Attachment 2

2 FINANCIAL STATEMENT DISCUSSION + ANALYSIS

INTRODUCTION

The Annual Report provides information regarding the use of financial resources entrusted to the City of Edmonton for the purpose of providing municipal services and infrastructure.

In addition to providing an overview of the City's 2022 financial performance and position, this report describes significant fiscal policies, strategies and plans related to financial control, accountability, long-term sustainability and risk management.

Included in the 2022 Annual Report are the City's consolidated financial statements and notes, which have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS). KPMG LLP has audited the City's financial statements and provided an Independent Auditor's Report. The financial statements and auditor's report satisfy the legislative reporting requirement set out in the *Municipal Government Act* (MGA) of Alberta.

The following financial statement discussion and analysis, dated April 25, 2023, should be read in conjunction with the financial statements. Both have been prepared by and are the responsibility of the Management of the City of Edmonton. A section for the Task Force on Climate-related Financial Disclosures has been included as well as the five-year statistical review of key information.

2022 FINANCIAL HIGHLIGHTS

The City has approved a multi-year budget policy in which operating budgets are developed and approved for a four year period.

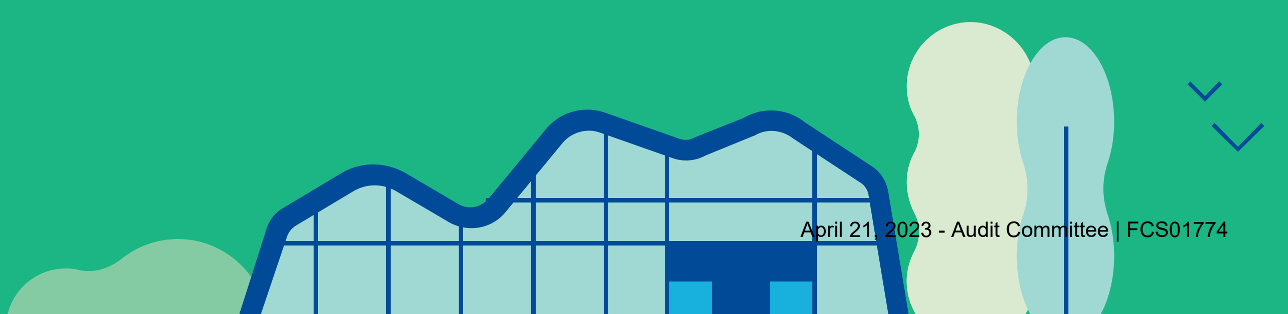
The 2019-2022 Operating Budget was originally passed in December of 2018. The multi-year budget process provides for adjustments to the four-year budget on a semi-annual basis, in the spring and in the fall. Operating budget information for 2022 is consistent with the amounts approved by City Council (Council) in April 2022 with the passing of Bylaw 20013 - 2022 Property Tax and Supplementary Property Tax Bylaw.

For tax-supported operations, the 2022 budget was adjusted by City Council on November 22, 2021 through the fall supplemental budget adjustment process for estimated impacts of the COVID-19 pandemic, the total estimated budget impact was $96.7 million. These impacts were offset by various funding strategies in the same amount, including use of COVID-19 funds within the appropriated Financial Stabilization Reserve (FSR), expense management strategies and additional revenue strategies.

The City ended the year with an $81.6 million surplus (2.5 per cent of budgeted tax-supported expenses) for general government (tax-supported) operations relative to the operating budget. The surplus is primarily the result of lower than budgeted costs for financial strategies and lower than budgeted personnel costs due to unfilled vacancies across various City departments. The budget for financial strategies is used to manage risk and provide flexibility for unknown amounts over the four-year budget cycle. Risks are managed centrally through this budget. The budget surplus in financial strategies is largely due to lower than expected fuel and utility costs as well as other corporate wide costs. The overall favourable variance was partially offset by higher snow and ice program costs due to heavier snowfall and additional freezing rain from January to April.

2022 was the fourth and final year of the 2019-2022 multi-year operating and capital budgets. The pandemic had a significant impact on the economy and the residents and businesses that have chosen Edmonton as their home. With this in mind, City Council limited tax increases starting in 2020 and throughout 2021 and 2022 to lessen the financial impact on Edmontonians. The 2022 budget held transit fares at 2021 levels, provided support for businesses and the community to recover from the pandemic, and reduced the planned increase to the police budget, redirecting the funding to Community Safety and Well-being. The 2022 tax increase of 1.9 per cent was lower than inflation and was one of the lowest tax increases amongst major Canadian municipalities. This increase put the City in a strong position to respond to the continued financial uncertainty caused by the pandemic, while maintaining existing programs and services, and allowing the City to be able to manage its capital plan for 2022. The 2019-2022 capital budget balanced the infrastructure investment required to keep existing City assets in good repair while supporting ongoing growth needs. Approximately 30 per cent of 2019-2022 capital investment was earmarked for renewing roads, neighbourhoods, parks, City-owned buildings and transit vehicles, with the remaining 70 per cent used to support planning and delivery of new infrastructure.

With an overall accumulated surplus of $17,295.0 million, the City's financial position is resilient. The City will continue to monitor its financial performance and will implement strategies to address growth and increased service demand through the multi-year budget process. These areas are expanded upon in the Long-Term Sustainability section of this discussion.



FINANCIAL POSITION

Consolidated Statement of Financial Position
(millions of $)

	2022	2021	2020	2019	2018
Financial Assets	$ **8,511.1**	$ 8,093.8	$ 7,527.5	$ 7,284.0	$ 7,237.7
Liabilities	**5,657.7**	5,370.8	5,027.5	4,796.5	4,699.5
Net Financial Assets	$ **2,853.4**	$ 2,723.0	$ 2,500.0	$ 2,487.5	$ 2,538.2
Non-Financial Assets	**14,441.6**	13,839.1	13,272.9	12,441.0	11,758.3
Accumulated Surplus	**$ 17,295.0**	**$ 16,562.1**	**$ 15,772.9**	**$ 14,928.5**	**$ 14,296.5**

The City ended the year with **net financial assets** of $2,853.4 million, an increase of $130.4 million, or 4.8 per cent, compared to 2021. The primary components of the net financial asset balance are the City's investment of $4,561.7 million in the EPCOR subsidiary, investments of $2,234.0 million, net of long-term debt of $3,940.3 million, and accounts payable and accrued liabilities of $1,180.7 million.

The City's **non-financial assets** at the end of 2022 were $14,441.6 million, an overall increase of $602.5 million, compared to 2021. Non-financial assets consist primarily of tangible capital assets such as roadways, buildings, land and light rail transit that are valued at $14,350.7 million. The City's non-financial assets have grown over the last five years due to continued investments in infrastructure; these investments include the construction of new infrastructure to meet the needs of a growing population and repairs to existing infrastructure to maintain the service standards that Edmontonians expect. The ability to build and maintain infrastructure assets ensures that the City of Edmonton is able to deliver services and programs that Edmontonians rely on everyday, while also attracting new residents to live and do business here.

Accumulated surplus is an indicator of the City's overall financial viability that reflects the net economic resources the City has built up over time. The City ended 2022 with a total accumulated surplus of $17,295.0 million, an increase of 4.4 per cent compared to the prior year. This surplus includes the City's equity in tangible capital assets, the City's investments including its investment in the EPCOR subsidiary and Ed Tel Endowment Fund, and a number of reserves, including the Financial Stabilization Reserve. The City maintains a stable accumulated surplus balance due to its continued investments in Edmonton's infrastructure, its growing investment in EPCOR and robust reserve management.

Refer to the Statistical Review section of the annual financial report for additional trending and other statistical data.

The significant balances and changes in financial position are discussed in the following sections.

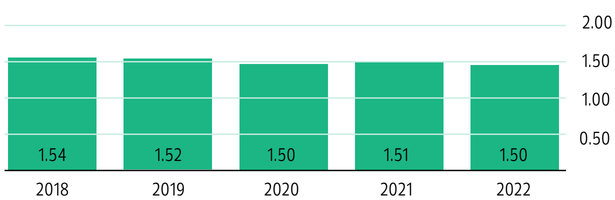
"THE CITY'S NON-FINANCIAL ASSETS HAVE GROWN OVER THE LAST FIVE YEARS DUE TO CONTINUED INVESTMENTS IN INFRASTRUCTURE"

FINANCIAL ASSETS

The financial assets-to-liabilities ratio is used to assess the sustainability of the City's financial position. A ratio lower than one indicates that future revenues will be required to pay for past transactions and events.

A result higher than one indicates the City currently holds sufficient financial resources to meet its financial obligations. The City's financial assets to liabilities ratio over the past five years has remained stable, ranging from 1.50 to 1.54.

Financial Assets to Liabilities

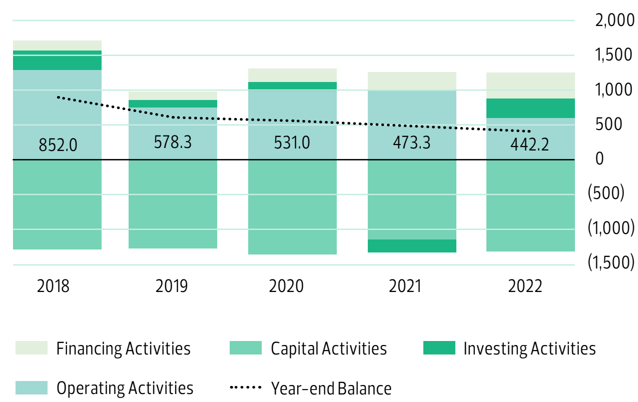


CASH

The City's cash position includes both cash and cash equivalents such as bankers' acceptances, treasury bills and commercial paper, which is used to ensure that sufficient cash and liquid assets are available to manage the timing of payments for the City's operating and capital expenditures. In 2022, the City's cash position decreased to $442.2 million from $473.3 million in 2021, an overall decrease of $31.1 million, or 6.6 per cent.

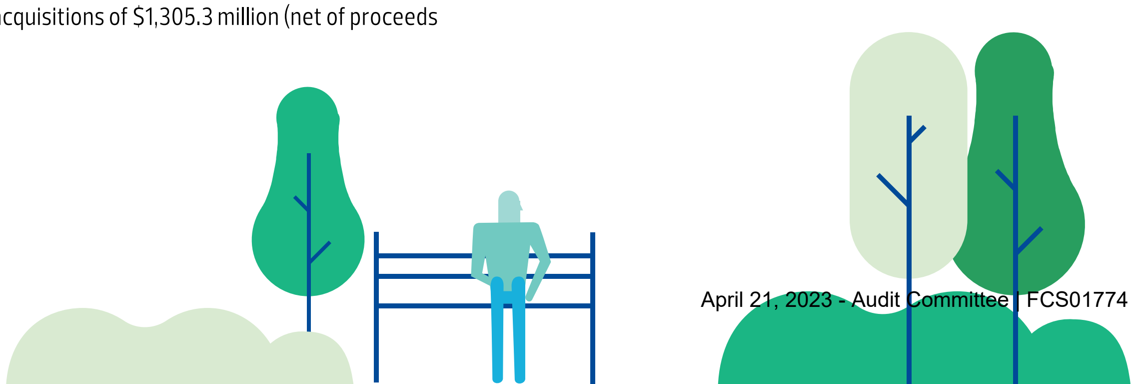
The Consolidated Statement of Cash Flows summarizes the sources and uses of cash by the City in 2022. During the year, the City raised $594.7 million from operations, $393.8 million from net financing activities, $108.7 million from investing activities and $177.0 million from an EPCOR dividend. These sources of cash were partially offset by capital acquisitions of $1,305.3 million (net of proceeds on disposal).

