



2018 FINANCIAL REPORT TO CITIZENS

City of Edmonton, Alberta, Canada
For the Year Ended December 31, 2018

Edmonton

2018 FINANCIAL REPORT TO CITIZENS

The Financial Report to Citizens provides highlights of the 2018 Annual Report and includes information on the 2018 financial results, operating and capital budgets, the economy and significant City accomplishments.

The complete 2018 Annual Report is available at edmonton.ca/annualreport.

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

Copies of the annual report are also available at each of the public library locations throughout the City.

The financial information presented in this report is consistent with the 2018 Annual Report, which includes the consolidated financial statements (financial statements) for the City, prepared in accordance with Canadian public sector accounting standards (PSAS).

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MESSAGE FROM CITY COUNCIL

For the City of Edmonton, 2018 was full of contentious issues, visionary city building and many examples of artistic, cultural and athletic feats.



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

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

We secured funding for the West LRT expansion and 50th Street rail grade separation, hosted two United Nations conferences and completed the 2019–2022 Operating and Capital budgets. We reached a long-term, legislated infrastructure funding deal with the province. We also saw advances in AI technology with ELA, Edmonton’s first electric, autonomous vehicle making its debut.

In March we hosted the inaugural Cities and Climate Change Science Conference, bringing together more than 800 leaders and scientists from around the world to share the latest research and to inspire global and regional action to reverse climate change. In October we were proud to host the Safe Cities and Safe Public Spaces Global Leaders

Forum, looking at and identifying ways to respond to and prevent sexual harassment against women and girls and create safe public spaces for everyone.

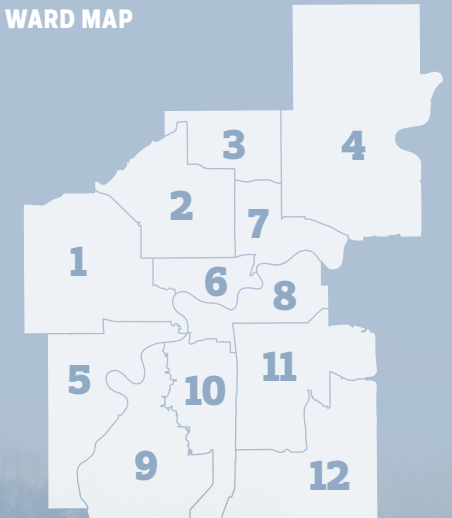
Both of these remarkable and successful events not only put Edmonton on the world stage as a leader, they solidified our commitment to a sustainable, safe and inclusive city.

The end of the year was consumed with debate and discussion as Council worked hard to approve the 2019–2022 Operating and Capital budgets. This new budget was the toughest we’ve dealt with in a decade. Council has to strike a difficult balance, taking diverse opinions and perspectives into consideration while ensuring our city continues to thrive.

Other highlights from 2018 include providing free transit for children under the age of 12, which demonstrates our commitment to being a child-friendly city. We also were proud to officially open the Δσ (INiW) River Lot 11 Indigenous Art Park and Queen Elizabeth Park in September. This space is a continuation of this land’s role as a gathering place and showcases a diversity of meaningful artwork.

Our strategic vision and goals for the next decade and beyond help us set direction for Edmonton as it continues to grow toward a city of 2 million people. We are committed to becoming a safe, sustainable and resilient city for all our citizens. Council is confident going into 2019 we will continue to transform Edmonton into a global hub, paving the way for innovation and building a city where people are proud to say they are from Edmonton.

WARD MAP



932,546

POPULATION OF EDMONTON
2016 Census Canada





45,000+ **BUSINESSES IN EDMONTON METROPOLITAN REGION**

INTRODUCTION

2018 was a year of looking ahead and planning for a shared, successful future.

In late 2018, Edmonton's City Council approved new four-year 2019-2022 operating and capital budgets that support the ten-year goals of Council and residents. Specifically, our vision is for a healthy, climate resilient city with vibrant urban places for people to thrive and for the community to prosper. These goals, and the directions they encompass, are presented in our strategic plan, *ConnectEdmonton*. How we achieve these goals and transform the city will be by connecting with the community – residents, businesses, regional partners and other levels of government – and inspiring them to be part of the city-building journey. Our budgets are the way we bring *ConnectEdmonton* to life.

Throughout 2018, the City of Edmonton has maintained its financial health. The City's economic performance remains one of the best in the province: the City received a rating of AA+ from Standard & Poor's for the seventh consecutive year. Our robust financial policies, strategies, guiding principles along with our healthy financial position, ensure continued sound fiscal management and long-term financial sustainability.

Big things are on the horizon for Edmonton. Within the next five years, we will be a city of a million people. That means your Administration will be focused on building connections and bringing transformative ideas to life across our city. We look forward to the collaboration with Edmontonians.



Linda D.M. Cochrane
City Manager





ECONOMIC OVERVIEW

The City of Edmonton saw its relatively diverse economy continue to grow in 2018 with solid job gains, rising incomes and a growing population.

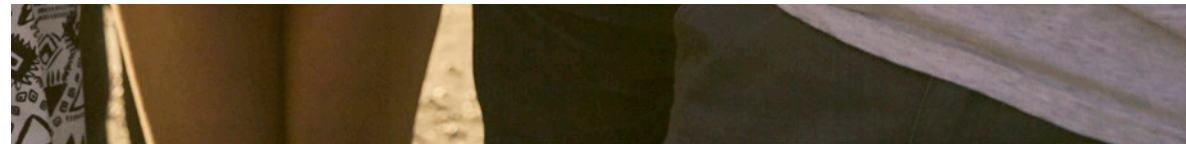
Edmonton is recovering well from the recent economic downturn but we're unlikely to see the kind of rapid expansion that took place during the early 2000s.

Real gross domestic product (GDP) growth for the City of Edmonton in 2018 was estimated at 3.4%. Moderate growth of 1.3% is expected in 2019. As a City, it's a reminder that we need to focus on intelligent, cost-effective ways to maintain the high standard of living Edmontonians expect without relying on a booming economy.

