

**Calgary**



# MOVING FORWARD TOGETHER

**The City of Calgary** 2019 Annual Report

The City of Calgary, Alberta, Canada | For the year ended December 31, 2019

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**The City of Calgary, Alberta** | ANNUAL REPORT  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 Produced by the Chief Financial Officer's  
 Department of The City of Calgary, in cooperation  
 with all civic departments, offices and agencies.

## CITIZEN SATISFACTION

The annual citizen satisfaction survey provides opinions to what The City is doing well and what needs improvement. This year, 2,500 Calgarians, 18 and older, provided their thoughts.

### QUALITY OF LIFE IN CALGARY

**83%**

rate their quality of life as good

**76%**

agree we are on track to becoming a better city

**79%**

agree Calgary is a great place to make a life

**85%**

are proud to live in their neighbourhood

**82%**

perceive their neighbourhood as safe

### CITY PROGRAMS AND SERVICES

**74%** are satisfied with the overall level and quality of services



**95%**

are satisfied with the quality of drinking water



**90%**

are satisfied with residential garbage collection service



**93%**

are satisfied with Calgary's parks, playgrounds and open spaces



**84%**

are satisfied with roads and infrastructure.



**79%**

are satisfied with land use planning



**79%**

are satisfied with Calgary Transit

### AREAS CALGARIANS THINK THE CITY SHOULD INVEST IN

**63%**

Affordable housing for low-income families

**62%**

Social services for seniors and youth

**56%**

Calgary Transit including bus and CTrain service

**54%**

Calgary Police Service

## CALGARY AT A GLANCE

**1,285,711**

Population

**1,080 km**

City pathways

**1.4%**

Population growth

**287**

City-supported events

**36**

Median age

**\$457,046**

MLS average selling price

**7.1%**

Unemployment rate

**2,685**

Single family housing starts

**848 km<sup>2</sup>**

City area

**\$5.2 billion**

Value of building permits issued

## MESSAGE FROM THE MAYOR

As we flip our calendars to a new decade, I think we're at a great time for reflection in Calgary. Our city is still navigating an economic recovery that has been more fragile than anyone expected. Even in these tumultuous times, though, The City of Calgary is working hard to deliver a more efficient, higher quality service to its citizens, while keeping property taxes low.

Every action we're taking at The City is to support Calgary's economic recovery. This means we're focusing on supporting business opportunities, focusing on our financial sustainability, and making strategic investments in infrastructure. A city that is open for business, well run, and building a thoughtful, resilient future is exactly the type of place that Calgarians should expect. And it goes beyond just Calgary, as our city was once again named the best city to live in the entire Western Hemisphere.

For businesses, we took a number of actions. We froze construction fees for the fifth straight year. We reduced business licenses and other fees by 10 per cent, saving millions per year to the entrepreneurs that make this city vibrant. We launched our #BuyLocalYYC campaign, which energized small businesses and reminded Calgarians about the great things that we have in our communities. And as we looked to grow our city's economy and to reenergize the downtown, through the Opportunity Calgary Investment Fund, we recruited seven businesses that are going to be calling Calgary home, diversifying the economy, promoting innovation, and ultimately, creating and growing jobs.

Financial sustainability is critical, both as an organization, and as a citizen looking to see the value of your tax dollars. There are 15,000 individuals employed at The City of Calgary, and we all share the same motto – Working to Make Life Better Every Day. In order to accomplish this at a fair rate, we've worked to find more than \$650 million in savings and efficiencies in our budget since 2014. We took that even further by keeping our budget for 2020 at the same level as 2019. With Calgary adding almost 30,000 residents year-over-year, that means The City of Calgary is doing more without adding additional costs to our people.

As we work to make sure that Calgary is the home for the world's best entrepreneurs solving the world's biggest problems, we have to invest in a city that is prepared for that future. With more than 2 million visitors since it opened, the Central Library is one part of that plan. We're continuing with our investments in the BMO expansion, the Event Centre, our plan for the Arts Commons Transformation and the Field House. The first three of those will be the central buildings behind our development plan for the Culture and Entertainment District, and that district will also be served by the Green Line. At almost \$5 billion, the Green Line represents the largest public works project in Calgary's history, providing a necessary and in-demand piece of our rapid transportation network. Having just opened the MAX Yellow to join our Teal, Orange, and Purple lines, this will ensure that every quadrant of Calgary will be served by rapid transit. This provides transportation choice for Calgarians, reduces congestion, and ensures our city will have a skeleton on which to build our future development.

There was so much more accomplished in 2019 than I could ever include in a cover story, and it's a story I'm excited to



tell you even more. Calgary has always been known as a city of leadership, bold risk-takers, adventurous entrepreneurs, and proud communities that take care of one another. We're moving forward together and making sure that spirit has everything it needs to reach its full potential.

A handwritten signature in black ink that reads "Naheed Nenshi".

**Naheed Nenshi**  
Mayor

## CORPORATE GOVERNANCE AND ACCOUNTABILITY

The role of City Council is to govern The City of Calgary, Calgary's municipal corporation, to ensure it provides the civic services Calgarians need. In carrying out its many duties, City Council must anticipate emerging opportunities and plan for the community's long-term development and growth, along with addressing concerns.



In addition to sitting as a Council in Council meetings, City Council members participate in a variety of boards, commissions and committees. Their involvement provides a critical link between Calgary's communities, agencies and the workings of the municipal government.

City Council is comprised of 14 Councillors and the Mayor. In Council meetings, each member has one vote. They are elected by and accountable to the people of Calgary. The Mayor and Councillors hold office for four-year terms. After every civic election, the City Clerk and City Solicitor provide an orientation for all Members of Council on their roles, responsibilities and duties under The Municipal Government Act and The City of Calgary Procedure Bylaw. This orientation includes how meetings are governed, ethical guidelines, and how recommendations flow from Administration, to Council Committees, and then to Council for a decision. Throughout their term in office, Members of Council pursue ongoing training and education. Council holds regular meetings except for August.

Regular and open communication with Administration is central to setting and achieving Calgary's municipal corporation's mission, vision, goals, strategies and actions.

**For more information about City Council, the various boards, commissions and committees, and any of the Administration and Council policies referenced here, visit [calgary.ca](http://calgary.ca).**

### CITY OF CALGARY COMMITTEES

In 2019, Council set priorities, established policies and made recommendations through Standing Policy Committees (SPCs), and Standing Specialized Committees (SSCs). The SPCs are as follows: SPC on Community and Protective Services; SPC on Planning and Urban Development; SPC on Transportation and Transit; and SPC on Utilities and Corporate Services. The SSCs are: the Priorities and Finance Committee, the Intergovernmental Affairs Committee, the Gas, Power and Telecommunications Committee and the Audit Committee. The public is welcome to attend committee meetings and may have an opportunity to speak to specific items.

During 2019, Council recommended appointments to various boards, commissions, committees and other bodies when vacancies occurred throughout the year following Council's Organizational Meeting in October 2018.

# CITY COUNCIL



Ward 1 Councillor  
**Ward Sutherland**  
calgary.ca/ward1



Ward 2 Councillor  
**Joe Magliocca**  
calgary.ca/ward2



Ward 3 Councillor  
**Jyoti Gondek**  
calgary.ca/ward3



Ward 4 Councillor  
**Sean Chu**  
calgary.ca/ward4



Ward 5 Councillor  
**George Chahal**  
calgary.ca/ward5



Ward 6 Councillor  
**Jeff Davison**  
calgary.ca/ward6



Ward 7 Councillor  
**Druh Farrell**  
calgary.ca/ward7



Ward 8 Councillor  
**Evan Woolley**  
calgary.ca/ward8



Ward 9 Councillor  
**Gian-Carlo Carra**  
calgary.ca/ward9



Ward 10 Councillor  
**Ray Jones**  
calgary.ca/ward10



Ward 11 Councillor  
**Jeremy Farkas**  
calgary.ca/ward11



Ward 12 Councillor  
**Shane Keating**  
calgary.ca/ward12



Ward 13 Councillor  
**Diane Colley-Urquhart**  
calgary.ca/ward13



Ward 14 Councillor  
**Peter Demong**  
calgary.ca/ward14

## MESSAGE FROM THE CITY MANAGER

At The City of Calgary we are working hard to build a great city. With our purpose, drive and passion we strive to provide Calgarians with access to great opportunities, prosperity and an unbeatable quality of life. Moving forward, adapting to change and seizing every opportunity to improve is what we do.

We remain committed to economic recovery. We are here to make life better every day for citizens, communities and businesses. We are taking actions to support economic recovery that will move us forward and help maintain our status as a great place to live and work. The actions The City is taking are focused on the following key areas:

- Making strategic investments in infrastructure
- Supporting business opportunities
- Focusing on our financial sustainability

In 2019, the Economist Intelligence Unit ranked Calgary as the most livable city in North America. Calgarians' overall satisfaction with the level and quality of City services and programs also continues to remain strong. Our 2019 Citizen Satisfaction Survey indicates that 83% of Calgarians rate their quality of life as good. These achievements result from

the commitment, competence, and character of City staff working together and in collaboration with partners to deliver valued services that have a positive impact on the lives of Calgarians.

I am very proud to work every day with City colleagues who consistently demonstrate their commitment to building a great city and take pride in delivering quality services to Calgarians.

I encourage you to read our report to find out more about The City's successes in 2019 and how we are Moving Forward Together.



**David Duckworth**  
City Manager



# CITY OF CALGARY ADMINISTRATION

Calgary's municipal government is responsible for supporting, encouraging and strengthening our community's dynamic development.

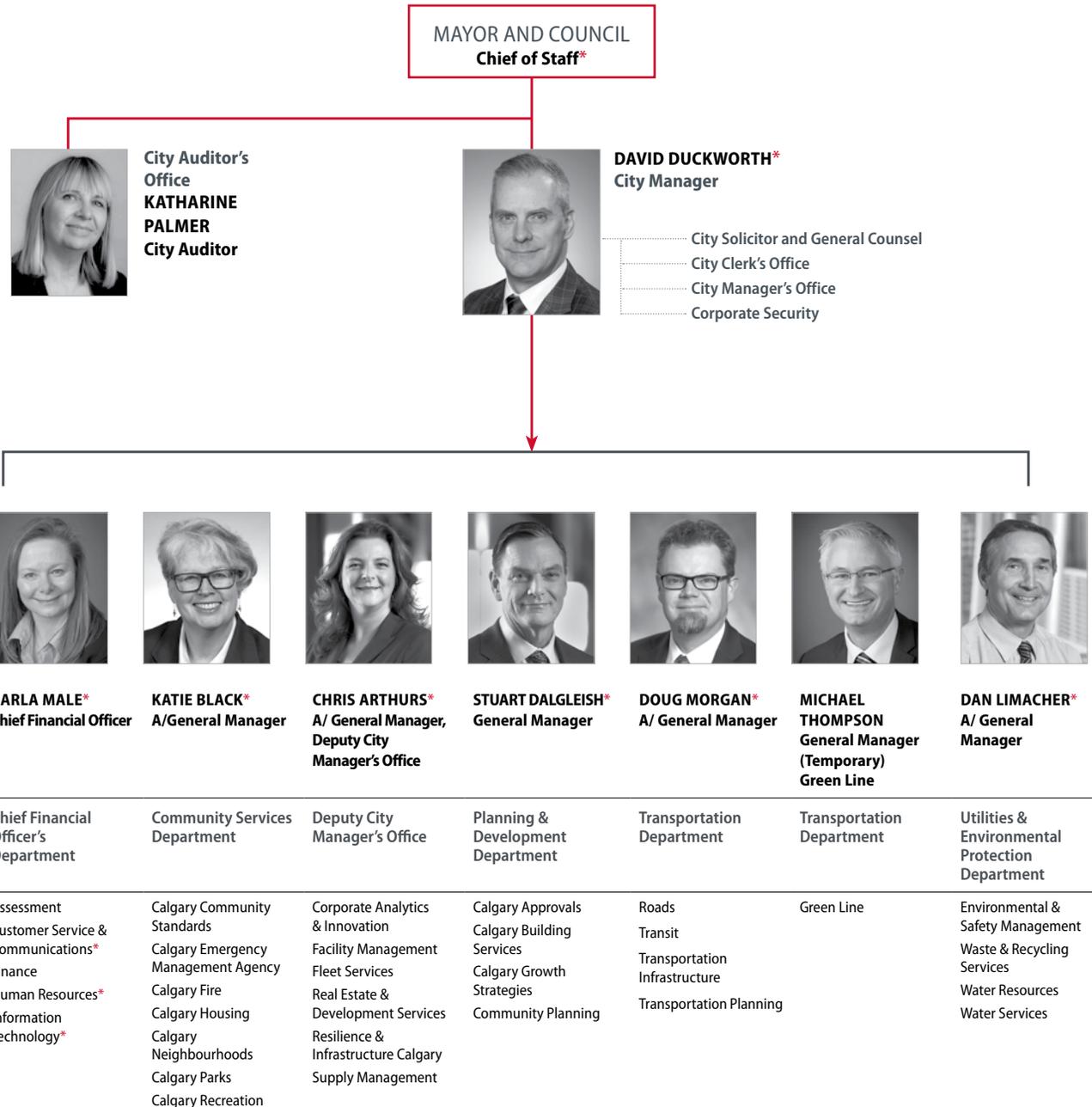
It is Administration's responsibility to provide, manage and sustain civic infrastructure, facilities and programs that support the quality of life that is so much a part of Calgary's appeal.

## THE ROLE OF THE CITY MANAGER

The City Manager leads the Administrative Leadership Team (ALT) and works closely with Council. The City Manager implements the decisions of Council, provides advice and manages City Administration. He is responsible and accountable for ensuring all City work, projects, operations and services comply with Council's policies, priorities and direction.

## ADMINISTRATIVE LEADERSHIP TEAM

The ALT oversees all City operations and strategic management by leading, managing and co-ordinating The City's programs, projects and initiatives. The ALT also plays a major role in developing and implementing public policy as well as balancing the priorities and best interests of the community with The City's corporate goals and available resources.



As of March 2020  
\*Members of ALT

## AUDIT COMMITTEE

The Audit Committee at the City of Calgary assists City Council in fulfilling its oversight responsibilities by providing assurance in relation to financial and governance matters, risk management, internal controls and the integrity of The City's annual financial statements.

The Audit Committee is comprised of seven independent members who were appointed by City Council, with the Mayor serving as an ex-officio member. The membership includes four City Councillors and three volunteer citizen members, whom demonstrate extensive financial expertise. Support to the Audit Committee is provided by the Chief Financial Officer, City Auditor and the External Auditor.

The Audit Committee is authorized to provide oversight on behalf of City Council as established under Audit Committee Bylaw 48M2012. Regular review of the Bylaw ensures the mandate remains relevant and aligns with strategic priorities. In 2019 the Audit Committee commenced a review of Bylaw 48M2012 with the completion of work anticipated in the second quarter of 2020.

In 2019, Audit Committee examined how to fulfill a more strategic role and provide additional focus on matters of significant risk or financial impact to The City. Following this strategic initiative, the Audit Committee 2020 Work Plan was developed reflecting their priorities, while incorporating capacity for emerging issues throughout the year.

Eleven civic entities delivered presentations throughout 2019 on their risk management, internal controls, financial reporting, governance structure, key initiatives and strategy. Oversight of The City's major autonomous civic

entities is an important part of the Audit Committee's governance responsibilities.

Deloitte, LLP are the independent external auditors fulfilling The City's legislated audit requirements and providing assurance over The City's annual financial statements and reporting processes. Deloitte, LLP carried out the audit of The City of Calgary's 2019 financial accounts in accordance with Canadian Generally Accepted Auditing Standards and had full and unrestricted access to the Audit Committee to discuss the audit and related findings.

The City Auditor's Office is the independent municipal auditor for the City of Calgary, operating autonomously from City Administration and reporting directly to Council through Audit Committee. The City Auditor's authority, mandated in the City Auditor's Bylaw and Charter, provides the City Auditor with unrestricted access to all municipal personnel, records, property, policies, procedures, processes and systems. The risk-based activities of the City Auditor's Office are approved annually by Audit Committee through a rolling two-year audit plan. The results of formal audits by the City Auditor's Office, as well as follow-up on audit recommendations, are presented to Audit Committee and Council for discussion, and made public through The City's website: [www.calgary.ca/auditor](http://www.calgary.ca/auditor).

An equally important role of the City Auditor's Office is the oversight of the Whistle-blower Program. This program ensures reports received from City employees or members of the public regarding waste or wrongdoing are subject to an appropriate investigation and resolution. Through the Audit Committee, the City Auditor provides Council with annual information related to reports received and investigations conducted during the year.

The Audit Committee is comprised of the right professionals working together with the Chief Financial

Officer, the City Auditor and the External Auditor, to successfully fulfill their mandate. I am proud of the important work performed by the Audit Committee in support of City Council's priority of "A well-run city".

On behalf of the Audit Committee, it is my pleasure to recommend to City Council approval of The City's Annual Financial Statements as audited and presented in this 2019 Annual Report.



**Evan Woolley,**  
Ward 8 Councillor  
Chair, Audit Committee



## Making strategic investments in infrastructure

Calgary's economic recovery starts by making strategic capital investments in our city. In 2019, The City invested in major capital infrastructure to support the local economy and jobs while continuing to build a great city. From supporting exciting projects in sports, arts and entertainment to making it easier for Calgarians to get around, we're investing to make life better every day.

### EVENT CENTRE

The City's \$275 million capital investment in the event centre is expected to generate \$400 million in direct revenue over its 35-year lifespan, plus significant community and social benefits.

### BMO CENTRE

The City's \$333 million investment in the expansion of the BMO Centre will make it Canada's second largest convention centre. Hosting larger conventions and conferences will enhance economic diversity, boost trade and tourism, and create jobs for Albertans.

### GREEN LINE

We continue to work on the Green Line. Getting the light rail transit route through downtown exactly right is vital for the largest public works project in our history.

### MAX TRANSIT

Last year we launched MAX — the single biggest investment in bus service in Calgary's history. At the end of 2019, MAX Yellow joined the family, making it easier for people to get to Rockyview Hospital, Mount Royal University and downtown Calgary.



### E-SCOOTER AND E-BIKE PILOT

In terms of active mobility, 150,000 people took 750,000 trips during our e-bike and e-scooter pilot. Calgarians enjoy using them, and we're going to make some changes to make sure trips are even safer and better.

### NEW CENTRAL LIBRARY

Celebrated the first-year anniversary of the new Central Library, with nearly two million visitors walking through its doors since it opened.



## Supporting business opportunities

Businesses are vital in job creation and in creating vibrancy in our city. The City is doing its part to support business opportunities by continuing to improve City services to foster Calgary's business environment, innovation ecosystem and help build the foundation for business success.

- Provided Canada's first virtual one-window approach to permitting online including live chat to save business applicants time and money.
- Approved pop-up and interim businesses in all commercial areas, eliminating lengthy approval process and licensing restrictions (another Canada first).
- Created a "Living Lab" program to open City of Calgary assets to companies and researchers, to test and try their ideas and products.
- Supported local innovation by enabling future deployment of fifth-generation cellular wireless technology in our communities, which is a critical step for building connected, resilient and smart cities.
- Invested \$100 million to support organizations that will help drive innovation, diversify the economy and create jobs in our city through creation of the **Opportunity Calgary Investment Fund**.
- Reduced licencing fees by 10 per cent for new and renewed business licences, making licencing more affordable for businesses.
- Froze construction permit fees for the fifth year in a row, creating greater cost certainty for builders and to make doing business with The City, and in the city, easier.
- Developed and deployed a **#BuyLocalYYC** campaign to encourage Calgarians to support local businesses and Calgary's **economic recovery**.

- Created a Business Advisory Committee made up of members of the local business community. This Council-led committee gives us insight and feedback into how we can improve City processes.



## Focusing on our financial sustainability

The City is focusing on our financial sustainability and making tough budget decisions to continue to serve more Calgarians and support Calgary's economic recovery. The City of Calgary has some of the lowest property tax and utility rates of major cities within Canada. We've achieved this by carefully managing our budget, continuing to find savings and efficiencies in our operations, and reinvesting in Calgary's economic growth.

- The municipal portion of the property tax is used to fund City programs and services that Calgarians value and use every day. In 2019, we delivered high-quality City programs and services for less than \$5.50 per day for the typical Calgary household.
- Achieved \$143 million in savings and efficiencies to keep Calgary's property tax rate among the lowest in Canada.
- Provided \$130 million one-time tax mitigation through the 2019 Phased Tax Program to support and address concerns of business owners.
- Established a **Financial Task Force** to identify and assess innovative solutions for short-term economic mitigation, develop long-term strategies for economic recovery, and new revenue options to improve The City's financial strength now and in the future.
- The City is continuing to take action to support Calgary's economy and reduce the cost of local government. We're monitoring spending and continuously exploring potential savings with initiatives like the **Solutions for Achieving Value and Excellence**.
- Released our **Resilient Calgary** strategy which provides a vision for making Calgary a more resilient city — economically, environmentally and socially — for future generations, while promoting economic recovery for Calgarians who are working hard to recover from the downturn and build toward a strong tomorrow.



# FINANCIAL INFORMATION

THE CITY OF CALGARY, ALBERTA



# 2019 Financial Statement Discussion and Analysis

## INTRODUCTION

The financial statement discussion and analysis (FSD&A) reports to stakeholders on how the financial resources entrusted to The City of Calgary (The City) are being managed to provide municipal infrastructure and services. It explains any significant differences in the financial statements between the reported year and the previous year as well as between approved budget and actual results. The FSD&A also identifies trends, risks and anticipated events that could have financial implications.

The 2019 year is the first year in the four-year business plan and budget cycle (2019 – 2022), also known as One Calgary Service Plans and Budgets, and throughout 2019, administration continued to focus on fiscal responsibility and strategic investments in capital infrastructure. The City was able to implement its service plans and budgets essentially as expected and identified savings throughout the year, highlighted by a Council approved \$60 million in-year budget reduction. The City continues to monitor its financial performance carefully so that it can address local effects resulting from the ongoing economic downturn and COVID-19 pandemic. These issues are discussed further in the Risk Management and The Outlook sections of the FSD&A.

The City's 2019 Annual Financial Report contains the audited consolidated financial statements prepared in accordance with principles and standards established by Canadian Public Sector Accounting Board published by the Chartered Professional Accountants (CPA) Canada, as required by the *Alberta Municipal Government Act*.

The financial statements consist of:

- Consolidated statement of financial position (summary of financial assets and liabilities, net financial assets, non-financial assets and accumulated surplus) at year end,
- Consolidated statement of operations and accumulated surplus (summary of the annual surplus for the year, consisting of revenues reflecting what operating and capital funds were raised in the year and expenses reflecting how funds were used during the year, including the annual costs for owning and using capital assets (amortization), plus the change in the net value of the government business enterprise),
- Consolidated statement of cash flows (summary of how The City's cash position changed during the year, highlighting sources and uses of cash, including the use of cash to acquire capital assets), and
- Consolidated statement of changes in net financial assets (a reconciliation between the net revenues earned in the year to the change in net financial assets). This statement shows the annual surplus, with a reversal of the non-cash accruals for amortization and sale of assets, less donated assets and the spending to acquire new capital assets in the year. The change in net financial assets is an indicator of whether revenues raised in the year were sufficient to cover the spending in the year.

The City Administration is responsible for preparing the following FSD&A and the audited consolidated financial statements. The FSD&A and the consolidated financial statements should be read in conjunction with the financial and statistical schedules.



**Carla Male**  
Chief Financial Officer

## Economic Environment

The economic environment in the Calgary Economic Region improved in 2019 with a 3.0 per cent increase in job growth relative to 2018 which supported a decline in the unemployment rate to 7.1 per cent. The City's positive economic environment in 2019 translated into a 17.4 per cent increase in building permit values relative to 2018.

|                                     | 2019             | 2018      | Change |
|-------------------------------------|------------------|-----------|--------|
| <b>Calgary</b>                      |                  |           |        |
| Population (April census)           | <b>1,285,711</b> | 1,267,344 | 1.4%   |
| Building permit applications        | <b>15,954</b>    | 16,298    | (2.1%) |
| Building permit value (\$ billions) | <b>5.2</b>       | 4.4       | 17.4%  |
| <b>Calgary Census Metro Area</b>    |                  |           |        |
| CPI inflation rate                  | <b>1.4%</b>      | 2.4%      | (1.0%) |
| <b>Calgary Economic Region</b>      |                  |           |        |
| Employment                          | <b>919,000</b>   | 892,500*  | 3.0%   |
| Unemployment rate                   | <b>7.1%</b>      | 7.6%      | (0.5%) |

Sources: population estimates are from The City's municipal census, building permit data are from City licensing and application records, and inflation and unemployment estimates are from Statistics Canada.

\* The 2018 employment estimate is updated as captured location is changed from 'Calgary' to the 'Calgary Economic Region.' This is to be consistent with the unemployment rate and publicly available federal government records.

For Calgary, population growth from April 2018 to April 2019 was 18,367 (1.5 per cent) compared to 21,007 (1.7 per cent) the previous year. Those living in the Calgary census metropolitan area experienced only a modest annual increase to their cost of living by 1.4 per cent in 2019.

Calgary's population growth for the next four years should be faster than the national average and about the same as the provincial average. This relatively higher pace of growth is because the city of Calgary is expected to remain a more attractive destination for migrants relative to other jurisdictions due to better affordability and quality of life. Net migration will be the primary driver of population growth, accounting for more growth than natural increase. The City of Calgary is monitoring these key economic indicators during The City's response to stabilize, recover and become resilient with the local effects resulting from the ongoing economic downturn and COVID-19 pandemic.

## FINANCIAL HIGHLIGHTS

### Revenues and Expenses

The City had consolidated revenues of \$4,172 million in 2019 (2018 – \$3,873 million) before external transfers for infrastructure. External transfers for infrastructure includes grants and revenue sharing recognized from other governments plus funds and tangible capital assets from developers totaling \$1,100 million (2018 – \$1,038 million).

The City consolidated expenses were \$3,914 million (2018 – \$3,873) before net ENMAX Corporation (ENMAX) loss of \$28 million (2018 – \$16 million). Included in expenses is amortization in the amount of \$678 million (2018 – \$678 million) as the estimated annual cost of owning and using The City's capital assets.

For 2019, net revenues including external transfer to infrastructure of funds and tangible capital assets totaled \$1,358 million (2018 – \$1,038 million).