Cash Flows
(millions of $)



RECEIVABLES

The 2022 receivables balance of $1,011.5 million increased by $222.3 million, or 28.2 per cent, from the prior year balance of 789.2 million. The majority of the increase for receivables is due to federal funding from the Investing in Canada Infrastructure Program, due to higher eligible capital funding for LRT construction, and Provincial Municipal Sustainability Initiative funding, which the City has yet to receive. This is partially offset by a net decrease in trade and other, local improvement and taxes receivables of $28.5 million.



SINCE 1995, THE ED TEL ENDOWMENT FUND HAS CONTRIBUTED $969.0 MILLION TO THE CITY.

INVESTMENTS

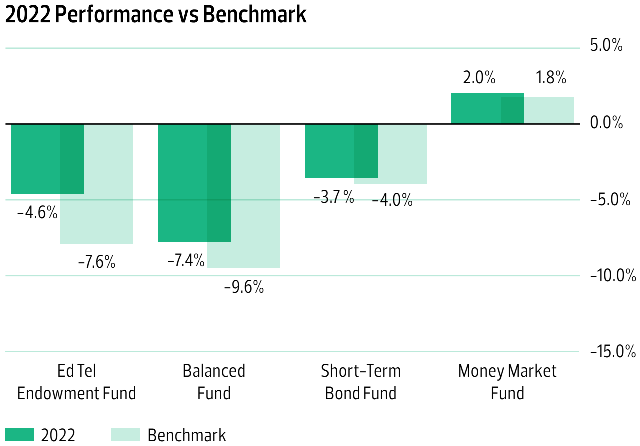
All investments held by the City must comply with the MGA, the Municipal Investment Regulation, and the City's internal investment policy. The objective of the Council-approved investment policy, as overseen by the Investment Committee, is to preserve the principal investment amount and maximize investment returns within an acceptable and prudent level of risk. Asset mix is determined based on investment earnings objectives, investment time horizon and level of risk tolerance.

Included in investments of $2,234.0 million are amounts held as cash, amounts receivable, fixed income, equities, pooled infrastructure, and real estate funds and other investments. The majority of these investments are held within the Money Market Fund, Short-Term Bond Fund, the Balanced Fund and the Ed Tel Endowment Fund.

The Money Market Fund ensures that sufficient cash and liquid assets are available to cover the City's short-term obligations. As such, the fund is solely invested in money market securities with time horizons of one year or less, depending on the City's forecast of commitments.

The Short-Term Bond Fund is an investment vehicle for working capital that is not currently needed to fund City operations but will be needed in less than five years. Therefore, the fund holds fixed income securities with an investment horizon of less than five years.

2022 Performance vs Benchmark



The Balanced Fund is a long-term investment vehicle to fund operating and capital reserve funds, deferred revenue accounts and other similar funds. Because it has a longer-term investment horizon, the risk tolerance of this fund permits owning some equities.

The largest of the City investment funds is the Ed Tel Endowment Fund. It was established in 1995 with the sale of the City's municipally owned telephone company, Edmonton Telephones, to the TELUS Corporation for $465.0 million. Council directed Administration to establish the Ed Tel Endowment Fund to hold the financial assets generated from this sale and to ensure Edmonton's long-term financial stability. The Ed Tel Endowment fund provides a source of income in perpetuity while ensuring that the real purchasing power of the original investment is maintained. Similar to the Balanced Fund, the Ed Tel Endowment Fund has a longer-term investment horizon and a level of risk tolerance that permits owning equities. City Bylaw 11713 establishes the formula under which earnings from this fund can be applied to fund City operations.

Since 1995, the Ed Tel Endowment fund has contributed $969.0 million to the City in the form of annual dividends. In 2022, the fund contributed $54.0 million in dividends to the City, including a $10.8 million special dividend that was approved by City Council on November 30, 2021. This was the largest annual dividend paid in the fund's history. The fund ended the year with an investment book value of $867.4 million compared to a market value of $891.7 million.

Performance of the City's investment funds ranged from 2.0 per cent (Money Market Fund) to negative 7.4 per cent (Balanced Fund), reflecting each fund's asset mix.

High inflation, aggressive policy tightening and escalating geopolitical risks resulted in dramatic declines in both equities and bonds in 2022.

“THE ED TEL ENDOWMENT FUND PROVIDED $54.0 MILLION IN DIVIDENDS TO THE CITY IN 2022 – THE LARGEST EVER IN THE FUNDS HISTORY.”

Global equities fell 16.4 per cent for the year, and U.S. equities lost 18.1 per cent. Canadian equities performed relatively well as they were down 5.8 per cent, compared to a gain of 25.1 per cent realized the year before. Oil prices spiked in the middle of the year and closed 4.0 per cent higher amid the Ukraine conflict and with economies beginning to reopen. The Canadian dollar depreciated 7.0 per cent against the U.S. dollar.

Finally, Canadian fixed income securities fell 11.7 per cent for the year, which was the worst year in several decades.

As a result, the Ed Tel Endowment Fund and Balanced Fund, both of which are invested in a mix of fixed income and equity markets in accordance with the City's investment policy, saw returns of negative 4.6 per cent and negative 7.4 per cent, respectively. Conversely, the Money Market Fund and Short-Term Bond Fund, which are invested solely in less volatile fixed income securities, had returns of 2.0 per cent and negative 3.7 per cent, respectively. Overall, the market value of the City's investment portfolio at year-end was $2,203.9 million, 1.35 per cent below the investment cost.

More detailed information about the investment performance and benchmarks is available in the 2022 Investment Committee Annual Report on the City of Edmonton's website.

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 accounting standards, trust assets that are not owned by the City are excluded from the reporting entity. Note 22 to the financial statements provides summary disclosures with respect to trust assets under City administration.

INVESTMENT IN EPCOR

EPCOR builds, owns and operates electrical, natural gas and water transmission and distribution networks, as well as water and wastewater treatment facilities, sanitary and stormwater systems, and related infrastructure. EPCOR also provides electricity, natural gas and water products and services 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 management has prepared their 2022 consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). EPCOR's accounting principles are not adjusted to conform to those used by the City as a local government; therefore, inter-organizational transactions and balances are not eliminated.

In 2022, the City's investment in EPCOR increased to $4,561.7 million from $4,223.4 million in 2021, a net increase of $338.3 million, or 8.0 per cent. The net increase is due to EPCOR's reported net income of $379.9 million for 2022, $25.3 million of tangible capital assets contributed to EPCOR by the City, and other comprehensive income of $112.8 million. This is offset by $2.7 million in amortization of contributed assets and a dividend of $177.0 million paid to the City. Summary financial information for EPCOR is included in Note 20 to the financial statements.

Additional detail on EPCOR's strategies, financial performance and health, and significant events that occurred in 2022 are discussed in EPCOR's annual reporting for 2022, which is available on the company's website.

IN 2022, THE CITY'S INVESTMENT IN EPCOR INCREASED TO $4,561.7 MILLION FROM $4,223.4 MILLION IN 2021, A NET INCREASE OF $338.3 MILLION, OR 8.0 PER CENT.

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the categories of trade and other, developer obligations, payroll and remittances, and accrued interest amounts owing. The balance of $1,180.7 million at year-end increased over the prior year balance of $1,150.7 million by $30.0 million, or 2.6 per cent.

Trade and other payables reflect a net decrease of $13.4 million over prior year largely due to lower value of outstanding land acquisitions compared to prior year related to large infrastructure projects such as Yellowhead Trail Freeway Conversion and the Valley Line West LRT, partially offset by fluctuations in various trade and other payables.

Developer obligations increased by $25.4 million over the prior year mainly due to an increase in development construction in 2022.

Payroll and remittance liabilities increased by $14.4 million over the prior year mainly due to the timing of the payroll period for 2022.

Information on the composition of the accounts payable and accrued liability balance is provided in Note 7 to the financial statements.

DEFERRED REVENUE

Deferred revenue is largely made up of government transfers provided to fund operating and capital expenditures. The use of these revenues is externally restricted until they are used for the purposes intended. The deferred revenue balance of $240.5 million decreased by $138.3 million, or 36.5 per cent, from the prior year balance of $378.8 million. The decrease is mainly due to one-time additional funding received in 2021 under the Canada Community Building Fund and the Municipal Sustainability Initiative grant program, where funds were received in advance of project expenditures. As a result amounts were deferred in 2021 and recognized in 2022 to match capital expenditures as they were incurred. Additional details about balances and changes in deferred revenue are included in Note 8 to the financial statements.

LONG-TERM DEBT

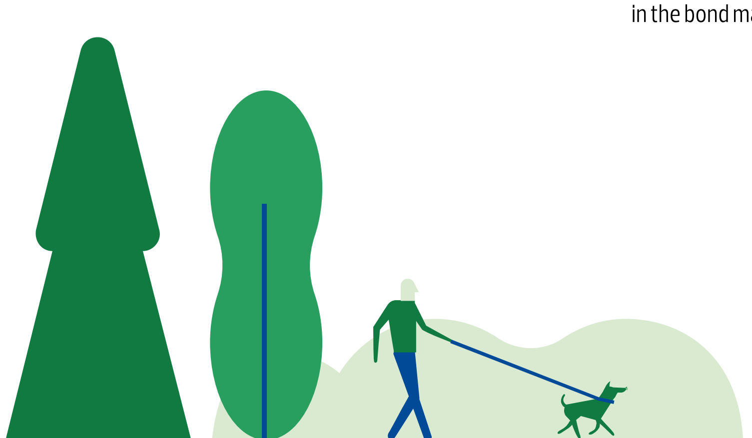
The City of Edmonton Charter Regulation AR 39/2018 allows the City to establish its own debt limits provided the City obtain an external credit rating and develop a Council-approved debt policy. The City obtains a credit rating annually from Standard and Poor's. On November 14, 2022, City Council approved revised Debt Management Fiscal Policy (DMFP) (City Policy C203D). With the approval of the policy the debt and debt servicing limits in the MGA regulation AR 255/2000 are no longer applicable for the City of Edmonton. The City limits tax-supported debt servicing to 18.0 per cent of tax-supported net expenditures and total debt servicing to 21.0 per cent of City revenue. Total debt servicing is permitted up to 26.0 per cent of City revenue for emergency purposes. The City's debt is limited to the level of debt that would result in total debt servicing equal to 26 per cent of City revenue using the City's average long-term borrowing rate.

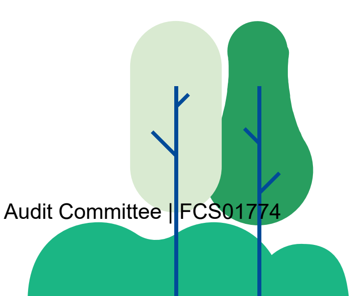
The City uses debt to finance capital expenditures under the principles and limits established by the policy. The DMFP supports the City's long-term capital plans and strategies while maintaining long-term financial affordability, flexibility and sustainability.

The City has three main types of long-term debt obligations: 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 the Waste Services Utility, the Blatchford Redevelopment Utilty and local improvements. As self-supporting tax-guaranteed debt is guaranteed by the tax levy, it is classified as tax-supported debt. Tax-supported debt also includes the City's long-term obligation related to its public-private partnership (P3) with TransEd for the construction of the Valley Line Southeast LRT (P3 term debt).

The City's policies and strategies with respect to debt management are documented in a debt discussion paper that is available on the City of Edmonton's website. The discussion paper comments on the City's use of debt financing to optimize resources dedicated to the acquisition, creation and rehabilitation of infrastructure.

The City borrows through the Government of Alberta's department of Treasury Board and Finance, using rates available to large municipalities in the bond market to determine the City's cost of borrowing.





DURING THE YEAR, THE CITY ADDED $604.3 MILLION IN NEW DEBENTURE BORROWINGS TO ADVANCE KEY TRANSFORMATIVE PROJECTS.

