

EQUITY ACCOUNTS

The following provides a summary of the City's equity accounts, with balances provided from 2021 to 2023, and forecasts from 2024-2026 provided for the City's utility and enterprise operations.

General Government Operations

| | Actuals | | |
|--------------------------------|----------|--------|--------|
| Year | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | \$(40.6) | \$81.6 | \$52.3 |

The balance represents the excess or deficiency of operating revenues over operating expenses for general government (tax-supported) operations for the year. In the first quarter of the subsequent year, any surplus is transferred to the Financial Stabilization Reserve (FSR), and a deficit is offset by a transfer from the FSR, in accordance with City Policy C629 Financial Stabilization Reserve.

The net balance as of December 31, 2023 was \$40.6 million as a result of the 2023 tax-supported net deficit position. The 2023 tax-supported deficit was transferred from the Financial Stabilization Reserve in the first quarter of 2024.

Ed Tel Endowment Fund

| | Actuals | | |
|--------------------------------|---------|---------|---------|
| Year | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | \$877.1 | \$867.4 | \$892.0 |

In 1995, the City sold the municipally owned telephone company, Edmonton Telephones, to the TELUS Corporation for \$465 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 by investing those assets. The objective of the fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by the Ed Tel Endowment Fund Bylaw 11713. A review

was completed in 2008 and City Council approved the revised Ed Tel Endowment Fund Bylaw 11713, as amended by Bylaws 13428, 14709, and 14922. The fund is further managed through City policy *C212E Investment Policy* that was updated and approved by City Council on June 24, 2019.

Since 1995, the Ed Tel Endowment Fund has provided the City with an innovative municipal revenue stream in the form of a stable, sustainable and growing dividend, reflecting a positive financial legacy for future generations.

Since its inception, the Ed Tel Endowment Fund has:

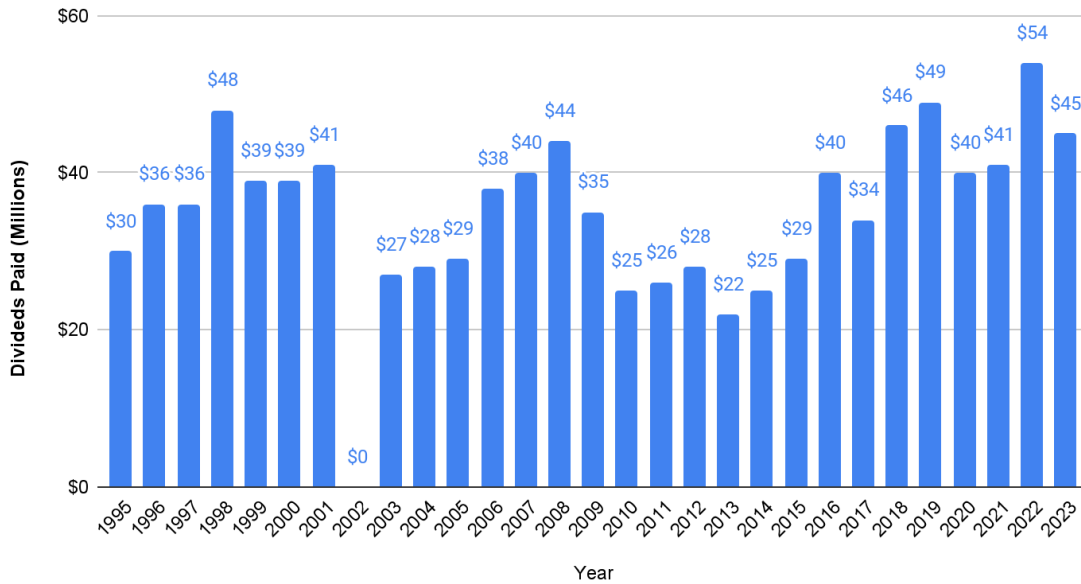
- Earned a compound annual rate of return of 8.1 per cent versus the benchmark return of 7.1 per cent.
- Grown its original principal from \$465 million to a market value of \$936.5 million as at December 31, 2023 (book value \$877.1 million), and
- Paid over \$1 billion in dividends to the City. In 2023, the fund contributed \$44.7 million in dividends to the City.