### Consolidated Financial Position

For the years ended December 31 (in millions of dollars)

|                                     | 2019      | 2018      |
|-------------------------------------|-----------|-----------|
| A. Financial Assets                 | \$ 7,579  | \$ 7,289  |
| B. Liabilities                      | \$ 5,122  | \$ 5,370  |
| C. Net Financial Assets (A minus B) | \$ 2,457  | \$ 1,919  |
| D. Non-Financial Assets             | \$ 18,568 | \$ 17,776 |
| E. Accumulated Surplus (C plus D)   | \$ 21,025 | \$ 19,695 |

The City's net financial assets increased by \$538 million (2018 – \$225 million) mainly due to increases in cash, investments and receivables. Financial assets are partially offset by liabilities which are governed by agreements with the parties involved, including funds owed for goods and services already received (accounts payable and accrued liabilities), and capital deposits that are restricted to specific types of capital.

The City's accumulated surplus increased by \$1,330 million (6.8 per cent) in 2019, primarily from the net increase in tangible capital assets (purchased and donated) of \$783, increase in investments of \$192 million and a decrease in accounts payable and accrued liabilities of \$135 million. In 2018, the City's accumulated surplus increased by \$1,021 million (5.5 per cent), primarily from the net increase in tangible capital assets (purchased and donated) of \$807 million and a decrease in long-term debt of \$177 million.

The City's long-term debt ratings were affirmed at AA+ by Standard and Poor's and AA (high) by Dominion Bond Rating Service (DBRS) in 2019.

### Cash Flow

The City's cash and cash equivalents increased by \$17 million to \$263 million and investments increased by \$192 million to \$4,231 million. The increase in cash and cash equivalents is primarily due to an increase in short term investments.

### Cash provided by operating activities

In 2019, cash provided by operating activities was \$1,330 million, compared to \$1,602 million in 2018. This decrease was primarily due to an overall increase in the equity in earnings in ENMAX corporation, decrease in accounts payable and accrued liabilities and capital deposits.

### Cash used in capital activities

Cash used in capital activities was \$(1,143) million, compared to \$(1,235) million in 2018 and it includes:

- Additions to capital assets of \$(1,160) million; and
- Proceeds from sale of tangible capital assets of \$17 million.

### Cash provided by investing activities

Cash used by investing activities was \$(142) million, compared to \$(105) million used by investing activities in 2018, and includes:

- Net purchase of investments of \$(192) million; and
- Dividends from ENMAX of \$50 million.

### Cash used in financing activities

Cash used in financing activities was \$(27) million, compared to \$(150) million of cash used in 2018, and includes:

- Proceeds from long-term debt issued of \$309 million;
- Long-term debt repayments of \$(314) million; and
- Net decrease in bank indebtedness of \$(22) million.

## FINANCIAL ANALYSIS REVIEW

### Revenues – Budget to Actual Comparison

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

|   | Budget 2019  | Actual 2019  | Favourable/<br>(Unfavourable) | Percent Change |
|---|--------------|--------------|-------------------------------|----------------|
| Net taxes available for municipal purposes                    | \$ 2,103,011 | \$ 2,088,755 | \$ (14,256)                   | (1%)           |
| Sales of goods and services                                   | 1,386,737    | 1,323,154    | (63,583)                      | (5%)           |
| Government transfers and revenue sharing agreements           |              |              |                               |                |
| Federal   | 809          | 1,482        | 673                           | 83%            |
| Provincial  | 164,946      | 150,855      | (14,091)                      | (9%)           |
| Investment income   | 72,833       | 198,927      | 126,094                       | 173%           |
| Fines and penalties   | 94,593       | 98,646       | 4,053                         | 4%             |
| Licences, permits and fees                                    | 112,236      | 113,111      | 875                           | 1%             |
| Miscellaneous revenue   | 28,356       | 40,542       | 12,186                        | 43%            |
| Equity in earnings of ENMAX                                   | 173,000      | 156,162      | (16,838)                      | (10%)          |
| Total revenues (before external transfers for infrastructure) | \$ 4,136,521 | \$ 4,171,634 | \$ 35,113                     | 1%             |
| Developer contributions                                       | \$ 193,049   | \$ 124,988   | \$ (68,061)                   | (35%)          |
| Government transfers related to capital                       | 774,576      | 652,016      | (122,560)                     | (16%)          |
| Developer contributions-in-kind related to capital            | –            | 323,067      | 323,067                       | 100%           |
| Total external transfers for infrastructure                   | \$ 967,625   | \$ 1,100,071 | \$ 132,446                    | 14%            |

Total City revenues (before external transfers for infrastructure) were approximately 1 per cent higher than budgeted for 2019, mainly as a result of higher than expected investment income and miscellaneous revenue, offset by lower than budgeted sales of goods and services, equity earnings in ENMAX, net taxes available for municipal purposes and provincial government transfers.

**Net taxes for municipal purposes** were approximately 1 per cent lower than budgeted primarily due to provincial requisition of education levy portion being higher than budgeted, and due to timing of the assessment values used for budget purposes. This was offset by slight increases in Enmax's local access fees and local improvement levies.

**Sales of goods and services** were approximately 5 per cent lower than budgeted primarily due to significantly lower than budgeted consumption of residential metered water and reduced regional demand due to comparatively cool and wet weather in 2019. Land sales were also lower due to economic and market conditions resulting in softer demand and lower valuations for general land parcels. Leasing revenue was lower because of weak office space rental market conditions in Calgary.

**Government transfers and revenue sharing agreements** were overall approximately 8 per cent lower than budgeted primarily due to Calgary Housing Company not receiving a provincial capital grant for the City owned portfolio. This was partially offset by receipt of unbudgeted grants under Municipal Cannabis Transition program, Senior Home Maintenance program, Calgary Local Partnership program and Flood Resiliency projects.

**Investment income** was approximately 173 per cent higher than budgeted due to a higher amount of realized gains as a result of change in investment strategies involving transfer of funds into a different portfolio. This is consistent with The City's overall goal of strategic investments, as funds were moved from internal working capital into external investments

resulting in higher income earned during the year. There were also higher short-term interest rates and an expanded use of guaranteed investment certificates creating higher overall returns on investments.

**Miscellaneous revenue** was approximately 43 per cent higher than budgeted mainly due to increased proceeds from the sale of tangible capital assets, higher insurance settlements from third parties related to the property damage to The City's infrastructure and vehicles, unbudgeted contributions received under the Youth Employment Centre and Community Hubs, and Carbon Offset Credits monetized.

**Equity in earnings of ENMAX** were approximately 10 per cent lower than budgeted due to reduced transmission, distribution and contractual services margins, offset by a slight increase in electricity margin.

**Developer contributions** were approximately 35 per cent lower than budgeted due to differences in the estimates of anticipated contributions used during the year. This is also due to construction delays or postponed project schedules as well as a shift of work priorities in other projects resulting in lower actual expenditures comparing to the budget. Less development agreements were signed for Greenfield areas than budgeted, which also contributed to the overall decrease.

**Government transfers related to capital** were approximately 16 per cent lower than budgeted primarily due to unanticipated changes in timing of the use of government grants. These funds have been received, are being held in capital deposit balances and will be drawn upon as capital projects progress.

**Developer contributions-in-kind related to capital** were higher than budgeted as capital acquisitions of this nature are not budgeted due to the timing of completion of developer donated assets which is highly volatile from year to year.

## Expenses – Budget to Actual Comparison

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

|                                   | 2019 Budget<br>(excluding<br>Amortization) | 2019 Actual<br>(excluding<br>Amortization) | Favourable/<br>(Unfavourable) | Percent<br>Change | 2019 Budget<br>Amortization<br>Expense | 2019 Actual<br>Amortization<br>Expense |
|-----------------------------------|--|--|-------------------------------|-------------------|--|--|
| Police                            | \$ 505,467                                 | \$ 498,583                                 | \$ 6,884                      | 1%                | \$ –                                   | \$ 18,915                              |
| Fire                              | 284,117                                    | 288,067                                    | (3,950)                       | (1%)              | –                                      | 9,382                                  |
| Public transit                    | 470,760                                    | 477,437                                    | (6,677)                       | (1%)              | –                                      | 129,945                                |
| Roads, traffic and parking        | 276,328                                    | 277,543                                    | (1,215)                       | 0%                | 6,387                                  | 168,324                                |
| Water services and resources      | 408,821                                    | 398,487                                    | 10,334                        | 3%                | 86,951                                 | 131,404                                |
| Waste and recycling services      | 148,802                                    | 149,031                                    | (229)                         | 0%                | –                                      | 14,730                                 |
| Community and social development  | 71,602                                     | 76,776                                     | (5,174)                       | (7%)              | –                                      | 66                                     |
| Social housing                    | 148,750                                    | 125,039                                    | 23,711                        | 16%               | 3,275                                  | 11,738                                 |
| Parks and recreation facilities   | 209,263                                    | 214,708                                    | (5,445)                       | (3%)              | –                                      | 64,797                                 |
| Societies and related authorities | 93,218                                     | 96,668                                     | (3,450)                       | (4%)              | –                                      | 12,258                                 |
| Calgary Public Library Board      | 65,319                                     | 62,423                                     | 2,896                         | 4%                | –                                      | 6,727                                  |
| General government                | 401,125                                    | 302,087                                    | 99,038                        | 25%               | –                                      | 28,082                                 |
| Public works                      | 257,046                                    | 230,357                                    | 26,689                        | 10%               | 32,319                                 | 73,137                                 |
| Real estate services              | 57,732                                     | 38,112                                     | 19,620                        | 34%               | –                                      | 8,746                                  |
|                                   | <b>\$ 3,398,350</b>                        | <b>\$ 3,235,318</b>                        | <b>\$ 163,032</b>             | <b>5%</b>         | <b>\$ 128,932</b>                      | <b>\$ 678,251</b>                      |

The four year budget cycle 2019-2022 has incorporated amortization charges for information purposes only, similar to the budget cycle 2015-2018. The City has yet to integrate these standards for budget preparation in part due to the resources devoted to the conversion to services budgets, as well as the need to study and determine the impact that inclusion has on the MGA requirements for balanced operating budgets.

In 2019, The City continued to find efficiencies and savings in expenditures which allowed The City to keep taxes and fees as low as possible while still responding to the economic changes, and priorities and needs of citizens.

**The following variance explanations exclude the impact of amortization expense.**

**Police** expenses were approximately 1 per cent lower than budgeted due to higher than budgeted vacant positions resulting in decreased salaries, wages and benefits amounts. This is partially offset by an increase in overtime expenses and contractual services related to professional health services.

**Public transit** expenses were approximately 1 per cent higher than budgeted primarily due to loss experienced on disposals of assets which are not budgeted.

**Water services and resources** expenses were approximately 3 per cent lower than budgeted due to reduced salaries, wages and benefits resulting from additional vacant positions and delayed hiring of permanent and temporary staff. Contract and general services were also reduced as part of an overall cost control strategy to lower consulting costs in engineering services. This is partially offset by higher bad debt expense due to continuing economic downturn, higher materials and commodities charges related to chemicals, asphalt and aggregate, and increased electricity consumption charges.

**Community and social development** expenses were approximately 7 per cent higher than budgeted primarily due to strategic changes resulting in additional grant payment from the Fiscal Stability Reserve for the newly established Mental Health and Addictions Strategy, building capacity of Family & Community Support Services, Community Hubs,

payouts for transitioning costs of the Senior Home Maintenance program to community partners, and additional expenses for various other social programs.

**Social housing** expenses were approximately 16 per cent lower than budgeted mainly due to reduced planned spending by Calgary Housing Company as a result of lower than expected provincial grant revenue related to The City owned social housing portfolio. The favourable variance was also due to reduced salaries, wages and benefits resulting from intentional management of workforce and other planning strategies, along with lower cost of sales for materials experienced by Attainable Homes of Calgary Corporation.

**Parks and recreation facilities** expenses were approximately 3 per cent higher than budgeted due to increased costs incurred on the capital projects that did not meet the capitalization threshold along with loss experienced on sale of assets that are usually not budgeted for.

**General government** expenses include the costs of Council, City Manager, Finance, Supply, Mayor, City Auditor, City Clerk's, Law, Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenues and Costs. Expenses were approximately 25 per cent lower than budgeted primarily due to a curtailment gain recorded relating to the retirement allowance obligation. Lower fringe benefit applications for civic employees and police sworn officers also contributed to the favourable variance.

**Public works** expenses were approximately 10 per cent lower than budgeted primarily due to cost-reduction initiatives, such as implementation of the workforce planning strategies and reduction of spending for materials and equipment, which were implemented in response to the economic downturn.

**Real estate services** expenses were approximately 34 per cent lower than budgeted primarily due to favorable variances experienced by Real Estate and Development Services from lower land sales costs and salary and wages expenses due to staff vacancies. This was partially offset by higher than anticipated costs experienced by Calgary Municipal Land Corporation due to increased legal expenses related to BMO Centre and Event Centre agreements, unbudgeted St. Patrick's bridge repairs and higher costs of sales resulting from increased sales of land parcels.

## Revenues – Comparison to Prior Year

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

|   | Actual 2019  | Actual 2018  | Increase/<br>(Decrease) | Percent Change |
|---|--------------|--------------|-------------------------|----------------|
| Net taxes available for municipal purposes                    | \$ 2,088,755 | \$ 2,068,070 | \$ 20,685               | 1%             |
| Sales of goods and services                                   | 1,323,154    | 1,278,099    | 45,055                  | 4%             |
| Government transfers and revenue sharing agreements           |              |              |                         |                |
| Federal   | 1,482        | 1,736        | (254)                   | (15%)          |
| Provincial  | 150,855      | 160,387      | (9,532)                 | (6%)           |
| Investment income   | 198,927      | 101,236      | 97,691                  | 96%            |
| Fines and penalties   | 98,646       | 95,747       | 2,899                   | 3%             |
| Licences, permits and fees                                    | 113,111      | 117,254      | (4,143)                 | (4%)           |
| Miscellaneous revenue   | 40,542       | 44,951       | (4,409)                 | (10%)          |
| Equity in earnings of ENMAX                                   | 156,162      | 5,094        | 151,068                 | 2966%          |
| Total revenues (before external transfers for infrastructure) | \$ 4,171,634 | \$ 3,872,574 | \$ 299,060              | 8%             |
| Developer contributions                                       | \$ 124,988   | \$ 218,988   | \$ (94,000)             | (43%)          |
| Government transfers related to capital                       | 652,016      | 564,652      | 87,364                  | 15%            |
| Developer contributions-in-kind related to capital            | 323,067      | 254,799      | 68,268                  | 27%            |
| Total external transfers for infrastructure                   | \$ 1,100,071 | \$ 1,038,439 | \$ 61,632               | 6%             |

**Net taxes available for municipal purposes** increased by 1 per cent due to higher revenue resulting from the net impact of 6.67 per cent residential tax increase and 1.77 per cent non-residential tax rate decrease. Per 2018 bylaw (including business tax consolidation) the residential share was 45 per cent and non-residential share was 55 per cent. However, under the 2019 bylaw (with business tax fully consolidated), the residential portion increased to 47.2 per cent and non-residential portion decreased to 52.8 per cent. The increase was also due to higher revenues in-lieu of taxes from ENMAX due to the higher weighted average price of electricity. This was partially off-set by lower revenue due to municipal non-residential Phased Tax Program (PTP), which assisted non-residential properties impacted by large shifts in the market value of downtown non-residential properties. Under the 2019 PTP, there was a minimum 10 per cent reduction in non-residential municipal property taxes from 2018 to 2019.

**Sales of goods and services** increased by 4 per cent due to increased land sales revenue resulting from land exchanges for the Green Line route acquisitions, and higher sales by Calgary Municipal Land Corporation and Attainable Homes Calgary Corporation. Introduction of Black Cart program fee, full year of billings and higher rates of Green Cart program, higher residential recycling and commercial collection revenue and increased recreation and transit rates also contributed to the overall favorable variance. This was partially offset by a reduction in the monthly charge for water services, and lower consumption of water services due to comparatively cool and wet weather conditions in 2019.

**Government transfers and revenue sharing agreements** were approximately 6 per cent lower due to Calgary Housing Company receiving fewer provincial grants than prior year due to changes implemented by provincial government; absence of one-time plebiscite grant funding received in 2018 for the 2026 Winter Olympic and Paralympic Games plebiscite and reduced Disaster Recovery Program grants received due to program moving towards its conclusion. This was partially offset by higher grants received under Municipal Cannabis Transition

Program, as this program was started in 2019, and provincial funding for Low Income Transit Pass Program. There was minimal change in the amounts for the federal government transfer.

**Investment income** was 96 per cent higher primarily due to positive strategic direction involving a change in equity mandate. Funds were moved to expand equity allocations into more global funds, triggering a previously unrealized gain. In addition, The City benefitted from higher interest rates and moved capital into longer term investments that provide more income.

**Miscellaneous revenue** decreased by 10 per cent over prior year due to reduced gains from the sale of tangible capital assets, partially offset by higher insurance settlements from third parties and Carbon Offset Credits monetized.

**Equity in earnings of ENMAX** was higher by approximately \$151 million due to increased transmission, distribution and contractual services margins and absence of significant one-time tax settlements experienced in 2018. These favourable impacts are partially off-set by the reduced electricity margins.

**Developer contributions** were approximately 43 per cent lower in 2019 primarily due to a decrease in capital development activities related to transportation infrastructure projects and reduced development agreements signed partially offset by increased revenue recognition for wastewater treatment plant in Utilities.

**Government transfers related to capital** were approximately 15 per cent higher primarily due to an increase in the use of Green Transit Incentive Programs (GreenTRIP), Municipal Sustainability Initiative (MSI) and federal funding.

**Developer contributions-in-kind related to capital** were approximately 27 per cent higher than 2019 due to the timing of completion of developer donated assets which is highly volatile from year to year.

## Expenses – Comparison to Prior Year

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

|                                   | Actual 2019  | Actual 2018  | Increase/<br>(Decrease) | Percent Change |
|-----------------------------------|--------------|--------------|-------------------------|----------------|
| Police                            | \$ 517,498   | \$ 521,224   | \$ (3,726)              | (1%)           |
| Fire                              | 297,449      | 310,823      | (13,374)                | (4%)           |
| Public transit                    | 607,382      | 567,655      | 39,727                  | 7%             |
| Roads, traffic and parking        | 445,867      | 425,123      | 20,744                  | 5%             |
| Water services and resources      | 529,891      | 517,822      | 12,069                  | 2%             |
| Waste and recycling services      | 163,761      | 151,587      | 12,174                  | 8%             |
| Community and social development  | 76,842       | 85,787       | (8,945)                 | (10%)          |
| Social housing                    | 136,777      | 129,831      | 6,946                   | 5%             |
| Parks and recreation facilities   | 279,505      | 277,912      | 1,593                   | 1%             |
| Societies and related authorities | 108,926      | 103,657      | 5,269                   | 5%             |
| Calgary Public Library            | 69,150       | 67,390       | 1,760                   | 3%             |
| General government                | 330,169      | 384,844      | (54,675)                | (14%)          |
| Public works                      | 303,494      | 287,594      | 15,900                  | 6%             |
| Real estate services              | 46,858       | 41,395       | 5,463                   | 13%            |
|                                   | \$ 3,913,569 | \$ 3,872,644 | \$ 40,925               | 1%             |

**Fire** expenses decreased by approximately 4 per cent due to reduction in salaries, wages and benefits related to budget reductions and corporate fringe benefit reductions primarily for the fire fighter positions as well as the cancellation of the contract with Calgary Airport Authority in mid-2019.

**Public Transit** expenses increased by approximately 7 per cent due to increased salaries, wages and benefits due to higher overtime incurred, increased expenses due to a new service contract for Stoney Garage facility, higher demand for Calgary Transit Access trips, higher vehicle maintenance, parts, and increased utilities costs. These increases were slightly offset by decreased sickness and accidental claims, infrastructure maintenance and lower fuel costs.

**Roads, traffic and parking** expenses increased by approximately 5 per cent due to lower recoveries for capital expenditures, partially offset by lower salary and wages, pavement rehabilitation, traffic and materials costs.

**Water services and resources** expenses increased by approximately 2 per cent due to increased salaries and wages resulting from lower employee vacancy rate, along with higher over-time resulting from the response to increased frozen pipes in the late winter of 2019. Other contributing factors were increased bad debt expense, higher contract expenses resulting from increased permits, and higher electricity charges due to the Bonnybrook plant operations expansion.

**Waste and recycling services** expenses increased by approximately 8 per cent due to increased salary and wages expenses resulting from additional staff hired to address the higher attrition and staff shortages incurred in prior year, and lower recovery associated with the Green Line waste removal with project completion in 2019. These changes were partially offset by lower landfill liability expenses.

**Community and social development** expenses decreased by approximately 10 per cent due to lower salaries and wages expenses resulting from budget reductions and transition of senior home maintenance and information centre programs to external partners. In

addition, transfer of the Low Income Transit Pass Program to the Transit business unit and absence of one-time costs related to prevention projects in 2019 resulted in overall decrease in contract and general services. The decrease was partially offset by increases in grant payments related to newly established mental health and addictions strategy.

**Social housing** expenses increased by approximately 5 per cent due to increased cost of sales as a result of higher sales by Attainable Homes Calgary Corporation, partially offset by decreased expenses by Calgary Housing Company due to lower grant spending and lower maintenance costs.

**Societies and related authorities** expenses increased by approximately 5 percent due to higher transfer disbursements from civic partners to various organizations through Opportunity Calgary Investment Fund, and increased grants related contract and general expenses incurred by Calgary Arts Development Authority.

**General Government** expenses were approximately 14 per cent lower due to intentional management of corporate contingencies, discontinuation of the retirement allowance resulting in lower actuarial valuation of the associated benefit obligation, offset by higher salaries and benefits due to higher 2019 utilization.

**Public Works** expenses increased by approximately 6 per cent due to the transfer of the Capital Conservation Grant program from Recreation to facility management under Public Works, resulting in disbursement of grant funding for capital projects related to community associations. Higher amortization also contributed to the overall increase as the majority of buildings were transferred to facility management throughout 2018 and 2019. This increase was offset by reduced rental expenses and building maintenance costs.

**Real estate services** expenses increased by approximately 13 per cent primarily due to higher than anticipated land sales by Calgary Municipal Land Corporation (CMLC) which increased associated cost of sales.

## Tangible Capital Assets

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

|                         | <b>2019 Net<br/>book value</b> | 2018 Net<br>book value | Increase/<br>(Decrease) |
|-------------------------|--------------------------------|------------------------|-------------------------|
| Land                    | <b>\$ 2,521,124</b>            | \$ 2,368,999           | 152,125                 |
| Land improvements       | <b>570,207</b>                 | 560,723                | 9,484                   |
| Engineered structures   | <b>10,682,995</b>              | 10,375,530             | 307,465                 |
| Buildings               | <b>2,281,939</b>               | 1,984,281              | 297,658                 |
| Machinery and equipment | <b>264,755</b>                 | 270,528                | (5,773)                 |
| Vehicles                | <b>862,903</b>                 | 815,786                | 47,117                  |
|                         | <b>17,183,923</b>              | 16,375,847             | 808,076                 |
| Work in progress        |                                |                        |                         |
| Land                    | <b>13,746</b>                  | 13,673                 | 73                      |
| Construction            | <b>1,284,282</b>               | 1,309,059              | (24,777)                |
| Tangible capital assets | <b>\$ 18,481,951</b>           | \$ 17,698,579          | 783,372                 |

During 2019, The City spent \$1,451 million on capital projects (2018 – \$1,694 million), which included \$1,026 million for tax-supported projects (2018 – \$1,345 million). Spending on capital projects was primarily on roads, water infrastructure projects, the transit bus storage facility, recreation facilities and the green line LRT project.

Tangible capital assets are recorded at cost/amortized cost, which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less estimated salvage value of the tangible capital assets is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 2 to 100 years.

During 2019, amortization expense of \$678 million was recorded (2018 – \$679 million). In total there was \$323 million (2018 – 255 million) of donated and contributed assets which were mainly for water, parks, and roads. Disposals with a netbook value of \$43 million were made in 2019 which consists of land, engineered structures, buildings, machinery and equipment, and vehicles.

## SIGNIFICANT TRENDS

### Revenues (before external transfers for infrastructure)

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

|  | Actual 2019         | Actual 2018         | Actual 2017<br>(Restated) | Actual 2016<br>(Restated) | Actual 2015<br>(Restated) |
|--|---------------------|---------------------|---------------------------|---------------------------|---------------------------|
| Net taxes available for municipal purposes                           | \$ 2,088,755        | \$ 2,068,070        | \$ 1,955,429              | \$ 1,938,199              | \$ 1,926,218              |
| Sales of goods and services  | 1,323,154           | 1,278,099           | 1,274,060                 | 1,211,983                 | 1,285,280                 |
| Government transfers   |                     |                     |                           |                           |                           |
| Federal  | 1,482               | 1,736               | 4,693                     | 4,660                     | 3,812                     |
| Provincial   | 150,855             | 160,387             | 140,475                   | 128,157                   | 128,431                   |
| Investment income  | 198,927             | 101,236             | 104,520                   | 77,451                    | 79,185                    |
| Fines and penalties  | 98,646              | 95,747              | 92,040                    | 89,796                    | 80,451                    |
| Licences, permits and fees   | 113,111             | 117,254             | 124,356                   | 114,988                   | 124,358                   |
| Miscellaneous revenue  | 40,542              | 44,951              | 90,806                    | 56,794                    | 68,235                    |
| Equity in earnings of ENMAX  | 156,162             | 5,094               | (30,312)                  | 143,597                   | 9,725                     |
| Equity in earnings of Co-ownership                                   | –                   | –                   | –                         | –                         | 618                       |
| <b>Total revenues (before external transfers for infrastructure)</b> | <b>\$ 4,171,634</b> | <b>\$ 3,872,574</b> | <b>\$ 3,756,067</b>       | <b>\$ 3,765,625</b>       | <b>\$ 3,706,313</b>       |

The five year trend for revenues largely reflects rate and growth-related increases for the prior four years.

**Net taxes available for municipal purposes** generally increases with growth and tax rate increases; however, it includes local access fees that are charged in lieu of taxes to some utilities for using The City right-of-way based on the cost of the service and commodity being provided. Fluctuations in commodity prices affect this revenue stream.

**Sales of goods and services** in 2019 were higher than 2018 sales revenues. The increase is primarily due to revenues generated through the land sales, green and black cart programs, higher residential recycling and commercial collection. In 2019, higher transit and recreation rates also contributed to the overall increase. Wastewater, water and drainage services saw decreases in revenue in 2019 due to reduced installation. This is consistent with prior years, where the variations in rates and demand for wastewater, water, drainage services, along with changing transit rates and ridership, affect the trend in this revenue stream, usually countered by trends in property and land sales, depending upon the current economic conditions. Relatively consistent revenues year-over-year with the exception of 2016 which had decreases to land sales of \$37 million and attainable homes units of \$29 million due to weaker market conditions.

**Government transfers** in 2019 were lower than 2018 primarily due to reduced provincial grants received by the Calgary Housing Company for properties, and reduced provincial funding for Disaster Recovery grants, partially offset by higher grants received under other provincial and municipal programs. The increase in 2018 from 2017 was mainly due to additional grants received by the Calgary Housing Company. The decreasing trend from 2015 to 2016 was due to gradual reductions in Disaster Recovery Program, Municipal Staffing capacity grants, and flood preparedness grants to the City. There is minimal fluctuation in federal transfer over the years.