Debt Schedule
(millions of $)

		Tax-Supported		Self-Liquidating		**Total Debt (net)**
Opening	$	3,032.2	$	514.4	**$**	**3,546.6**
Borrowings		504.4		51.7		**556.1**
Increase in P3 term debt		48.2				**48.2**
Principal Payments		(153.9)		(56.7)		**(210.6)**
Ending	**$**	**3,430.9**	**$**	**509.4**	**$**	**3,940.3**

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. Repayments are made annually or semi-annually.

The following rates were applicable for new borrowing during the year:

Borrowing Terms and Interest Rates

Term	**Interest Rates**
5 years	2.71%
10 years	3.07% to 4.70%
15 years	3.40% to 4.88%
20 years	3.62% to 4.99%
25 years	3.76% to 5.08%
30 years	3.84%

The City's net long-term debt was $3,940.3 million at December 31, 2022, an increase of $393.7 million, or 11.1 per cent, compared to the 2021 balance. Long-term debt consists of debentures, mortgages and P3 term debt. The gross amount of debentures, mortgages payable and P3 term debt of $4,430.4 million is offset by $490.1 million in amounts receivable from EPCOR. The amounts receivable from EPCOR are for debentures issued in the name of the City on behalf of EPCOR relating to the Gold Bar Wastewater Treatment Facility, transferred to EPCOR in 2009, and the Drainage Utility, transferred to EPCOR in 2017.

Of the total net long-term debt of $3,940.3 million, $3,430.9 million is tax-supported and $509.4 million is self-liquidating. Tax-supported debt includes $539.3 million of P3 term debt related to the portion of deferred capital costs owing to TransEd from 2023 to 2050 for the construction of the Valley Line Southeast LRT. Term debt is based on the percentage of project completion as of December 31, 2022.

During the year, the City added a total of $556.1 million through new debenture borrowings and mortgages; $504.4 million is considered tax-supported and $51.7 million is considered self-liquidating. Tax-supported debt was borrowed to finance various capital projects, including the Valley Line and Metro Line LRT construction, Yellowhead Trail Freeway Conversion and continued progression of Downtown and Quarters Community Revitalization Levy funded projects. Self-liquidating borrowings during the year include $26.5 million in Non-Profit Housing mortgages, $10.4 million related to local improvement projects, $6.7 million for the Waste Services Utility, $3.1 million for the Blatchford Renewable Energy Utility and $2.0 million for the Clean Energy Improvement Program.

Debt principal repayments of $210.6 million were made during the year, comprising $153.9 million for tax-supported debt and $56.7 million for self-liquidating debt.

The City's DMFP sets limits more restrictive than those legislated in the MGA, limiting the City's total debt servicing to 21.0 per cent of City revenues and up to a maximum of 26.0 per cent of City revenues for emergency purposes, compared to the MGA limit of 35.0 per cent. The DMFP further restricts the use of debt for tax-supported debt servicing to 18.0 per cent of tax-supported net expenditures.

Debt Service Limits – DMFP*
(millions of $)

		2022		2021		2020		2019		2018
Total debt servicing limit (26%)	$	**799.0**	$	777.2	$	761.4	$	759.3	$	726.4
Total debt servicing	$	**341.9**	$	289.1	$	291.8	$	283.2	$	269.7
Percentage used (%)		**42.8**		37.2		38.3		37.3		37.1
Total debt servicing limit (21%)	$	**645.3**	$	627.7	$	615.0	$	613.3	$	586.7
Total debt servicing	$	**341.9**	$	289.1	$	291.8	$	283.2	$	269.7
Percentage used (%)		**53.0**		46.1		47.5		46.2		46.0
Tax-supported debt servicing limit (18%)	$	**461.3**	$	406.5	$	397.3	$	414.9	$	408.2
Tax-supported debt servicing	$	**267.6**	$	237.4	$	241.2	$	232.4	$	219.0
Percentage used (%)		**58.0**		58.4		60.7		56.0		53.6

*The limits outlined in the table above for 2018 to 2021 comparatives have been restated from previous years reporting to reflect the revised City Policy C203D Debt Management Fisal Policy.

NON-FINANCIAL ASSETS

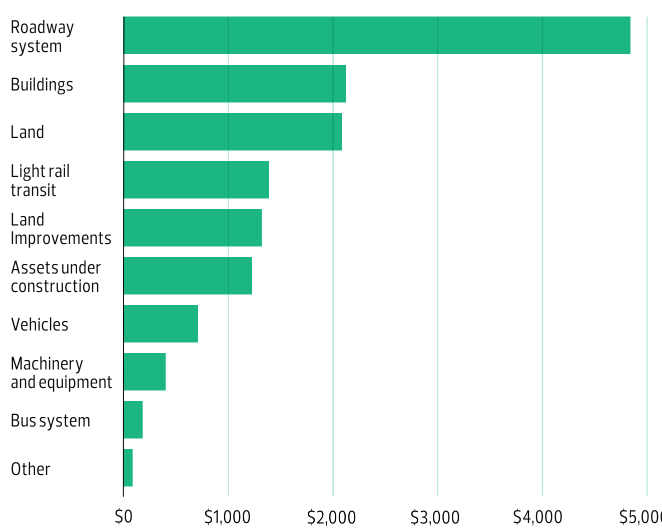
TANGIBLE CAPITAL ASSETS

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. The assets are not for sale in the ordinary course of operations and their economic lives extend beyond a year.

Tangible capital assets of $14,350.7 million have increased by 4.3 per cent compared to the 2021 balance of $13,754.9 million. The net increase of $595.8 million is a result of acquisitions of tangible capital assets of $1,315.1 million and contributed tangible capital assets of $81.6 million. This increase was partially offset by annual amortization of $652.5 million, and disposals and transfers of assets with a net book value of $148.4 million.

Tangible capital assets placed in service were primarily in the asset categories of roadways, light rail transit, and land improvements. Schedule 1 – Consolidated Schedule of Tangible Capital Assets to the financial statements provides a continuity schedule for the asset cost and related accumulated amortization for each significant asset type.

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



During 2022, the fourth and final year of the 2019-2022 capital budget, spending focused on key growth projects and infrastructure maintenance. The capital additions and contributions of $1,396.7 million in 2022, compared to $1,231.9 million in 2021, reflects the City's continued commitment to investing in infrastructure to accommodate both growth and renewal. Capital additions are higher due to the expansion of Terwillegar Drive, Valley Line Southeast and West LRT construction, the purchase of zero emission electric buses, upgrades to the Coronation Community Recreation Centre and numerous neighbourhood renewal projects. The City also made progress on significant capital projects such as Yellowhead Trail Freeway Conversion, Fort Edmonton Park as well as investments in the City's park spaces. Roadways continue to be the largest asset category with a net book value of $4,838.6 million. These are followed by buildings and land with net book values of $2,119.7 million and $2,073.4 million, respectively.

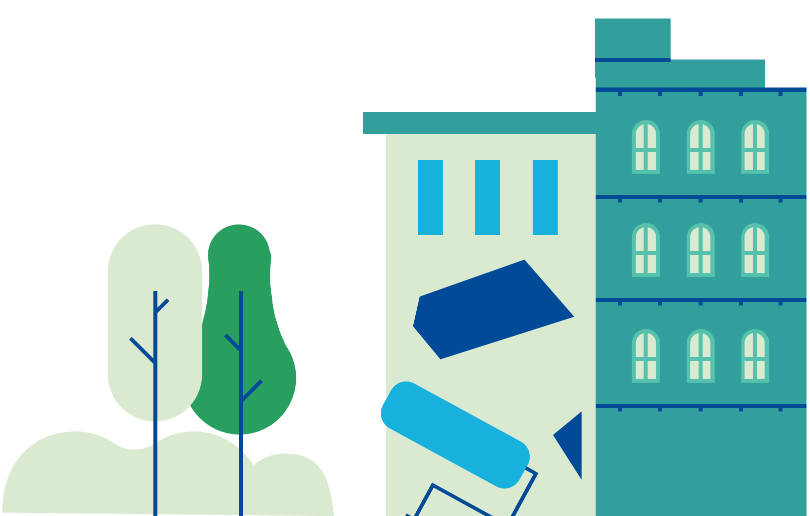
RESERVES

The City's reserve policy, C217E, Reserve and Equity Accounts, directs the establishment of and processes related to reserves. Establishing reserves and transferring funds to and from reserves requires Council's approval.

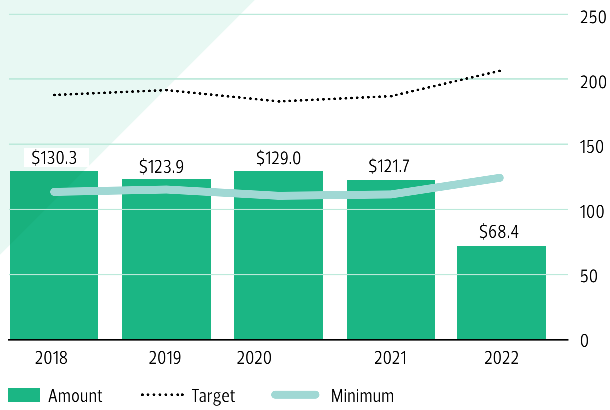
In accordance with City Policy C217E, the City completed a review of reserves in 2021. This review is completed at minimum once every three years and ensures that City reserves continue to support the City's financial goals and serve the highest priority needs of the city and its residents. The reserve policy and balances are monitored on an ongoing basis with the next formal review planned for 2024.

A schedule of reserves has been provided in Note 15 to the financial statements. The reserve balance of $993.1 million at the end of 2022, decreased by $12.9 million over the prior year balance of $1,006.0 million.

> **"TANGIBLE CAPITAL ASSETS OF $14,350.7 MILLION HAVE INCREASED BY 4.3 PER CENT IN 2022."**



Financial Stabilization Reserve
(millions of $)



The Financial Stabilization Reserve (FSR) 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 residents. The appropriated balance of the reserve represents funds that have been set aside by City Council to fund future commitments. The unappropriated balance of the FSR is uncommitted and provides the City with flexibility to address significant emergent financial issues. The reserve is not intended to be used to stabilize future tax rate increases. City policy establishes that the FSR must have a minimum balance of 5.0 per cent with a target balance of 8.3 per cent of current general government expenses (excluding non-cash amortization). Any annual general government surplus would be applied to the reserve in the subsequent year. Any annual tax-supported deficit would draw on the reserve.

City Policy C629, Financial Stabilization Reserve, requires that a risk-based review of the unappropriated FSR be completed every three years to ensure the sufficiency of the minimum and target percentages. Administration conducted a risk-based review of the unappropriated FSR balance in 2021 and confirmed that the respective minimum and target balances of 5.0 per cent and 8.3 per cent of current general government expenses (excluding non-cash amortization) were appropriate.

As of December 31, 2022, the unappropriated FSR balance is $68.4 million. During the year, the general government surplus from 2021 of $52.3 million was transferred to the reserve, of which $19.4 million was appropriated within the FSR to provide funding in 2022 for projects and initiatives not completed in 2021. During November and December 2022, as a part of the 2023-2026 budget deliberations, City Council approved the use of close to $67.0 million from the unappropriated FSR to fund priority initiatives over 2023 to 2026 on a one-time basis. This resulted in a reserve balance of $68.4 million on December 31, 2022, which was temporarily below the minimum balance of $123.5 million required by policy. Council made these decisions knowing that the 2022 year-end tax-supported surplus would be sufficient to bring the reserve above its minimum balance. The 2022 general government surplus of $81.6 million will be transferred to the FSR in the first quarter 2023 with $21.8 million then appropriated for funding within the 2023 operating budget. After reflecting the approved transactions, the balance of the reserve will be $128.2 million, exceeding the minimum level as set within the policy of $123.5 million but below the target level of $205.1 million.

As of December 31, 2022, the appropriated FSR balance is $192.4 million, which is an increase of $11.4 million from the 2021 balance of $181.0 million. During 2022, $184.8 million was transferred into the appropriated FSR and $161.2 million was used to fund approved items. Amounts within the appropriated FSR of $12.2 million were released back to the unappropriated FSR as the funding was no longer required.