Change is on the horizon. Over the next few years, oil prices look to fluctuate, interest rates rise – and elections loom. Perceptive planning, prudent money management and good relationships with our partners in the community, other orders of government and business will be keys to creating economic stability within a changing world.



164,520 EDMONTONIANS WERE UNDER THE AGE OF 14

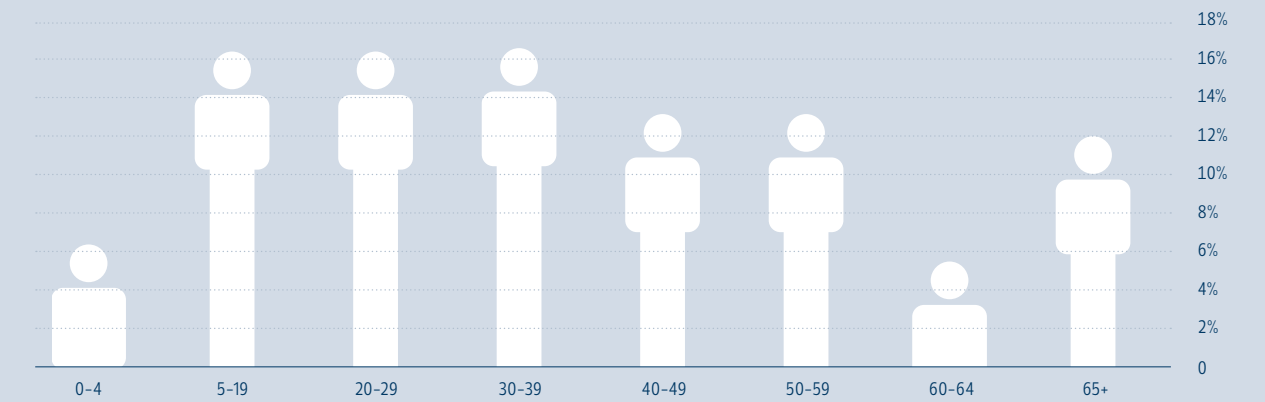


DEMOGRAPHICS

(Source: 2016 Canada Census)

There are unique strengths in Edmonton. We're not just growing – Edmonton is also one of the youngest cities in Canada, with an average age of 37.7 in 2016. That youthful energy and flexibility comes across in the diversity of our industries, in the entrepreneurial spirit and in the year-round offerings of sports, culture and recreation festivals and events that make this city on latitude 53 a place where it makes sense to build the value of our lives.

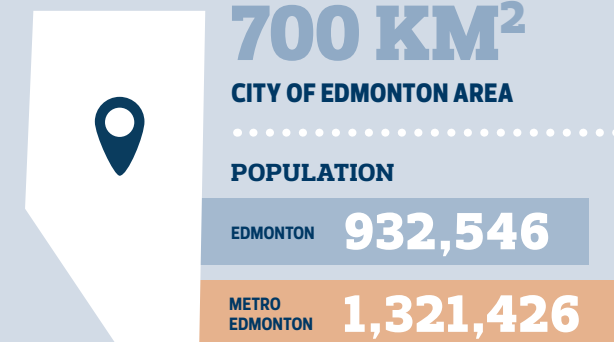
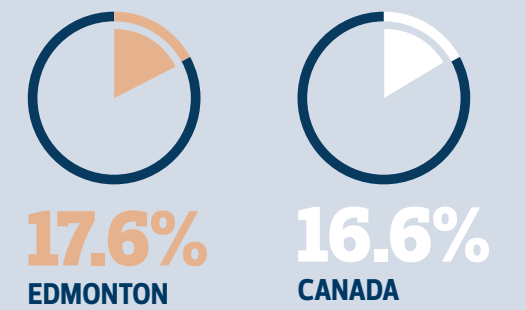
POPULATION AGE DISTRIBUTION (%) IN EDMONTON



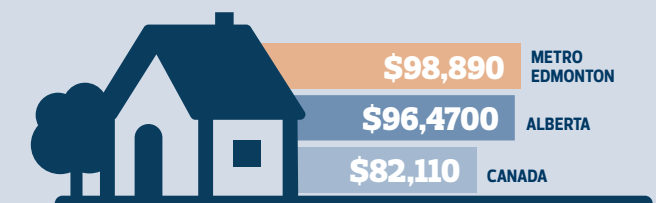
AVERAGE AGE



% OF POPULATION AGE 14 AND UNDER



HOUSEHOLD FAMILY MEDIAN TOTAL INCOME

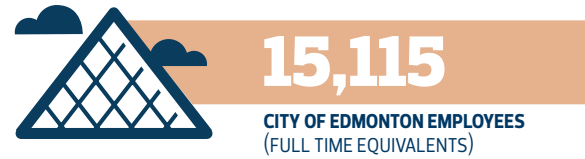


EMPLOYMENT

Between 2017 and 2018, Metro Edmonton had a net gain of 19,200 positions, continuing the upward trend from 2017. This more than made up the sharp job losses seen in the second half of 2016.

Job gains in 2018 were primarily for full-time positions, many in relatively high-paying sectors. A partial recovery of employment in the primary and manufacturing sectors was joined by continuing expansion in health care, education and public administration. Employment in construction and professional services not only fully recovered job losses seen in 2016 but saw growth in 2018.

Overall, Metro Edmonton had an average of 783,300 positions for 2018. Metro Edmonton's unemployment rate decreased from 8.1% in 2017 to 6.4% in 2018 as employment growth outstripped expansions in the region's working age population and labour force.