**Investment income** for 2019 was influenced by a change in investment management strategy involving transfer of funds to a higher income earning portfolio which triggered

a realized gain. The fluctuations in interest rates and variations in the investment balances are the main contributors to changes in this revenue stream.

**Licences, permits and fees** reflect the building permit revenues which experiences variability between years. In 2019, revenues were 4 per cent lower than the prior year due to a decrease in land use amendment and land development fees, which was partially offset by increase in water's application fees in 2019. 2018 also experienced reductions from 2017 due to a permit and licence fee freeze. 2015 and 2017 represent higher revenue years because of increased excavation permits and completion of residential and commercial development activities.

**Miscellaneous revenue** decreased in 2019 due to reduced gains resulting from the sale of tangible capital assets, partially offset by higher land parcel sales by CMLC and insurance settlements from third parties. The reduction in 2018 was due to lower land sales activity, whereas 2015 experienced higher revenues than 2016 primarily due to revenue received from insurance companies for costs related to the 2013 flood.

**Equity in earnings of ENMAX** comprises the net equity increase in The City's government business enterprise ENMAX. In 2019, there was an increase due to increased transmission, distribution and contractual services margins. These favourable impacts are partially off-set by the reduced electricity margins. In 2018, there was an increase in electricity, natural gas, transmission and distribution margins. However, the gains from market improvements were reduced by a settlement of significant current and deferred income tax expense. In 2017, ENMAX experienced lower net earnings due to increased portfolio supply costs in ENMAX power delivery. In 2016, ENMAX experienced higher net earnings due to continued growth in ENMAX power delivery resulting from steady growth in rate base and customer sites, and its integrated strategy on hedging cost and capital spending management. In addition, ENMAX identified an adjustment in their deferred income tax calculation that resulted in a decrease of \$39 million to the 2015 income tax recovery. The equity in earnings of ENMAX decreased in 2015 as a result of lower electricity prices.

**Equity in earnings of Co-Ownership** is comprised of Attainable Homes Calgary Corporation's share of net income earned from the Co-Ownership entered into in 2013. This project was completed in the year ended December 31, 2015 and was dissolved on January 9, 2017.

## LIQUIDITY AND DEBT

### Financial Position – Net Financial Assets

As at December 31 (in thousands of dollars)

|  | Actual 2019         | Actual 2018         | Actual 2017<br>(Restated) | Actual 2016<br>(Restated) | Actual 2015<br>(Restated) |
|--|---------------------|---------------------|---------------------------|---------------------------|---------------------------|
| <b>FINANCIAL ASSETS</b>                    |                     |                     |                           |                           |                           |
| Cash and cash equivalents                  | \$ 263,209          | \$ 246,116          | \$ 134,006                | \$ 227,884                | \$ 104,499                |
| Investments                                | 4,230,756           | 4,038,562           | 3,893,757                 | 4,096,462                 | 4,117,988                 |
| Receivables                                | 375,636             | 357,296             | 327,725                   | 328,499                   | 267,216                   |
| Land inventory                             | 275,592             | 279,532             | 276,418                   | 248,008                   | 206,477                   |
| Other assets                               | 94,701              | 106,386             | 109,434                   | 109,390                   | 98,291                    |
| Investment in ENMAX                        | 2,339,699           | 2,261,350           | 2,314,000                 | 2,291,308                 | 2,260,205                 |
|  | <b>7,579,593</b>    | <b>7,289,242</b>    | <b>7,055,340</b>          | <b>7,301,551</b>          | <b>7,054,676</b>          |
| <b>LIABILITIES</b>                         |                     |                     |                           |                           |                           |
| Bank indebtedness and short-term borrowing | 51,711              | 73,640              | 46,200                    | 70,255                    | 58,424                    |
| Accounts payable and accrued liabilities   | 811,799             | 947,274             | 860,453                   | 945,890                   | 731,184                   |
| Deferred revenue                           | 103,629             | 96,249              | 92,926                    | 111,502                   | 89,108                    |
| Capital deposits                           | 675,135             | 771,294             | 712,685                   | 1,018,173                 | 1,028,323                 |
| Provision for landfill rehabilitation      | 101,198             | 93,709              | 88,905                    | 87,263                    | 87,488                    |
| Employee benefit obligations               | 495,564             | 499,641             | 493,870                   | 480,153                   | 455,249                   |
| Long-term debt                             | 2,883,447           | 2,888,831           | 3,066,263                 | 3,216,672                 | 3,360,602                 |
|  | <b>5,122,483</b>    | <b>5,370,638</b>    | <b>5,361,302</b>          | <b>5,929,908</b>          | <b>5,810,378</b>          |
| <b>NET FINANCIAL ASSETS</b>                | <b>\$ 2,457,110</b> | <b>\$ 1,918,604</b> | <b>\$ 1,694,038</b>       | <b>\$ 1,371,643</b>       | <b>\$ 1,244,298</b>       |

There was an increase of \$539 million in net financial assets in 2019 relative to 2018 with increases in investments, receivables and investment in ENMAX balances driving the change. The overall increase from prior year is also due to decrease in bank indebtedness and short-term borrowing and liabilities that are governed by agreements with the parties involved, including funds owed for goods and services already received (accounts payable and accrued liabilities), and capital deposits that are restricted to specific types of capital. A trend of decreasing long-term debt levels combined with increasing cash, investments and receivables have been the primary factors of the net financial asset growth trend through the 2015 to 2019 years.

The downward trend in long term debt levels from 2016–18 is due to higher principal repayments compared to borrowings for tax-supported and self-sufficient tax-supported (especially MSI) debt and the decrease in these debt categories is greater than increases in self-supported debt. In 2019, long term debt continues to trend downward due to the full repayment of MSI debt outstanding offset by new borrowings for tax-supported debt.

## Long-Term Debt

As at December 31 (in thousands of dollars)

|  | 2019                | 2018         | 2017         | 2016         | 2015         |
|--|---------------------|--------------|--------------|--------------|--------------|
| <b>Opening Balance</b>                         | <b>\$ 2,888,831</b> | \$ 3,066,263 | \$ 3,216,672 | \$ 3,360,602 | \$ 3,626,177 |
| <b>Increase (Decrease)</b>                     |                     |              |              |              |              |
| Tax-supported                                  | <b>75,973</b>       | (41,385)     | (43,667)     | (39,837)     | (38,424)     |
| Self-sufficient tax-supported                  | <b>(78,021)</b>     | (60,196)     | (205,404)    | (202,514)    | (275,895)    |
| Self-supported                                 | <b>(3,336)</b>      | (75,851)     | 98,662       | 98,421       | 48,744       |
| <b>Net (Decrease)/Increase during the year</b> | <b>(5,384)</b>      | (177,432)    | (150,409)    | (143,930)    | (265,575)    |
| Closing balance                                | <b>2,883,447</b>    | 2,888,831    | 3,066,263    | 3,216,672    | 3,360,602    |
| ENMAX debt in The City's name                  | <b>1,283,320</b>    | 1,185,380    | 1,078,522    | 1,145,184    | 1,211,055    |
| <b>Total debt attributable to The City</b>     | <b>\$ 4,166,767</b> | \$ 4,074,211 | \$ 4,144,785 | \$ 4,361,856 | \$ 4,571,657 |

In 2019, DBRS reaffirmed the long-term debt rating of The City at AA (high), and The City's commercial paper rating at R-1 (high), with stable trends. In affirming the rating, DBRS stated that "the ratings are supported by a low DBRS-adjusted tax-supported debt burden, a high level of liquidity and reserves, stability in key revenue sources and disciplined fiscal management amid a still-challenging economic climate in Alberta". In addition, Standard & Poor's affirmed The City's long-term debt rating at AA+ and commercial paper rating of A-1+ reflecting healthy operating cash flows, robust liquidity and strong financial management.

The City utilizes debt to finance certain capital projects on the premise that the cost of these projects should be borne by the taxpayers and utility users who will benefit from the projects. Debt financing allows The City to appropriately manage the timing of cash flows.

The City has three categories of debt, including:

- Tax-supported – debt issued for capital expenditures that is funded in whole or in part from tax revenues;
- Self-sufficient tax-supported – debt for non-utility operations or programs that are self-funded by revenues or cash flows from a dedicated funding source; and
- Self-supported – debt mainly for utility services which is not funded by tax revenues but by rates charged directly to users and cash flows generated from operations.

Council's capital financing policy allows for increasing the tax-supported debt outstanding as long as annual debt servicing charges do not exceed 10 per cent of the tax-supported gross expenditure (net of recoveries). The policy would allow The City to provide some additional growth-related capital infrastructure if desired.

In 2019, The City's issued \$115.7 million tax-supported debt to finance growth-related projects, and repaid \$39.7 million in tax-supported debt, resulting in a net increase in tax-supported debt of \$76 million to \$441.5 million as at December 31, 2019.

The ratio of debt servicing charges to tax-supported gross expenditure (net of recoveries) was 4.6 per cent (including self-sufficient tax supported) and 1.5 per cent (excluding self-sufficient tax supported) which is within The City's 10 per cent policy limitation.

Self-sufficient tax-supported debt comprises debt for CMLC's programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. These costs are currently being partially funded by revenues resulting from their own operations. As at December 31, 2019, CMLC has \$210.3 million in outstanding debt. In 2009, Council approved a maximum debt of \$1 billion to provide bridge financing for MSI-funded projects. Additional bridge financing for MSI-funded projects was approved in 2011, bringing the total capacity to approximately \$1.6 billion. As at December 31, 2019, The City has paid off the remaining MSI debt of \$70.5 million and has no outstanding debt for these projects. Although no new borrowing is identified, there remains the possibility of new MSI debt issue depending on provincial funding and capital cash flow demands.

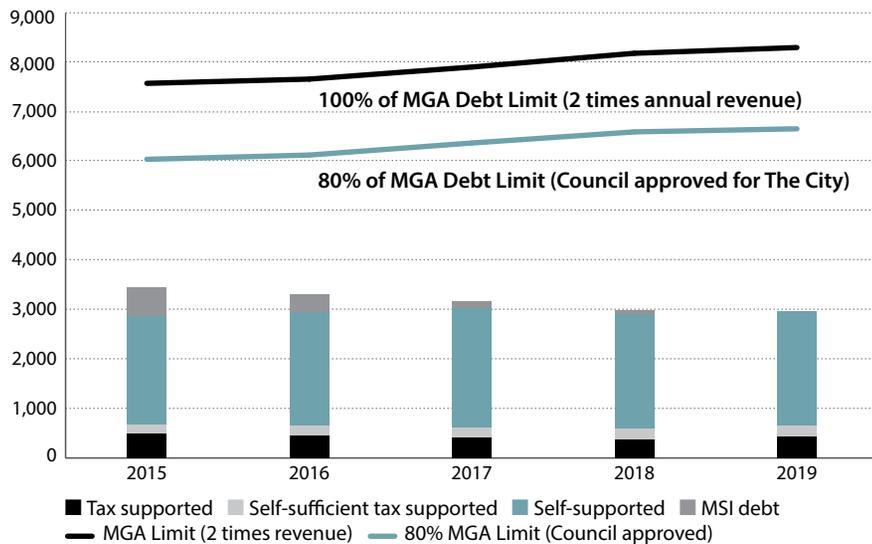
Also in 2019 \$176.9 million in new self-supported debt (primarily related to water services and resources) was obtained and \$180.2 million was repaid, resulting in a net reduction in self supported debt of \$3.3 million to \$2,232 million (excluding \$1,283 million in debt attributable to ENMAX).

Administration continues to monitor and report on an internal maximum level of 80 per cent, as well as the mandated 100 per cent maximums of the MGA limits, ensuring that The City has a sufficient cushion of debt capacity room available to provide financial flexibility. In 2011, the Provincial government enacted a regulation that exempted The City's MSI related debt issued after December 31, 2011 from the debt service limit calculation. As a result, debt servicing for MSI bridge financing originated in 2012 or beyond is not included in the figures below.

The Municipal Government Act (MGA) requires The City to comply with two separate debt related limits which are expressed as a percentage of revenue. The MGA Debt Limit stipulates the maximum amount of debt principal that The City can have outstanding, including loan guarantees, and is calculated at two times revenue. The City's council policy is to not exceed the 80 per cent of the MGA specified limit. Chart A below reports The City's total historical outstanding debt from 2015 to 2019. It indicates that as at December 31, 2019 The City had used 37.41 per cent of its MGA debt limit.

**Chart A — The City Historic Debt Levels**  
**MGA Debt Limits Trend 2015–2019**

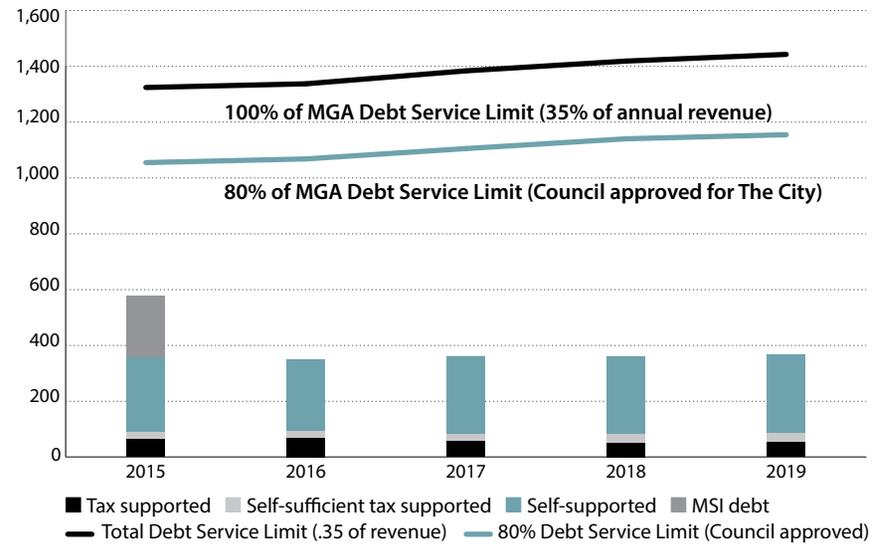
(in millions of dollars)



The MGA Debt Service Limit sets out the maximum amount of annual debt servicing (principal and interest) that The City can incur and is calculated at 35 per cent of revenue. For MSI bullet debt, the total principal and interest is recognized as debt servicing in the year the debt matures. The City's council policy is to not exceed the 80 per cent of the MGA specified limit. Chart B reports The City's Debt Servicing Charges is at 26.66 per cent of the MGA debt service limit at the end of 2019.

**Chart B — MGA Debt Service Limit Trend 2015–2019**

(in millions of dollars)



## Reserves

As at December 31 (in thousands of dollars)

| 2019                | 2018         | 2017<br>(Restated) | 2016<br>(Restated) | 2015<br>(Restated) |
|---------------------|--------------|--------------------|--------------------|--------------------|
| <b>\$ 2,493,588</b> | \$ 2,299,998 | \$ 2,032,652       | \$ 1,975,809       | \$ 1,915,176       |

The reserve balances totaled \$2,494 million at the end of 2019 (2018 – \$2,300 million). The net increase was primarily the result of increases in the Reserve for Future Capital, Community Investment Reserve as well as increases before transfer to the Major Capital Projects Reserve in each of the Fiscal Stability, Lifecycle Maintenance and Upgrade and Real Estate Services reserves; partially offset by reductions in the Budget Savings Account, Utilities Sustainment, and other capital expenditure reserves.

The City allocates funds to reserves to meet specific future operating and capital expenditure requirements and to provide for emergencies in accordance with a Financial Reserve Policy that establishes guidelines and criteria for the proper creation and administration of reserve funds. This policy includes a triennial review process requiring that each reserve be reviewed at least once every three years. This review ensures reserves are being administered as approved by Council and in accordance with The City's policies and procedures, that reserve purpose and requirements are still relevant, and whether reserves are still required or can be closed. During 2019, City staff undertook a review of sixteen reserves totaling \$632 million, representing approximately 26 per cent of all reserve balances as at December 31, 2018. Findings and recommendations of the review were approved by Council in December 2019.

Maintaining financial reserves is good management, allowing funds to be collected as available and spent judiciously as needed to ensure service levels to citizens are maintained. The City classifies reserves into three categories to be used for three distinct purposes:

- Operating reserves are used to fund operating expenses for one-time projects/pilot programs; to stabilize operating budgets for unanticipated fluctuations in revenue or expenses; to comply with a contractual agreement; or for contingency funds for operational emergencies.
- Capital reserves are used to fund capital expenses.
- Sustainment reserves are used to fund both operating and capital expenses for activities that are treated as self-sustaining. Surpluses from these activities are retained in these reserves to offset any future deficits.

The largest reserve is the Fiscal Stability Reserve (FSR) (2019 – \$426 million; 2018 – \$618 million) which is a contingency reserve for urgent situations with significant financial implications and is also used to fund one-time operating costs as approved by Council. In 2019, as part of the overall financial strategy, Council approved the transfer of \$308 million from the FSR to the Major Capital Projects Reserve for the BMO Centre expansion, Event Centre, Foothills Fieldhouse and Arts Commons transformation. The Foothills Fieldhouse and Arts Commons transformation are still in the process of receiving full council approval. The second largest reserve is the Reserve for Future Capital (2019 – \$357 million; 2018 – \$306 million) which funds capital projects in accordance with Council approved terms and conditions defined for this reserve.

In 2019, Council approved the financial strategy for the major capital projects; BMO Centre expansion, Event Centre, Foothills Fieldhouse and Arts Commons transformation. As part of this strategy, the Major Capital Projects Reserve was created with a total of \$424 million. Funding sources for this reserve were:

- FSR (including interest) – \$308 million
- Lifecycle Maintenance & Upgrade Reserve – \$19 million
- Budget Savings Account (BSA) – \$37 million
- Tax Loss Provision Reserve – \$37 million
- Real Estate Services Reserve – \$10 million
- 2019 Corporate Savings – \$13 million

The City is continuing to improve efficiency and effectiveness through a variety of approaches. In 2015, a Budget Savings Account program (PFC2016-0181) was set up to encourage business units to seek annual savings, innovation and efficiencies, within their operating and capital budgets. Funding for the Budget Savings Account is generated by favourable budget variances identified by business units through the management of their operating and capital budgets. During 2019, business units contributed operating savings of \$18 million (2018 – \$38 million) from tax-supported programs to the Budget Savings Account Reserve. Contributions were lower in 2019 due to the mid-year budget reductions of \$60 million and overall reductions in budgets in the past few years. Capital savings of \$1.2 million (2018 – \$2 million) were contributed to the Budget Savings Account program and subsequently committed to additional capital investments through Infrastructure Calgary. The balance remaining in the capital Budget Savings Account program is fully committed.

## RISK MANAGEMENT

The City is committed to an integrated approach to risk management, where it is viewed as a key component of sound business practices, decisions and due diligence. The City Manager is responsible for ensuring compliance with Council's Integrated Risk Management (IRM) Policy and promoting a proactive, corporate-wide and systematic approach to managing risks that could affect The City's results. Risk management has been embedded into multi-year business planning and reporting to enhance the level of accountability, transparency and comparability of operations. Through the IRM framework and process, risks are identified at all levels across the organization.

Twice a year, The City conducts an organizational-wide risk review, including a comprehensive assessment of The City's service risks and the Principal Corporate Risks (PCRs). The PCRs are the risks with the greatest strategic impact on The City. In 2019, The City identified 17 PCRs, and five of these were prioritized to be more closely monitored and reported on throughout the year. These five priority risks were selected due to an increase in the internal and external stress factors impacting them, such as the requirement to find budget reductions.

The five priority risks for 2019 were financial, capacity for change, growth, infrastructure management and reputation.

### 1 – Financial Risk

Funding constraints caused by lower general revenues, franchise fees and/or higher expenses and reliance on debt financing may lead to an inappropriate financing structure and negatively impact service delivery, the ability to maintain critical infrastructure and adapt to growth.

#### Corporate Financial Risk

The City is taking on more corporate financial risk by reducing costs to manage fluctuating revenues. This reduces the ability to absorb any further adverse revenue movements, price movements and other potential statutory obligations. The City also observed economic hardship faced by small businesses resulting in tax collectability risks, thus increasing the overall revenue risk. Financial risk is considered for long range planning as well as strategic decision making, and it is actively managed and closely monitored to ensure the continued success in the financial management of the organization.

As part of the overall mitigation strategy, The City is continuing to improve efficiency and effectiveness through a variety of approaches such as:

- Introducing the Solutions for Achieving Value and Excellence (SAVE) Program, formerly the Strategy for Improving Service Value (SISV), which takes a strategic approach to find savings while continuing to provide the quality services that Calgarians want and expect.
- Continuing with intentional savings and contributions to the BSA and FSR.
- Having a well-defined four-year business planning and budgeting process that includes annual adjustments to reflect changing external and internal environments. Annual budgets are reviewed and adjusted based on the tax rate required for changes in both plans and service levels and are approved by Council.
- Conducting strategic reviews of capital investments and matching investments to available corporate funding capacity by Infrastructure Calgary group.
- Maintaining a debt management process consisting of tracking, monitoring, debt modelling, long term planning and forecasting to aid in recommendations and decision making.
- Working collaboratively with service owners to jointly consider scenarios that may result from reduced revenue and/or increased expenditures and consider proactive solutions and mitigation strategies to ensure a balanced budget as approved by Council.

Subsequent to year-end and as of March 20, 2020, the TSX was down 30.5 per cent and the S&P 500, 28.7 per cent, year-to-date, resulting in a potential risk for The City's portfolio. The City mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The Investment Advisory Committee (IAC) oversees investment strategy and regularly reviews the investment activity, compliance and risk mitigation practices of both internal and external managers to meet City's investment objectives.

Within The City's investment portfolio there are sources of funds including operations, capital deposits, operating and capital reserves as well as funded employee benefit obligations. Each of these funds has a different time horizon and risk profile. The majority of the funds have a horizon of 5 years or less which directs The City's asset mix of which 85 per cent cash and fixed income, 10 per cent equity and 5 per cent direct infrastructure is very conservative and designed to provide liquidity as needed. With 10 per cent in equity, The City's investment portfolio only has a small portion exposed to the current market volatility.

## Other Economic Factors

In the first quarter of 2020 the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and operations of The City in future periods.

The City is well prepared through sound business continuity planning to minimize disruption and maintain continued delivery of city services during emergencies and disasters. Through the Business Continuity Planning Policy and the Corporate Business Continuity Framework, The City has established the foundation for which business continuity planning must adhere to ensure minimal disruption of city services. The Calgary Emergency Management Agency (CEMA) acts as the lead and steward for the business continuity program in The City.

The fiscal situation for the Government of Alberta is challenging with significant deficits anticipated for the next few years. The resource revenue for the province has been negatively impacted by lower global crude oil prices, and the discounted price for crude oil index Western Canadian Select (WCS) relative to West Texas Intermediate (WTI) because of transportation bottlenecks. Continued deficits will lead to future increases in the net debt-to-GDP ratio unless there are major spending cuts or significant increases in non-resource revenue. The Province released the Blue Ribbon Panel Report in September that suggested an overall direction of funding reductions for municipalities and announced operating and funding reductions to The City in the 2019 provincial budget released in October. The City took action on these reductions beginning with the 2020 Budget Adjustments approval in November. The City continues to monitor the economy and the provincial fiscal situation and will take action to mitigate any negative impacts.

Economic activity continued to improve in 2019, owing to the positive impact of gradually increasing oil prices and continued economic expansion. The city's unemployment rate remained elevated, as the economy was yet to recover all goods-producing sector jobs lost during the 2015–16 recession. The local real estate market was impacted by the fall in oil prices that started in 2014 and led to a 2015–16 recession, with the downtown office market experiencing the sharpest decline in value. From 2016 to 2018, there was a redistribution of non-residential property taxes away from the downtown office market to other non-residential property owners. To support this, Council approved one-time funding of \$41 million for 2018 and approved \$60 million in budget reductions in 2019. They also redirected \$44 million from FSR and \$26.9 million from no longer required PTP funding from 2017 and 2018, for a total of \$130.9 million for the PTP to mitigate impacts of this shift in 2019. The \$60 million base reduction will be applied to reduce all non-residential property tax in 2020.

## Normal Operations Risk

Under the terms of foreign merchandise purchase contract arrangements, The City has fixed its exchange risk on foreign purchases for CAD trades against the USD with Canadian Schedule 1 banks at rates ranging from \$1.31 to \$1.34 CAD. The dollar value of these contracts at December 31, 2019 was \$13,324 CAD (2018 – \$6,660 CAD). During the fiscal year ended December 31, 2019, the various arrangements for foreign merchandise cost The City \$2,220 CAD less (2018 – \$5,866 CAD less) than if the arrangements had not been entered into.

The City has hired an external manager to execute an active portfolio hedging strategy designed to efficiently reduce currency risk. The manager may purchase CAD against foreign currencies held in The City's portfolio. At December 31, 2019, this portfolio held 36 forward contracts that have a settlement date of January 22, 2020. The total market value of the forward contracts is \$4,560 CAD.

In addition to U.S. foreign exchange fixed contracts, The City has also previously purchased hedges for future purchases relating to the light rail transit system. Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for CAD trades against USD with the supplier at rates ranging from \$1.03 CAD to \$1.07 CAD. During the fiscal year ended December 31, 2019, the various arrangements for foreign merchandise cost The City \$2,198 CAD less (2018 – \$1,383 CAD less) than if the arrangements had not been entered into. At December 31, 2019, The City had remaining commitments of \$14,444 USD (2018 – \$19,556 USD) that are anticipated to be settled by 2020. The City continues to monitor economic conditions and impacts on The City's financial status and adjusts strategies accordingly.

The City has fully met its current year cash contributions for employee benefit obligations at December 31, 2019. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of \$18.9 million (2018 – \$14.9 million). The City has put in place a plan of action to set aside funding for these losses and the action plans are reviewed and adjusted annually by the Pension Governance Committee. In addition, there are certain employee benefit obligations with respect to multi-employer pension plans. Civic employees, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP). Police officers are members of the Special Forces Pension Plan (SFPP). Both plans are multi-employer, defined-benefit pension plans jointly sponsored by employees and employers through the LAPP and SFPP Corporations respectively and administered by Alberta Pension Services (APS). LAPP currently has a plan surplus, where the actuarial value of the assets are greater than the accrued benefit obligations. The total surplus at December 31, 2018 for LAPP was \$3,469 million (2017 – \$4,836 million) and for SFPP a deficit of \$191 million (2017 – surplus of \$71 million). At December 31, 2018, The City employees represented approximately 8.3 per cent of the employees in LAPP and 48.5 per cent of the employees in SFPP. LAPP Corporation is actively monitoring the Plan's overall financial condition throughout this

COVID-19 pandemic. While the Plan is not immune to market losses and volatility, LAPP Corporation spearheaded the implementation of a market risk management strategy in late 2019. This strategy was specifically designed to provide protection for the Plan in the event of a severe market downturn, such as the one we are now experiencing. Similarly, the SFPP Corporation ensures that a broadly diversified portfolio of assets is designed to withstand episodes of market volatility such as those associated with the COVID-19 pandemic. The City, in conjunction with other participating employers (such as Alberta Health Services, other Alberta municipalities, universities, colleges and school boards), and its employees, share in funding the future plan deficits through contribution rates. The contributions by each participating employer are not segregated in a separate account or restricted to provide benefits only to employees of The City, but rather are used to provide benefits to employees of all participating employers. The City includes a provision for expected LAPP and SFPP contributions in its multiple-year budget plans.