The LRT reserve ended the year with a balance of $114.8 million, an increase of 32.6 per cent from 2021. The balance increased as funding from the reserve was not required during the year for the Valley Line Southeast operations as the project has experienced delays.

The Traffic Safety and Automated Enforcement Reserve ended 2022 with a balance of $0.9 million, a decrease from the balance at the end of 2021 of $7.4 million. Established on November 26, 2014 and governed by City Policy C579B Traffic Safety and Automated Enforcement Reserve, this reserve is intended to accumulate surpluses (and fund shortfalls) that may arise from the variability of photo enforcement revenues, and transparently show budgeted allocations for programs funded from the reserve in accordance with the policy. The reserve is projected to be in a deficit position at the end of 2023. The decreasing reserve balance is in part a result of the increased share of photo enforcement revenue retained by the Government of Alberta, combined with declining revenue trends as a result of COVID-19 and a greater emphasis on education and awareness. Through the 2023-2026 budget, Council approved increased tax-levy funding to the reserve to fund traffic safety initiatives as well as maintaining a balance in the reserve above the minimum required by policy. Furthermore, the 2023-2026 budget no longer allocates funding to the Traffic Safety Section of Edmonton Police Services from the reserve, which is now funded through the tax-levy. With these changes, the reserve is projected to be above its minimum balance by the end of 2025.

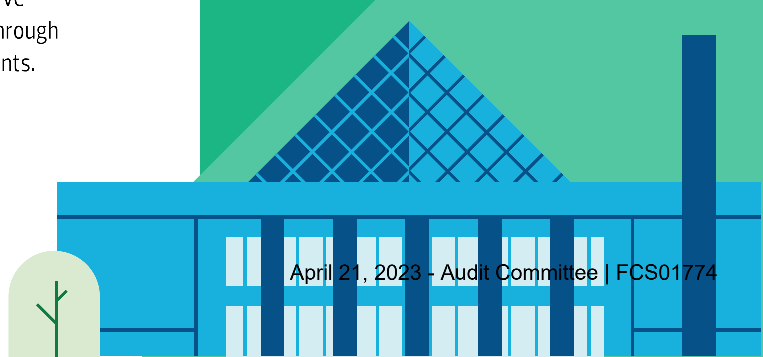
The City maintains reserves that are used to accommodate differences between expenses and related funding sources. As of December 31, 2022, the City had five reserves that were in deficit balances. These include the Interim Financing, Community Revitalization Levy (Capital City Downtown, Belvedere and Quarters) and Brownfield Redevelopment Reserves. In accordance with City Policy C217E Reserve and Equity Accounts, reserves that are expected to have deficit balances will only be established if future funding to offset the deficit balance has been identified at the time of the reserve's creation.

A Community Revitalization Levy (CRL) is a funding source the City can use to dedicate future property tax revenue in a specific area to fund public projects designed to encourage new development and revitalize a specific area of the City. The City currently has CRLs approved for Belvedere, the Quarters and Capital City Downtown. An annual update on the progress of the CRLs was presented to Council's Executive Committee on March 22, 2023. The annual update noted that market conditions for land sales and development have not been favourable for the Belvedere and Quarters Downtown CRLs, leading to a reduction in the revenue projections for each CRL. Ongoing municipal tax revenues will be used to retire the remaining debt for the Belvedere CRL an additional five years after the CRL ends and for the Quarters Downtown CRL, an additional two years. The Capital City
Downtown CRL continues to perform in line with expectations. Despite a decline in office property valuation, the pace and volume of development underway in the area will be sufficient to ensure that revenues will cover all debt costs by the end of the expiry of Capital City Downtown CRL.

The Interim Financing Reserve is used to accommodate timing differences between operating expenses and receipt of future revenue intended to fund these costs including differences that arise between the timing of budgeted expenses and payment of expenses. At the end of 2022, the reserve has a deficit balance of $36.1 million, which will be replenished upon receipt of future revenues.

The Brownfield Redevelopment Reserve supports phase III Brownfield Redevelopment, granting payments to qualified developers under the program to help finance costs related to environmental testing, remediation and/or exposure control in preparation for redevelopment. At the end of 2022, the reserve has a deficit balance of $3.1 million, which will be recovered through future municipal tax uplift relating to the developer agreements.

“THE UNAPPROPRIATED BALANCE OF THE FSR IS UNCOMMITTED AND PROVIDES THE CITY WITH FLEXIBILITY TO ADDRESS SIGNIFICANT EMERGENT FINANCIAL ISSUES.”



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 long-term debt for land redevelopment and debt recoverable. With an increase of $202.2 million for 2022, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, the ending balance of equity in tangible capital assets for the year is $10,509.2 million

ADVANCES FOR CONSTRUCTION (CAPITAL TO BE FINANCED)

At the end of 2022, $102.9 million of capital funding was in place in advance of incurring capital expenditures. This compares to the net use of $100.7 million at the end of 2021 where expenditures had proceeded prior to receipt of funding– an overall shift of $203.6 million. This is as a result of borrowing for capital projects such as LRT construction and a new transit garage where expenditures have not been incurred by the end of the year. This is partially offset by estimated land expropriations related to capital projects. The expropriations will be funded through the available capital project funding when the land is applied to the project.

FINANCIAL OPERATIONS

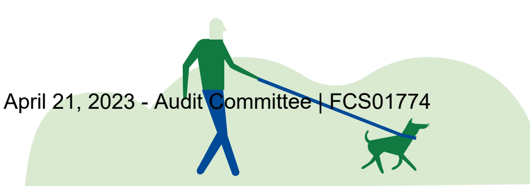
The Consolidated Statement of Operations and Accumulated Surplus outlines revenues earned by the City and their application (expenses) to provide municipal services.

Consolidated Statement of Operations
(millions of $)

	2022 Actual	2021 Actual	2020 Actual	2019 Actual	2018 Actual
Operating Revenues	$ **3,433.9**	$ 3,358.5	$ 3,170.6	$ 3,120.0	$ 3,050.3
Capital Revenues	**633.5**	527.1	717.4	749.8	941.8
Operating Expenses	**3,444.6**	3,093.5	3,023.5	3,189.7	3,029.4
Excess of Revenues over Expenses	**$ 622.8**	**$ 792.1**	**$ 864.5**	**$ 680.1**	**$ 962.7**

Consolidated revenues exceeded expenses for the year by $622.8 million after accounting for government transfers for capital, contributed tangible capital assets, developer and customer contributions for capital and local improvements. Operating revenues increased 2.2 per cent from the prior year, with increases in revenue from sales, service and user fees, property taxes and government transfers, this is partially offset by decreases in investment revenue. Capital revenues vary from year to year based on fluctuations in neighbourhood development activities and related contributed assets and timing of significant capital projects. Expenses over the past five years reflect the demand for additional services and infrastructure that comes with a growing population. Facility closures and reduced services dictated by public health orders related to the pandemic resulted in slower growth in expenditures in the prior two years. 2022 expenditures significantly increased as a result of the elimination of virtually all COVID-19 restrictions.

Significant year-over-year variances and variances from budget are discussed in the following sections. The operating budget is based on the original 2022 operating budget approved by Council in December 2018, including the supplementary operating budget adjustment in fall 2021, 2021 year-end operating budget carry-forwards into 2022, and the 2022 spring supplemental budget adjustment approved by Council on April 19, 2022 prior to finalization of the 2022 tax rate. The capital budget line items are based on the capital budget originally approved in December 2018, as a part of the 2019-2022 capital budget, plus carry-forward of unspent capital budgets from previous years. The original budgets are adjusted to comply with the Canadian Public Sector Accounting Standards for inclusion in the Consolidated Statement of Operations and Accumulated Surplus. A reconciliation between the budget approved by Council and the budget for financial statement purposes is provided in Note 30.



OPERATING REVENUES

Operating Revenues
(millions of $)

		2022 Budget (A)		**2022 Actual (B)**		Variance (B–A)		2021 Actual (C)		Variance (B–C)
Net taxes available for municipal purposes	$	1,807.9	**$**	**1,807.1**	$	(0.8)	$	1,745.8	$	61.3
User fees and sales of goods and services		583.4		**588.9**		5.5		506.7		82.2
Subsidiary operations – EPCOR		302.0		**379.9**		77.9		387.7		(7.8)
Franchise fees		207.8		**208.5**		0.7		183.0		25.5
Government transfers – operating		180.2		**198.1**		17.9		144.9		53.2
Licenses and permits		72.5		**80.3**		7.8		77.6		2.7
Investment earnings		94.2		**70.0**		(24.2)		208.1		(138.1)
Fines and penalties		78.1		**69.5**		(8.6)		67.2		2.3
Developer/ customer contributions – operating		31.4		**31.6**		0.2		37.5		(5.9)
Operating Revenues	**$**	**3,357.5**	**$**	**3,433.9**	**$**	**76.4**	**$**	**3,358.5**	**$**	**75.4**

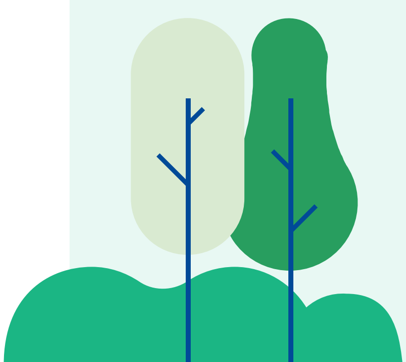
COMPARISON TO BUDGET

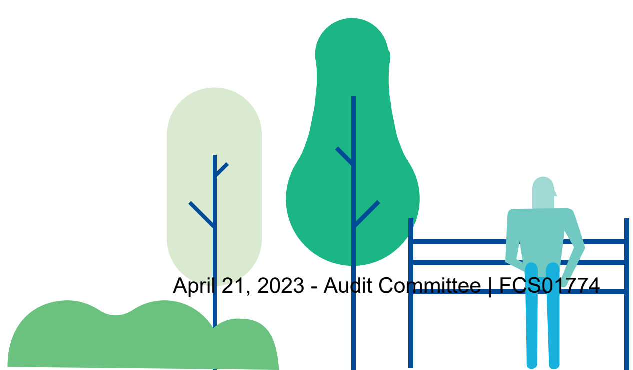
Operating revenues were higher than budget by $76.4 million, or 2.3 per cent of the revenue budget, mainly due to higher than budgeted income from subsidiary operations—EPCOR, and government transfers—operating. These were partially offset by lower than budgeted investment earnings.

Subsidiary operations (EPCOR) net income was greater than budget by $77.9 million primarily due to higher electricity prices and more than expected US services revenue due to higher construction revenue, customer growth, water rates in Arizona and natural gas consumption due to cold weather.

Government transfers – operating were higher than budgeted due to additional government transfers, including the federal Rapid Housing Initiative and funding from the province for affordable housing.

Investment earnings were significantly lower than budget due to global market instability as a result of supply-chain disruptions, the Russian invasion of Ukraine, as well as sharp increases in interest rates, which created a volatile market environment for financial assets.





"OVERALL, OPERATING REVENUES WERE HIGHER WHEN COMPARED TO LAST YEAR BY $75.4 MILLION."

COMPARISON TO PRIOR YEAR

Overall, operating revenues were higher when compared to last year by $75.4 million, due to increases in revenue from user fees and sales, property taxes, operating government transfers and franchise fees. The increases were partially offset by a decrease in investment revenue.

