-9191 Fax: 780-917-7668
E-mail: info@edmonton.com
Web: www.eedc.ca
Chair: Angela Fong
President and CEO: Brad Ferguson

EPCOR Utilities Inc.

2000, 10423 - 101 Street NW
Edmonton, Alberta T5H 0E8
Phone: 780-412-3414 Fax: 780-412-3192
E-mail: corpcomm@epcor.com
Web: www.epcor.com
Chair: Hugh Bolton
President and CEO: Stuart Lee

Edmonton Police Commission

Suite 1803 Scotia Place, Tower 2
10060 Jasper Avenue NW
Edmonton, Alberta T5J 3R8
Phone: 780-414-7510 Fax: 780-414-7511
E-mail: info@edmontonpolicecommission.ca
Web: www.edmontonpolicecommission.com
Chair: Cathy Palmer
Chief of Police: Rod Knecht

Edmonton Public Library

MNP Tower, 7th Floor
10235 101 Street
Edmonton, Alberta T5J 3G1
Phone: 780-496-7000 Fax: 780-496-7097
Web: www.epl.ca
Chair: Brian Heidecker
CEO: Pilar Martinez

The City of Edmonton Non-Profit Housing Corporation

12520 Fort Road NW
Edmonton, Alberta T5B 4H8
Phone: 780-474-5706 Fax: 780-474-8175
E-mail: info@myhomeed.ca
Web: www.myhomeed.ca
Chair: Mitchell Patrick
Executive Director: W.C. (Bill) Bell

Waste RE-solutions Edmonton

9803 - 102A Avenue NW
Edmonton, Alberta T5J 3A3
E-mail: wasteresolutions@edmonton.ca
Web: http://www.waste-resolutions.com/
Chair: Robert Seidel
President: Gary Klassen

Fort Edmonton Management Company

Fort Edmonton Park
7000-143 Street NW
P.O. Box 2359
Edmonton, Alberta T5J 2R7
Phone: 780-496-7381 Fax: 780-496-8797
E-mail: info@fortedmontonpark.ca
Web: www.fortedmontonpark.ca
Chair: Donald Cummings
Executive Director: Bill Demchuk

For more information about the City of Edmonton,
visit: www.edmonton.ca or call **311**

If you have inquiries about the 2016 Annual Report,
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The City of Edmonton, Financial and Corporate Services
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Edmonton, AB, Canada T5J 2C3 **Phone: 780-496-4944**