### **ENMAX (The City's Wholly-Owned Subsidiary)**

ENMAX is a private Alberta corporation owned by The City. The City's investment in ENMAX comprises 31 per cent of the City's financial assets on the statement of the financial position, and as a rate regulated entity providing electricity and natural gas as part of its business, has earnings volatility that is captured on The City's statement of operations. There is a risk that The City will not receive budgeted dividends or earnings annually which could impact The City's ability to realize the expected return on its investment.

Risks identified by ENMAX and presented in detail in its annual financial report include commodity price, volume, wholesale and retail competition, operational, environmental, regulatory, human resources, technological, liquidity, credit, developmental, legal, corporate structure, reporting/disclosure, income tax and strategic risks. ENMAX has an integrated approach to risk management across all ENMAX companies and has implemented an Enterprise Risk Management (ERM) framework. The Risk Management Committee and the Commodity Risk Management Committee, consisting of ENMAX senior management team members, oversee risk management and report risk exposures to the Board of Directors.

In 2019, The City, as ENMAX's shareholder, reviewed and confirmed the company's strategic direction and annual operating plans. Approvals for ENMAX's annual budget and major capital projects in excess of \$75 million are sought from the shareholder, and ENMAX provides The City with annual dividends.

ENMAX's 2019 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Summary financial information for ENMAX is included in Note 7 to the consolidated financial statements.

On March 25, 2019, ENMAX Corporation announced that it had entered into a definitive agreement to acquire a regulated electric transmission and distribution utility, Emera Maine. Subsequent to the year end, on March 24, 2020, ENMAX announced that the transaction to purchase Emera Maine for \$1,286 million from Emera Inc. was successfully closed. Including assumed debt, the aggregate enterprise value is expected to be approximately \$1,800 million. The transaction is aligned with the ENMAX's corporate strategy to grow regulated cash flows and diversify revenue streams within North America. The acquisition will raise ENMAX's regulated rate base by approximately 50 per cent and increase the portion of future cash flows from regulated and non-commodity sources to approximately 70 per cent. ENMAX intended to finance this transaction using approximately 85 per cent debt and 15 per cent equity. The debt is expected to consist of a two-year bank loan, which is intended to be repaid before maturity, and private notes. The remaining balance will be funded in cash. Effective March 24, 2020, Emera Maine is a wholly owned subsidiary of ENMAX.

ENMAX's debt load and credit rating currently do not impact The City's credit rating. Rating agencies use two high level factors: the self-sustaining nature of ENMAX's business and the very low likelihood of ENMAX needing extraordinary intervention by The City to make its determination. In S&P's more recent ratings action, ENMAX was downgraded to BBB- but with a stable outlook at this level.

## 2 – Capacity for Change Risk

Increasing pace and quantity of change in the natural, social, economic and political environment, combined with limited flexibility in the organization to respond to these changes contributes to reduced capacity, preparation and experience required to implement new initiatives and adapt to changing priorities.

Over the last several years, The City experienced a high degree of uncertainty and in response committed resources to identify, understand and adapt to external and internal change factors. Leaders and employees adapted to various changes, including in the economy, citizen expectations, new leadership, and evolving strategic direction. Facing unprecedented challenges, leaders further developed the skills and competencies required for the prevailing municipal environment and to effectively plan for the future. The desire to increase organizational efficiency and build change capacity was evidenced in the significant year-over-year increase in requests for organizational effectiveness services.

Capacity for change risk response strategies for 2019 included:

- Hiring of transformational change and organizational design consultants to work with leadership at all levels, supporting major projects and facilitating departments and business unit networks to increase the speed of change.
- Implementing new leadership and employee development programs that will embed change approaches to contribute to the organization's overall capacity for dealing with change.
- Clearly communicating the corporate vision from the new City Manager to provide additional clarity and direction for the organization. This builds capacity for change by providing a line of sight to all leaders and employees, improving accountability toward Administration's commitments as well as accountability for individual performance development.

## 3 – Growth Risk

While growth carries a number of economic and social benefits, it is also a significant risk for The City because infrastructure and services need to be in place timed with demand. This means The City must anticipate both the level and spatial pattern of growth. Ineffective growth planning is linked to the financial and reputational risks and can impact The City's capacity to deliver and provide infrastructure and services that meet city-wide demands.

The City undertook an ambitious growth strategy in 2018 to support the needs of the city and its population. To manage associated risks, The City has implemented a comprehensive Citywide Growth Strategy to balance infrastructure and service investments in response to demand. The property tax approved for 2019 included dedicated rates for actively developing communities and new communities. The City has also established a cross corporate governance annual monitoring report to Council and increased collaboration with industry through the Industry/City Work Plan to formalize the sharing of information and data for decision making.

In 2019, The City's capital program also faced significant levels of uncertainty and risk exposure. Specifically, provincial funding for The City's capital portfolio decreased by over \$2.9 billion between 2019–20 and 2022–23, or approximately 12 per cent compared to the 2018 Capital Plan. Administration reviewed the full implications of the 2019 provincial funding changes and undertook a process to review the capital portfolio and identify potential least-harm reductions. This process looked at what capital investments can be scaled back, delayed or stopped with minimal impact to citizens and service levels and considers risk from an internal and external perspective.

At the end of 2019, there were still several unknowns related to capital funding including new regulations, provincial requirements, and funding related to the 2020 provincial budget.

#### 4 – Infrastructure Management Risk

The City owns and operates public infrastructure systems such as water service, storm and sanitary sewers, roads, sidewalks, pathways, bridges, and other structures and buildings. The City is exposed to the risk of these assets failing as they age, particularly if lifecycle maintenance is not prioritized appropriately.

The City has always faced pressure between choosing to maintain existing infrastructure or build new needed infrastructure, which is amplified in times when funding becomes scarce. This risk became more challenging with an increasingly constrained capital budget. As grants from the province remain limited, there will be pressure both for building needed new infrastructure and keeping existing infrastructure safe and well maintained. The City has flagged a funding gap between allocated resources and what is required to maintain existing and invest in new infrastructure.

A key continuous improvement action underway is the regular, measured inclusion of lifecycle maintenance and replacement into prioritization criteria of capital infrastructure investment programs. As The City moves towards a corporate infrastructure investment approach, this will be the most integral contributor to long-term risk management and cost avoidance.

#### 5 – Reputation Risk

Reputation risk is damage to the image of The City or negative perceptions by citizens or stakeholders because of actions of elected officials or City employees. This risk can threaten The City's ability to maintain positive and productive relationships with citizens, businesses, partners and the ability to achieve its corporate objectives.

The City's reputation risk involves monitoring and managing either an increase or decrease in public trust and confidence. The City continues to focus on high-quality, affordable services and correcting misinformation to better communicate the value provided for citizens' taxes and strengthen overall trust.

Some of the key reputation measures monitored by The City, such as citizen satisfaction with The City's performance, citizen trust, and citizen's perception that The City practices open and accessible government, have been negatively impacted in 2019. This is due to slow economic growth and increased public scrutiny related to the property tax shift, reductions in The City services, and other contentious investment decisions.

The City's reputation risk is also related to economic risk and the corresponding response, including ongoing management of financial risk. The City continues to deliver multiple initiatives (e.g. Downtown Strategy, Business Friendly, Event Centre, Arts Commons revitalization) that are directly tied to economic progress with coordinated and cohesive messaging that conveys that The City is open, transparent and business friendly. Managing reputation risk is dependent on a collaboration between The City business units, elected officials and communicators to provide and distribute content through various channels leading to greater citizen understanding and awareness of initiatives taken by The City.

## THE OUTLOOK

### COVID-19 Pandemic

On March 15, 2020, a State of Local Emergency (SOLE) was declared within The City due to the COVID-19 pandemic. Among other things, the SOLE included temporary closure of The Calgary Public Library, all recreation facilities of The City, the Youth Employment Centre and all partner-operated facilities which are owned by The City. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and operations of The City in future periods. The City is currently utilizing various methods to assess the ongoing financial impacts including loss of revenue from reduced transit ridership and closure of recreation facilities, number of sickness and accidental claims submitted, and tracking of overtime and any redirected time due to COVID-19 related activities.

The City's economy is now facing additional challenges. For 2020 and beyond, the global oil over supply that exists will impact prices even below the 2015-16 levels. This will increase the risk of economic decline in 2020. The COVID-19 pandemic will have negative consequences for health and quality of life, and potentially lead to chronic demand restraint for many goods and services. Because of the severity of the COVID-19 impacts on the local economy, City Administration and Council are collectively exploring relief measures for individuals and businesses. The City will pursue measures that balance support for residents and businesses, the options afforded by existing legislative authority, and the fiscal position of The City.

### Calgary Economy and Management of Growth

Calgary's economic prospects are affected by shifts in external events. These external pressures include:

- policy choices of other governments (e.g. U.S. corporate tax policy),
- variations in expenditures by other orders of government,
- global energy prices,
- availability of pipeline and rail export capacity for crude oil,
- changes in interest rates,
- the level of economic activity in the United States,
- growth rates in emerging economies, and
- global health events.

When oil prices were relatively high, business investment decisions in Calgary resulted in overbuilding, particularly in downtown office space and apartment/condos. In 2019, the downtown office vacancy rate improved by about 1.8 per cent from 24.8 per cent in 2018 to 23 per cent in 2019 but remains significantly elevated. With all the unused inventory in the downtown core, the expectation is that downtown commercial construction will concentrate on renovations rather than new building for several years.

The increase in economic prosperity was slower in 2019 than in 2018, partly because of weakness in the construction industry. The professional, scientific and technical services industry was also yet to recover to the levels experienced when oil prices were high. Despite elevated unemployment rates for those two industries, the overall unemployment rate improved from 7.6 per cent in 2018 to 7.1 per cent in 2019. For the Calgary Economic Region, it is estimated that the economy grew by 1.3 per cent in 2019. The mining, quarrying, oil and gas industry and the fire, insurance and real estate industry provided the most contribution to growth.

Between 2006 and 2018, Calgary experienced two economic business cycles that highlight the volatile nature of the economic environment. The implication is the need to build flexibility into The City's process for strategic and business planning. In 2018, Council approved the 2019–2022 One Calgary Service Plans and Budgets. For 2019, 1.4 per cent of the tax rate increase was dedicated to actively developing community growth and 0.75 per cent to new community growth. For 2020–2022, 0.4 per cent was dedicated to new community growth. The City's new four year operating and capital budgets assume the need for flexibility. The City will continue to maintain its flexibility to respond to economic, social, environmental and political changes through the mid-cycle budget review and annual budget adjustment process.

To support Calgary's economic recovery and financial resiliency, Council identified the need for a Financial Task Force to identify and assess innovative solutions for short term economic mitigation, long term economic recovery solutions, and revenue options to improve financial resiliency for The City. The task force is led by The City's Chief Financial Officer, as Chair and consists of a panel of twelve external members with expertise in policy formulation, business strategy, property valuations and finance.

The membership of the Financial Task Force has been meeting regularly since 2019 September in an effort to solidify their understanding of the complex financial issues facing The City. They are working to identify options and opportunities that have the potential to provide the most impact in recommendations to the Council. Some of the principal issues the Financial Task Force is focused on are:

- Decreasing the volatility of annual property taxes to individual taxpayers
- Improving the consistency and predictability of annual revenues for The City
- Considering alternatives to enhance sustainable revenue options that are tied to appropriate levels of service and related costs incurred by The City; and
- Creating a framework for financial decision making based on "evidence-based decision-making principles" to help align decision making with the longer term vision for the City.

The Financial Task Force is mindful of the need to align with the longer-term vision for "Calgary in the New Economy" – our city's collective plan to support economic competitiveness, embrace shared prosperity, and build a strong Calgary. The four pillars of the Calgary Economic Development strategy – talent, innovation, place and business environment – will be considered as the Financial Task Force progresses through its work. In addition, the Financial Task Force will consider desirable revisions to our Property Tax and Assessment Policies. These two areas are complex and require careful consideration and research to ensure that whatever policy revisions are proposed in our current economic environment will serve Calgary well and be relevant into the future. Some of these may require advocacy with the Government of Alberta. The Financial Task Force will continue to meet throughout the year and are expected to report back to Council with their findings and proposed recommendations later in 2020.

The Calgary Metropolitan Region Board Regulation AR190/2017 came into effect on January 1, 2018. This regulation formalized Provincial intent to mandate The City of Calgary and nine other municipalities to form a Growth Management Board as defined in the Modernized Municipal Government Act. The Calgary Metropolitan Region Board has been meeting for the past two years. Mayor Nenshi is The City's Council appointed representative to the Board and Councillor Carra is the board alternate. The Minister of Municipal Affairs formally adopted through Ministerial Order MSL:092/18 an Interim Growth Plan and Interim Regional Evaluation Framework. Although these documents are intended to be replaced by January 2021 by a more fulsome Metropolitan Growth Plan and Framework, they have established the requirement that all new statutory plans and certain statutory plan amendments developed by The City (as well as the other members) must go to the Board for review and demonstrate alignment to approved regional policy.

From 2014 through 2026, The City is investing in a number of infrastructure improvements at the Bonnybrook Wastewater Treatment Plant to address the City's growing demand. The Bonnybrook Wastewater Treatment Plant is the largest of Calgary's three wastewater treatment plants, with a capacity to serve an equivalent population of 946,000 people. The investments include capacity and process equipment upgrades, as well as a major plant expansion. The construction of the capacity and process equipment upgrades are complete and have allowed The City to more efficiently utilize existing Bonnybrook Wastewater Treatment Plant infrastructure and will provide an incremental capacity increase of 95,000 people to accommodate growth in the short term. The total cost of these upgrades was \$160 million and the project was completed in 2019. The major plant expansion (Plant D) will increase the capacity by a further 325,000 people by 2025, bringing the total capacity at Bonnybrook to 1.37 million equivalent population. It will include the addition of new primary, secondary and tertiary treatment infrastructure as well as a new, enhanced sludge treatment facility. The expansion project will also include upgrades and life-cycle replacements of existing processes, ancillary facilities and systems, as well as a flood resiliency component. Detailed design of the plant expansion is complete and construction is well under way. The cost estimate for the plant expansion project is approximately \$689 million.

Throughout 2019, The City was actively engaged in the planning, procurement and delivery phases of the Green Line Stage 1 LRT Project. The project funding agreement with the Governments of Alberta and Canada was signed in January 2019. The City worked with the other orders of government to minimize borrowing costs to The City following the change in the Government of Alberta's Budget 2019. The project's updated contracting strategy was approved by Council on July 29, 2019, which splits the Stage 1 project into two main contracts (Segment 1 and Segment 2). Procurement of the Green Line project advanced in 2019 with the:

- Request for Qualifications for the Light Rail Vehicles (LRV) closing in May 2019 and a shortlist of LRV suppliers being announced; and
- Request for Qualifications for Segment 1 closing in October 2019.

The planning phase is anticipated to conclude with approval of the updated Green Line Stage 1 alignment anticipated to be received from Council in the second quarter of 2020. Major construction of the project is currently scheduled to commence in 2021.

To facilitate strategic and efficient growth in new communities, developers and The City continue to work together to resolve matters related to infrastructure needs, timing and financial impact of proposed developments. A shared goal is to realize new communities that are financially sustainable, address market demand, and help achieve the goals of the Municipal Development Plan (MDP) and Calgary Transportation Plan (CTP). This work is part of continuing efforts to improve The City's strategic growth decision processes. Future work through the Industry/City Work Plan will expand beyond new communities to address strategic growth in established and industrial areas.

## **Intergovernmental & Corporate Strategy**

In the current environment, The City must not only identify local methods of spurring growth in the local economy, but also identify how to support those efforts with funding from, and collaboration with, other orders of government. As the lead on intergovernmental relations, Intergovernmental & Corporate Strategy (ICS) has and will continue to be critical in allowing The City to respond to the needs of a changing economic environment. On the one hand, ICS works collaboratively with City departments and business units to identify issues and opportunities to advocate for positive change to other orders of government. On the other hand, ICS helps The City ensure a state of readiness in response to these changes from other orders of government, providing clarity and understanding of this evolving legislative framework and supporting the development of actionable opportunities to reach our full corporate potential. This is true generally, but also specifically with regards to the way The City is financed.

2019 was an important year on the intergovernmental front, with elections at both the federal and provincial levels. In both cases, ICS led successful corporate-wide "YYC Matters" campaigns aimed at elevating City issues into the political discourse, providing Calgarians with helpful information, and securing important commitments from the leading political parties.

The elections themselves produced significant change. Provincially, the election of a new government has brought with it new policies and processes. Reductions or deferrals of much-needed and previously committed funding, for instance, have generated the need for new forms of advocacy, while the new government's propensity to act quickly and with limited consultation have limited the window to shape provincial decision making. At the federal level, although the same government was returned to power, it was with a minority in Parliament and zero representation in Calgary or Alberta.

While these changes represent important challenges for The City, they also present new opportunities. In response, in consultation with Council and ALT, ICS has been working cross-corporately to develop a more deliberate and focused intergovernmental strategy focused on relationship-building and coordinated communications with other orders of government. ICS has also been working to identify and leverage the support of other cities, municipal associations and stakeholders to maximize The City's intergovernmental impact.

## Civic and Community Initiatives

The Community Revitalization Levy (CRL) is an example of an innovative, own-source approach to obtaining funding that has been approved for a major downtown infrastructure redevelopment project called The Rivers District Community Revitalization Plan. The plan was updated in 2019 to support CMLC, a controlled corporation of The City that is accountable for development of the Rivers District. The Government of Alberta approved amendments to the Rivers District CRL Bylaw in February 2019 that provide for a 20-year extension of the CRL until 2047 to support the BMO Centre expansion project, Event Centre, further development of Victoria Park's infrastructure and other community building projects.

The BMO Centre expansion will enable larger conventions and conferences to be attracted to Calgary and double the size of the current facility to become Canada's second largest facility upon completion in the summer of 2024. The expansion project will enhance economic diversity, trade and tourism and create jobs for Albertans through the creation of new spaces for conferences, meetings, exhibitions and consumer and trade shows. It will be a catalyst for the emerging Cultural and Entertainment District. The Government of Canada, Government of Alberta, and City of Calgary have each confirmed their support for the BMO Centre Expansion as a key infrastructural enhancement for this region. In March 2019, Council approved an internal loan to fund two-thirds of the \$500 million BMO Centre expansion project, which will be repaid with the Rivers District Community Revitalization Levy.

The Event Centre will be a year-round gathering place for Calgarians and a cornerstone in The City's Culture and Entertainment District. The project represents an opportunity for the coordinated development of major building projects and is expected to accelerate the revitalization of the Rivers District and the east Victoria Park and will also support The City's Downtown Strategy to further Calgary's economic recovery and resilience. On December 5, 2019, The City of Calgary signed agreements with the Calgary Sports and Entertainment Corporation (CSEC) and its affiliates related to design, construction and use of the Event Centre. The City and CSEC entered into a 35-year management and lease agreement with options to extend beyond the initial term. The City will own the Event Centre and the land it is constructed on.

The total capital cost of the Event Centre is estimated at \$550 million and both parties will contribute \$275 million for construction of the facility. No municipal property tax increases were proposed to fund the capital costs of the Event Centre: The City's share of the investment includes capital budget funding primarily from the Major Projects Capital Reserve over the design and construction period. The City will receive a percentage of ticket revenues from events hosted in the Event Centre over the term of the agreements in addition to ancillary benefits to community sport organizations and a share of revenue from naming rights for a period of 10-years. Benefits to Calgary also include any tax revenue generated from the street-facing retail portion of the Event Centre and other developments within the Rivers District. Construction of the new facility is expected to begin in late 2021 and take approximately three years. The Saddledome will be demolished after occupancy of the new Event Centre.

The City and its partners are continuing to support economic recovery and growth to help reduce the impact of the most recent economic downturn on citizens and businesses to ensure Calgary's ongoing success into the future. As part of these efforts, in 2017 Council created the \$100 million Opportunity Calgary Investment Fund (OCIF). The OCIF is intended to support projects that will stimulate growth in targeted sectors of Calgary's economy. It is for existing local businesses that are expanding their operations and for attracting business and investment to Calgary.

Partner projects are assessed alongside City projects through a single, cross-corporate system to facilitate corporate oversight and reporting. Capital requests have been aligned to services and evaluated against new corporate capital prioritization criteria. Through this, 2019 saw investment in a number of partner initiatives including significant renovations at four libraries and improvements at two others and lifecycle investment in Calgary TELUS Convention Centre.

The opening of the Brookfield Residential YMCA at Seton in January 2019 marked a major milestone in The City's investment in new recreation facilities. The City relies on partnerships such as that with YMCA Calgary to ensure quality public recreation opportunities while minimizing tax-supported operating costs. The City is also focused on the future realization of major capital projects in partnership with community, industry, and other orders of government as partners.

## Council and City Administration Actions

One Calgary Service Plans and Budgets 2019 – 2022 represents The City's four year spending plan for meeting Council's priorities. It represents a significant change from previous plans and budgets as it was approved at the service level rather than at the Business Unit level. This was done in order to:

- Provide clarity on the value of The City services received by citizens for tax dollars paid.
- Make it easier for Council to assess a service and make more informed investment decisions.
- Provide improved information on a service's value to enable better strategic decision-making.

The Service Plans and Budgets 2019 – 2022 include total operating expenditures of \$17 billion over the four years (\$4.1 billion in 2019, rising to \$4.5 billion by 2022), and \$5 billion in capital investment. This is based on delivering services to an additional 65,000 people over the four-year period. Council approved an overall 2.45 per cent tax increase, with 3.45 per cent to residential properties and 1.01 per cent for non-residential properties. Tax rate increases of 3.03 per cent were approved for 2020, 2021 and 2022.

In addition to the recommended budget, Council approved \$43 million in remaining, one-time capital funding allocated as follows:

- \$6 million to the Parks Leveraged Partner Program, which also supports Parks Foundation Calgary for their major capital projects.
- \$6.5 million to Recreation to support community associations and social recreation groups.
- \$5.5 million to Streets and Pathways to fund active mobility in the 42 Avenue SE multiuse pathway and other priority pathway connections.
- \$17.5 million to Public Transit for additional Light Rail Vehicle train cars.
- \$7.5 million to support urban forestry.
- 50 per cent of available balance from the Community Investment Fund to lifecycle maintenance for recreation facilities.

While The City revises the four-year plan to reflect changing conditions through the annual budget adjustment process, in 2019 Council directed additional in-year base operating reductions of \$60 million. Council approved that the \$60 million be combined with an additional \$70.9 million (\$44 million from the FSR and \$26.9 million from the BSA) to be used for a PTP in 2019 such that non-residential property tax bills had a minimum reduction of 10 per cent from 2018. Council further directed that the \$60 million be used in 2020 to reduce non-residential property taxes. This was in response to the continued challenges resulting from the shifting of non-residential property tax from downtown commercial properties to other non-residential properties.

Council directed the creation of the Tax Shift Assessment Working Group (TSAWG) that was given the mandate of assessing options for greater parity between assessment classes (i.e. residential and non-residential classes). The TSAWG presented its report to Council in November. Council also approved the terms of reference for the Financial Task Force (FTF). The FTF, which has the mandate to develop strategy on short term mitigation, long term solutions and revenue options to improve financial resiliency. Citizen members were selected for the FTF and have been meeting since September.

Administration continued to demonstrate fiscal responsibility during 2019. In addition to meeting Council's request to find \$60 million of in-year reductions, Administration fulfilled its commitment to find a further \$100 million during the four-year cycle by accelerating our cost-reduction efforts and through the prudent management of expenditures.

The Zero-Based Review (ZBR) program supports The City's savings and improvement activities by adding periodic, more thorough reviews of whether the right services are being provided in the right way. In 2019, the ZBR Program completed two projects focused on the City's Enabling Services. To date, the program has identified a total of \$63.9 (low estimate) to \$79.7 million (high estimate) in annual financial gains and realized \$53.1 million of those identified gains. Going forward into 2020, ZBR resources and tools will be leveraged as part of the Solutions for Achieving Value and Excellence (SAVE) program to continue finding savings as directed by Council.

On November 29, 2019, Council directed Administration to identify and implement savings of \$24 million by the start of 2021 and \$50 million by the start of 2022 from tax-supported budgets. SAVE sets out a strategic approach to cost-savings that will help address the realities of The City's financial situation while minimizing the need for future across-the-board reductions. It will also help Administration find these savings while maintaining or improving overall customer satisfaction and citizen outcomes.

City Council continues to provide policy guidance and to support the longer-term planning perspective afforded by the multi-year approach to business plans and budgets. Administration will use these as a framework to provide recommendations on how best to supply required infrastructure and services for Calgarians within available funding. The recent economic downturn has reinforced the need to respond to our cyclical economy and to monitor the economy and The City's financial status to ensure continuing adaptation to economic uncertainties. In meeting its mandate for public service, The City will continue to make effective and efficient use of experienced and new City staff, whose combined knowledge and skill will provide maximum value from the financial resources provided by citizens.

## CONCLUSION

Throughout 2019, The City was committed to economic recovery, this recovery was slower than anticipated and will be impacted by the COVID-19 Pandemic. To support Moving Forward Together, in 2019, The City was focused on making strategic investment in infrastructure, supporting business opportunities and financial sustainability.

Strategic investment in the BMO Centre expansion project, the Event Centre, Brookfield Residential YMCA at Seton, Arts Commons transformation, Foothills Fieldhouse and the Green Line project supports business, arts, entertainment and accessibility for Calgarians to make life better every day.

Programs such as OCIF continue to support business opportunities through funding for projects to stimulate growth for existing businesses looking to expand operations and to attract business and investment to Calgary.

The council approved \$60 million in-year budget reduction as an adjustment to the first year of the four-year One Calgary service plans and budgets, supports the financial sustainability of The City.

The City is focused on maintaining fiscal responsibility and accountability, adopting efficiencies to reduce cost, and investing in strategic long-term assets designed to boost the local economy and bring recurring revenue to The City of Calgary. The City was also able to maintain its high credit rating, increase overall net revenues, and ended the year in a stronger financial position.