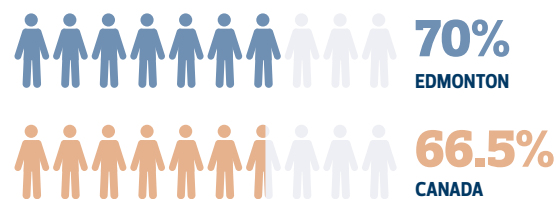
Percentage of Workforce Employed by Industry for Metro Edmonton

Source: Statistics Canada

Industry	%
Wholesale and Retail Trade	14.4
Health Care and Social Assistance	13.1
Construction	11.9
Educational Services	7.9
Professional, Scientific and Technical Services	7.6
Public Administration	7.1
Manufacturing	6.0
Accommodation and Food Services	5.8
Transportation and Warehousing	5.0
Finance, Insurance, Real Estate, Rental and Leasing	5.0
Other*	16.2

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

% OF POPULATION OF WORKING AGE



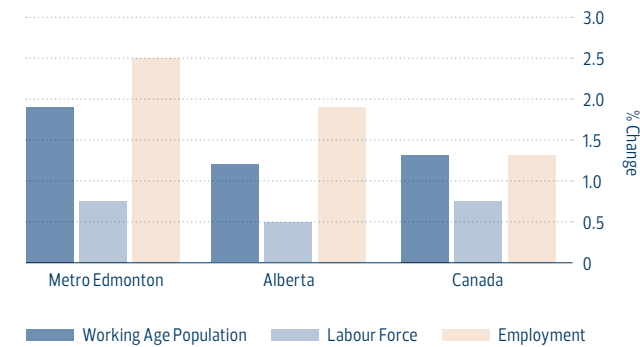
Source: 2016 Statistics Canada

30,000+

APPLICATIONS FOR DEVELOPMENT PERMITS, ZONING AND COMPLIANCE

Labour Market Developments – 2018 Annual Change

Source: Statistics Canada



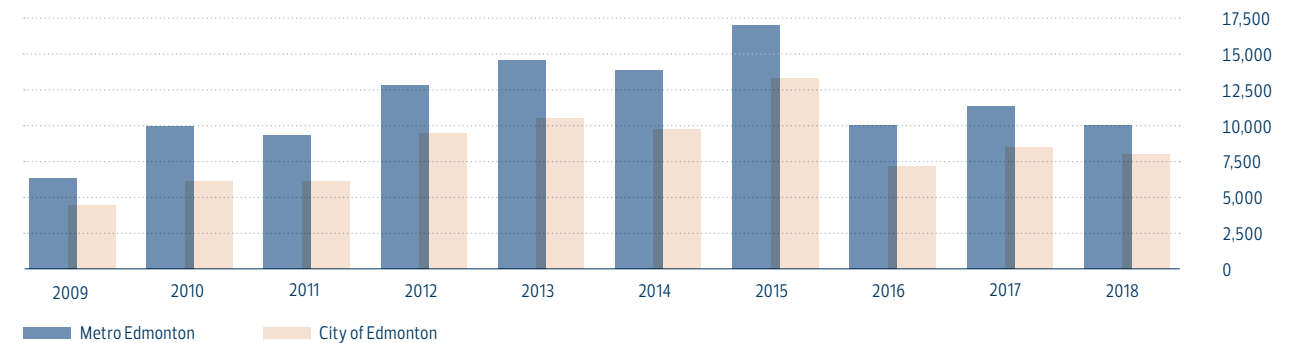
RESIDENTIAL CONSTRUCTION

Residential construction in Metro Edmonton took a step back in 2018, in response to rising supply in both existing and new homes. The Multiple Listing Service (MLS) median house price in 2018 for Metro Edmonton was \$347,306, down from \$350,000 in 2017. Within City of Edmonton limits, the median house price in 2018 was \$346,000, down from \$350,000 in 2017. Metro Edmonton's rental vacancy rate decreased from 7.0% in October 2017 to 5.3% in October 2018 as employment growth and new residents boosted demand for rental accommodation.

The value of building permits in Metro Edmonton slipped from \$5.2 billion in 2017 to \$4.9 billion in 2018. This was due to a decline in residential building permit values. Non-residential building permit values increased in 2018, solely due to increased construction intentions for commercial buildings. The gain in commercial building permits more than offset declines in the industrial and institutional and governmental segments.

Annual Housing Starts

Source: Canada Mortgage and Housing Corporation

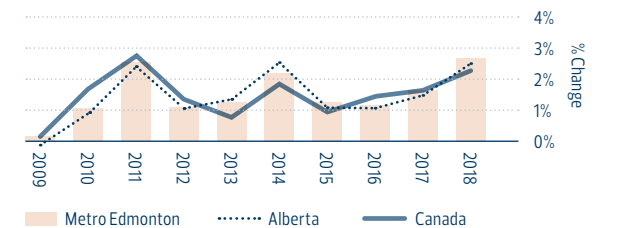


INFLATION

Inflation levels in Metro Edmonton jumped in 2018 as a result of higher fuel and electricity costs, particularly gasoline prices. Inflation, as measured by the Consumer Price Index, came in at 2.7% in 2018, compared to 1.6% in 2017. For Alberta, the comparable figure was 2.4%, while Canada's annual inflation rate in 2018 was 2.3%.

Annual Consumer Price Index

Source: Statistics Canada



SUMMARY

The city's economic performance in 2018 was one of the strongest in the province. Employment gains more than made up for job losses in late 2016. Despite this, residential construction activity slowed in 2018, in response to elevated supply in the existing and new home markets. In addition, the introduction of mortgage stress tests at the start of 2018 contributed to reduced demand.

Nonetheless, signs that a recovery is underway are becoming more and more evident. Looking forward, employment is expected to continue expanding, bringing down the region's unemployment rate. Improved economic conditions in Metro Edmonton and Alberta will bring in new residents from across Canada and around the world, helping houses sell and businesses grow.



2018 FINANCIAL HIGHLIGHTS

This section provides condensed financial information from the City of Edmonton's 2018 Annual Report, as well as highlights from the operating and capital budgets.

2018 OPERATING BUDGET

The 2018 Operating Budget advanced Council priorities with a property tax increase for civic programs at 3.2%, including 1.4% dedicated to fund neighbourhood renewal, 1.0% dedicated to the Edmonton Police Service, and 0.6% dedicated to fund the Valley Line LRT.