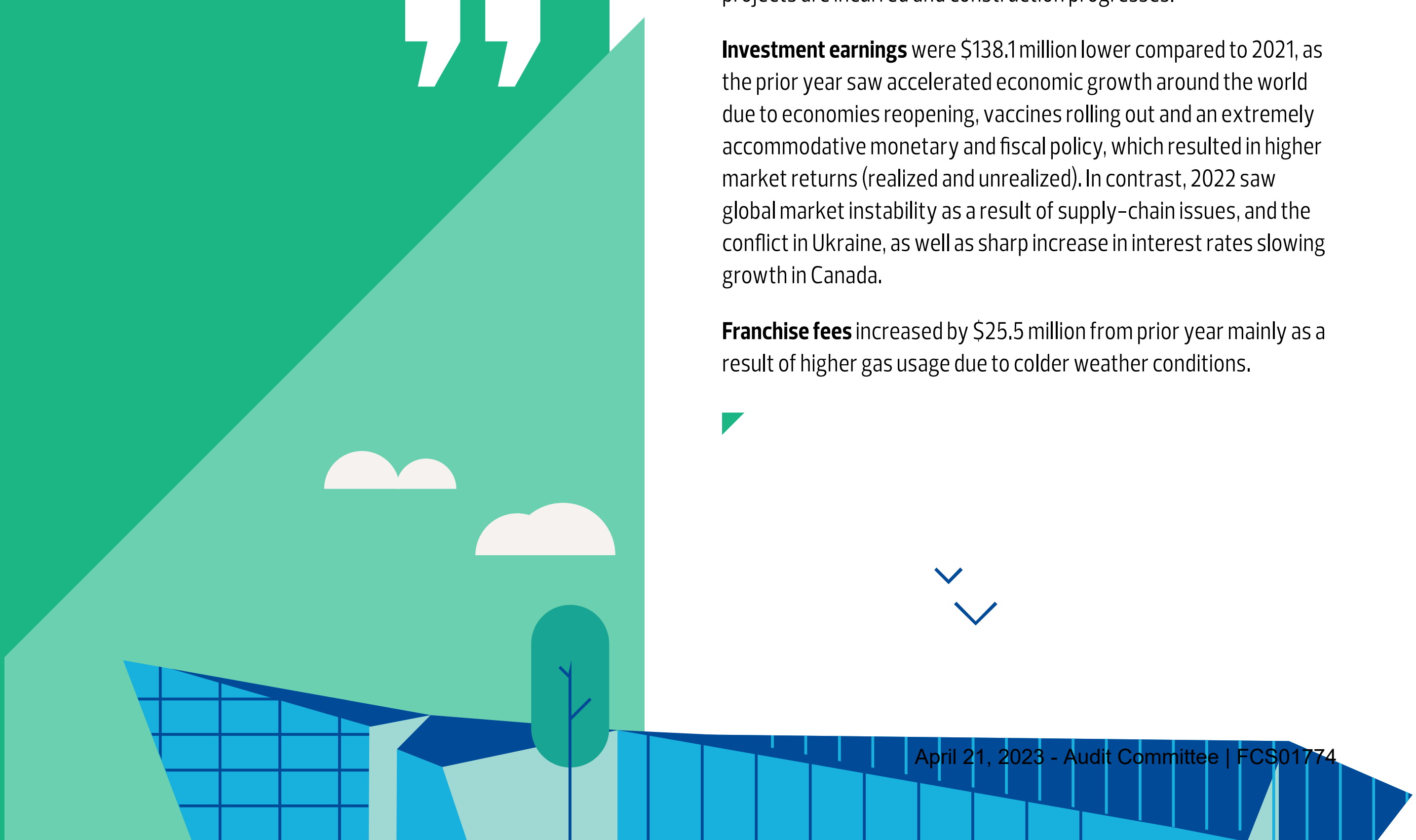
User fees and sales were higher than the previous year due to higher recreation facility and attractions revenue as COVID-19 restrictions were largely eliminated in 2022 allowing for the resumption of normal program and attendance at City run facilities. As well, there was higher conference and convention revenue as conferences and public events resumed after being placed on hold in 2021 due to COVID-19 restrictions. There was also higher transit and parking revenue due to increased transit ridership and parking in the City's downtown core.

Net taxes available for municipal purposes increased by $61.3 million from the prior year mainly due a 1.9 per cent tax increase for 2022 approved by Council, as well as growth in property taxes due to assessment growth.

Government transfers – operating increased by $53.2 million mainly as a result of a one-time injection of $67.0 million provided through the Government of Canada's Transit COVID-19 Funding Support (RESTOR funds). These funds were provided to help offset the financial impacts of the pandemic relating specifically to reduced transit ridership and the associated loss of transit fare revenue. This increase was partially offset by decreases in other operating government transfers in 2022 compared to 2021. In 2021 the City recognized Municipal Stimulus Program funding and Rapid Housing Initiative funding to pay for affordable housing. The recognition of these grants can vary from year-to-year as revenue is recognized as expenses on these housing projects are incurred and construction progresses.

Investment earnings were $138.1 million lower compared to 2021, as the prior year saw accelerated economic growth around the world due to economies reopening, vaccines rolling out and an extremely accommodative monetary and fiscal policy, which resulted in higher market returns (realized and unrealized). In contrast, 2022 saw global market instability as a result of supply-chain issues, and the conflict in Ukraine, as well as sharp increase in interest rates slowing growth in Canada.

Franchise fees increased by $25.5 million from prior year mainly as a result of higher gas usage due to colder weather conditions.



CAPITAL REVENUES

Capital revenues are made up of 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. Capital revenues are recognized in the Statement of Operations to fund the related capital expenditures as they are incurred, and as a result the recognition of capital revenues often varies with timing of expenditures.

Capital Revenues
(millions of $)

	2022 Budget (A)	**2022 Actual (B)**	Variance (B–A)	2021 Actual (C)	Variance (B–C)
Government transfers – capital	$ 850.7	**$ 532.8**	$ (317.9)	$ 413.4	$ 119.4
Contributed tangible capital assets	129.0	**81.6**	(47.4)	95.4	(13.8)
Local improvements	7.2	**12.4**	5.2	11.5	0.9
Developer and customer contributions – capital	115.5	**6.7**	(108.8)	6.8	(0.1)
Capital Revenues	**$ 1,102.4**	**$ 633.5**	**$ (468.9)**	**$ 527.1**	**$ 106.4**

COMPARISON TO BUDGET

Capital revenues of $633.5 million were $468.9 million lower than budget due to less than expected capital government transfers, developer and customer contributions, and contributed tangible capital assets.

Government transfers – capital were lower than budget by $317.9 million due to timing of grant eligible expenditures primarily related to Investing Canada Infrastructure Program (ICIP) related to new LRT projects (NAIT to Blatchford, Century to Heritage Valley, Downtown to Lewis Farms) that are still in design phase or early stages of construction, provincial funding related to Terwillegar Drive Expressway, and federal and provincial grants for the 50th Street Grade Separation project.

Developer and customer contributions were $108.8 million lower than budget largely due to the timing of capital expenditures that are partner or developer funded. More significant variances are related to dry pond land acquisition (funded by EPCOR) and slower than expected progress on capital improvements at the Telus World of Science.

Contributed tangible capital assets were lower than budgeted, as the amount of land and developer contributed assets related to roadway assets varies depending on the neighbourhood development.

COMPARISON TO PRIOR YEAR

Capital revenues were higher than the prior year by $106.4 million due to increases in government transfers – capital; partially offset by lower contributed tangible capital assets.

Government transfers – capital revenues increased due to an overall increase in capital activity in 2022 across numerous capital projects including LRT construction on Valley Line West, Valley Line Southeast and Capital Line South extension, and advancement on the Yellowhead Trail Upgrade project. Revenue is recognized as expenses are incurred on these projects with significant advancement made on these projects during 2022.

Contributed tangible capital assets were $13.8 million lower than prior year due to fewer developer contributed infrastructure assets such as roads, sidewalks and streetlights for new neighbourhoods constructed.

OPERATING EXPENSES

Operating Expenses by Function
(millions of $)

	2022 Budget (A)	**2022 Actual (B)**	Variance (A-B)	2021 Actual (C)	Variance (B-C)
Transportation services	$ 1,008.2	**$ 1,023.1**	$ (14.9)	$ 908.3	$ 114.8
Protective services	803.3	**794.1**	9.2	789.6	4.5
Community services	717.9	**797.3**	(79.4)	623.9	173.4
Waste Services Utility	207.4	**202.4**	5.0	202.8	(0.4)
Land Enterprise	51.6	**28.2**	23.4	23.4	4.8
Blatchford Renewable Energy Utility	2.3	**1.9**	0.4	1.6	0.3
Fleet services	31.1	**41.9**	(10.8)	38.8	3.1
Corporate administration, general municipal and other	592.4	**555.7**	36.7	505.1	50.6
Operating Expenses	**$ 3,414.2**	**$ 3,444.6**	**$ (30.4)**	**$ 3,093.5**	**$ 351.1**

COMPARISON TO BUDGET

Operating expenses of $3,444.6 million were higher than budget by $30.4 million, or 0.9 per cent of the consolidated expenses budget.

Transportation services expenses were higher than budgeted primarily due to higher snow and ice clearing costs in the beginning of the year related to heavier snowfall and additional freezing rain and costs related to the withdrawal from the Edmonton Metro Transit Services Commission.This is partially offset by lower LRT operating costs due to the delay of the Valley Line South East project.

Community service expenses were higher than budgeted due to transfer of land and assets related to permanent supportive housing of approximate value of $70.0 million to Homeward Trust. The City used federal Rapid Housing Initiative funding to construct assets and subsequently transferred them to Homeward Trust at a nominal value. There was also higher amortization compared to budget as several projects were put into service, including Heritage Valley District Park, Hermitage and Rundle park, the repaved Kinsmen Sports Centre parking lot, the Ramsay Ravine Trail, and additional expenses incurred to maintain and support the urban tree canopy. This is partially offset with lower grant and rebate payments to local business and residents, related to application delays in part due to COVID-19, supply chain issues, construction delays and slower uptake than expected.

Fleet Services saw an increase in fuel costs in 2022 compared to budget due to rising fuel costs, partially offset by gains made on fuel hedge contracts.

Corporate administration, general municipal and other expenses were lower than budget due to savings within financial strategies which is used to manage risk and provide flexibility for unknown amounts over the four-year budget cycle. The favourable variance is largely due to less than expected budget required for fuel and utility costs as well as other corporate-wide costs.

Land Enterprise costs were less than budget as a result of lower cost of land sold due to lower land sales in 2022, in part due to lower than expected market demand. The decrease in demand is partially due to higher interest rates.

COMPARISON TO PRIOR YEAR

In 2022 operating expenses increased by $351.1 million over the prior year mainly due to increases in Community Services of $173.4 million, $114.8 million in Transportation services, and $50.6 million in Corporate administration, general municipal and other expenses.

Community services had increased expenses in 2022 mainly due to transfer of land and assets related to permanent supportive housing of approximate value of $70.0 million to Homeward Trust. There were also increased expenditures related to the Rapid Housing Initiative federal grants funds transferred to external organizations and increased grants provided through the City's Affordable Housing Investment Plan (AHIP) for housing needs. Additionally, Community services experienced increases in salary, material and general service costs as recreation facilities and attractions fully re-opened in 2022, compared to 2021 when the facilities were operating under health restrictions (including facility closures) due to enhanced COVID-19 safety measures.

Transportation services expenses increased from the prior year as a result of higher salary, material and contractor costs for snow and ice clearing, due higher snowfall in the first quarter of 2022, as well as higher costs associated with residential blading/cul de sac work as a part of the bare pavement pilot project. There were also higher amortization costs as numerous capital projects were completed including LRT assets, zero emission electric buses and road improvements. Transportation services also experienced higher salary costs to backfill transit operators who were on sick leave due to COVID-19, increased DATS contractor costs due to higher demand, and increased repair work due to increased ridership in 2022.

Corporate administration, general municipal and other costs increased over the prior year mainly due to higher debt servicing costs and increased expenses for financial strategies. Debt servicing costs increased as a result of increased cost for new borrowing.