The ongoing economic downturn and recent COVID-19 pandemic emphasized the need to have a robust governance structure that can adapt to emerging risks and ensure citizens are provided with continuing essential services with minimal disruptions. Having the adaptability to address short and long-term risks will be a priority for The City, along with sound financial policies, strong financial position and continuing focus on efficiency and transparency.



Carla Male, Chief Financial Officer  
April 27, 2020



Government Finance Officers Association

## Canadian Award for Financial Reporting

Presented to

**The City of Calgary  
Alberta**

For its Annual  
Financial Report  
for the Year Ended

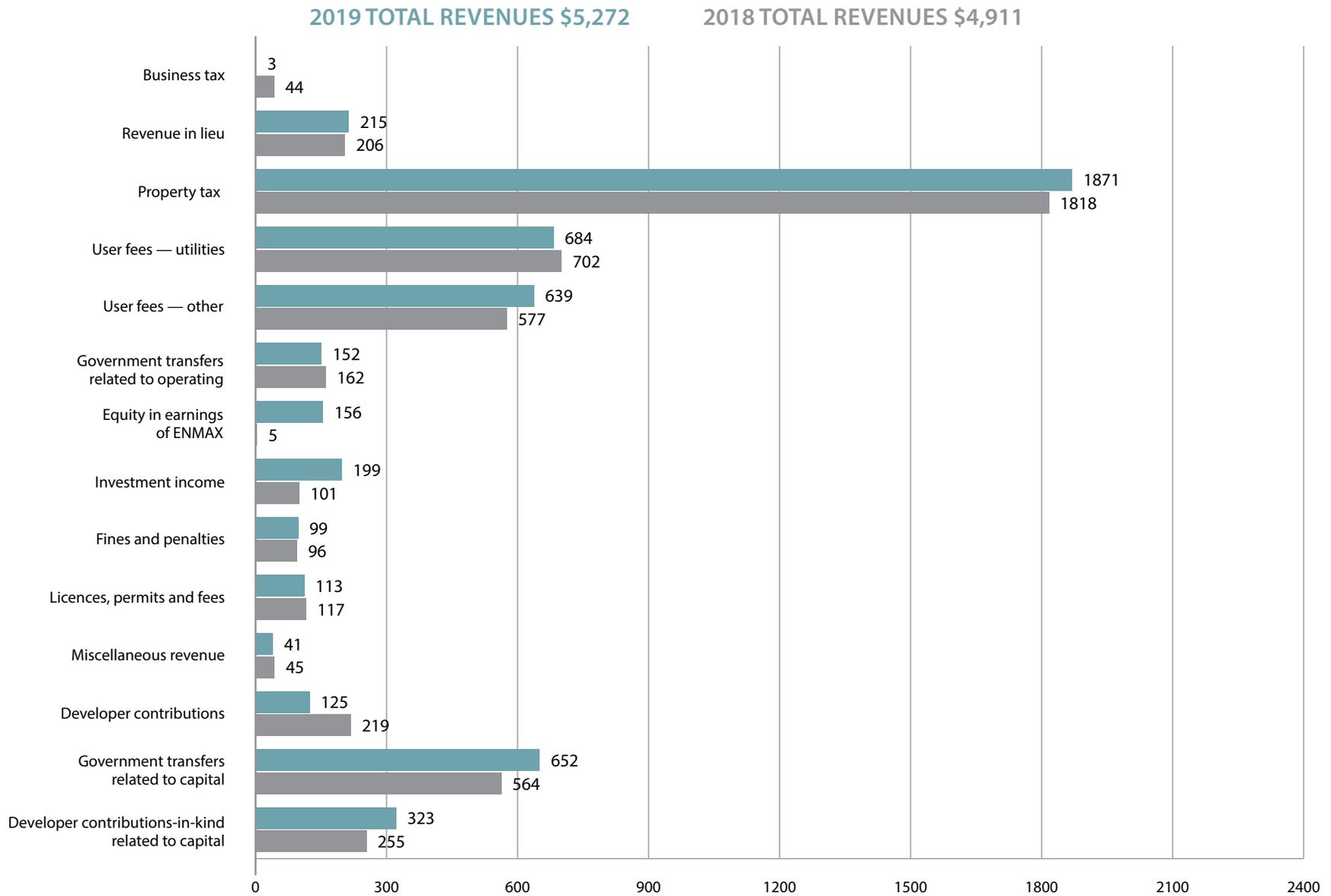
**December 31, 2018**



Executive Director/CEO

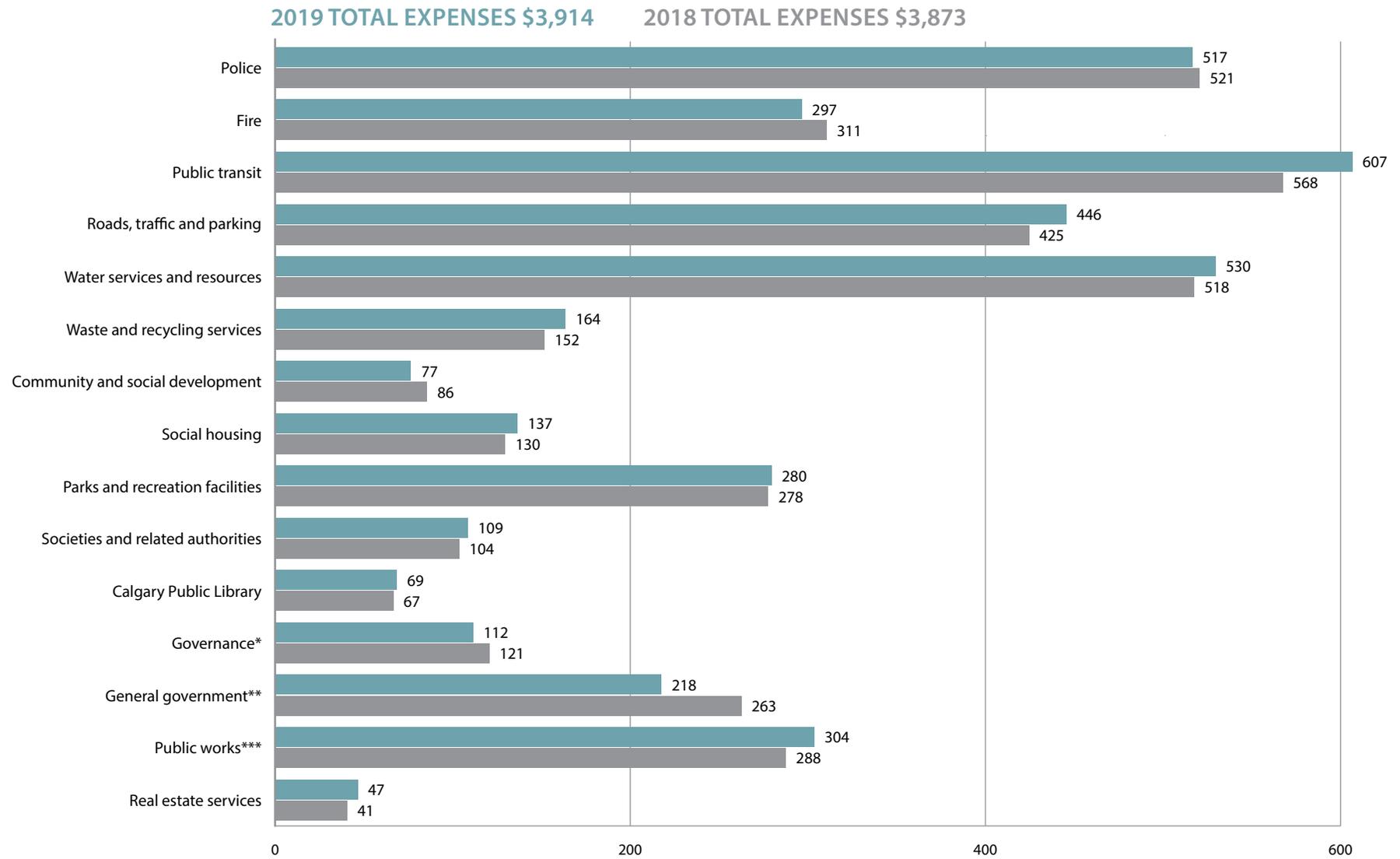
# Financial Synopsis 2019 Sources of Revenue

For the Years Ended December 31 (in millions of dollars)



# Financial Synopsis 2019 Expenses

For the Years Ended December 31 (in millions of dollars)



\* Includes offices of the Mayor, Councillors, City Manager, Finance, Supply, City Auditor, City Clerk and Law and Legislative Services.  
 \*\* Includes Assessment, Customer Service & Communications, Human Resources, Information Technology and Corporate Revenue & Costs.  
 \*\*\* Includes Calgary Community Standards, Calgary Growth Strategies, Community Planning, Environmental & Safety Management, Urban Strategy, Calgary Approvals Coordination, Corporate Analytics & Innovation, Calgary Building Services, Facility Management and Fleet Services.

# CONSOLIDATED FINANCIAL STATEMENTS

THE CITY OF CALGARY, ALBERTA



# Responsibility for Financial Reporting

## MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management.

The consolidated financial statements are prepared by management, in accordance with Canadian Public Sector Accounting Standards. They necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for preparation of the consolidated financial statements.

The City Auditor's Office reports directly to Council, through the Audit Committee, on an ongoing basis, carrying out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

In 2019, City Council fulfilled its responsibility for financial reporting through the Priorities and Finance Committee and its Audit Committee. The Priorities and Finance Committee, which consists of the Mayor, the Chairs of each of the four Standing Policy Committees, the Chair of the Audit Committee and a Councillor at large, meets regularly to deal with, among other issues, financial planning and reporting matters. The Audit Committee consists of four councillors and three citizen representatives, which meets regularly with both the independent external auditor and the City Auditor to review financial control and reporting matters.

Deloitte LLP, Chartered Professional Accountants, have been appointed by City Council to express an audit opinion on The City's consolidated financial statements. Their report follows.



David Duckworth, City Manager



Carla Male, Chief Financial Officer

Calgary, Canada  
April 27, 2020

# Responsibility for Financial Reporting

## INDEPENDENT AUDITOR'S REPORT

**To His Worship Mayor Naheed Nenshi and Members of City Council,  
The City of Calgary**

### Opinion

We have audited the consolidated financial statements of The City of Calgary (The City), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of operations and accumulated surplus, cash flows and changes in net financial assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The City as at December 31, 2019, and the results of its operations, cashflows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Financial Statement Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Financial Statement Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of City Administration and Those Charged with Governance for the Consolidated Financial Statements

City Administration is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, and for such internal control as City Administration determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, City Administration is responsible for assessing The City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless City Administration either intends to liquidate The City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The City's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

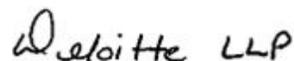
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by City Administration.
- Conclude on the appropriateness of City Administration's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The City to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Deloitte LLP, featuring the word "Deloitte" in a stylized, handwritten-style font followed by "LLP" in a simpler, uppercase font.

Chartered Professional Accountants  
April 27, 2020

# Consolidated Statement of Financial Position

As at December 31 (in thousands of dollars)

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| <b>FINANCIAL ASSETS</b>  |                      |                      |
| Cash and cash equivalents (Note 2)                               | \$ 263,209           | \$ 246,116           |
| Investments (Note 3)   | 4,230,756            | 4,038,562            |
| Receivables (Notes 4 and 7 iii))                                 | 375,636              | 357,296              |
| Land inventory (Note 5)  | 275,592              | 279,532              |
| Other assets (Note 6)  | 94,701               | 106,386              |
| Investment in ENMAX Corporation (Note 7)                         | 2,339,699            | 2,261,350            |
|  | <b>7,579,593</b>     | <b>7,289,242</b>     |
| <b>FINANCIAL LIABILITIES</b>                                     |                      |                      |
| Bank indebtedness (Note 8)                                       | 51,711               | 73,640               |
| Accounts payable and accrued liabilities<br>(Notes 7 iii) and 9) | 811,799              | 947,274              |
| Deferred revenue (Note 10)                                       | 103,629              | 96,249               |
| Capital deposits (Notes 11 and 34)                               | 675,135              | 771,294              |
| Provision for landfill rehabilitation (Note 12)                  | 101,198              | 93,709               |
| Employee benefit obligations (Note 13)                           | 495,564              | 499,641              |
| Long-term debt (Note 14)   | 2,883,447            | 2,888,831            |
|  | <b>5,122,483</b>     | <b>5,370,638</b>     |
| <b>NET FINANCIAL ASSETS</b>                                      | <b>2,457,110</b>     | <b>1,918,604</b>     |
| <b>NON-FINANCIAL ASSETS</b>                                      |                      |                      |
| Tangible capital assets (Notes 15 and 34)                        | 18,481,951           | 17,698,579           |
| Inventory  | 59,401               | 55,435               |
| Prepaid assets   | 26,944               | 22,465               |
|  | <b>18,568,296</b>    | <b>17,776,479</b>    |
| <b>ACCUMULATED SURPLUS</b> (Note 17)                             | <b>\$ 21,025,406</b> | <b>\$ 19,695,083</b> |

**Commitments, contingent liabilities and guarantees** (Notes 28 and 29)

See accompanying notes to the consolidated financial statements

Approved on behalf of City Council:



Mayor Naheed Nenshi

# Consolidated Statement of Operations and Accumulated Surplus

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

|   | Budget 2019<br>(Note 16) | Actual 2019          | Actual 2018   |
|---|--------------------------|----------------------|---------------|
| <b>REVENUES</b>   |                          |                      |               |
| Net taxes available for municipal purposes (Note 20)              | \$ 2,103,011             | \$ 2,088,755         | \$ 2,068,070  |
| Sales of goods and services                                       | 1,386,737                | 1,323,154            | 1,278,099     |
| Government transfers and revenue sharing agreements (Note 23)     |                          |                      |               |
| Federal   | 809                      | 1,482                | 1,736         |
| Provincial  | 164,946                  | 150,855              | 160,387       |
| Investment income   | 72,833                   | 198,927              | 101,236       |
| Fines and penalties   | 94,593                   | 98,646               | 95,747        |
| Licences, permits and fees  | 112,236                  | 113,111              | 117,254       |
| Miscellaneous revenue   | 28,356                   | 40,542               | 44,951        |
| Equity in earnings of ENMAX Corporation (Note 7)                  | 173,000                  | 156,162              | 5,094         |
|   | <b>4,136,521</b>         | <b>4,171,634</b>     | 3,872,574     |
| <b>EXPENSES</b>   |                          |                      |               |
| Police  | 505,467                  | 517,498              | 521,224       |
| Fire  | 284,117                  | 297,449              | 310,823       |
| Public transit  | 470,760                  | 607,382              | 567,655       |
| Roads, traffic and parking  | 282,715                  | 445,867              | 425,123       |
| Water services & resources  | 495,772                  | 529,891              | 517,822       |
| Waste and recycling services                                      | 148,802                  | 163,761              | 151,587       |
| Community and social development                                  | 71,602                   | 76,842               | 85,787        |
| Social housing  | 152,025                  | 136,777              | 129,831       |
| Parks and recreation facilities                                   | 209,263                  | 279,505              | 277,912       |
| Societies and related authorities                                 | 93,218                   | 108,926              | 103,657       |
| Calgary Public Library Board                                      | 65,319                   | 69,150               | 67,390        |
| General government  | 401,125                  | 330,169              | 384,844       |
| Public works  | 289,365                  | 303,494              | 287,594       |
| Real estate services  | 57,732                   | 46,858               | 41,395        |
|   | <b>3,527,282</b>         | <b>3,913,569</b>     | 3,872,644     |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE OTHER</b> | <b>609,239</b>           | <b>258,065</b>       | (70)          |
| <b>OTHER</b>  |                          |                      |               |
| Developer contributions   | 193,049                  | 124,988              | 218,988       |
| Government transfers related to capital (Note 23)                 | 774,576                  | 652,016              | 564,652       |
| Developer contributions-in-kind related to capital (Note 23)      | -                        | 323,067              | 254,799       |
|   | <b>967,625</b>           | <b>1,100,071</b>     | 1,038,439     |
| <b>NET REVENUES</b>   | <b>1,576,864</b>         | <b>1,358,136</b>     | 1,038,369     |
| ENMAX Corporation – other comprehensive loss adjustment (Note 7)  | -                        | (27,813)             | (16,351)      |
| <b>ANNUAL SURPLUS</b>   | <b>1,576,864</b>         | <b>1,330,323</b>     | 1,022,018     |
| <b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>                     | <b>19,695,083</b>        | <b>19,695,083</b>    | 18,674,458    |
| Impact of Adoption of IFRS 9 by ENMAX Corporation (Note 7)        | -                        | -                    | (1,393)       |
| <b>ACCUMULATED SURPLUS, END OF YEAR</b>                           | <b>\$ 21,271,947</b>     | <b>\$ 21,025,406</b> | \$ 19,695,083 |

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Cash Flows

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

|   | 2019               | 2018               |
|---|--------------------|--------------------|
| <b>NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:</b> |                    |                    |
| <b>OPERATING ACTIVITIES</b>                               |                    |                    |
| Annual Surplus  | \$ 1,330,323       | \$ 1,022,018       |
| Deduct items not affecting cash:                          |                    |                    |
| Equity in earnings of ENMAX Corporation (Note 7)          | (156,162)          | (5,094)            |
| ENMAX Corporation – other comprehensive loss (Note 7)     | 27,813             | 16,351             |
| Amortization of tangible capital assets                   | 678,251            | 678,537            |
| Net loss on disposal of tangible capital assets           | 4,771              | 3,608              |
| Developer contributions-in-kind related to capital        | (323,067)          | (254,799)          |
| Change in non-cash items:                                 |                    |                    |
| Receivables   | (18,340)           | (29,571)           |
| Land inventory  | 3,940              | (3,114)            |
| Other assets  | 11,685             | 3,048              |
| Inventory   | (3,966)            | (1,493)            |
| Prepaid assets  | (4,479)            | 12,907             |
| Accounts payable and accrued liabilities                  | (135,475)          | 86,821             |
| Deferred revenue  | 7,380              | 3,323              |
| Capital deposits  | (96,159)           | 58,609             |
| Provision for landfill rehabilitation                     | 7,489              | 4,804              |
| Employee benefit obligations                              | (4,077)            | 5,771              |
|   | <b>1,329,927</b>   | <b>1,601,726</b>   |
| <b>CAPITAL ACTIVITIES</b>                                 |                    |                    |
| Acquisition of tangible capital assets                    | (1,160,353)        | (1,270,669)        |
| Proceeds on sale of tangible capital assets               | 17,026             | 35,850             |
|   | <b>(1,143,327)</b> | <b>(1,234,819)</b> |
| <b>INVESTING ACTIVITIES</b>                               |                    |                    |
| Dividends from ENMAX Corporation                          | 50,000             | 40,000             |
| Net purchases of investments                              | (192,194)          | (144,805)          |
|   | <b>(142,194)</b>   | <b>(104,805)</b>   |
| <b>FINANCING ACTIVITIES</b>                               |                    |                    |
| Proceeds from long-term debt issued                       | 309,067            | 153,475            |
| Long-term debt repaid                                     | (314,451)          | (330,907)          |
| Net (decrease) increase in bank indebtedness              | (21,929)           | 27,440             |
|   | <b>(27,313)</b>    | <b>(149,992)</b>   |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>              | <b>17,093</b>      | <b>112,110</b>     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>       | <b>246,116</b>     | <b>134,006</b>     |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>             | <b>\$ 263,209</b>  | <b>\$ 246,116</b>  |

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Changes in Net Financial Assets

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

|  | Budget 2019<br>(Note 16) | Actual 2019         | Actual 2018  |
|--|--------------------------|---------------------|--------------|
| <b>ANNUAL SURPLUS</b>                                      | <b>\$ 1,576,864</b>      | <b>\$ 1,330,323</b> | \$ 1,022,018 |
| Amortization of tangible capital assets                    | 128,932                  | 678,251             | 678,537      |
| Proceeds on sale of tangible capital assets                | 603                      | 17,026              | 35,850       |
| Tangible capital assets received as contributions          | -                        | (323,067)           | (254,799)    |
| Net loss on disposal of tangible capital assets            | -                        | 4,771               | 3,608        |
| Acquisition of tangible capital assets                     | (556,434)                | (1,160,353)         | (1,270,669)  |
| Acquisition of supplies inventories                        | -                        | 143,291             | 183,690      |
| Use of supplies inventories                                | -                        | (147,257)           | (185,183)    |
| Acquisition of prepaid assets                              | -                        | 259,475             | 262,686      |
| Use of prepaid assets                                      | -                        | (263,954)           | (249,779)    |
| <b>INCREASE IN NET FINANCIAL ASSETS</b>                    | <b>1,149,965</b>         | <b>538,506</b>      | 225,959      |
| <b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>             | <b>1,918,604</b>         | <b>1,918,604</b>    | 1,694,038    |
| Impact of Adoption of IFRS 9 by ENMAX Corporation (Note 7) | -                        | -                   | (1,393)      |
| <b>NET FINANCIAL ASSETS, END OF YEAR</b>                   | <b>\$ 3,068,569</b>      | <b>\$ 2,457,110</b> | \$ 1,918,604 |

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

December 31, 2018 (in thousands of dollars)

The City of Calgary (The City) is a municipality in the Province of Alberta incorporated in 1884 as a town and in 1894 as a city and operates under provisions of the *Municipal Government Act*.

## 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS).

### a) Basis of Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund and reserve fund of The City.

The consolidated financial statements fully consolidate all organizations that are controlled by The City, as defined below as Related Authorities, except for The City's government business enterprise, ENMAX Corporation (ENMAX) which is accounted for on a modified equity basis. The City's inter-departmental transactions and balances have been eliminated.

### Government Business Enterprise

ENMAX, a wholly owned subsidiary of The City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 7). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of The City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the consolidated statement of operations and accumulated surplus as an adjustment to accumulated surplus.

### Related Authorities

The eight related authorities (Note 21) are controlled by The City and are therefore included in the consolidated financial statements are:

Calgary Parking Authority  
Calgary Public Library Board  
Calhome Properties Ltd. (operating as Calgary Housing Company)  
Calgary Municipal Land Corporation  
Attainable Homes Calgary Corporation  
The Calgary Convention Centre Authority  
(operating as Calgary TELUS Convention Centre)  
Calgary Economic Development Ltd.  
Calgary Arts Development Authority Ltd.

The City and related authorities' inter-entity transactions and balances have been eliminated.

### Partners

The City has fiscal relationships with many organizations for which control lies outside of Calgary City Council. These consolidated financial statements include operating and capital requisitions for certain educational, cultural, social and other external organizations, but do not include the financial results of these organizations. Separate financial information may be sought directly from such organizations and registered pension plans, which include the following:

### City Partners

Alberta Health Services  
Burns Memorial Trust  
Calgary 2026  
Calgary Bid Exploration Committee  
Calgary Board of Education  
Calgary Exhibition and Stampede Limited  
Calgary Roman Catholic Separate School District No.1  
Conseil Scolaire FrancoSud  
Saddledome Foundation  
St. Mary's University College  
The Burns Memorial Fire Fund  
The Burns Memorial Police Fund

### Civic Partners

Aero Space Museum of Association Calgary (operating as the Hangar Flight Museum)  
Calgary Centre for Performing Arts (operating as Arts Commons)  
Calgary Science Centre Society (operating as TELUS Spark)  
Calgary Sport Council Society (operating as Sport Calgary)  
Calgary Technologies Inc. (operating as Platform Calgary)  
Calgary Young Men's Christian Association (operating as YMCA)  
Calgary Zoological Society (operating as Calgary Zoo)  
Contemporary Calgary Arts Society (operating as Contemporary Calgary)  
Fort Calgary Preservation Society  
Heritage Park Society  
Lindsay Park Sports Society (operating as Repsol Sport Centre)  
NE Centre of Community Society (operating as Genesis Centre)  
Nose Creek Sports and Recreation Association (operating as Vivo)  
Opportunity Calgary Investment Fund Ltd.  
Parks Foundation, Calgary  
Silvera for Seniors  
South Fish Creek Recreation Association (operating as Cardel Rec South)  
The Calgary Heritage Authority (operating as Heritage Calgary)  
Tourism Calgary – Calgary Convention & Visitors Bureau  
Vecova Centre for Disability Services and Research  
Vibrant Initiatives Ltd. (operating as Vibrant Communities Calgary)  
Westside Regional Recreation Centre

## Registered Pension Plans

Civic employees and elected officials participate in one or more registered defined-benefit pension plans and/or multi-employer pension plans provided by The City.

## City-sponsored registered pension plans

The City records its share of the obligations net of plan assets which are held in trust by external parties. These plans include:

- Calgary Firefighters' Supplementary Pension Plan;
- Calgary Police Supplementary Pension Plan;
- Pension Plan for Elected Officials of The City of Calgary; and
- The City of Calgary Supplementary Pension Plan.

## Multi-employer registered pension plans

Due to the multi-employer nature of these plans, information is not available to determine the portion of the plans' obligations and assets attributable to each employer. Therefore, The City appropriately accounts for both plans following the standards for defined contribution plans. These plans include:

- Local Authorities Pension Plan; and
- Special Forces Pension Plan.

Further details about these pension plans are available in Notes 1k) and 13.

## Funds Held in Trust

Funds held in trust and their related operations administered by The City for the benefit of external parties are not included in the consolidated financial statements, but are reported separately in Note 32, Funds Held in Trust.

## b) Basis of Accounting

- Revenues are accounted for in the period in which the transactions or events giving rise to the revenue occur, providing the revenues are reliably measured and reasonably estimated. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.
- Taxation revenues are recorded at the time tax billings are issued. Taxation billings are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on taxation revenue appeals outstanding as of December 31, 2019.
- Local improvements are recognized as revenue, and established as a receivable, for the property owners' share of the improvements in the period that the project expenses are incurred.

- Government transfers and grants are recognized in the consolidated financial statements as revenues in the period in which the events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made. Where transfers are received but eligibility criteria or stipulations are not met, government transfers are recognized in Capital Deposits (Capital Grants) or Deferred Revenue (Operating Grants) until eligibility criteria or stipulations are met.
- Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.
- Authorized transfers from The City are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated.
- Inter-entity transactions are recorded at the exchange amount when they are undertaken on similar terms and conditions to those adopted if the entities were dealing at arm's length. Cost allocations to/from commonly controlled entities are recorded on a gross basis. Inter-entity transfers and receipts of assets or liabilities for nominal or no consideration are recorded at carrying amount. Differences between the exchange amount and carrying amount for asset or liability transfers are recorded as a gain or loss in the statement of operations. A value for unallocated costs is not recorded.

## c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills and Guaranteed Investment Certificates (GICs) with original maturities of 90 days or less at the date of acquisition and are recorded at cost.