2018 CAPITAL BUDGET

In 2018, the City completed the final year of its four-year capital budget for 2015–2018 which continued investment in major capital initiatives including new and upgraded libraries, a police campus, replacement and refurbishment of bus fleet, and the renewal and upgrade of recreation facilities. The budget also allocated funding for the construction of new transportation assets such as LRT expansion projects, a transit garage, roads and bridges as well as the reconstruction of infrastructure such as streetscapes and sidewalks through the neighbourhood renewal program.

2019–2022 BUDGETS

New four-year operating and capital budgets for 2019–2022 were approved by City Council in December 2018.

There are countless threads of work, play, innovation, community, culture and history in this forward-looking, optimistic city. The 2019–2022 budgets are a game plan for how – in gratitude for what has been given to us to protect – we will bring it all together.

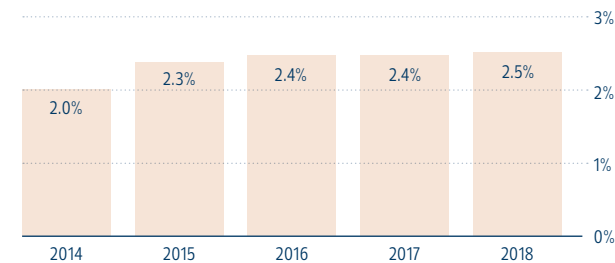
The 2019–2022 Operating Budget weaves together consideration for hard-working business owners, resources and facilities for children and families, dependable police and fire rescue service and compassionate support for those who need it. City Council worked hard to hold the line on existing programs and services and keep increases below inflation. The approved operating budget includes an annual general property tax increase of 2.6% per year over the next four years. The 2.6% increase in 2019 is made up of a 0.5% increase for all civic operations, 0.6% for Valley Line LRT, 0.3% for alley renewal, and 1.2% for the Edmonton Police Service.

The capital budget is how Edmonton's future is built. It reflects the hopes, goals and visions of residents. The 2019–2022 Capital Budget respects the value of taxpayer dollars while protecting Edmonton's investment in infrastructure. Taking into consideration the needs of Edmontonians and the city's expected growth, the four-year capital budget will see investment of \$5.0 billion on infrastructure based on the approved capital budget. Council made commitments to advancing key projects to improve the lives of residents, including the Terwillegar Drive Expressway upgrades and construction of the Lewis Farms Recreation Centre.

The City endeavours to balance affordable taxes and reasonable user fees with achieving program results, maintaining services for the general public, and balancing the interests and values of the public.

Municipal Taxes as a percent of Household Income*

Source: Statistics Canada



*Household Income is based on the Metro Edmonton "median total income, all families" per Statistics Canada.



COST OF CITY SERVICE TO EDMONTONIANS

In 2018, the average household in Edmonton paid just under seven dollars a day – \$206 month – to enjoy both crucial services and valued amenities. Police and fire rescue services protected the growing city, while transit services and road and traffic management got residents and visitors where they needed to go. Beyond the basics, Edmontonians enjoyed North America's largest urban green space, neighbourhood parks, community recreation centres, an award-winning public library system, sports fields, popular attractions and many other services and facilities.

Monthly Average Household Spending

Source: Statistics Canada

	Monthly \$
Shelter	\$ 1,756
Income tax – Provincial and Federal (note 1)	1,366
Transportation	1,300
Food	758
Recreation and entertainment	589
Personal insurance payments and pension contributions	514
Household operations	459
Health and personal care	363
Clothing and accessories	317
Donations and support payments	217
Household furnishings and equipment	207
Municipal property tax (note 1)	206
Miscellaneous expenditures	182
Education	149
Total	\$ 8,383

Where Your Municipal Tax Dollars Go **\$206** PER MONTH (note 2)



1. The Statistics Canada Income Tax amount has been adjusted by the City to identify the municipal property tax portion separately. The Municipal property tax is based on a typical household with a home assessed at \$399,500 for the 2018 tax year.
2. Distribution based on 2018 approved operating budget

2018 FINANCIAL RESULTS

STATEMENT OF OPERATIONS

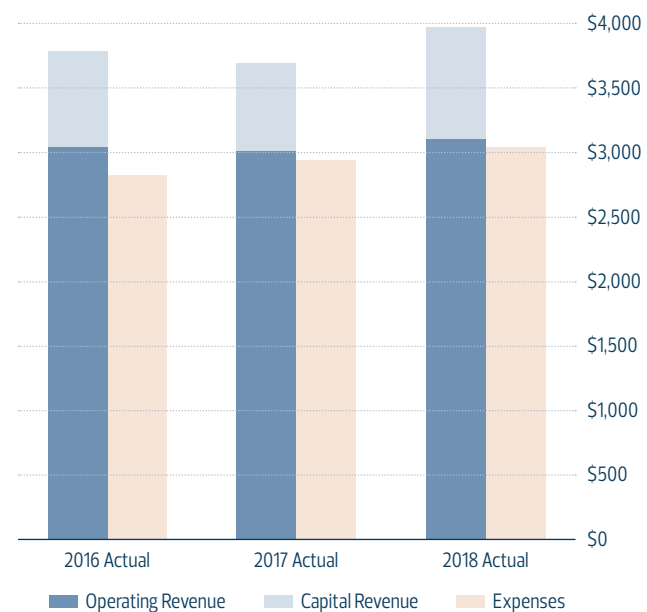
December 31, 2018
(millions of \$)

	2018 Budget	2018 Actual	2017 Actual	2016 Actual
Operating Revenues	\$ 3,109.4	\$ 3,050.3	\$ 3,023.8	\$ 3,043.2
Capital Revenues	920.6	941.8	687.0	758.7
Operating Expenses	3,059.4	3,029.4	2,956.1	2,836.6
Excess of Revenues over Expenses	\$ 970.6	\$ 962.7	\$ 754.7	\$ 965.3