Operating Expenses by Object
(millions of $)

		2022 Actual (A)		2021 Actual (B)		Variance (A-B)
Salaries, wages and benefits	$	**1,669.5**	$	1,590.9	$	78.6
Materials, goods and utilities		**375.5**		292.6		82.9
Contracted and general services		**342.5**		302.6		39.9
Interest and bank charges		**132.0**		116.7		15.3
Grants and other		**159.3**		158.8		0.5
Amortization of tangible capital assets		**652.5**		620.3		32.2
Loss on disposal, impairment and transfer of tangible capital assets		**113.3**		11.6		101.7
Operating Expenses	**$**	**3,444.6**	**$**	**3,093.5**	**$**	**351.1**

The operating expense increase of $351.1 million compared to prior year was largely due to higher loss on tangible capital asset transfers, and increased costs in salaries and wages, materials goods and utilities, contracted and general services and amortization.

Loss on disposal, impairment and transfer of tangible capital assets increased by $101.7 million from the prior year mainly due to transfer of land and assets related to permanent supportive housing of approximate value of $70.0 million to Homeward Trust. The City used federal Rapid Housing Initiative funding to construct assets and subsequently transferred them to Homeward Trust at a nominal cost. Additional losses were due to higher levels of roadway asset retirements due to increase in neighborhood and arterial road construction.

Materials, goods and utilities increased by $82.9 million due to higher materials costs incurred for snow and ice clearing as a result of higher snowfall in the first quarter of 2022 and increased residential blading/cul de sac work as a part of the bare pavement pilot project. Fuel costs were also higher than prior year due to increased fuel prices. Generally, the City experienced higher materials usage due to the lifting of COVID-19 restrictions and the resumption of normal operations and programs.

Salaries, wages and benefits increased by $78.6 million due the elimination of nearly all COVID-19 restrictions in 2022 allowing for the resumption of City programs, and the associated return of full time staffing levels in the current year. Additional wages were incurred for snow and ice clearing as a result of higher snowfall in the first quarter of 2022 and increased residential blading/cul de sac work as a part of the bare pavement pilot project. Increased costs are partly offset by personnel savings as a result of continued vacancy management in order to manage corporate-wide expenditures.

Contracted and general services were higher than the previous year due additional services required for the snow and ice control program, as well higher contract costs due to the ending of COVID-19 restrictions allowing for the re-opening and resumption of City run facilities and programs.

Amortization of tangible capital assets increased as expected in 2022 as a result of additional assets put into services in 2022, including LRT assets, zero emission electric buses and numerous neighborhood renewal projects.

Interest and bank charges increased due additional debt incurred in 2022 to finance various capital projects, including the Valley Line and Metro Line LRT construction and Yellowhead Trail Freeway Conversion.

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 29 to the financial statements.

FINANCIAL CONTROL AND ACCOUNTABILITY

The City maintains the following processes to ensure that appropriate financial control and accountability are maintained and a proactive approach is taken to identify and address financial challenges.

FISCAL POLICIES

The City's financial governance policies and practices ensure Edmonton's continued sound fiscal management and long-term financial sustainability. These policies and practices are continuously assessed using leading practice and research on several policy and strategy topics. The City has drafted discussion papers 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. Some of the more significant policies are discussed below.

City Policy, C217E, Reserve and Equity Accounts. This policy outlines the governance, accountability, administration, monitoring and reporting of all City reserves and equity accounts. The City has policies in place for various reserves, including the Financial Stabilization Reserve, Traffic Safety and Automated Enforcement Reserve, Edmonton Police Services Reserve and Planning and Development Reserve, that ensure sufficient funds are in place to satisfy the financial needs of the operations being supported by the reserve.

City Policy, C624, Fiscal Policy For Revenue Generation. The City of Edmonton provides various services and infrastructure for the community. Some provide broad benefits to the community at large. Others provide greater or more direct benefits to consumers of a service, or to certain stakeholders or properties. The City recognizes that service and infrastructure costs must be shared in some way amongst the tax base and benefiting parties, and equitably distributes these costs according to the accrual of benefits throughout the community. The purpose of this policy is to provide a clear and consistent governing framework for allocating service and infrastructure costs throughout the community, and to guide fiscal decisions on the fundamental question of "who pays for what, in what amount, and why?"

City Policy, C451H, Edmonton Transit Service Fare Policy. This policy gives direction for setting public transit fares based on considerations of equity, fairness and affordability and encouraging mode shift to public transit. The City will balance the individual or private benefits derived from the use of public transit with the public benefits of an effective public transportation system; this will be accomplished by means of fares recovered from customers.

City Policy, C212E, Investment. This policy establishes a set of investment objectives and beliefs giving consideration to the type of fund, its characteristics, investment return considerations, financial obligations, the objective of preservation of capital, liquidity, a prudent level of risk given the investment time horizon, while ensuring that the City of Edmonton's investments comply with statutory requirements.

City Policy, C604A, Edmonton Police Services (EPS) Funding Formula. The EPS Funding Formula was created to provide a predictable level of funding for each year within the four-year budget cycle. The goal of the funding formula was to provide funding certainty to allow for long-term budgeting and workforce planning. At the July 6, 2020 City Council meeting, Council requested that Administration suspend the Edmonton Police Service Funding Formula Policy C604. At the October 7, 2022 City Council meeting, Council approved the revised Edmonton Police Service Funding Formula Policy C604A for the 2023 fiscal year only, with a revised funding formula to be brought back for consideration during 2023.

City Policy, C610, Fiscal Policy for the Planning and Development Business. This policy formalized the fiscal management and operating principles of the City's planning and development operations to ensure long term fiscal sustainability and service stability while enabling growth within the City of Edmonton. The policy clarified the purpose of the Planning and Development Reserve, which is to be used to stabilize the planning and development business across extended periods of time.

The City's Land Governance Model helps ensure land management decisions are made from an integrated perspective that includes input from across the corporation. This model also provides for ongoing monitoring of City land holdings to ensure they are used appropriately to meet the City's needs. The model defines the process and funding related to strategic land acquisitions for future municipal purposes, specifically restricting the use of land enterprise retained earnings to fund strategic land acquisitions for municipal purposes on an interim basis.

City Policy C203D, Debt Management Fiscal Policy. This policy provides guidelines for prudent debt management and ensures that debt is used responsibly to advance key infrastructure projects.

City Council's Waste Management Utility Fiscal Policy, C558B governs the financial relationship between the City and the municipally owned and operated utility. This policy requires the utility to operate in a manner that balances the best service at the lowest cost while employing private sector approaches to rate setting. The utility is required to charge rates that are sufficient to meet expenditures and cash flow requirements, repay capital debt and ensure financial sustainability.

City Policy C578, Multi-year Budgeting Policy. This policy enshrines the use of a four-year budget cycle for budgeting for operating and capital programs, unless otherwise directed by Council, with the end of the term of this four-year budget to be coincidental with the calendar year-end of the year after the year in which a new Council is elected. The purpose of this policy is to establish guidelines and the approach for the planning and approval of multi-year budgets to ensure greater certainty for future expenditures and revenue increases, and the related impact on future tax increases.

City Policy C597A, The Blatchford District Energy Utility Fiscal Policy. This policy is for the Blatchford Renewable Energy Utility and provides the overarching framework that outlines the financial parameters that will guide the long term financial sustainability of the utility. Bylaw 17943, which established the Blatchford Renewable Energy Utility, outlines requirements for properties receiving energy service through the utility and the relevant rates, fees and charges.

REGULATORY

EPCOR water and wastewater treatment rates were approved by City Council in 2016 through the related Performance Based Regulation (PBR) Plans which set these rates for the period April 1, 2017 to March 31, 2022. The Drainage Utility was transferred to EPCOR in 2017 at which time the utility's rates for the period January 1, 2018 to March 31, 2022 were approved through the related PBR Plan. In 2021, City Council approved PBR plans to set rates for drainage services and wastewater treatment for the three year period April 1, 2022 to March 31, 2025, and rates for water services for the five year period April 1, 2022 to March 31, 2027. The PBR framework and annual PBR progress reports allow City Council to have oversight and governance over water, wastewater treatment and drainage rates over a longer term and provides incentives to ensure that EPCOR operates more efficiently while providing appropriate service levels.

"THE CITY'S FINANCIAL GOVERNANCE POLICIES AND PRACTICES ENSURE EDMONTON'S CONTINUED SOUND FISCAL MANAGEMENT AND LONG-TERM FINANCIAL SUSTAINABILITY."

STRATEGIC PLANNING

The Strategic Planning Framework is composed of six interconnected plans and processes that direct the growth and evolution of Edmonton. Broadly, the framework answers three main questions: Where are we now? Where are we going? How will we get there?

CONNECTEDMONTON AND THE CITY PLAN

The City's long-term goals are outlined in two documents: **ConnectEdmonton** sets the direction for the future and identifies where changes are required. ConnectEdmonton is based on an aspirational vision for Edmonton in 2050 and focuses on four strategic goals for 2019-2028 that require transformational change: Healthy City, Urban Places, Regional Prosperity and Climate Resilience.

The City Plan combines a Municipal Development Plan and Transportation Master Plan and includes direction for environmental planning, social planning and economic development to prepare for a city of two million Edmontonians.

THE CORPORATE BUSINESS PLAN AND BUDGETS

The Corporate Business Plan outlines the actions the City will take during a four-year planning and budget cycle. It presents an integrated overview of the City's improvement initiatives and capital infrastructure projects across three corporate objectives that focus on transforming the community for the future, serving Edmontonians and managing the corporation.

The capital and operating budgets are essential tools in allocating resources to achieve the City's goals and objectives and are approved by City Council. The budgets are prepared by Administration every four years and updated twice annually.

ENTERPRISE PERFORMANCE AND ENTERPRISE RISK MANAGEMENT

Enterprise Performance Management (EPM) is an approach that helps the City manage its work and continuously improve performance to achieve the results that Edmontonians care about. When Council approved the Enterprise Performance Policy on May 8, 2018, it set the foundation for managing performance for the City.

Enterprise Risk Management (ERM) is about the City's assurance and plan to achieve its objectives by preparing for uncertainty and obstacles by seizing emerging opportunities. ERM helps the City understand uncertainty and envision new ways to view the world. It focuses on the shift to opportunities, helping the City stay ahead based on insights about uncertainty and how to manage it to the City's advantage

“THE STRATEGIC PLANNING FRAMEWORK IS COMPOSED OF SIX INTERCONNECTED PLANS AND PROCESSES THAT DIRECT THE GROWTH AND EVOLUTION OF EDMONTON.”

SERVICE REVIEW AND IMPROVEMENT (SRI)

The City is committed to continual improvement and has implemented several initiatives to drive service excellence and financial stewardship through self-assessment. The Program and Service Review (PSR) project was the first initiative which was completed in the summer of 2021. Between 2017 and 2021 the projects identified approximately $30.0 million of net savings (cost avoidance and reduction) from over 180 recommendations. The realized savings were reallocated or identified as harvestable and incorporated into the supplemental operating budget deliberations. Building on the success of PSR, the City's new Service Review and Improvement (SRI) program aims to ensure that the services we deliver to Edmontonians are increasingly community-focused, efficient, open, progressive and collaborative. SRI projects gather insights from extensive internal analysis, diverse customer and stakeholder engagements, municipal and private sector environmental scans and integrates these together to deliver an evidence-based set of actionable recommendations to advance the service and customer experience for Edmontonians.