The investment earnings realized from the City's various funds, including the Ed Tel Endowment Fund, are contributed back to the City and used to fund the City's capital program. In accordance with Administration's budget strategy, fluctuating revenue streams such as investment earnings are directed to fund capital in order to alleviate the impact of investment earnings volatility on the City's operating budget.

A report on the City's investment funds is provided annually to Executive Committee including: fund status, market value, asset mix, investment performance, proxy voting, confirmation of policy and statutory compliance, and details on the past year's accomplishments and the next year's planned activities. The 2023 Investment Committee Annual Report was received for information at the May 3, 2024, meeting of Executive Committee.

On June 30, 2024, the Ed Tel Endowment fund's market value was \$1,017.4 million, 12.8 percent above the inflation-adjusted principal.

Ed Tel Endowment Fund Annual Dividend Payments



Pension and Benefits

| | Actuals | | |
|-----------------------------|---------|--------|--------|
| Year | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | \$39.2 | \$37.0 | \$37.0 |

This balance represents the City's surplus accounting position in City administered pension plans, mainly the Fire Fighters' Supplementary Pension Plan, and City sponsored major medical, dental and other employee benefit plans. The balance reported as of December 31, 2023 was \$39.2 million, with \$29.6 million mainly attributable to the Fire Fighters' Supplementary Pension Plan and \$9.6 million related to City sponsored employee benefit plans. The assets represent a benefit that will be drawn down over future years by plan participants. The City engages an actuarial firm to conduct actuarial reviews of all City administered pension plans. A full actuarial valuation is conducted every three years for the Fire Fighters' Supplementary Pension Plan and annually for all other pension plans. Financial statements are prepared annually for City administered pension plans and City sponsored employee benefit plans and distributed internally. The Fire Fighters' Supplementary Pension Plan is also provided to the Fire Fighters' Pension Committee and the Alberta Superintendent of Pensions.

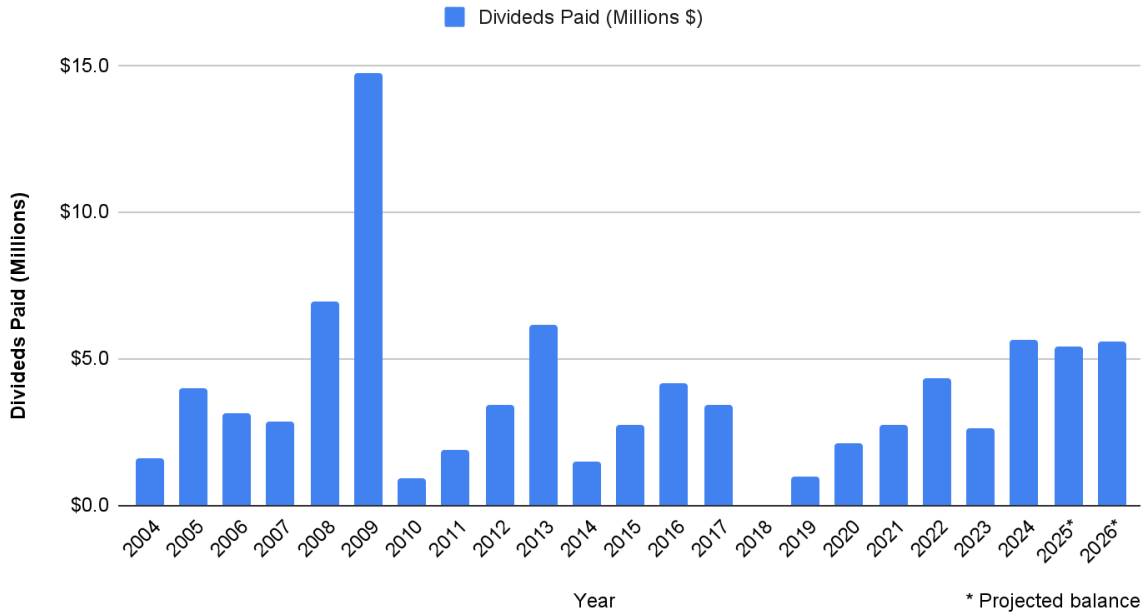
Land Enterprise

| | Projected | | | Actual | | |
|--------------------------------|-----------|---------|---------|---------|---------|---------|
| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | \$178.9 | \$160.5 | \$140.7 | \$140.2 | \$110.5 | \$107.0 |

City Council approved City Policy C511A - Land Development Policy on April 25, 2023. City Policy C511 - Land Development Policy, provides direction on the operations and finances of the City's Land Enterprise Program. The policy supports the program as a self-sustaining enterprise while also outlining the city-building objectives that should be considered for land development activities carried out under the Land Enterprise Program. The City's land development activities are to be financially self-sustaining and provide an alternate revenue stream to the City through annual dividend payments.