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

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

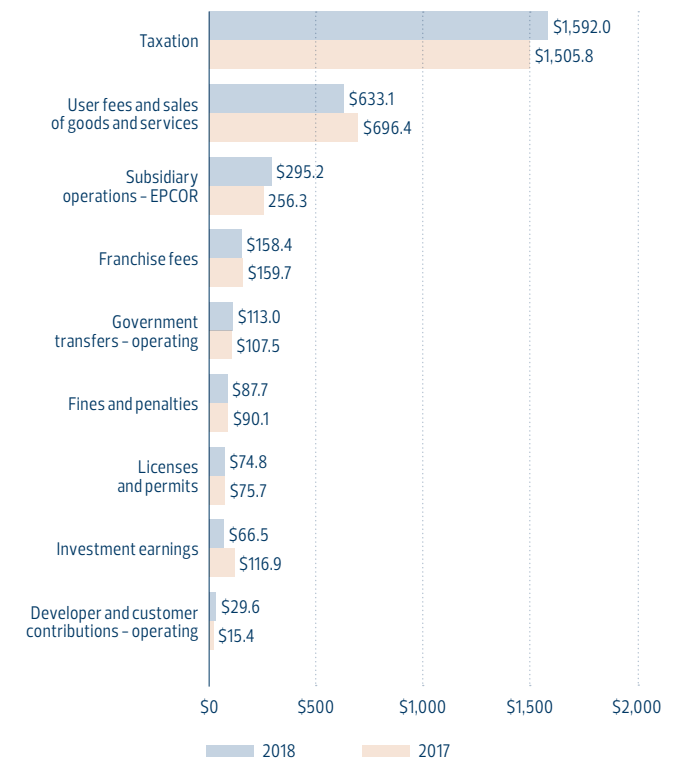
Revenue and Expenses
(millions of \$)



80M+ RIDES PROVIDED BY EDMONTON TRANSIT PER YEAR



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



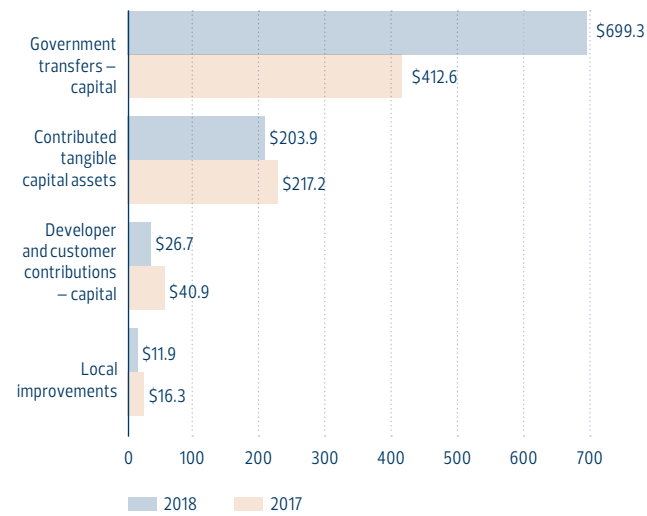
WHAT CHANGED FROM LAST YEAR?

Overall, operating revenues increased by \$26.5 million from the prior year primarily due to an increase of \$86.2 million in taxation revenue from a combined rate increase and growth, and an increase of \$38.9 million in EPCOR earnings, partially offset with a decrease of \$63.3 million from user fees and sales of goods and services, and \$50.4 million lower investment earnings due to a decline in world equity markets in 2018. User fees and sales decreased from the prior year due to lower utility rate revenue resulting from the transfer of the Drainage Utility to EPCOR in 2017, partially offset with higher revenue earned by the Edmonton Economic Development Corporation as a result of assuming operations of the EXPO Centre on January 1, 2018, and higher land sales. There was a net increase of \$15.1 million from various other revenue sources.

HOW DOES THIS COMPARE WITH BUDGET?

Operating revenues were lower than budget by \$59.1 million, or 1.9% of the revenue budget. This was primarily due to lower than budgeted revenue from user fees and sales, less than expected investment earnings, and lower than budgeted franchise fees, partially offset by greater than budgeted net income for EPCOR. User fees were lower than budgeted because of fewer than expected land sales partially offset by revenue earned by the Edmonton Economic Development Corporation from assuming operations of the EXPO Centre. Franchise fees were lower than budget based on a revision to the gas franchise fee delivery rate, on which the franchise fee is calculated.

Capital Revenues : Where Does the Money Come From?
(millions of \$)



Capital revenues are composed of funding sources for capital projects as approved by City Council through the capital budget process.

WHAT CHANGED FROM LAST YEAR?

Capital revenues of \$941.8 million increased from the prior year by \$254.8 million mainly due to increased government transfers related to advancement on key projects such as Valley Line LRT Southeast and Bus Renewal and Replacement.

HOW DOES THIS COMPARE WITH BUDGET?

2018 capital revenues were \$21.2 million greater than budgeted. Greater than budgeted contributed tangible capital assets of \$102.9 million is mainly a result of the transfer of the EXPO Centre, Northlands Coliseum and Northlands Park to the City during the year at a value of \$129.9 million, with \$82.5 million recognized as contributed tangible capital assets. This increase was partially offset by \$81.7 million fewer than expected capital developer and customer contributions, and government transfers due to the timing of capital projects; particularly related to the Valley Line LRT Southeast, bus purchases, and certain building rehabilitation projects.