BUDGETING

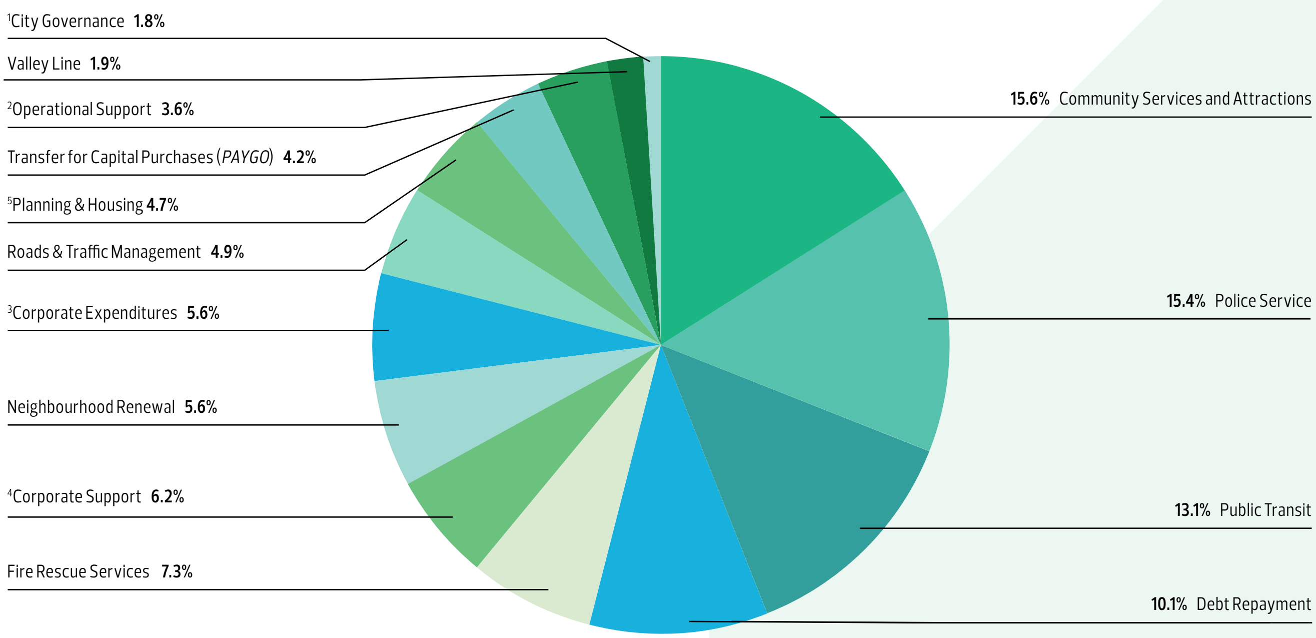
Guided by Edmonton's strategic plan, the 2019-2022 Operating and Capital Budgets assist Council in making strategic decisions about how to allocate City resources. This multi-year approach, governed by City Policy C578 – Multi-year Budgeting Policy, allows the City to align strategic plans, business 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 Council's election terms, providing the foundation for more informed and strategic financial decision making.

Funding can be reallocated across different years of the budget and needs can be assessed over a longer term to allow for more prudent and informed financial decision making, while building stable program and service delivery and infrastructure development.

The multi-year process includes opportunities to adjust the budget twice a year through the supplemental budget adjustment process approved by City Council. During the supplemental budget adjustment process, Council can adjust the capital and operating budgets in response to changing project needs, new funding opportunities, changes in federal and provincial budgets, changes imposed by legislation, Council directed changes in priorities, operating impacts of capital projects, unforeseen impacts to economic forecasts and emerging issues. On December 14, 2018, City Council approved the original 2019-2022 Operating and Capital budgets. In December 2021, City Council made amendments to the approved 2022 operating budget.

The operating budget identifies how resources for the day-to-day costs required to run the city are allocated for services such as maintaining roads and public transit, police, bylaws and fire rescue services, as well as parks and waste services. The approved budget resulted in a 1.9 per cent general property tax increase in 2022. The 1.9 per cent increase includes a 1.4 per cent increase for all civic operations, a 0.1 per cent increase for Valley Line LRT, a 0.3 per cent increase for Alley Renewal and a 0.06 per cent increase for the Edmonton Police Service. The chart below shows the City's total tax supported expenditure budget that is spent on each major expense category:

2022 Budget by Major Expense Category



[1] A City Governance includes Offices of the City Auditor, City Manager, City Clerk & Mayor & Council.
[2] Operational Support includes Integrated Infrastructure Services, Fleet & Facility Services and Real Estate Services.

[3] Corporate Expenditures includes Automated Enforcement, Capital Project Financing and corporate-wide expenditures.

[4] Corporate Support includes Communications & Engagement, Legal Services, Employee Services and Financial & Corporate Services (excluding Real Estate Services).

[5] Planning & Housing includes Development Services, Planning & Environment Services and Affordable Housing & Homelessness.

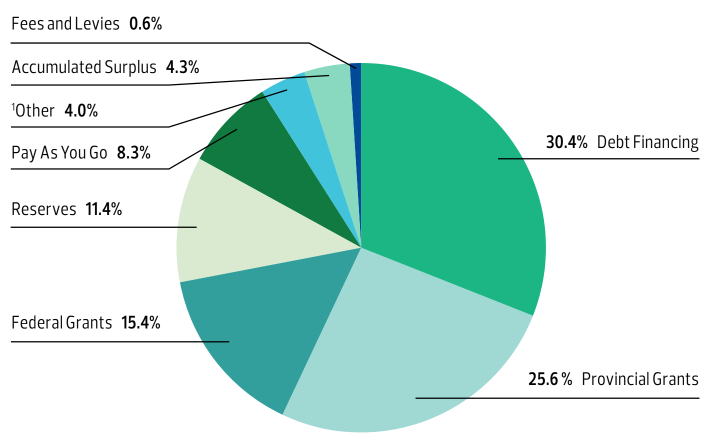
"GUIDED BY EDMONTON'S STRATEGIC PLAN, OPERATING AND CAPITAL BUDGETS ASSIST COUNCIL IN MAKING STRATEGIC DECISIONS ABOUT HOW TO ALLOCATE CITY RESOURCES."

The Bylaw to establish the 2023 municipal tax for all property types will be set by City Council in May 2023. Changes to the operating budget that will impact the tax levy may be completed prior to the taxation bylaw approval.

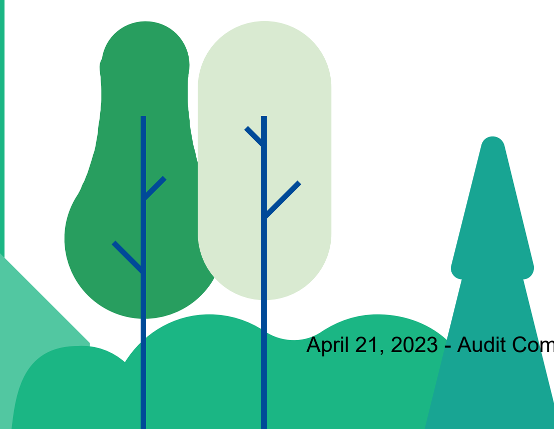
The capital budget strikes a balance between investments in infrastructure growth and the requirement to maintain and renew existing City assets. It determines the investment in Edmonton's hard infrastructure, including the construction of buildings such as recreation centers and libraries, and transportation assets including LRT lines and bridges. The foundation of the 2019-2022 Capital Budget is the 2019-2028 Capital Investment Outlook, a high level overview of the City's capital investment requirements over the next ten years that supports the strategic direction of Council.

The four-year capital budget saw investments of $7.4 billion on infrastructure based on the approved capital budget. Capital requirements directly related to EPCOR are not included in the capital budget. The funding and financing sources are as follows:

2019–2022 Capital Budget – Funding Sources



[1] Other includes partnership funding, Waste Services retained earnings, Edmonton Police Service Pay-As-You-Go and Edmonton Public Library Pay-As-You-Go.



ACCOUNTING AND FINANCIAL REPORTING

The City of Edmonton is organized into various business areas that are responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City currently uses 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 to improve the quality and timeliness of financial reporting and increase accounting oversight and transactional consistency to support better financial decision-making.

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

Administration reviews operating financial update reports on a monthly basis for areas that report to the City Manager. This process includes comparing year-to-date and year-end projected results relative to corresponding budgets and reporting on significant City reserves. City Council reviews operating and capital reporting for second, third and fourth quarters.

Capital reporting includes reporting on major projects in comparison to originally approved budgets and timelines, as well as forecast updates on debt for capital project funding. Both operating and capital performance reports include an economic update and are reviewed by Administration and provided to City Council along with recommendations to address opportunities and challenges, as necessary. The financial reports are key in guiding budget strategies.

The operating budget is also presented in a format consistent with audited annual financial statements that are amended for adjustments required to adhere to PSAS. The objective is to provide City Council and other users of the financial statements and budget documents with an improved understanding of the budget approved by City Council compared to the actual results reported in the audited financial statements.

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

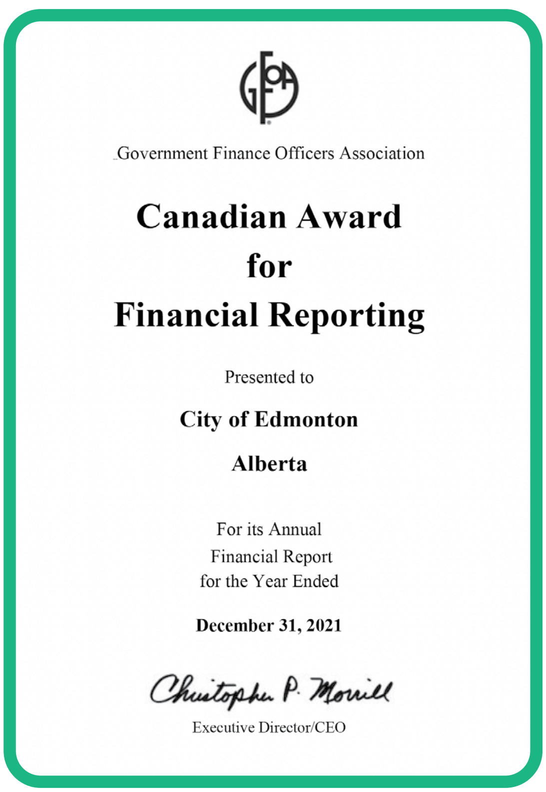
Award programs in the financial sector continue to recognize the City of Edmonton for a high standard of achievement.

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Canadian Award for Financial Reporting to the City of Edmonton for its annual financial report for the fiscal year-ended December 31, 2021. The Canadian Award for Financial Reporting program was established to encourage Canadian municipal governments to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports. To receive a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report that conforms 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 and, in 2021, Edmonton received this award for the 29th consecutive year.

The GFOA established the Popular Annual Financial Reporting Awards Program to recognize local governments that produce 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 2020 Financial Report to Citizens for the seventh consecutive year and expects results on the 2020 Financial Report to Citizens later in 2022.

The City also received the GFOA award for Distinguished Budget Presentation for the 2019-2022 fiscal years beginning January 1, 2019 and ending December 31, 2022. To be eligible for this award, a governmental unit must publish a budget document of the highestquality that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

THE CITY OF EDMONTON RECEIVED THE CANADIAN AWARD FOR FINANCIAL REPORTING FOR ITS DECEMBER 31, 2021 ANNUAL FINANCIAL REPORT FROM THE GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA.


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, 2021

Christopher P. Morrill

Executive Director/CEO

AUDITING PROCESS

The MGA requires municipal councils to appoint an independent auditor. In 2020, 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. KPMG also audits the City's Municipal Financial Information Return and each pension and benefit plan administered by the City. Certain government transfer programs also require external audits.

The City's Audit Committee serves as a Committee of Council to assist in fulfilling its oversight responsibilities. Audit Committee provides 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 City's financial 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 – 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 – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

LONG-TERM SUSTAINABILITY

The City is committed to an integrated approach to risk management and establishing effective relationships with other orders of governments, which are a critical component of the City's long term sustainability.

City Council approved an Enterprise Risk Management Policy in March 2016 to ensure that enterprise risks and opportunities 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 progresses toward becoming a risk-mature organization.

A refreshed and improved Enterprise Risk Management Framework was launched in 2021 to advance the organization's understanding and reporting of risks in a rapidly changing environment. Consistent with the Policy requirements, risks are updated annually. The City's top risks to achieving the City's strategic goals currently are focused on economic prosperity and financial constraints, challenging political landscapes and employee retention, satisfaction and health.