## d) Investments

Included in investments are internally managed portfolios consisting of investments in money market instruments and short term bonds. The City also has externally managed investment portfolios consisting of short and long term investments including money market securities, bonds, mortgages, equities and fixed-income securities. Investments are recorded at the lower of original cost net of amortized discounts and premiums and market value on a portfolio basis. When there has been a loss in value that is not determined to be a temporary decline, the respective investment is written down to recognize the loss.

## e) Land Inventory

Land inventory is carried at the lower of cost and net realizable value. Cost includes amounts for land development expenses. Land inventory is held for sale in the normal course of business.

## f) Bank Indebtedness

Bank indebtedness consists of cheques outstanding in excess of deposits with commercial banks and short term borrowing.

### **g) Deferred Revenue**

Deferred revenue represents amounts received from third parties for a specified operating purpose. These amounts include deferred government transfers, which are externally restricted until it is used for the purpose intended. Also included in deferred revenue are private contributions, advance sales of goods and services and amounts received for licenses, permits, and application fees, which are recognized as revenue in the period when the related expenses are incurred to reflect the completion of The City's performance obligations.

### **h) Capital Deposits**

Capital deposits represent amounts received from third parties for specified capital projects. Deposits must be expended on projects for which they are designated, and are recognized as revenue when expenditures are made.

### **i) Provision for Landfill Rehabilitation**

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements to properly close and maintain all landfill sites. Under environmental law, there is a requirement for closure and post-closure care of landfill sites. This requirement is being provided for over the estimated remaining life of the landfill sites based on usage, and is funded through tipping fees. The annual provision is reported as an operating fund expense in Waste & Recycling Services, and the accumulated provision is reported as a liability on the consolidated statement of financial position.

### **j) Provision for Contaminated Sites**

The *Environmental Enhancement and Protection Act* (Alberta) sets out the regulatory requirements in regards to contaminant releases. Under this Act, there is a requirement for the persons responsible to address a contaminant release that is causing or has caused an adverse effect. A provision in PS 3260 is provided for non-productive sites where contamination exists that exceeds an environmental standard, The City is legally responsible or has accepted responsibility for the contamination, future economic benefits are expected to be given up and a reasonable estimate for the provision can be made. Non-productive sites include any site where the contamination is a result of past on-site activities not related to the current use of the site.

The provision reflects The City's best estimate of the amount required to remediate sites to a condition that is suitable for the sites' intended use, as of the financial statement date. The provision is determined on a site-by-site basis, and is adjusted to reflect the passage of time, new obligations, and changes to management's intent and actual remediation costs incurred.

The provision for future remediation is an estimate of the minimum costs known for sites where an assessment has been conducted and where there is available information that is sufficient to estimate costs. Where sites require ongoing monitoring or maintenance as part of the remediation plan, the present value of all estimated future costs are discounted using The City's weighted average cost of capital. The provision is included in accounts payable and accrued liabilities.

### **k) Employee Benefit Obligations**

The City has fully met its current year cash contribution requirements for employee benefit obligations at December 31, 2019. Long term unamortized actuarial losses will be funded in future periods.

- i) Contributions to multi-employer plans are expensed when the contributions are due.
- ii) The cost of City-sponsored registered and non-registered defined-benefit pension plans and post-retirement benefits are recognized when earned by plan members. These costs are actuarially determined using the projected benefit method prorated on service, applying management's best estimate of expected salary and benefit escalation, retirement ages of employees, and plan investment performance. Plan obligations are discounted using The City's cost of borrowing based on estimated rates for debt with maturities similar to expected future benefit payments.
- iii) The City records the actuarially determined net fund benefit asset or liability for City-sponsored, registered defined-benefit pension plans. For jointly sponsored plans, The City records its proportionate share of that asset or liability. For non-registered defined-benefit plans and other retirement benefit obligations, The City records the actuarially determined accrued benefit liability; assets are held within The City's cash and investments accounts to fund these obligations. No obligations are recorded for multi-employer defined-benefit pension plans administered by external parties as The City's share of those obligations is not readily determinable.
- iv) Adjustments arising from actuarial gains and losses for active plans are amortized on a straight-line basis over the expected average remaining service period of the active employee group. Adjustments arising from: actuarial gains and losses for plans closed to new entrants, prior service costs related to plan amendments, and changes in the valuation allowance, are fully recognized in the year they arise.

### **l) Non-Financial Assets**

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, is provided in the consolidated Change in Net Financial Assets for the year.

### **m) Accumulated Surplus/Deficit**

Accumulated surplus/deficit represents The City's net economic resources. It is an amount by which all assets (financial and non-financial) exceed liabilities. An accumulated surplus indicates that The City has net resources (financial and non-financial) that can be used to provide future services. An accumulated deficit means that liabilities are greater than assets.

## n) Tangible Capital Assets

Tangible capital assets, including assets held under capital leases, are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Donated and contributed assets are capitalized and recorded at their estimated fair value at the time they are transferred to The City; and their corresponding revenue is recognized. Interest charges are not capitalized.

Work in progress represents assets which are not available for use and therefore are not subject to amortization.

Works of art for display are not recognized as tangible capital assets (Note 25).

Tangible capital assets are reviewed annually for any impairment and written down when there is permanent and measurable impairment in value and the tangible capital asset still exists.

The cost, less residual value, of tangible capital assets is amortized on a straight line basis over the estimated useful life as follows:

|  | Years   |
|--|---------|
| Buildings  |         |
| Buildings  | 10 – 75 |
| Leasehold improvements   | 5       |
| Vehicles   |         |
| Light rail transit   | 25      |
| Transit buses and fire trucks  | 5 – 20  |
| Vehicles   | 5 – 10  |
| Land improvements  | 15 – 25 |
| Engineered structures  |         |
| Drainage, waterworks and wastewater distribution and collection systems and treatment plants | 15 – 75 |
| Transit network  | 15 – 50 |
| Road and transportation network  | 5 – 100 |
| Communication networks and landfills   | 5 – 45  |
| Machinery and equipment  |         |
| Computer equipment   | 5       |
| Computer software  | 7       |
| Other equipment and machinery  | 5 – 20  |

## o) Inventories

Inventories comprising materials and supplies are carried at the lower of cost and replacement cost.

## p) Land Held for Municipal Purposes

Land held for municipal purposes are comprised of land held for future civic use and is carried at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for civic use. Land held for municipal purposes is included in tangible capital assets for financial statement purposes.

## q) Equity in Non-Financial Assets

Equity in non-financial assets represents the investment in non-financial assets after deducting the portion of these assets that have been financed by long-term debt.

## r) Budget Figures

The 2019 budget is reflected on the consolidated statement of operations and accumulated surplus. The budget consists of the Council-approved amounts for the operating fund and the capital fund, modified for capital revenue adjustments, assets capitalized on the statement of financial position, and depreciation expense for tax-supported assets. The budgets established for the capital fund are for projects in which costs may be incurred over one or more years. The capital budget figures include unspent budget for ongoing projects from the preceding year.

## s) Environmental Provisions

The City has a formal environmental assessment and reclamation program in place to ensure that it complies with environmental legislation. The City provides for the cost of compliance with environmental legislation when costs are identified and can be reasonably measured. The provision is included in accounts payable and accrued liabilities.

## t) Financial Instruments and Fair Values

The City is exposed to the risks that arises from fluctuations in interest rates and currency exchange rates and the degree of volatility of these rates.

The City utilizes derivative financial instruments in order to manage the impact of fluctuating interest rates and foreign currencies on its investment income, and to manage foreign exchange on expected future expenses in foreign currencies. Gains (losses) on these financial instruments are included as revenues (losses). The City's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The settlements of financial instruments are recorded through The City's cash and investments.

Based on available market information, the carrying value of The City's derivative financial instruments and hedges approximates their fair value due to their short period to maturity, except with respect to investments as indicated in Note 3 and long-term debt, as indicated in Note 14(e).

#### u) **Loan Guarantees**

Periodically The City provides loan guarantees on specific debt issued by related authorities and other entities not consolidated in The City's financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements of The City until The City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, The City's resulting liability would be recorded in the consolidated financial statements.

#### v) **Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Where estimation uncertainty exists, the consolidated financial statements have been prepared within reasonable limits of materiality. Actual results could differ from estimates. The amounts recorded for valuation of tangible capital assets, the useful lives and related amortization of tangible capital assets, accrued liabilities, employee benefit obligations, provision for tax appeals, provision for landfill rehabilitation, contaminated sites and environmental assessments and contingent liabilities are areas where management makes significant estimates and assumptions in determining the amounts to be recorded in the consolidated financial statements.

#### w) **Loans Receivable**

Loans receivable are recorded at cost less allowance for doubtful accounts. Allowance for doubtful accounts is recognized when collection is in doubt, and are stated at the lower of cost and net recoverable value. No interest is charged on owed amounts.

#### x) **Public-Private Partnerships**

A public-private partnership (P3s) is a contractual agreement between a public authority and a private entity for the provision of infrastructure and/or services.

The City's P3s are assessed based on the substance of the underlying agreement. In the event The City is seen to control the acquired and/or constructed asset(s), P3 costs will be accounted as follows:

- Costs incurred during construction or acquisition are recognized in the work-in-progress and liability balances based on the estimated percentage complete.
- Construction costs, as well as the combined total of future payments, are recognized as a tangible capital asset and amortized over the estimated useful life once the asset is in-service.
- Sources of funds used to finance the tangible capital asset and future payments will be classified based on the nature of the funds, such as debt, grants, and/or reserves.

If The City does not control the asset(s) arising from P3s, then all costs associated with the transaction will be expensed in the period in which the costs are incurred.

#### y) **Related Party Disclosure**

Related Party Disclosure (PS 2200) standard covers disclosure of related party and establishes disclosures required for related party transactions. Parties are considered related when one party has the ability to exercise control or shared control over the other, it could be an individual or an entity. Key management personnel include members of council, general managers and their close family members including their spouse and any dependents.

Disclosure will include information about the types of related party transactions and the relationship underlying them especially when they have occurred at a value different from that which would have been arrived as if the parties were unrelated. And they have, or could have, a material financial effect on the financial statements.

As of December 31, 2019, there are no material transactions for disclosure from key management personnel (2018 – none). Refer to note 7 iii for ENMAX related party disclosures.

#### z) **Accounting Standards Adopted in the Current Year**

##### **Restructuring Transactions**

In 2019, the City adopted the PS 3430 Restructuring Transactions (PS 3430) to comply with PSAS. These standards apply to all public sector entities for years beginning on or after April 1, 2018. The City has adopted this standard on January 1, 2019. The City has applied this standard prospectively on applicable restructuring transactions. PS 3430 establishes how to record assets, liabilities, revenues, and expenses related to restructuring transactions as well as disclosure requirements for the recipient and transferor. For the year ended December 31, 2019, there were no restructuring transactions.

#### aa) **Future Accounting Pronouncements**

##### **Standards effective for the fiscal year ending December 31, 2022**

##### **i) Financial Statement Presentation**

Financial Statement Presentation (PS 1201) was amended to conform to Financial Instruments (PS 3450), and requires a new statement of re-measurement gains and losses separate from the statement of operations. Included in this new statement are the unrealized gains and losses arising from the re-measurement of financial instruments and items denominated in foreign currencies, as well as the government's proportionate share of other comprehensive income that arises when a government includes the results of government business enterprises and partnerships.

##### **ii) Portfolio Investments**

Portfolio Investments (PS 3041) has removed the distinction between temporary and portfolio investments. This section was amended to conform to Financial Instruments (PS 3450), and now includes pooled investments in its scope. Upon adoption of PS 3450 and PS 3041, Temporary Investments (PS 3030) will no longer apply.

### iii) Foreign Currency Translation

Foreign Currency Translation (PS 2601) requires exchange rates to be adjusted to the rate in effect at the financial statement date for monetary assets and liabilities denominated in foreign currency and non-monetary items included in the fair value category. Unrealized gains and losses are to be presented in the statement of re-measurement gains and losses. Gains and losses on long-term monetary assets and liabilities are amortized over the remaining term of the item.

### iv) Financial Instruments

Financial Instruments (PS 3450) establishes recognition, measurement, and disclosure requirements for derivative and non-derivative financial instruments. The standard requires fair value measurement of derivatives and equity instruments that are quoted in an active market; all other financial instruments can be measured at cost/amortized cost or fair value at the election of the government. Unrealized gains and losses are presented in a new statement of re-measurement gains and losses. There is a requirement to disclose the nature and extent of risks arising from financial instruments and clarification is given for de-recognition of financial liabilities.

### v) Asset Retirement Obligations

Asset Retirement Obligation (PS 3280) establishes standards on when to recognize, and how to account for and report a liability for asset retirement obligations associated with the tangible capital assets controlled by a public sector entity. This standard covers the entity's legal obligations established by agreement, contract or legislation including obligations created by a promissory estoppel for tangible assets controlled by a public sector entity that are in productive and that are no longer in productive use. As this standard includes solid waste landfill sites active and post-closing obligations upon adoption of this new standard, existing Solid Waste Landfill Closure and Post-Closure Liability section PS 3270 will be withdrawn.

The City continues to assess the impacts of the above standards. While the timing of standards adoption may vary, certain standards must be adopted concurrently. The requirements in Financial Statement Presentation (PS 1201), Financial Instruments (PS 3450), Foreign Currency Translation (PS 2601) and Portfolio Investments (PS 3041) must be implemented at the same time.

## Standards effective for the fiscal year ending December 31, 2023

### vi) Revenue

Revenue (PS 3400) establishes standards on how to account for and report on revenue. This standard covers the identification, recognition, measurement, and disclosure for revenues arising from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide specific goods or services to a specific payor.

The City continues to assess the impact of this standard on the financial statements.

## 2. CASH AND CASH EQUIVALENTS

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| Cash on deposit   | \$ 262,950        | \$ 138,079        |
| Treasury bills and GICs with original maturities of 90 days or less | 259               | 108,037           |
|   | <b>\$ 263,209</b> | <b>\$ 246,116</b> |

Treasury bills and GICs interest rates are approximately 1.7 per cent in 2019 and 1.3 per cent in 2018.

## 3. INVESTMENTS

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of \$2,327 (2018 – \$2,471) are managed by the Parks Foundation Calgary<sup>(1)</sup>, and include equity investments of \$1,596 (2018 – \$1,542). The cost and market value of all investments as at December 31 are as follows:

|                                 | 2019<br>Cost       | 2019<br>Market value | 2018<br>Cost        | 2018<br>Market value |
|---------------------------------|--------------------|----------------------|---------------------|----------------------|
| Government of Canada            | \$ 314,011         | \$ 313,910           | \$ 358,864          | \$ 369,707           |
| Other Government Corporate      | 401,467            | 407,729              | 195,357             | 195,829              |
| Global fixed income investments | 2,128,282          | 2,137,713            | 2,700,491           | 2,733,093            |
| Equity investments              | 797,670            | 803,403              | 401,372             | 358,748              |
|                                 | 589,326            | 631,881              | 382,478             | 401,215              |
|                                 | <b>\$4,230,756</b> | <b>\$4,294,636</b>   | <b>\$ 4,038,562</b> | <b>\$ 4,058,592</b>  |

The average yield earned from investments during the year ended December 31, 2019, was 3.5 per cent (2018 – 2.7 per cent). Maturity dates on the investments range from 2020 to 2079. Investments include \$614,311 (2018 – \$1,513,913) in an internally managed portfolio composed of short-term money market instruments and bonds.

A portion of City investments are committed for certain purposes including reserves, capital deposits and employee benefit obligations.

(1) Parks Foundation Calgary is an endowment fund which uses investment income to fund the administrative costs of the Parks Foundation which reduces the annual contribution from The City to its operating budget.

#### 4. RECEIVABLES

|                                    | 2019              | 2018              |
|------------------------------------|-------------------|-------------------|
| Taxes                              | \$ 53,048         | \$ 48,715         |
| Federal and Provincial governments | 45,122            | 52,715            |
| General                            | 277,466           | 255,866           |
|                                    | <b>\$ 375,636</b> | <b>\$ 357,296</b> |

#### 5. LAND INVENTORY

Land inventory includes acquisition costs of the land and the improvements to prepare the land for sale or servicing. Related development costs incurred to provide infrastructure are recorded as capital assets.

|                     | 2019              | 2018              |
|---------------------|-------------------|-------------------|
| Developed land      | \$ 83,155         | \$ 90,681         |
| Under development   | 107,460           | 103,276           |
| Long-term inventory | 84,977            | 85,575            |
|                     | <b>\$ 275,592</b> | <b>\$ 279,532</b> |

#### 6. OTHER ASSETS

|                            | 2019             | 2018              |
|----------------------------|------------------|-------------------|
| Long-term debt recoverable | \$ 12,498        | \$ 19,839         |
| Long-term receivables      | 66,628           | 65,251            |
| Other receivables          | 10,596           | 15,871            |
| Loans receivable           | 4,979            | 5,425             |
|                            | <b>\$ 94,701</b> | <b>\$ 106,386</b> |

Long-term receivables consist primarily of local improvement levies recognized as revenue on the basis of full or partial completion of the related projects, a receivable from St. Mary's University (see Note 14 a) i)) and vendor take-back (VTB) mortgages granted to Attainable Homes Calgary Corporation (AHCC).

Loans receivable consist of interest-free loans offered by AHCC to citizens when they purchase their housing units, and are secured by The City's encumbrance on the title of each property. The interest portion of the loans are recognized as an expense. In 2019, an allowance for doubtful accounts of \$3,388 (2018 – \$3,454) related to the loans receivable was recognized. These loans are forgiven once the home owner sells or refinances their housing unit and a shared participation amount is repaid.

#### 7. INVESTMENT IN ENMAX

- i) ENMAX is a wholly-owned subsidiary of The City and was formed to carry on the electric utility transmission and distribution operations previously provided by the Calgary Electric System, a former department of The City. ENMAX operates in two segments; ENMAX Power, a regulated, wholly-owned subsidiary established to carry out all electricity distribution and transmission service functions, and ENMAX Energy, an unregulated, wholly-owned subsidiary established to carry out all energy supply and retail functions.

ENMAX Power Corporation, ENMAX's electricity distribution and transmission subsidiary, has been regulated by the Alberta Utilities Commission (AUC) since January 1, 2008. This includes rate regulation approval responsibilities for ENMAX Power's electricity transmission and distribution rates charged to customers within ENMAX's service area.

ENMAX and its subsidiaries operating in the province of Alberta are municipally owned and are generally not subject to federal and provincial income taxes. In 2001, the Government of Alberta introduced a payment-in-lieu-of-taxes (PILOT) regulation in conjunction with the deregulation of the Alberta utilities industry. This regulation required municipally owned retailers and municipally owned power purchase arrangement holders to remit PILOT payments to the Balancing Pool of Alberta. ENMAX's subsidiaries that do not meet the criteria for municipal exemption are taxable under the Income Tax Act (ITA) and the Alberta Corporate Tax Act (ACTA). All references to income tax recognize the combined obligations under PILOT, the ITA, and the ACTA.

Debentures reported by ENMAX as long-term debt in the amount of \$1,283,320 (2018 – \$1,185,380) have been issued in the name of The City (Note 14(a)).

- ii) The financial statements of ENMAX are prepared in accordance with International Financial Reporting Standards (IFRS). New accounting standard effective for 2019 is IFRS 16 "Leases". The standard has been applied with modified retrospective application with any adoption impacts recorded as an adjustment to opening balances on January 1, 2019. There was no impact to opening retained earnings on adoption.

In 2018, IFRS 9 has introduced a single expected credit loss model for all financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI). ENMAX was required to revise its impairment methodology under IFRS 9 over accounts receivables, and this has been reported as a change in Equity in ENMAX Corporation of \$1,393 in the 2018 results.

The following table provides condensed supplementary financial information reported separately by ENMAX.

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| <b>Financial Position</b>   |                     |                     |
| Current assets  | \$ 1,948,257        | \$ 958,898          |
| Deferred income taxes   | 35,933              | 52,227              |
| Capital and intangible assets   | 4,679,953           | 4,431,692           |
| Other assets  | 79,982              | 57,000              |
| Total assets  | 6,744,125           | 5,499,817           |
| Regulatory deferral account debit balances  | 31,183              | 81,965              |
| Total assets and regulatory deferral account debit balances   | 6,775,308           | 5,581,782           |
| Current liabilities (including current portion of long-term debt; 2019 – \$73,271; 2018 – \$71,327) | 945,512             | 791,626             |
| Deferred income tax liabilities   | 31,636              | 57,312              |
| Other long-term liabilities   | 787,009             | 745,885             |
| Asset retirement obligations  | 121,262             | 106,021             |
| Long-term debt  | 2,548,667           | 1,614,636           |
| Total liabilities   | 4,434,086           | 3,315,480           |
| Regulatory deferral account credit balances   | 1,523               | 4,952               |
| Total liabilities and regulatory deferral account credit balances                                   | 4,435,609           | 3,320,432           |
| ENMAX net assets  | 2,339,699           | 2,261,350           |
| Accumulated other comprehensive loss  | (32,438)            | (4,625)             |
| Retained earnings   | 2,372,137           | 2,265,975           |
| <b>Investment in ENMAX Corporation</b>  | <b>\$ 2,339,699</b> | <b>\$ 2,261,350</b> |

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Results of Operations  |                     |                     |
| Revenues   | \$ 2,524,981        | \$ 2,378,659        |
| Operating expenses   | 2,207,071           | 2,181,809           |
| Interest charges (net)   | 80,602              | 68,493              |
| Net earnings before income tax   | 237,308             | 128,357             |
| Income tax expense   | (33,788)            | (133,503)           |
| Net earnings (loss) before net movements in regulatory deferral account balances | 203,520             | (5,146)             |
| Net movement in regulatory deferral account balances                             | (47,358)            | 10,240              |
| Net earnings (loss) before dividends paid  | 156,162             | 5,094               |
| Dividends paid   | (50,000)            | (40,000)            |
| Net earnings (loss) after dividends paid   | 106,162             | (34,906)            |
| Other comprehensive loss   | (27,813)            | (16,351)            |
| Net earnings (loss) after other comprehensive loss                               | 78,349              | (51,257)            |
| Net assets, beginning of year  | 2,261,350           | 2,314,000           |
| Impact of adoption of IFRS 9   | –                   | (1,393)             |
| <b>Equity in ENMAX Corporation</b>   | <b>\$ 2,339,699</b> | <b>\$ 2,261,350</b> |

iii) The following summarizes The City's related-party transactions with ENMAX:

|                              | 2019       | 2018       |
|------------------------------|------------|------------|
| <b>Received by The City</b>  |            |            |
| Dividends                    | \$ 50,000  | \$ 40,000  |
| Local access fee             | 142,450    | 136,078    |
| Sales of services            | 23,206     | 24,493     |
| <b>Purchased by The City</b> |            |            |
| Power and other services     | \$ 157,424 | \$ 145,999 |

The City's accounts payable and accrued liabilities and deferred revenue include \$16,817 (2018 – \$19,851) for amounts owed to ENMAX at December 31, 2019. The City's receivables include \$19,100 (2018 – \$17,306) for amounts owing to The City by ENMAX at December 31, 2019. Corresponding related-party differences between the payables and receivables for The City and ENMAX result primarily from timing differences related to recognizing the receipt of payments. Sale of services and purchase of power and other services are transacted at fair market value, which is the amount agreed upon by the parties.

## 8. BANK INDEBTEDNESS

An unsecured short-term bank line of credit with a commercial bank is available to The City up to an amount of \$60,000. As at December 31, 2019, The City had a total of \$43,516 (2018 – \$62,783) of bank indebtedness comprised of cheques issued in excess of deposits, included in this balance is \$2,397 (2018 – \$14,501) from two related authorities. As at December 31, 2019 and 2018, The City has not issued any promissory notes.

The City has the approved authority to issue up to \$200,000 of short-term borrowing, through a combination of a bank line of credit and the issue of commercial paper. As at December 31, 2019, The City had \$8,195 (2018 – 10,857) of short-term borrowings, which consisted of demand loans held by Attainable Homes Calgary Corporation, and Calgary Arts Development Authority Ltd.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                                    | 2019              | 2018              |
|------------------------------------|-------------------|-------------------|
| Trade                              | \$ 763,702        | \$ 903,164        |
| Federal and Provincial governments | 30,064            | 25,409            |
| Accrued interest                   | 18,033            | 18,701            |
|                                    | <b>\$ 811,799</b> | <b>\$ 947,274</b> |

## 10. DEFERRED REVENUE

Advance sales of goods and services are revenues received from operations in advance of the services being provided. Licenses, permits and application fees include amounts received for building permits, business and animal licenses that are recognized as revenue over the term of the underlying agreements. Government grants are externally restricted amounts that are recognized in revenue when the conditions of use are satisfied. Other contributions relate primarily to private sponsorships and donations received for which the related expenditures have not yet been incurred. These funds are recognized as revenue in the period they are used for the purpose specified.

Deferred revenue is comprised of the following:

|  | December 31,<br>2018 | Inflows           | Revenue<br>Recognized | <b>December 31,<br/>2019</b> |
|--|----------------------|-------------------|-----------------------|------------------------------|
| Advance sales<br>of goods<br>and services    | \$ 29,765            | \$ 81,703         | \$ (75,874)           | <b>\$ 35,594</b>             |
| Licences, permits<br>and application<br>fees | 42,550               | 32,032            | (29,578)              | <b>45,004</b>                |
| Government grants                            | 14,739               | 50,859            | (52,394)              | <b>13,204</b>                |
| Other contributions                          | 9,195                | 3,022             | (2,390)               | <b>9,827</b>                 |
|  | <b>\$ 96,249</b>     | <b>\$ 167,616</b> | <b>\$ (160,236)</b>   | <b>\$ 103,629</b>            |

## 11. CAPITAL DEPOSITS

Capital deposits are received for various capital projects from land developers, pursuant to development agreements or the *Municipal Government Act*, and from other governments, through grants and provincial tax revenue sharing agreements. Certain deposits are allocated investment income, and some may become refundable with interest should they not be fully utilized for the designated capital projects. Year-end balances are summarized below:

|                              | 2019              | 2018<br>(Note 34) |
|------------------------------|-------------------|-------------------|
| Developers contributions     | <b>\$ 145,925</b> | \$ 144,095        |
| Offsite levies               | <b>293,381</b>    | 284,487           |
| Other private contributions  | <b>10,544</b>     | 17,292            |
| Provincial government grants | <b>80,880</b>     | 262,244           |
| Federal government grants    | <b>144,405</b>    | 63,176            |
|                              | <b>\$ 675,135</b> | <b>\$ 771,294</b> |

## 12. PROVISION FOR LANDFILL REHABILITATION

Under environmental law, there is a requirement for closure and post-closure care of landfill sites. Closure and post-closure care includes final covering and landscaping of a landfill, pumping of ground water and leachates from the site and ongoing environmental monitoring, site inspections and maintenance.