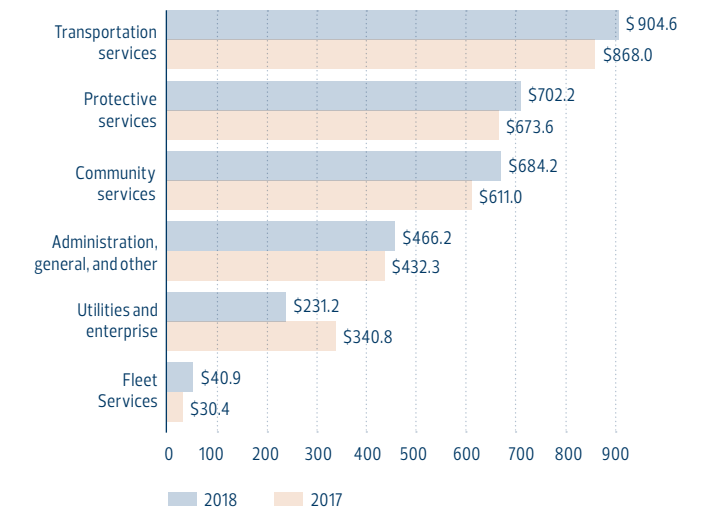
The City of Edmonton provides a full range of local government services: maintaining the roads and public transit that move people; police, bylaws and fire rescue services to keep people safe; parks, and waste management to keep our communities clean and healthy; and, social programs and leisure activities to make Edmonton a great place in which to live, work and visit.

5,000+

CITY VEHICLES MAINTAINED BY FLEET SERVICE



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



WHAT CHANGED FROM LAST YEAR?

Operating expenses increased by \$73.3 million compared to the prior year. In addition to general personnel cost increases, expenses changed from last year mainly as a result of higher snow and ice control costs due to an increase in severity and number of snow events in 2018, and increased operating costs as a result of Edmonton Economic Development Corporation assuming operations of the EXPO Centre. There was also an increase in operating costs resulting from funding provided to EPCOR through the Sanitary Servicing Strategy Fund for construction of sanitary sewer infrastructure which was previously managed by the Drainage Utility. These higher costs were partially offset with lower utilities and enterprise costs, including amortization, as a result of the transfer of the Drainage Utility to EPCOR in 2017.

HOW DOES THIS COMPARE WITH BUDGET?

Operating expenses of \$3,029.4 million were lower than budget by \$30.0 million, or 1.0% of the expenditure budget.

This was primarily related to lower Revolving Industrial Servicing Fund rebate payouts due to slower than expected progress by external developers on certain industrial developments, lower than anticipated grant payments for the Affordable Housing program due to partner readiness, and lower than budgeted costs for land sales due to the timing of sales as a result of market conditions and project delays. These favourable variances are partially offset with higher expenses as a result of Edmonton Economic Development Corporation assuming operations of the EXPO Centre, higher amortization as a result of the completion of a number of significant capital projects over the last two years.

STATEMENT OF FINANCIAL POSITION

December 31, 2018
(millions of \$)





	2018	2017
Financial Assets	\$ 7,237.7	\$ 6,791.5
Liabilities	(4,699.5)	(4,334.4)
Non-financial Assets	11,758.3	10,842.2
Accumulated Surplus	\$ 14,296.5	\$ 13,299.3

The statement of Financial Position is a summary of what the City owns (assets) and owes (liabilities) at the end of each year.

FINANCIAL ASSETS (What We Own)

Financial assets are those that can be used to discharge existing liabilities or finance future operations and are considered to be fairly liquid. The City's financial assets are mainly made up of an investment in EPCOR, investments, receivables, and cash and cash equivalents investments.

In 2018, the City's financial assets were \$7,237.7 million, an increase of \$446.2 million over the prior year. This increase is mainly due to an increase in cash and cash equivalents, and an increase in the City's investment in EPCOR, partially offset by a decrease in investments in 2018. The change in cash and cash equivalents is due to the timing differences between expenditures and funding sources and is consistent with the decrease in trade and other receivables and the increase in both accounts payable and accrued liabilities.

			
\$7,237.7 M	\$4,699.5 M	\$11,758.3 M	\$14,296.5 M
Financial Assets	Liabilities	Non-Financial Assets	Accumulated Surplus
Cash and cash equivalents Receivables Investments Land for resale Investment in EPCOR	Accounts payable and accrued liabilities Deferred revenue Employee benefit obligations Long-term debt	Tangible capital assets Inventory of materials and supplies Other assets	Equity in EPCOR Ed Tel Endowment fund Reserves Equity invested in tangible capital assets Advances for construction

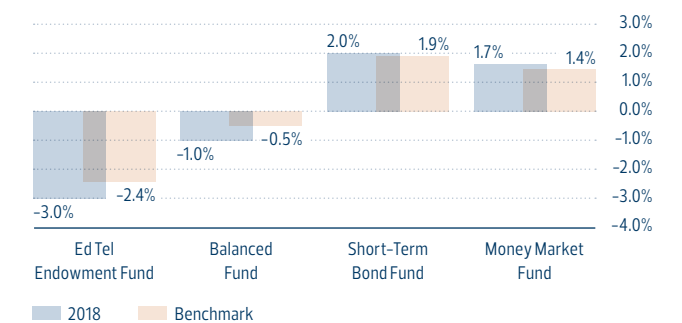
6,878 KM OF SAND SWEEPED UP IN 33 OPERATIONAL SPRING DAYS, A FULL 8 DAYS FASTER THAN IN 2017

AA+ CREDIT RATING FROM STANDARD AND POOR'S

Investments

In contrast to the strong performance seen during the two previous years, equity markets around the world declined in 2018. Considerable political uncertainty, rising interest rates and a slowing global economic expansion were key factors in the negative returns seen in foreign equity markets throughout the year. Canadian equities experienced negative returns of 8.9% during the year due to an uncertain growth outlook and ongoing weakness in the price of oil and the Canadian dollar. The price of oil fell by 25% and the Canadian dollar fell by 8%. This marked the first time since the financial crisis in 2008 that all major equity markets posted negative returns. Performance of funds in 2018 ranged from (3.0%) (Ed Tel Endowment Fund) to 2.0% (Short Term Bond Fund), depending upon each fund's asset mix. That being said, forecasts are indicating positive returns in equity markets in 2019 and moving forward over the longer term.