Land Enterprise develops and sells two different types of land from its inventory: Land that was acquired primarily for revenue generation and land originally acquired for municipal use but determined as surplus to the City's needs. Administration actively develops those lands in developing and redeveloping areas across residential, mixed-use, commercial and industrial land uses. The program's operating and capital budgets are entirely self-funded through Land Enterprise Retained Earnings (also known as the 'Land Fund Retained Earnings' or LERE), a constrained funding source that accumulates revenue and deficits from the Program's operation; no tax levy funding or borrowing is required.

Land Enterprises Annual Dividends Payments



The Land Enterprise equity balance at December 31, 2023, was \$140.2 million and is related to enterprise land development, Blatchford Redevelopment, and municipal use activities. The equity balance is expected to grow to \$178.9 million by the end of 2026 due to increased land sales from Blatchford Redevelopment and other land development enterprise activities.

Waste Services

| | Projected | | | Actual | | |
|-----------------------------|-----------|-------|-------|--------|--------|--------|
| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | \$7.5 | \$6.1 | \$6.9 | \$18.9 | \$17.0 | \$17.8 |

City Council approved updated City Policy C558C *Waste Management Utility Fiscal Policy* on July 3, 2024. The policy governs the financial management of Waste Services and reflects the Utility Committee and City Council directions on the financial objectives and management for the utility. It promotes a consistent approach year-over-year for financial planning, budgeting and rate setting to ensure the utility is financially sustainable and self-funded over the long term. The Waste Management fiscal policy includes financial indicators to measure and manage the overall financial health of the utility, including the usage of cash.

The retained earnings balance is the accumulated net operating surpluses of the Utility used to support long-term financial sustainability of the Utility, including managing operating risks, long-term liabilities, and capital growth and renewal needs.

Financial results are reported annually to the Utility Committee. The Waste Services equity balance at December 31, 2023, as reported in the 2023 Waste Services Annual Report was \$18.9 million. In accordance with the utility fiscal policy cash, which comprises a large portion of the equity balance, is maintained to meet future environmental and asset retirement obligation needs, capital funding to meet Pay-As-You-Go (PAYG) cash capital spending for the next year, as well as a general allowance for working capital. The Utility's cash position in 2025 and upcoming years is above target, and will be assessed at each future rate filing to effectively manage the cash position.

Blatchford Renewable Energy Utility

| | Projected | | | Actual | | |
|--------------------------------|-----------|----------|----------|---------|---------|----------|
| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 |
| Equity Balance (\$Millions) | (\$23.4) | (\$22.9) | (\$19.7) | \$(7.4) | \$(7.2) | \$(13.4) |

City Council approved the updated City Policy *C597B Blatchford District Energy Utility Fiscal Policy* on July 3, 2024. The purpose of the policy is to ensure that the Blatchford District Energy Utility is operated in a manner that reflects City Council's overall vision and philosophical objectives for the Utility. Specifically, the policy ensures that there is a consistent approach year over year for the financial planning, budgeting, and rate setting for the Utility, and ensures that the Utility is financially sustainable over the long term.

As per the policy, the Utility will generate sufficient net income and a rate of return sufficient to cover current year expenses, working capital requirements, and to facilitate the funding for capital infrastructure and rehabilitation and replacement of its capital assets. The target cash position of the Utility is to secure sufficient Pay As You Go funding for forecasted capital expenditures as identified in the Utility capital plan, and fund working capital requirements with an allowance for operating risk. Where the Utility's cash position is insufficient to meet cash flow requirements, the Utility will utilize bridge financing through the City of Edmonton's working capital, with interest being paid by the Utility at an interest rate that compensates the City of Edmonton reflecting the fund balance where the cash was drawn.

The equity balance at December 31, 2023 was (\$7.4) million, which represents deficits incurred by the utility since its inception. The City of Edmonton will provide short-term bridge financing as per the Blatchford Renewable Energy Fiscal Policy, which will offset operating and cash position shortfalls as the Utility progresses to financial sustainability.