The City continually monitors global, national, and local political, economic, social, and technological developments and trends to plan for future risks and opportunities. These risks are considered and factored into the risk register, business plans and operating and capital budgets to ensure the City is able to provide services and infrastructure to its growing population in a sustainable manner.

ECONOMIC RISKS

Edmonton's economy continued to recover from the COVID-19 pandemic's impacts in 2022. Real gross domestic product is estimated to have grown 5.3 per cent in 2022 and surpassed pre-pandemic levels. Pandemic-related factors like supply chain disruptions and energy market imbalances continued to impact economies in 2022. The persistence of these issues and the Russian invasion of Ukraine drove consumer inflation higher through the first half of 2022 and triggered a policy response from the Bank of Canada, lifting their policy interest rate from 0.25 per cent to 4.25 per cent by year end. This has helped calm inflationary pressures but raised borrowing costs for households and businesses. This represents a downside risk to the City of Edmonton's economic outlook for 2023 should inflationary pressures take longer to dissipate and households and businesses are forced to make additional trade-offs in their spending.

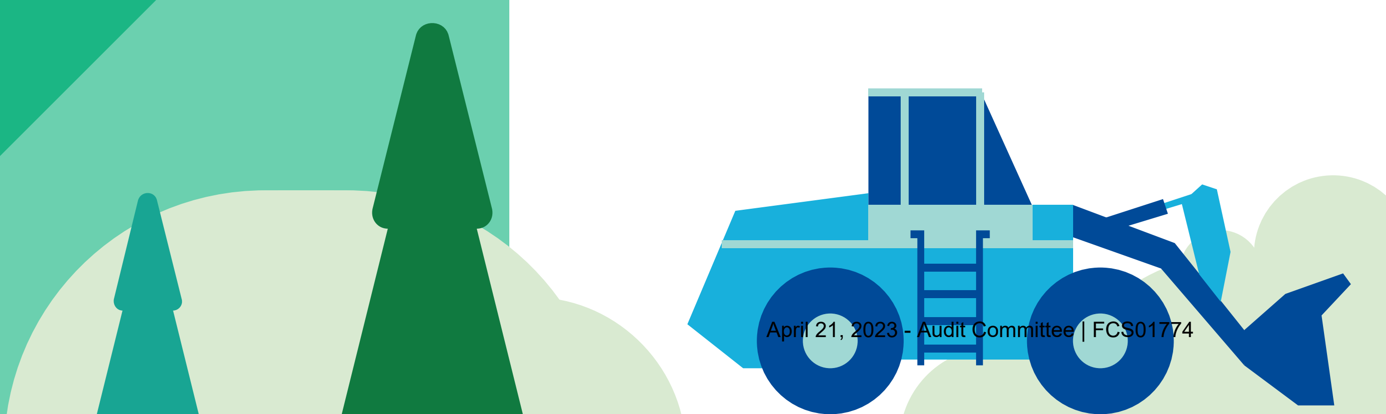
Despite risks on the horizon, the progress made in 2021 and 2022 has put Edmonton's economy on more solid footing for 2023; real gross domestic product is expected to grow two per cent in 2023. After growing 2.9 per cent in 2022, Edmonton's population is expected to see growth of 2.4 per cent in 2023. This growth will add support to demand, including for housing and City-provided services, and could be pushed higher if commodity demand and a stronger than anticipated Alberta economy draw more people to the region. The City of Edmonton will continue to monitor economic developments in order to balance Edmonton's economic realities with the City's need to provide quality services and infrastructure to all Edmontonians.

"ENTERPRISE PERFORMANCE MANAGEMENT IS AN APPROACH THAT HELPS THE CITY MANAGE ITS WORK AND CONTINUOUSLY IMPROVE PERFORMANCE TO ACHIEVE THE RESULTS THAT EDMONTONIANS CARE ABOUT."

“THE CITY WORKED TO KEEP PROPERTY TAXES MANAGEABLE IN 2022 BY OFFSETTING INCREASED COSTS THROUGH ONE-TIME STRATEGIES, WHICH HELPED TO KEEP THE TAX INCREASE AT 1.9 PER CENT.”

The pandemic and other world events continued to drive economic instability and inflation. In 2022, the City faced increased costs to run services and to deliver numerous in-progress and pre-approved construction projects. The City also continued to manage reduced revenues from transit, recreation centres and other services, which were still gradually returning closer to pre-pandemic levels. Edmontonians were also faced with increasing costs. The City worked to keep property taxes manageable in 2022 by offsetting increased costs through one-time strategies, which helped to keep the tax increase at 1.9 per cent. The City expects that economic instability will continue in the 2023-2026 budget cycle, and will continue to carefully manage finances to keep the City in a strong financial position. The City will also continue to work hard to balance delivering excellent services and construction projects with keeping property taxes manageable for Edmontonians.

The 2023-2026 Capital and Operating Budgets, and 2023-2032 Capital and Operating Investment Outlooks outline the City's capital and operating spending, taking into consideration these economic challenges. The long-term sustainability of City infrastructure is impacted by the City's capital renewal plan. The concept of 'renewal' refers to investment in existing infrastructure to restore it to an efficient operational condition and extend its service life. Investing in renewal at key points throughout the life of an asset maintains its condition at a higher level while extending the life of the asset. Investment in renewal reduces the long-term requirement for capital funding while maintaining a suitable level of service for residents.



ASSET CONDITION

The City has built up its infrastructure significantly in recent years alongside population growth in Edmonton. This has created a much larger inventory of infrastructure that the City will be challenged to maintain. The City's current inventory includes over 13.1 million individual assets like parks, bridges, paths, roads, buildings and LRT lines. For the 2022 reporting period, 51.5 per cent of City assets are in very good/good condition, 38.3 per cent are in fair condition, and 10.2 per cent are in poor or very poor condition. The City of Edmonton measures performance on asset condition by the percentage of assets in poor and very poor condition. The current value of 10.2 per cent represents a net increase of 1.0 per cent over 2021, however a net overall decrease of 7.5 per cent since 2011 where the percentage of assets in poor and very poor condition was 17.7 per cent. The City uses a customized prioritization methodology—the Risk-based Infrastructure Management System (RIMS)—which was developed by the City in 2011. Over the last decade, RIMS has evolved into a dynamic analytical tool designed to predict the optimal funding for the renewal of existing infrastructure. The City will continue to leverage RIMS to support strategic spending on renewal.

INTERGOVERNMENTAL

The City of Edmonton has focused on partnerships with the federal and provincial governments to address shared priorities of economic recovery and strong, resilient communities. The City remains committed to collaborating with other orders of government to ensure a safe, healthy, and prosperous community for residents.

While progress has been made on addressing priorities such as homelessness, climate action, reconciliation and building a more inclusive economy, further federal and provincial partnership and funding support will be critical in positioning the City to overcome the impacts of the recent pandemic and put Edmonton firmly on the path to full economic recovery and sustainable growth. As a service hub for the capital region, Northern Alberta and the Territories, the City of Edmonton continues to rely on funding from other orders of government in addressing complex public policy issues facing the City and the region, which also have profound impact on the City's future fiscal reality.

While the role of municipalities has evolved significantly over the last few decades, the fiscal and legislative framework in which municipalities operate does not fully reflect the modern role of communities and cities in Canada.There is an opportunity to modernize municipal finances and authorities over the long term through new fiscal arrangements and stronger partnerships with other orders of government. City governments across the country are continuing to advocate for fiscal reforms to reflect the 21st century role of local governments in Canadians' daily lives and the economy.

“THE CITY OF EDMONTON HAS FOCUSED ON PARTNERSHIPS WITH THE FEDERAL AND PROVINCIAL GOVERNMENTS TO ADDRESS SHARED PRIORITIES OF ECONOMIC RECOVERY AND STRONG, RESILIENT COMMUNITIES.”

MANAGING OTHER RISKS

The City also manages risk to help ensure its long-term sustainability and achievement of Council's strategic goals and outcomes through various other strategies, including but not limited to the following:

+ Environmental risks are monitored through internal City practices and policies, which aid in the effective management of environmental risks and responsibilities. City Council approved Edmonton's Environmental Management System Policy C505 as well as an Environmental Policy C512. The policies ensure commitment to sound environmental management practices, and stewardship in all aspects of its corporate activities. Standard environmental management system practices across the City will address environmental regulatory compliance, pollution prevention and continual improvement.

+ The corporate Property and Casualty Risk Management area provides risk management advice, claims adjusting, purchase of insurance and risk control inspections.

+ Ongoing proactive analysis of the physical, contractual and insurance risks associated with capital projects or major initiatives and establishment of appropriate measures to identify and control project risk. The intention of City Policy C591, Capital Project Governance Policy, is to ensure that an appropriate level of development is completed on projects prior to them moving onto the delivery phase. This risk management process helps to ensure that key projects are completed safely, on time, on budget, on quality and in scope.

+ Hedges are purchased for future fuel purchases 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 capital purchases.

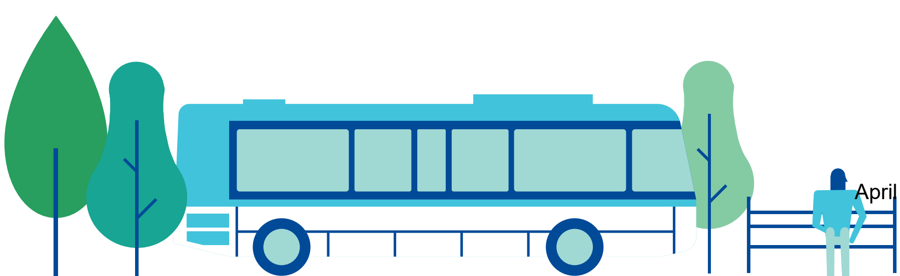
+ The City borrows through the Government of Alberta's department of Treasury Board and Finance. The interest rates for borrowing reflect the market cost of borrowing for local authorities, and are set for the term of the borrowing, therefore reducing risk associated with interest rate fluctuations.

+ The City has a Financial Stabilization Reserve that 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 2021, 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 next review will take place in 2024.

+ The City's Debt Management Fiscal Policy, C203D, provides for prudent management of debt and ensures debt is used responsibly without burdening the financial health and long-term sustainability of the City. Administration continues to monitor the use of debt and provide debt forecasts as part of ongoing reporting to City Council.

+ The City continues to leverage data analytics in order to discover and communicate meaningful patterns in data, which help to predict and improve business and financial performance, recommend strategies and guide financial decision-making.

“THE CITY MANAGES RISK TO HELP ENSURE ITS LONG-TERM SUSTAINABILITY AND ACHIEVEMENT OF COUNCIL'S STRATEGIC GOALS.”



CONCLUSION

Throughout 2022, the City of Edmonton has maintained its financial health and the City's economic performance remains one of the best in the province.

In 2022, Standard & Poor's held the City to a credit rating of AA with a stable outlook. The stable outlook reflects their opinion that Edmonton will maintain sound financial results over the next two years. Edmonton has performed well financially during the pandemic with support from senior levels of government. However, continued reliance on debt in Edmonton's capital program will lead to a rising tax-supported debt burden, potentially putting pressure on the City's credit rating.

Recent economic uncertainty has reinforced the need to maintain flexibility and to monitor both the economy and the City's financial condition in order to be able to react and adapt to economic impacts. The City will continue to be challenged to manage emerging competing financial needs as the major centre for the region, and to maintain existing services while addressing service and infrastructure needs associated with the growth. The approved 2023-2026 Capital and Operating budgets and business plans have helped the City position itself well for the future.

Robust financial policies, strategies, guiding principles and a healthy financial position ensure the continued sound fiscal management and long-term financial sustainability for the City of Edmonton.

Stacey Padbury, CPA, CA
Deputy City Manager and Chief Financial Officer
Financial and Corporate Services