2018 Performance vs Benchmark



The Ed Tel Endowment fund provided dividends of \$46.0 million in 2018, including a \$9.2 million special dividend that was approved by City Council on December 6, 2017. Since inception total dividends from the fund are \$784.1 million. The fund ended the year with an investment book value of \$825.0 million compared to a market value of \$787.6 million. On September 4, 2018 City Council approved a special dividend from the Ed Tel Endowment fund in the amount of \$9.7 million to be paid in 2019. The special dividend will be used to fund capital projects consistent with the budget strategy to redirect investment earnings to capital. In accordance with Bylaw 11713, City Council may authorize a payment of a special dividend when the market value of the fund is more than 15% above the inflation adjusted principal.

More detailed information on investment performance and benchmarks is available in the Investment Committee 2018 Annual Report at edmonton.ca/investments

LIABILITIES (What We Owe)

The City ended 2018 with total liabilities of \$4,699.5 million, an increase of \$365.1 million over prior year, mainly as a result of increased long-term debt, deferred revenue, and accounts payable and accrued liabilities. Debt was borrowed to finance projects such as the Northwest Police Campus construction, land acquisition for the Valley Line West LRT, Blatchford District Energy System, revitalization of the Stanley Milner Library and construction of the Kathleen Andrews transit garage. Deferred revenue is largely made up of government transfers provided to fund operating and capital expenditures and is externally restricted until the related expenses are incurred. The increase is due to receiving the new provincial Climate Leadership Plan Grant for the Valley Line West LRT and Municipal Sustainability Initiative (MSI) grant funding in advance of eligible expenditures. Accounts payable and accrued liabilities increased due to timing differences in the payment of outstanding invoices compared to prior year, an overall increase in capital expenditures, and higher developer obligations compared to prior year as a result of significant land development projects that began in 2018.

Debt

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

Interest rates have remained low and are fixed throughout the term, eliminating risk from changing interest rates. Although debt will continue to be used to finance major projects, the City carries debt and incurs debt servicing costs well below the legislated limits for municipalities in Alberta. A Regulation under Section 271 of the *Municipal Government Act* establishes limits for municipal debt levels and annual debt servicing costs.

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

	2018	2017
Debt limit	\$ 5,587.4	\$ 5,649.4
Debt limit used	3,046.2	2,912.1
Percentage used (%)	54.5	51.5
Debt service limit	\$ 977.8	\$ 988.6
Debt service limit used	284.3	264.6
Percentage used (%)	29.1	26.8

Debt Service Limits – Debt Management Fiscal Policy

(millions of \$)	2018	2017
Total debt service limit	\$ 614.6	\$ 621.4
Debt service limit used	269.7	333.0
Percentage used (%)	43.9	53.6
Tax supported debt service limit	\$ 380.0	\$ 361.9
Debt service limit used	219.0	264.1
Percentage used (%)	57.6	73.0

54.5% MGA DEBT LIMIT USED BY THE CITY

NON-FINANCIAL ASSETS (What We Own)

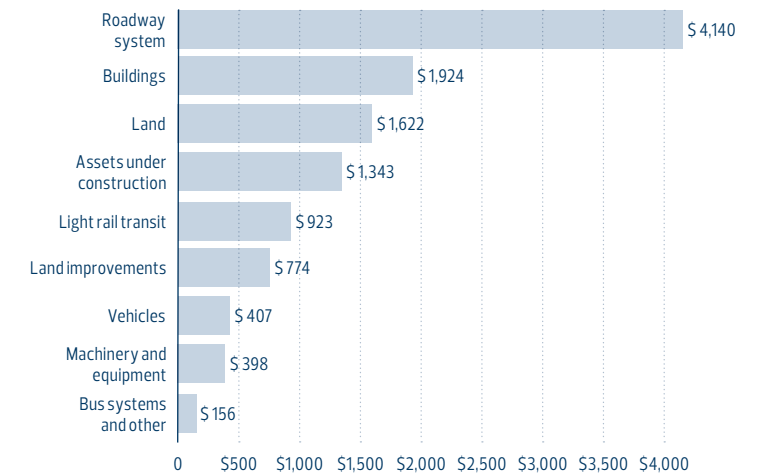
Non-financial assets are physical assets that will be used for future services and extend beyond the current year, such as land and buildings. Public infrastructure is essential to all residents and businesses in the city of Edmonton and critical to the competitiveness of our economy, the quality of life citizens enjoy and the delivery of public services.

At the end of 2018, the City owned \$11,687.0 million in capital assets, an increase of \$959.0 million over prior year, with a majority of the assets being roadway systems, buildings, and land. The increase is mainly due to progress on significant capital projects this year; such as the neighbourhood renewal program, roadway systems across the City, construction of the Kathleen Andrews transit garage, Northwest Police Campus, Stanley A. Milner Library and the Valley Line Southeast LRT.

35% OF ASSETS ARE ROADWAY SYSTEMS THAT KEEP NEARLY ONE MILLION PEOPLE CONNECTED



2018 Net Book Value of Tangible Capital Assets by Category
(millions of \$)



ACCUMULATED SURPLUS (Assets Minus Liabilities)

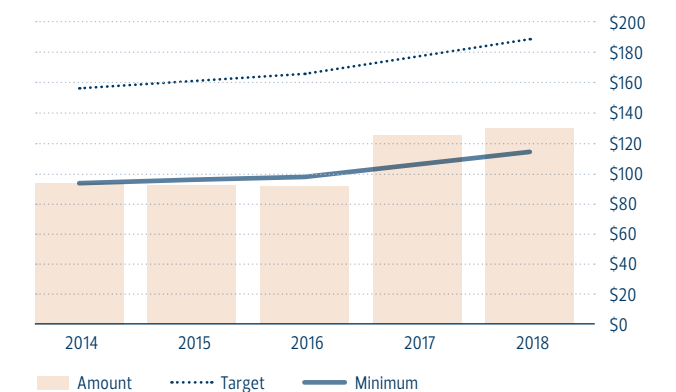
Accumulated surplus is an indicator of the City's overall financial health. The City maintained a strong accumulated surplus, ending 2018 with a total of \$14,296.5 million. The accumulated surplus includes a number of reserves, one of the largest being the Financial Stabilization Reserve.