In 2018, The City re-assessed and updated the model supporting the provision of the landfill liability. The model was revised to ensure alignment with Alberta Environment and Parks' (AEP) requirements and to reflect the current economic conditions. The model was adjusted to better reflect the onsite management of cleanfill, increased environmental sampling frequency as per AEP protocols, addition of new closure and post-closure activities, and including new activities resulting from improvements in best practices and technology.

As at December 31, 2019, management estimates that the total liability for operating and closed landfill sites is \$163,612 (2018 – \$157,573). This is the sum of the discounted future cash flows for closure and post-closure activities for 25 years following the closure of operating sites, and the estimated requirements at currently closed sites. The duration of post-closure care is dependent on the overall activities that are required at each landfill site – a discount rate of 3.2 per cent (2018 – 3.2 per cent) was used for the active landfills and 3.1 per cent (2018 – 3.1 per cent) for the closed landfills.

The calculation of the reported liability of \$101,198 (2018 – \$93,709) is based on the cumulative capacity used at December 31, 2019 compared to the total estimated landfill capacity at that same date. The change in calculation resulted in \$10,184 (2018 – \$4,087) of unfunded liability being recognized in 2019. The unfunded liability will be funded through future contributions from the Waste & Recycling Sustainment Reserve. At December 31, 2019, the balance of the Waste & Recycling Sustainment Reserve is \$67,312 (2018 – \$63,083).

The estimated remaining capacity of the landfill sites is 46.4 (2018 – 47.6) million cubic metres, which is 47 per cent (2018 – 49 per cent) of the sites' total capacity. In 2019, The City determined that the landfills' expected remaining life would be kept at 44 (2018 – 44 years), which was based on factors including current disposal practices, the residential Green Cart program and projected population growth rates. Change in the available landfill capacity is reviewed every three years and the next review is due in 2021.

## 13. EMPLOYEE BENEFIT OBLIGATIONS

The City participates in multi-employer pension plans and sponsors defined-benefit pension plans and post-retirement benefit plans for eligible civic employees and elected officials. The employee benefit obligations related to The City-sponsored plans represent liabilities earned but not taken by the plan members as at December 31, 2019.

The City has fully met its current year cash contribution requirements for employee benefit obligations as at December 31, 2019. Employee benefit obligation recognized on The City's statement of financial position in respect to employee benefits is as follows:

|   | 2019<br>*Funded   | 2018<br>*Funded   |
|---|-------------------|-------------------|
| a) Registered defined-benefit pension plans     | \$ 52,483         | \$ 52,446         |
| b) Non-registered defined-benefit pension plans | 39,952            | 40,297            |
| c) Post-retirement benefits                     | 179,247           | 186,652           |
| d) Vacation and overtime (undiscounted)         | 223,882           | 220,246           |
|   | <b>\$ 495,564</b> | <b>\$ 499,641</b> |

\* The concept of funding refers to amounts recorded as an expense in the consolidated financial statements with associated funding held for this purpose within The City's investments.

In addition to the funded obligations referred to above, The City has long-term unamortized net actuarial (gains)/losses that are amortized over the expected average remaining service life of the related active employee groups as follows:

|  | 2019               | 2018               |
|--|--------------------|--------------------|
| Registered defined-benefit pension plans     | \$ 701             | \$ (3,422)         |
| Non-registered defined-benefit pension plans | 18,176             | 18,372             |
| Post-retirement benefits                     | (41,550)           | (51,464)           |
|  | <b>\$ (22,673)</b> | <b>\$ (36,514)</b> |

Obligations related to multi-employer pension plans, Local Authorities Pension Plan (LAPP) and Special Forces Pension Plan (SFPP), are not recorded by The City as The City's share is not determinable. Contributions to LAPP and SFPP for current and past service are recorded as expenses in the year in which they become due, see Note 13(e) i) and ii).

## Accounting Methodology

Annual valuations for accounting purposes are completed for The City-sponsored registered and non-registered defined-benefit pension plans and post-retirement benefits using the actuarial projected benefit method prorated on service to determine the accrued benefit obligation and the expense to be recognized in the consolidated financial statements. The significant actuarial assumptions used for the valuations reflect The City's best estimates as follows:

|  | Dec 31, 2019 | Dec 31, 2018 |
|--|--------------|--------------|
| Year-end obligation discount rate (%)      | <b>2.85</b>  | 3.25         |
| Inflation rate (%)                         | <b>2.00</b>  | 2.00         |
| Expected rate of return on plan assets (%) | <b>6.00</b>  | 6.00         |

### a) Registered defined-benefit pension plans

Certain defined-benefit pension plans are registered for Canada Revenue Agency (CRA) purposes. These plans provide benefits up to limits prescribed by the ITA. The assets of these plans are held in trust and The City records its share of the obligations net of plan assets.

The following table sets out the results of, and significant assumptions utilized, in the most recent valuations for accounting purposes of The City sponsored registered pension plans:

|  | 2019              | 2018       |
|--|-------------------|------------|
| Fair value of plan assets – beginning of year  | \$ <b>145,662</b> | \$ 144,598 |
| Contributions – employer                       | <b>8,935</b>      | 8,532      |
| Contributions – member                         | <b>154</b>        | 150        |
| Expected interest on plan assets               | <b>8,789</b>      | 8,718      |
| Less benefits paid                             | <b>(7,447)</b>    | (7,293)    |
| Actuarial gain/(loss)                          | <b>8,165</b>      | (9,043)    |
| Fair value of plan assets – end of year        | \$ <b>164,258</b> | \$ 145,662 |
| Accrued benefit obligation – beginning of year | \$ <b>194,686</b> | \$ 186,633 |
| Current period benefit cost                    | <b>8,939</b>      | 8,487      |
| Interest on accrued benefit obligation         | <b>6,497</b>      | 6,223      |
| Less benefits paid                             | <b>(7,447)</b>    | (7,293)    |
| Actuarial loss                                 | <b>14,767</b>     | 636        |
| Accrued benefit obligation – end of year       | \$ <b>217,442</b> | \$ 194,686 |
| Funded status – plan deficit                   | \$ <b>53,184</b>  | \$ 49,024  |
| Unamortized net actuarial (loss) gain          | <b>(701)</b>      | 3,422      |
| Accrued benefit liability                      | \$ <b>52,483</b>  | \$ 52,446  |
| Current period benefit cost                    | \$ <b>8,939</b>   | \$ 8,487   |
| Amortization of actuarial losses               | <b>2,479</b>      | 1,901      |
| Less member contributions                      | <b>(154)</b>      | (150)      |
| Benefit expense                                | \$ <b>11,264</b>  | \$ 10,238  |
| Interest on accrued benefit obligation         | <b>6,497</b>      | 6,223      |
| Less expected interest on plan assets          | <b>(8,789)</b>    | (8,718)    |
| Benefit interest                               | <b>(2,292)</b>    | (2,495)    |
| Total expense                                  | \$ <b>8,972</b>   | \$ 7,743   |

Unamortized net actuarial gains and losses are amortized over the expected average remaining service life (EARSL) of the active employee groups, except for The Calgary Police Supplementary Pension Plan (PSPP) which is deemed a closed plan, and commence in the period following the determination of the gain or loss. The EARSL for each plan is:

|  | 2019                  | 2018           |
|--|-----------------------|----------------|
| Calgary Firefighters' Supplementary Pension Plan (FSPP)          | 15.9                  | 15.9           |
| The City of Calgary Supplementary Pension Plan (SPP)             | 8.3                   | 8.0            |
| Pension Plan for Elected Officials of The City of Calgary (EOPP) | 9.2                   | 9.9            |
| Calgary Police Supplementary Pension Plan (PSPP)                 | <b>Not applicable</b> | Not applicable |

In accordance with regulations, actuarial valuations for funding purposes are performed at least triennially for the registered plans, except for the Calgary Police Supplementary Pension Plan (refer to Note 13 e) ii)), to determine The City's required contributions to the plan trusts. The most recent actuarial valuations for the purposes of developing funding requirements were (will be) prepared as of the following dates:

| Pension Plan | Latest Valuation Date | Next Valuation Date |
|--------------|-----------------------|---------------------|
| FSPP         | December 31, 2018     | December 31, 2021   |
| SPP          | December 31, 2016     | December 31, 2019   |
| EOPP         | December 31, 2018     | December 31, 2021   |
| PSPP         | Not applicable        | Not applicable      |

#### i) Calgary Firefighters' Supplementary Pension Plan

The FSPP was established on June 3, 1975. The plan is jointly administered by The City and The International Association of Firefighters (IAFF) Local 255. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 1.4 per cent of pensionable earnings up to the year's maximum pensionable earnings (YMPE), 2 per cent of pensionable earnings over YMPE, a bridge benefit of 0.6 per cent of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the ITA. The City and the IAFF Local 255 have agreed to share the cost of future service and future additional unfunded liabilities 55 per cent by The City and 45 per cent by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2019, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2018 as follows:

|   | 2019<br>Employer | 2019<br>Members | 2018<br>Employer | 2018<br>Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions                     | \$ 5,320         | \$ 4,330        | \$ 5,103         | \$ 4,227        |
| Contribution rates<br>(% of pensionable salaries) | *2.83%           | *2.32%          | 3.22%            | 2.63%           |

\*Contribution rate reduction effective October 1, 2019

#### ii) The City of Calgary Supplementary Pension Plan

The SPP commenced on February 1, 2000 and is sponsored and administered by The City. The plan is supplemental to the LAPP (Note 13 e) i)) and provides an annual retirement benefit of 2 per cent of earnings, up to maximum pension limits of the ITA for years of service since the later of February 1, 2000 and the date of eligibility for membership in the plan, as well as enhanced death benefits. The cost of future service and future additional unfunded liabilities are shared 55 per cent by The City and 45 per cent by the plan members. The consolidated financial statements of The City reflect The City's portion only of both the expense and the accrued benefit liability.

At December 31, 2019, The City's portion of plan assets, held in trust, is invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2016 as follows:

|   | 2019<br>Employer | 2019<br>Members | 2018<br>Employer | 2018<br>Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions                     | \$ 3,134         | \$ 2,532        | \$ 2,954         | \$ 2,378        |
| Contribution rates<br>(% of pensionable salaries) | 2.92%            | 2.35%           | 2.92%            | 2.35%           |

### iii) Pension Plan for Elected Officials of The City of Calgary

The EOPP commenced on October 1, 1989 and provides pension benefits of 2 per cent of taxable salary, up to a maximum pension limit of the ITA per year of service to The City elected officials who choose to participate.

At December 31, 2019, plan assets, held in trust, are invested in a mix of equities, bonds and money market instruments. Plan assets are stated at market value.

The City's and members' cash contributions to the external trust are made in compliance with the minimum funding requirements pursuant to the most recent actuarial funding valuation report dated December 31, 2018 as follows:

|   | 2019<br>Employer | 2019<br>Members | 2018<br>Employer | 2018<br>Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions                     | \$ 320           | \$ 154          | \$ 310           | \$ 149          |
| Contribution rates<br>(% of pensionable salaries) | 18.64%           | 9.00%           | 18.64%           | 9.00%           |

### iv) Calgary Police Supplementary Pension Plan

The PSPP commenced on January 1, 1975 and provides supplemental pension benefits to those police officers who retired prior to September 1, 1979. The PSPP is deemed a closed plan as police officers who have retired after September 1, 1979 are covered under the SFPP Plan (Note 13 e) ii).

The PSPP is not subject to provincial minimum funding legislation. Pursuant to the agreement made in 1985, The City will continue to pay benefits out of its investments. In 2007, the fund was exhausted and benefits to pensioners for the year and future years are now being paid from The City's investments. Since 2003, the liabilities associated with these continued benefits have been accounted for in accordance with PSAS Handbook Section 3250 (PS 3250) Retirement Benefits.

Sufficient funds are held within The City's investments to cover the liabilities as determined by the actuarial valuation for accounting purposes as at December 31, 2019.

### b) Non-registered defined-benefit pension plans

Certain plans are non-registered for CRA purposes and provide benefits beyond the limits of the ITA supplemental to the registered plans. As such, there is no legislated requirement to pre-fund these plans through external trusts, and current income tax rules would impose additional costs on any external pre-funding arrangement.

Actuarial valuations for accounting purposes were (will be) performed as follows:

| Pension Plan   | Latest Valuation Date | Next Valuation Date |
|--|-----------------------|---------------------|
| The City of Calgary Overcap Pension Plan (OCCPP)                               | December 31, 2019     | December 31, 2020   |
| The City of Calgary Police Chief & Deputy Overcap Pension Plan (PCDOPP)        | December 31, 2019     | December 31, 2020   |
| The City of Calgary Fire Chief and Deputies Overcap Pension Plan (FCDOPP)      | December 31, 2019     | December 31, 2020   |
| Supplementary Pension Plan for Elected Officials of The City of Calgary (EOSP) | December 31, 2019     | December 31, 2020   |
| Executive Pension Plan (EPP)   | December 31, 2019     | December 31, 2020   |
| Contractual obligations  | December 31, 2019     | December 31, 2020   |

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2019 valuations for accounting purposes for the non-registered pension plans:

|  | 2019      | 2018      |
|--|-----------|-----------|
| Accrued benefit obligation – beginning of year | \$ 58,669 | \$ 55,227 |
| Current period benefit cost                    | 1,167     | 1,253     |
| Interest on accrued benefit obligation         | 1,828     | 1,780     |
| Less benefits paid                             | (7,199)   | (3,394)   |
| Actuarial loss                                 | 3,663     | 3,803     |
| Accrued benefit obligation – end of year       | \$ 58,128 | \$ 58,669 |
| Funded status – plan deficit                   | \$ 58,128 | \$ 58,669 |
| Unamortized net actuarial (loss)               | (18,176)  | (18,372)  |
| Accrued benefit liability <sup>(1)</sup>       | \$ 39,952 | \$ 40,297 |
| Current period benefit cost                    | \$ 1,167  | \$ 1,253  |
| Amortization of actuarial losses               | 3,859     | 3,279     |
| Interest on accrued benefit obligation         | 1,828     | 1,780     |
| Total expense                                  | \$ 6,854  | \$ 6,312  |

(1) To satisfy the obligations under these plans, assets in the amount of \$39,952 (2018 – \$40,297) are held within The City's investments.

Unamortized net actuarial gains and losses of the OCPP and EOSP are amortized over the EARSL of the active employee groups and commence in the period following the determination of the gain or loss. Net actuarial gains and losses for plans closed to new entrants are fully amortized in the year in which they arise. The EARSL for each plan is:

|                                       | 2019                  | 2018           |
|---------------------------------------|-----------------------|----------------|
| OCPP                                  | <b>9.1</b>            | 7.9            |
| PCDOPP                                | <b>6.4</b>            | 7.2            |
| FCDOPP (closed plan)                  | <b>Not applicable</b> | Not applicable |
| EOSP                                  | <b>13.8</b>           | 14.8           |
| EPP (closed plan)                     | <b>Not applicable</b> | Not applicable |
| Contractual obligations (closed plan) | <b>Not applicable</b> | Not applicable |

The following information details the structure and benefits of each of The City's non-registered defined-benefit pension plans:

#### i) The City of Calgary Overcap Pension Plan

The OCPP commenced on February 1, 2000. The plan is sponsored and administered by The City and provides supplementary pension benefits for management employees, the Police Chief and deputies, and the Fire Chief and deputies.

The OCPP for management employees provides a coordinated benefit with the LAPP (Note 13 e i)), and the SPP (Note 13 a ii)), to provide an annual retirement benefit of 2 per cent of all pensionable earnings for the years of service since the later of January 1, 1992 and the date of hire with The City.

The OCPP for the Police Chief and Deputies and the OCPP for the Fire Chief and Deputies provide supplementary pension benefits in excess of the maximum pension benefits provided under the SFPP (Note 13 e ii)) and the FSPP (Note 13 a i)) respectively. The OCPP for the Fire Chief and Deputies is deemed a closed plan as new entrants are not eligible to participate. The Plan will continue to provide benefits to existing retirees and to grandfathered members.

#### ii) Supplementary Pension Plan for Elected Officials of The City of Calgary

The EOSP commenced on October 1, 1999. This plan is sponsored and administered by The City and provides a coordinated benefit with the EOPP to provide an annual retirement benefit of 2 per cent of all pensionable earnings for the years of service recognized under the EOPP (Note 13 a iii)).

#### iii) Executive Pension Plan

The EPP was designed to provide pension arrangements for key members of senior management pursuant to individual employment contracts with The City prior to the inception of the OCPP and SPP. The EPP is deemed a closed plan as it provides no benefits to active employees; however, benefits will continue to existing retirees.

#### iv) Contractual Obligations

The City has entered into individual compensation arrangements with key members of management that provide defined benefits upon retirement. These contractual obligations were grandfathered to members and have been deemed as closed as no benefits are provided to new employees; however, benefits will continue to retirees. These arrangements are sponsored and administered by The City.

### c) Post-retirement benefits

#### i) Pensioners and Widows/Widowers Benefits (PWB)

The City and the Calgary Parking Authority (CPA) sponsor optional post-retirement benefits for extended health, dental and life insurance benefits for qualifying retirees and their surviving spouses, from the date of retirement to age 65. After 10 years or age 65, the life insurance policy reduces to a paid-up death benefit based on the number of years of contributory service prior to retirement (this benefit is not available to CPA retirees). The sponsors and retirees share equally in the cost of benefits.

The consolidated City financial statements show the sponsors' portions only of the expense and the accrued benefit liability.

#### ii) Retirement Allowance

The City and CPA sponsor a non-contributory retirement allowance of up to 7 weeks of salary for qualifying retirees. The cost of these benefits is recognized as an expense and an accrued benefit liability. Council made the decision on December 16, 2019 to discontinue the retirement allowance as of December 31, 2021, subject to applicable Labour Code requirements. Management exempt employees that do not qualify for retirement before December 31, 2021 have been removed from the retirement allowance obligation.

#### iii) Supplemental Compensation

The City sponsors a supplementary compensation plan for employees who were disabled, or survivors of employees who were killed, in the line of duty. The plan is deemed closed as employees are not actively accruing benefits.

Actuarial valuations for accounting purposes were (will be) performed as follows:

|                           | Latest Valuation Date:<br>The City and CPA | Next Valuation Date:<br>The City and CPA |
|---------------------------|--|--|
| PWB                       | December 31, 2019                          | December 31, 2020                        |
| Retirement Allowance      | December 31, 2019                          | December 31, 2020                        |
| Supplemental Compensation | December 31, 2019                          | December 31, 2020                        |

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2019 valuations for accounting purposes for post-retirement benefits:

|   | 2019       | 2018       |
|---|------------|------------|
| Accrued benefit obligation – beginning of year          | \$ 137,129 | \$ 138,785 |
| Current period benefit cost                             | 9,211      | 9,507      |
| Interest on accrued benefit obligation                  | 4,618      | 4,678      |
| Less benefits paid                                      | (8,086)    | (8,567)    |
| Actuarial (gain)  | (3,139)    | (7,274)    |
| Accrued benefit obligation – end of year                | \$ 139,733 | \$ 137,129 |
| Funded status – plan deficit                            | \$ 139,733 | \$ 137,129 |
| Plan assets <sup>(2)</sup>                              | (2,036)    | (1,941)    |
| Unamortized net actuarial gain                          | 41,550     | 51,464     |
| Accrued benefit liability <sup>(3)</sup>                | \$ 179,247 | \$ 186,652 |
| Current period benefit cost                             | \$ 9,211   | \$ 9,507   |
| Amortization of actuarial (gain)                        | (2,608)    | (2,202)    |
| Curtailment Gain <sup>(1)</sup>                         | (10,541)   | –          |
| Interest on accrued benefit obligation                  | 4,618      | 4,678      |
| Total expense   | \$ 680     | \$ 11,983  |
| Annual increase in extended health costs <sup>(5)</sup> | 5.0%       | 7.3%       |
| Annual increase in dental costs <sup>(5)</sup>          | 4.0%       | 4.0%       |
| EARSL <sup>(4) (5)</sup>                                | 12.4 yr    | 12.6 yr    |

(1) Changes made to the retirement allowance in December 2019 have resulted in a curtailment gain of \$10,541.

(2) Plan assets in the amount of \$2,036 (2018 – \$1,941) to satisfy future life claims are equal to fair market value.

(3) Assets in the amount of \$179,247 (2018 – \$186,652) to satisfy the obligations under these plans are held within The City's investment portfolio.

(4) Actuarial gains and losses are amortized over the EARSL of the related employee group commencing in the period following the determination of the gain or loss.

(5) Significant assumptions used by CPA are as follows:

- Rate of compensation average increase, excluding merit and promotion: 0.0 per cent
- Annual increase in extended health costs: 5.0 per cent
- Annual increase in dental costs: 4.0 per cent
- EARSL: 11.8 yrs

#### d) Vacation and overtime

The vacation and overtime liability comprises the vacation and overtime that employees are allowed to defer to future years as defined in administrative policies and/or contractual agreements. Assets in the amount of \$223,882 (2018 – \$220,246) are held within The City's investments portfolio and working capital to satisfy the obligations under these programs.

#### e) Multi-employer pension plans

Civic employees, with the exception of police officers, are members of the LAPP. Police officers are members of the SFPP. Both plans are multi-employer, defined-benefit pension plans jointly sponsored by employees and employers through the LAPP and SFPP Corporations respectively and administered by Alberta Pension Services (APS).

Due to the multi-employer nature of these plans, information is not available to determine the portion of the plans' obligations and assets attributable to each employer. Therefore, The City appropriately accounts for both plans following the standards for defined contribution plans. The amount of expense recorded in the consolidated financial statements is equal to The City's current service contributions to the plan as determined by APS for the year and no obligation is recorded in The City's financial statements. As at December 31, 2018, the LAPP was in a surplus position and SFPP was in a deficit position.

##### i) Local Authorities Pension Plan

The LAPP plan provides an annual retirement benefit of 1.4 per cent of earnings up to the YMPE and 2 per cent of earnings over YMPE. Under the Alberta Public Sector Pension Plans Act, The City and members of the LAPP plan made the following contributions:

|   | 2019<br>Employer   | 2019<br>Members  | 2018<br>Employer                                | 2018<br>Members                                |
|---|--|--|---|--|
| Current service contributions                     | \$ 136,637   | \$ 128,332   | \$ 145,789                                      | \$ 134,272                                     |
| Contribution Rates<br>(% of pensionable salaries) | <b>9.39% up to<br/>YMPE and<br/>13.84% over<br/>YMPE</b> | <b>8.39% up to<br/>YMPE and<br/>12.84% over<br/>YMPE</b> | 10.39% up<br>to YMPE and<br>14.84% over<br>YMPE | 9.39% up to<br>YMPE and<br>13.84% over<br>YMPE |

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2018 of \$3,469,347 (2017 – \$4,835,515). More recent information was not available at the time of preparing these financial statements. The LAPP Board made the decision to reduce LAPP contribution rates in 2019 by 1.0 per cent for members and employers. The City's 2019 contribution rates were changed accordingly.

LAPP consists of 162,787 active members. The City's active plan membership represents approximately 8.3 per cent of the total LAPP active membership as at December 31, 2018.

##### ii) Special Forces Pension Plan

The SFPP provides an annual retirement benefit of 1.4 per cent of pensionable earnings up to YMPE, 2.0 per cent of pensionable earnings over YMPE, a bridge benefit of 0.6 per cent of YMPE to age 65, and improved early retirement and death benefits, up to maximum pension limits of the *Income Tax Act* (Canada). Under the Alberta *Public Sector Pension Plans Act*, The City and members of the SFPP made the following contributions:

|   | 2019<br>Employer | 2019<br>Members | 2018<br>Employer | 2018<br>Members |
|---|------------------|-----------------|------------------|-----------------|
| Current service contributions                     | \$ 35,342        | \$ 33,785       | \$ 34,638        | \$ 31,946       |
| Contribution Rates<br>(% of pensionable salaries) | <b>14.55%</b>    | <b>13.45%</b>   | 14.55%           | 13.45%          |

The SFPP reported a deficit (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2018 of \$191,195 (2017 – surplus of \$71,143). More recent information was not available at the time of preparing these financial statements. The City's 2019 contribution rates did not change as a result of this deficit.

SFPP consists of 4,476 active members. The City active plan membership represents approximately 48.5 per cent of the total SFPP active membership as at December 31, 2018.

## 14. LONG-TERM DEBT

a) Debt payable by and issued in the name of The City includes the following amounts:

|                                | 2019              |                               |                     |                     | 2018          |                               |                |              |
|--------------------------------|-------------------|-------------------------------|---------------------|---------------------|---------------|-------------------------------|----------------|--------------|
|                                | Tax Supported     | Self Sufficient Tax Supported | Self Supported      | Total               | Tax Supported | Self Sufficient Tax Supported | Self Supported | Total        |
| i) Debentures                  | \$ 372,060        | \$ 210,322                    | \$ 3,490,147        | \$ 4,072,529        | \$ 365,491    | \$ 288,343                    | \$ 3,392,861   | \$ 4,046,695 |
| ii) Mortgages and other debt   | 69,404            | -                             | 24,834              | 94,238              | -             | -                             | 27,516         | 27,516       |
|                                | <b>441,464</b>    | <b>210,322</b>                | <b>3,514,981</b>    | <b>4,166,767</b>    | 365,491       | 288,343                       | 3,420,377      | 4,074,211    |
| Less                           |                   |                               |                     |                     |               |                               |                |              |
| iv) Debt attributable to ENMAX | -                 | -                             | (1,283,320)         | (1,283,320)         | -             | -                             | (1,185,380)    | (1,185,380)  |
|                                | <b>\$ 441,464</b> | <b>\$ 210,322</b>             | <b>\$ 2,231,661</b> | <b>\$ 2,883,447</b> | \$ 365,491    | \$ 288,343                    | \$ 2,234,997   | \$ 2,888,831 |

- i) Debentures, which are predominantly held by the Alberta Capital Finance Authority (ACFA), mature in annual amounts to the year 2049.

Tax-supported debt is repaid using tax revenues and is the long-term debt used in tax-supported areas.

Self-sufficient tax-supported debt comprises debt for programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes, but that are currently being funded by revenues resulting from their own operations. Self-sufficient tax-supported debt also includes short-term debt that will be funded from future grant receipts from the Alberta Government's Municipal Sustainability Initiative (MSI).

Self-supported debt, which is primarily related to Water Services & Resources, includes debentures in the amount of \$60,259 (2018 – \$64,075) which has been issued to fund local improvements and are collectable from property owners for work authorized by them and performed by The City. Principal and interest on local improvement debentures are recovered from property owners through annual local improvement levies over the term of the debenture to a maximum of 25 years.