Financial Stabilization Reserve (FSR)

This reserve provides flexibility in addressing financial risks associated with revenue instability and emergent financial issues, and to ensure the orderly provision of services to citizens.

The overall FSR balance as of December 31, 2018 was \$130.3 million. A draw of \$7.6 million will be made from the FSR in 2019 to offset the 2018 tax-supported operating deficit of \$2.4 million and to fund \$5.2 million in 2018 operating projects not completed by year-end with commitments outstanding in 2019 as approved by City Council. After reflecting the above approved transactions, the reserve balance of \$115.2 million will exceed the minimum level as set within the policy of \$113.4 million but will be below the target level of \$188.2 million.

Financial Stabilization Reserve
(millions of \$)



2018 ACCOMPLISHMENTS

A CLIMATE OF RESILIENCE

In March 2018, Edmonton hosted the Intergovernmental Panel on Climate Change: the United Nations body for assessing the science related to climate change. Through this important conference and others, such as the Safe Cities and Safe Public Spaces Global Leaders' Forum in October 2018, Edmonton has taken a position of leadership.

From a herd of weed-eating goats that helps manage noxious plants without herbicides to bike lanes, electric buses and the City's LED street lighting installations, Edmonton is embracing technology and tradition to benefit the environment. In 2018, Breathe: Edmonton's Green Network Strategy won an Award for Planning Excellence from the Canadian Institute of Planners.

KEEPING EDMONTON CONNECTED

Edmonton isn't just one of Canada's largest cities by population – it's also a large and diverse land area that comprises over three hundred neighbourhoods. In 2018, the City of Edmonton continued to build on one of North America's busiest LRT networks with construction on the Valley Line LRT Southeast.

In November 2018, \$1.0 billion in funding from the Province of Alberta gave a welcome boost to the Valley Line West LRT. An additional \$131 million will help the City expand the Metro Line LRT to Blatchford, taking the line closer to a planned final stop next to Edmonton's regional partners in St. Albert.

The City also expanded its network of technological connections this past year. Edmonton's entry in Infrastructure Canada's Smart Cities Challenge won the city one of five finalist spots.

HEALTHY COMMUNITIES

Sometimes a complex challenge needs a simple first step. The City of Edmonton's RECOVER Urban Wellness team worked with community-led groups in five neighbourhoods to test small-scale solutions to improve urban wellness.

A healthy community is one that values the well being of its people. In 2018, the City of Edmonton made transit safer for operators and riders, which in turn made transit a more attractive option for Edmontonians.

When residents, business and the City agree on common goals, working together to define the path and the outcome, progress is within reach.

EFFICIENT AND EFFECTIVE

As Edmonton's population increases through new residents, growing families and the recent annexation of 8,260 hectares from Leduc County, the need to become more efficient and cost-effective grows as well. Since 2016, the City of Edmonton has been finding savings and improving processes through a City-wide Program and Service Review.

Through a defined, methodical process, the Program and Service Review encourages curiosity, critical discussion and exploration of better ways to meet the evolving needs of over 900,000 residents.

A SHARED DESTINATION

Through extensive public engagement and day-to-day connections, City Council and Edmontonians have agreed on priorities for working, learning and living well.

This is a vision of a **Healthy City**: a neighbourly place with community and personal wellness that embodies and promotes equality for all Edmontonians. A city of **Urban Places**: where neighbourhoods are more vibrant as density increases, where people and businesses thrive and where housing and mobility options are plentiful. A city at the heart of **Regional Prosperity**: growing prosperity for our Metro Region by driving innovation, competitiveness and relevance for our businesses at the local and global level. And a city with **Climate Resilience**: a place with clean air and water, transitioning to a low carbon future and adapting to a changing climate.

SUCCEEDING BEYOND THE CITY LIMITS

On December 5, 2018, Bill 32: The City Charters Fiscal Framework Act was passed by the Alberta Legislature and it received Royal Assent on December 11, 2018. The fiscal framework provides Edmonton and Calgary with funding for major infrastructure to replace the cities' Municipal Sustainability Initiative (MSI) funding when that program is complete in 2022.

All Albertans, both inside and outside Edmonton's city limits, are important partners in the success of Edmonton and the province. 2018 was an important year for strengthening those partnerships and finding new ways to work together.

RECOGNITION FOR ACHIEVEMENT

The City of Edmonton has been recognized for a high standard of achievement by the following award programs:

Canadian Award for Financial Reporting

Received for the City's annual financial report for the fiscal year ended December 31, 2017. Awarded by the The Government Finance Officers Association of the United States and Canada.

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

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

Popular Annual Financial Reporting Award

Received for the 2017 Financial Report to Citizens. Awarded by The Government Finance Officers Association of the United States and Canada.

Awarded to a high quality summarized annual financial report that is readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

This is the fifth consecutive year that the City has received this award.

Distinguished Budget Presentation

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

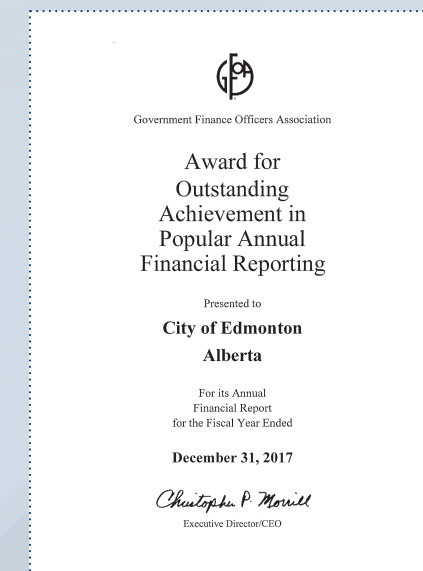
Awarded to a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.



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



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



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

If have questions about the 2018 Financial
Report to Citizens, mail or phone:

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