Included in the self-supported debt is the debenture issued in 2010 by The City on behalf of the Lindsay Park Sports Society operating as Repsol Sport Centre (RSP), pursuant to City Bylaw authorization in the amount of \$176 (2018 – \$519), as well as the debenture issued in 2014 by The City on behalf of the St. Mary's University College (SMUC) in the amount of \$3,901 (2018 – \$4,105). In accordance with Credit Agreements between RSP, SMUC, and The City, The City shall service the debenture through the disbursement of principal and interest payments. The City is liable for the outstanding debenture debt to the debenture debt holder. The RSP and SMUC are required to reimburse The City for all principal and interest payments with respect to the debenture on the same day as The City disburses the payments to the debt holder. As at December 31, 2019, RSP and SMUC are in compliance.

- ii) Mortgages and other debt, held by Canada Mortgage and Housing Corporation, mature in annual amounts to the year 2030. Capital assets with a cost of \$51,767 (2019 – \$77,419) are pledged as collateral against the mortgages. In 2019, The City issued new borrowings held by ENMAX and Plenary Infrastructure Calgary LP (Plenary) for The City's Shepard solar park and Stoney compressed natural gas bus storage and transit facility projects respectively. The amounts mature in 2034 with ENMAX and 2049 with Plenary Infrastructure Calgary LP.

- iii) Debenture debt attributable to ENMAX was initially issued by The City on behalf of the Calgary Electric System (CE) pursuant to City Bylaw authorizations prior to January 1, 1998. Pursuant to the Master Agreement between ENMAX and The City, a liability equivalent to the debentures attributable to ENMAX was included in the assumed liabilities upon transfer of substantially all of the assets and liabilities of CE from The City to ENMAX at January 1, 1998. The City continues to borrow on behalf of ENMAX in accordance with a Debt Management Service Level Agreement between The City and ENMAX. The City shall service the existing debentures, which included debt issuance of \$172,415 in 2019 (2018 – \$177,448), through the disbursement of principal and interest payments. The City is liable for the outstanding ENMAX debenture debt to the debenture debt holders. ENMAX is required to reimburse The City for all principal and interest payments with respect to the debentures on the same day as The City disburses the payments to the debt holders. In addition, ENMAX is required to pay to The City a loan guarantee and administration fee of 0.25 per cent on the average monthly outstanding debenture balance held by The City on behalf of ENMAX.

- iv) More detail on the self-supported and tax-supported debt payable can be found in the continuity of long-term debt within the unaudited Financial and Statistical Schedules in the annual report.

b) Long-term debt is repayable as follows:

|            | Tax Supported | Self Sufficient<br>Tax Supported | Self Supported | Less: Debt<br>attributable<br>to ENMAX | Total        |
|------------|---------------|----------------------------------|----------------|--|--------------|
| 2020       | \$ 37,546     | \$ 26,434                        | \$ 268,936     | \$ (72,910)                            | \$ 260,006   |
| 2021       | 35,279        | 27,301                           | 241,747        | (66,435)                               | 237,892      |
| 2022       | 35,813        | 27,676                           | 226,352        | (61,733)                               | 228,108      |
| 2023       | 32,575        | 27,251                           | 207,135        | (62,269)                               | 204,692      |
| 2024       | 27,809        | 26,931                           | 194,853        | (61,725)                               | 187,868      |
| Thereafter | 272,442       | 74,729                           | 2,375,958      | (958,248)                              | 1,764,881    |
|            | \$ 441,464    | \$ 210,322                       | \$ 3,514,981   | \$ (1,283,320)                         | \$ 2,883,447 |

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 1.09 per cent to 8.25 per cent (2018 – 1.09 per cent to 8.25 per cent) per annum. Debenture debt held at year end has an average rate of interest of 3.63 per cent (2018 – 3.64 per cent) before provincial subsidy and 3.63 per cent (2018 – 3.63 per cent) after provincial subsidy.

|                                 | Tax Supported | Self Sufficient<br>Tax Supported | Self Supported | Average<br>Interest |
|---------------------------------|---------------|----------------------------------|----------------|---------------------|
| Gross (before interest subsidy) | 4.12%         | 3.04%                            | 3.62%          | 3.63%               |
| Net (after interest subsidy)    | 4.12%         | 3.04%                            | 3.62%          | 3.63%               |

The mortgages of Calgary Housing Company in the amount of \$8,667 (2018 – \$10,056) are payable with interest ranging from 1.04 per cent to 2.22 per cent (2018 – 0.94 per cent to 6.45 per cent) before interest rate subsidy. The effective interest rates after the subsidy for the fixed-subsidy projects is 2.0 per cent (2018 – 2.0 per cent).

d) Interest charges are as follows:

|                            | 2019             |                                  |                   |            | 2018             |                                  |                   |            |
|----------------------------|------------------|----------------------------------|-------------------|------------|------------------|----------------------------------|-------------------|------------|
|                            | Tax<br>Supported | Self Sufficient<br>Tax Supported | Self<br>Supported | Total      | Tax<br>Supported | Self Sufficient<br>Tax Supported | Self<br>Supported | Total      |
| Debenture interest         | \$ 14,110        | \$ 7,587                         | \$ 81,109         | \$ 102,806 | \$ 14,520        | \$ 9,549                         | \$ 83,176         | \$ 107,245 |
| Other interest and charges | \$ 3,249         | \$ –                             | \$ 3,179          | \$ 6,428   | \$ 2,949         | \$ –                             | \$ 804            | \$ 3,753   |
|                            | \$ 17,359        | \$ 7,587                         | \$ 84,288         | \$ 109,234 | \$ 17,469        | \$ 9,549                         | \$ 83,980         | \$ 110,998 |

e) The estimated fair value of The City's long-term debt is \$3,039,840 (2018 – \$2,916,393). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2019 for debentures with comparable maturities from The City's primary lender, the ACFA.

f) Section 271 of the *Municipal Government Act* (MGA) requires disclosure of debt, debt limits and the debt service limits, which include both interest and principal payments. The debt limit is calculated at 2 times revenue (as defined in the Debt Limit Regulation 255/2000) and the debt service limit is calculated at 0.35 times such revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs. These thresholds are conservative guidelines used by Municipal Affairs to identify municipalities which could be at financial risk if further debt is incurred. The calculation, taken alone, does not represent the financial stability of the municipality as the financial statements must be interpreted as a whole.

Note: Ministerial Order No L:124/11 set out an exception to the calculation of the debt service limit as originally disclosed in section 271 of the MGA, stating the calculation shall not take into account borrowing that is related to Municipal Affairs Grants Regulation (Municipal Sustainability Initiative Debt) that does not require the repayment of any principal before

December 31, 2019. At December 31, 2019, debt principal of \$nil (2018 – \$70,500) and debt interest of \$nil (2018 – \$309) was excluded from the pro-rata calculation of the debt service limit.

|   | 2019         | 2018 <sup>(1)</sup> |
|---|--------------|---------------------|
| Total debt limit (2 times revenue)          | \$ 8,280,921 | \$ 8,172,936        |
| Total debt (short- and long-term)           | 2,961,443    | 2,976,209           |
| Percentage of debt to debt limit            | 35.76%       | 36.42%              |
| Total debt service limit (35% of revenue)   | \$ 1,449,161 | \$ 1,430,264        |
| Total debt service                          | 369,416      | 359,705             |
| Percentage of debt service to service limit | 25.49%       | 25.15%              |

(1) The 2018 total debt limit and total debt service limit values were understated and have been revised including associated percentages. This change is for disclosure purposes only and does not change the previously reported Statement of Financial Position or Operations.

The City's related authorities are subject to certain financial and non-financial covenants over their credit facilities. As at December 31, 2019 all the related authorities were in compliance with their covenants.

## 15. TANGIBLE CAPITAL ASSETS

| Cost                    | January 1, 2019 | Disposal <sup>(1)</sup> | Adjusted        | Additions    | Disposals    | December 31, 2019 |
|-------------------------|-----------------|-------------------------|-----------------|--------------|--------------|-------------------|
|                         | Opening Balance |                         | January 1, 2019 |              |              | Closing Balance   |
| Land                    | \$ 2,368,999    | \$ -                    | \$ 2,368,999    | \$ 160,464   | \$ (8,339)   | \$ 2,521,124      |
| Land improvements       | 1,187,466       | -                       | 1,187,466       | 58,988       | (10,728)     | 1,235,726         |
| Engineered structures   | 15,769,954      | -                       | 15,769,954      | 677,004      | (12,173)     | 16,434,785        |
| Buildings               | 3,015,057       | -                       | 3,015,057       | 408,485      | (9,704)      | 3,413,838         |
| Machinery and equipment | 871,988         | (147,773)               | 724,215         | 63,537       | (60,447)     | 727,305           |
| Vehicles                | 1,547,755       | -                       | 1,547,755       | 140,458      | (76,343)     | 1,611,870         |
|                         | \$ 24,761,219   | \$ (147,773)            | \$ 24,613,446   | \$ 1,508,936 | \$ (177,734) | \$ 25,944,648     |
| Work in progress        |                 |                         |                 |              |              |                   |
| Land                    | 13,673          | -                       | 13,673          | 73           | -            | 13,746            |
| Construction            | 1,309,059       | -                       | 1,309,059       | (4,625)      | (20,152)     | 1,284,282         |
|                         | \$ 26,083,951   | \$ (147,773)            | \$ 25,936,178   | \$ 1,504,384 | \$ (197,886) | \$ 27,242,676     |

| Accumulated Amortization | January 1, 2019 | Disposal <sup>(1)</sup> | Adjusted        | Additions  | Disposals    | December 31, 2019 |
|--------------------------|-----------------|-------------------------|-----------------|------------|--------------|-------------------|
|                          | Opening Balance |                         | January 1, 2019 |            |              | Closing Balance   |
| Land improvements        | \$ 629,579      | \$ -                    | \$ 629,579      | \$ 45,135  | \$ (9,195)   | \$ 665,519        |
| Engineered structures    | 5,394,424       | -                       | 5,394,424       | 365,031    | (7,665)      | 5,751,790         |
| Buildings                | 1,027,940       | -                       | 1,027,940       | 112,384    | (8,425)      | 1,131,899         |
| Machinery and equipment  | 601,460         | (147,773)               | 453,687         | 68,797     | (59,934)     | 462,550           |
| Vehicles                 | 731,969         | -                       | 731,969         | 86,904     | (69,906)     | 748,967           |
|                          | \$ 8,385,372    | \$ (147,773)            | \$ 8,237,599    | \$ 678,251 | \$ (155,125) | \$ 8,760,725      |
| Net book value           | \$ 17,698,579   | \$ -                    | \$ 17,698,579   | \$ 826,133 | \$ (42,761)  | \$ 18,481,951     |

(1) Fully depreciated machinery and equipment was disposed, there is no impact to the net book value of tangible capital assets as a result of this disposal.

In 2019, \$323,067 (2018 – \$254,799) in engineered structures, land improvements and land were contributed to The City. These contributions were represented at their fair value at the time received. Assets recognized at nominal value by The City in 2019 and 2018 consist of certain buildings and land.

The City entered into a P3 agreement with Plenary on September 13, 2016 to design, build, operate, and maintain The City's Stoney compressed natural gas bus storage and transit facility. The new facility is funded through capital debt and grant funding. The new facility was substantially completed on February 1, 2019. Plenary started operating the new facility in 2019 and will operate until February 2049.

Cultural and historical properties and treasures are held by The City in various locations. Due to the subjective nature of the assets, they are unrecognized in the values shown on the consolidated financial statements (Note 25).

In accordance with policy, no interest was capitalized by The City in 2019 (2018 – \$nil).

## 16. 2019 BUDGET

Budget data presented in these consolidated financial statements are based upon the 2019 operating and capital budgets as approved by Council. Council approved budgets are prepared on a modified cash basis which differs from budget amounts reported on the consolidated statement of operations and changes in net financial assets which are prepared in accordance with PSAS. The table below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Actual amounts have been used to approximate budget amounts for certain reconciling items that were not included in the Council budget.

|  | Revenues            | Expenses            | Other Revenues      |
|--|---------------------|---------------------|---------------------|
| Budget as approved by Council                  |                     |                     |                     |
| Operating                                      | \$ 4,018,605        | \$ 4,083,319        | \$ 64,716           |
| Capital  | –                   | 1,754,982           | 1,754,982           |
| Add  |                     |                     |                     |
| Capital budget adjustment                      | –                   | 35,623              | 35,623              |
| Related authorities                            | 281,487             | 252,189             | 60,201              |
| Equity in earnings of ENMAX                    | 126,000             | –                   | –                   |
| Transfers between capital and operating        | –                   | –                   | 295,748             |
|  | <b>\$ 4,426,092</b> | <b>\$ 6,126,113</b> | <b>\$ 2,211,270</b> |
| Less   |                     |                     |                     |
| Operating budget adjustments                   | (34,869)            | (34,869)            | –                   |
| Intercompany eliminations                      | (77,102)            | (86,773)            | (18,869)            |
| Contributions from Utilities                   | (65,952)            | (42,716)            | –                   |
| Contributions from reserves and operations     | (103,539)           | (755,729)           | –                   |
| Contributions between reserves                 | (8,109)             | –                   | –                   |
| Debt principal repayments                      | –                   | (64,348)            | –                   |
| Tangible capital asset adjustments             | –                   | (1,485,464)         | –                   |
| Debt issued                                    | –                   | –                   | (451,791)           |
| Transfers from reserves                        | –                   | –                   | (772,985)           |
| Amortization                                   | –                   | (128,932)           | –                   |
| <b>BUDGET FOR FINANCIAL STATEMENT PURPOSES</b> | <b>\$ 4,136,521</b> | <b>\$ 3,527,282</b> | <b>\$ 967,625</b>   |

## 17. ACCUMULATED SURPLUS

Accumulated Surplus consists of restricted and unrestricted amounts of equity in non-financial assets as follows:

|   | 2019                 | 2018                 |
|---|----------------------|----------------------|
| Operating fund                                  | \$ 110,095           | \$ 38,751            |
| Capital fund                                    | 341,047              | 146,082              |
| Local improvements to be funded in future years | 62,234               | 60,715               |
| Obligation to be funded in future years(1)      | (10,184)             | (4,087)              |
| Reserves (Note 19)                              | 2,493,588            | 2,299,998            |
| Equity in ENMAX (Note 7)                        | 2,339,699            | 2,261,350            |
| Equity in non-financial assets (Note 18)        | 15,688,927           | 14,892,274           |
|   | <b>\$ 21,025,406</b> | <b>\$ 19,695,083</b> |

(1) Obligation to be funded in future years consists of unfunded liabilities of \$10,184 (2018 – \$4,087) for the landfill rehabilitation provision (Note 12).

## 18. EQUITY IN NON FINANCIAL ASSETS

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Tangible capital assets (Note 15)        | \$ 27,242,676        | \$ 26,083,951        |
| Accumulated amortization (Note 15)       | (8,760,725)          | (8,385,372)          |
| Long-term debt (Note 14)                 | (2,883,447)          | (2,888,831)          |
| Long-term debt recoverable – non capital | 4,078                | 4,626                |
| Inventory                                | 59,401               | 55,435               |
| Prepaid assets                           | 26,944               | 22,465               |
|  | <b>\$ 15,688,927</b> | <b>\$ 14,892,274</b> |

## 19. RESERVES

Reserves are established and managed in accordance with the reserve's purpose and any or all conditions and/or restriction placed on the reserve by Council. Reserve funds are transferred either to operating or capital funds for use.

Individual reserves with significant balances include:

|                                       | 2019                | 2018                |
|---------------------------------------|---------------------|---------------------|
| Fiscal stability                      | \$ 426,189          | \$ 617,531          |
| Reserve for future capital            | 357,467             | 305,675             |
| Budget savings account                | 91,251              | 135,198             |
| Major capital projects                | 400,011             | –                   |
| Debt servicing                        | 52,570              | 52,570              |
| Legacy parks                          | 7,889               | 7,025               |
| Corporate housing reserve             | 33,952              | 31,622              |
| Real estate services                  | 93,238              | 77,971              |
| Community investment                  | 61,481              | 43,704              |
| Opportunity Calgary investment fund   | 95,853              | 101,047             |
| Calgary building services sustainment | 81,707              | 77,908              |
| Reserve for tax loss provision        | –                   | 37,398              |
| Lifecycle maintenance and upgrade     | 245,554             | 248,660             |
| Calgary Housing Company               | 28,726              | 27,653              |
| Subtotal                              | <b>\$ 1,975,888</b> | <b>\$ 1,763,962</b> |

Other reserve balances:

|                                    | 2019                | 2018                |
|------------------------------------|---------------------|---------------------|
| Utilities sustainment              | \$ 156,957          | \$ 175,255          |
| Cash in Lieu lifecycle sustainment | 42,477              | –                   |
| Social programs                    | 8,523               | 8,387               |
| Parking land acquisition           | –                   | 42,851              |
| Police services                    | 41,825              | 44,868              |
| Waste and recycling sustainment    | 67,312              | 63,083              |
| ENMAX dividend stabilization       | 14,500              | 13,000              |
| Other operating                    | 95,463              | 98,831              |
| Other capital expenditures         | 90,643              | 89,761              |
| Subtotal                           | <b>\$ 517,700</b>   | <b>\$ 536,036</b>   |
| Total                              | <b>\$ 2,493,588</b> | <b>\$ 2,299,998</b> |

## 20. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| Property taxes                              | \$ 2,611,336        | \$ 2,564,601        |
| Community Revitalization Levy               | 39,882              | 39,582              |
| Business taxes                              | 3,500               | 43,978              |
| Revenue in lieu of taxes                    | 214,636             | 206,488             |
| Local improvement levies and special taxes  | 16,476              | 6,273               |
|   | <b>\$ 2,885,830</b> | <b>\$ 2,860,922</b> |
| Less: Provincial property taxes (see below) |                     |                     |
| Current year levy                           | (795,866)           | (780,499)           |
| Prior year levy                             | (1,209)             | (12,353)            |
| Net taxes available for municipal use       | <b>\$ 2,088,755</b> | <b>\$ 2,068,070</b> |

The City is required to collect provincial property taxes under Section 353 of the *Municipal Government Act*. The amount of these provincial property taxes is determined solely by the Government of Alberta. Provincial property taxes are recorded at the amounts levied. If property taxes are reduced due to an assessment reduction, The City is required by legislation to fund the repayment of both the municipal and provincial taxes with applicable interest.

An amount of provincial property taxes receivable of \$23,151 (2018 – \$1,209) has been recorded at December 31, 2019 within accounts receivable that will be funded through an increase in the subsequent year's provincial property tax rate.

## 21. RELATED AUTHORITIES

The assets and liabilities and the operations of the following related authorities are included in The City's consolidated financial statements.

The Calgary Convention Centre Authority (the Authority) is incorporated under the laws of the Province of Alberta and operates the Calgary TELUS Convention Centre (CTCC) pursuant to an operating agreement between the Authority and The City. The land, building, furniture and equipment are owned by The City, who also contributes a grant towards the operating costs of CTCC. In accordance with an amendment to the operating agreement, the Authority retains operating surpluses and is responsible to fund net operating deficits.

Attainable Homes Calgary Corporation is a controlled corporation of The City and was incorporated on November 27, 2009 under the *Alberta Business Corporations Act*. The purpose of AHCC is the implementation and administration of attainable housing in The City. AHCC incurred a loss of \$3,029 for the year ended December 31, 2019 (2018 – \$3,034) and has also recorded inventory write downs to net realizable value and allowances on its equity loans. The City has consolidated these results on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course

of business. Should AHCC be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and meet its liabilities as they become due. In this event, the adjustments necessary to the presentation and carrying amounts of the assets and liabilities of AHCC would not be material to The City's financial position. The City has guaranteed certain indebtedness of AHCC as disclosed in Note 29 a) iii).

The Calgary Parking Authority operates and manages parking facilities owned by The City and is also responsible for parking enforcement and the management of the Municipal Vehicle Impound Lot.

The Calgary Public Library Board is constituted under the *Libraries Act* of the Province of Alberta. It operates a system of 20 branches and the central library in Calgary.

Calhome Properties Ltd. (operating as Calgary Housing Company) owns, develops and operates low and moderate-rent housing projects on a not-for-profit basis under agreements with the Province of Alberta and Canada Mortgage and Housing Corporation, which provide subsidies for certain projects.

Calgary Municipal Land Corporation (CMLC) is a controlled corporation of The City pursuant to Section 73 of the *Municipal Government Act*, and the Control of Corporations Regulation. CMLC began operations in 2007, with The City as the sole shareholder of CMLC. CMLC is accountable for the development and sale of land transferred from The City and the implementation of public infrastructure improvements in The Rivers District, a former industrial and residential area located in downtown Calgary. On January 15, 2019, though City Bylaw authorization, council approved an amendment to the Bylaw to extend the Rivers District Community Revitalization Levy an incremental 20 years from the originally planned end date of 2027 through to 2047. On February 13, 2019, the Lieutenant Governor of Alberta approved the amended City Bylaw pursuant to Section 381.2 of the *Municipal Government Act*.

Calgary Economic Development Ltd. (CED) is a controlled corporation of The City and was incorporated in July 1999 under the *Alberta Business Corporations Act*. The mandate of CED is to lead The City's economic development efforts in promoting The City's competitive advantages and pro-business climate. Successful economic development results in business growth and industry development, increased investment and trade activities.

Calgary Arts Development Authority Ltd. (CADA) is a controlled corporation of The City and was incorporated under the *Alberta Business Corporations Act* on March 18, 2005. The mandate of CADA is to promote and direct investment in the arts to increase the sector's public and artistic impact on behalf of the citizens of The City.

|  | 2019<br>Calgary TELUS<br>Convention<br>Centre | 2019<br>Attainable<br>Homes Calgary<br>Corporation | 2019<br>Calgary Parking<br>Authority | 2019<br>Calgary Public<br>Library Board | 2019<br>Calgary Housing<br>Company |
|--|---|--|--------------------------------------|---|------------------------------------|
| <b>Financial Position</b>                      |   |  |                                      |   |                                    |
| Physical assets                                | \$ 1,856                                      | \$ -   | \$ 122,763                           | \$ 48,729                               | \$ 92,408                          |
| Financial assets                               | 6,078   | 19,876   | 28,960                               | 8,726                                   | 50,495                             |
|  | 7,934   | 19,876   | 151,723                              | 57,455                                  | 142,903                            |
| Long-term debt                                 | -   | -  | 813                                  | -                                       | 8,667                              |
| Financial liabilities                          | 9,492   | 10,072   | 14,975                               | 4,055                                   | 44,492                             |
|  | 9,492   | 10,072   | 15,788                               | 4,055                                   | 53,159                             |
| Net assets (debt)                              | \$ (1,558)                                    | \$ 9,804   | \$ 135,935                           | \$ 53,400                               | \$ 89,744                          |
| <b>Results of Operations</b>                   |   |  |                                      |   |                                    |
| <b>Revenue</b>                                 |   |  |                                      |   |                                    |
| Community Revitalization Levy                  | \$ -  | \$ -   | \$ -                                 | \$ -                                    | \$ -                               |
| Sales of goods & services                      | 24,389  | 20,718   | 59,655                               | -                                       | 50,154                             |
| Government transfers, agreements & subsidies   | -   | 171  | -                                    | 7,703                                   | 49,605                             |
| Developer contributions                        | -   | -  | 5,567                                | -                                       | -                                  |
| Investment income                              | -   | 13   | 7,904                                | 254                                     | 910                                |
| Fines & penalties                              | -   | -  | 22,838                               | 1,028                                   | -                                  |
| Licenses, permits and fees                     | -   | -  | 1,317                                | -                                       | -                                  |
| Miscellaneous revenue                          | -   | 41   | 2,668                                | 4,568                                   | 1,165                              |
| Gain (loss) on sale of tangible capital assets | 8   | -  | 80                                   | (9)                                     | (14)                               |
| Internal transfers & contributions             | 1,883   | -  | (24,628)                             | 55,931                                  | (295)                              |
| Total revenue                                  | 26,280  | 20,943   | 75,401                               | 69,475                                  | 101,525                            |
| <b>Expenses</b>                                |   |  |                                      |   |                                    |
| Salaries, wages, and benefits                  | \$ 7,789                                      | \$ 1,073   | \$ 20,507                            | \$ 39,731                               | \$ 19,056                          |
| Contracted and general services                | 4,898   | 2,120  | 15,603                               | 15,852                                  | 44,166                             |
| Materials, equipment and supplies              | 15,502  | 20,420   | 7,393                                | 6,083                                   | 1,396                              |
| Interest charges                               | -   | 336  | 1,339                                | -                                       | 306                                |
| Transfers                                      | -   | -  | -                                    | -                                       | 18,772                             |
| Utilities                                      | 1,085   | 20   | 1,561                                | 1,091                                   | 11,890                             |
| Amortization                                   | 559   | 2  | 5,756                                | 6,727                                   | 2,939                              |
| Internal Recoveries                            | -   | -  | (81)                                 | -                                       | -                                  |
| Debt principal repayments                      | -   | -  | 510                                  | -                                       | 1,389                              |
| Total expenses                                 | 29,833  | 23,971   | 52,588                               | 69,484                                  | 99,914                             |
| Income (loss) before appropriations            | (3,553)                                       | (3,028)  | 22,813                               | (9)                                     | 1,611                              |
| Internal transfers                             | 3,553   | 3,028  | 1,815                                | 9                                       | (1,611)                            |
| To City operating fund <sup>(1)</sup>          | -   | -  | (24,628)                             | -                                       | -                                  |
| Change in fund balance                         | \$ -  | \$ -   | \$ -                                 | \$ -                                    | \$ -                               |

(1) Distribution to The City for certain net surpluses from Calgary Parking Authority operations.

|  | 2019<br>Calgary Municipal<br>Land Corporation | 2019<br>Calgary Economic<br>Development Ltd. | 2019<br>Calgary Arts<br>Development<br>Authority Ltd. | 2019<br>Total |
|--|---|--|---|---------------|
|  | \$ 210,270                                    | \$ -   | \$ 27,328   | \$ 503,354    |
|  | 180,703                                       | 4,110  | 1,486   | 300,434       |
|  | 390,973                                       | 4,110  | 28,814  | 803,788       |
|  | 210,322                                       | -  | 692   | 220,494       |
|  | 129,880                                       | 2,278  | 2,878   | 218,122       |
|  | 340,202                                       | 2,278  | 3,570   | 438,616       |
|  | \$ 50,771                                     | \$ 1,832                                     | \$ 25,244   | \$ 365,172    |
|  | \$ 52,351                                     | \$ -   | \$ -  | \$ 52,351     |
|  | 7,183   | -  | 882   | 162,981       |
|  | -   | 922  | 64  | 58,465        |
|  | -   | -  | -   | 5,567         |
|  | -   | 81   | 17  | 9,179         |
|  | -   | -  | -   | 23,866        |
|  | -   | -  | -   | 1,317         |
|  | 3,710   | 2,976  | 271   | 15,399        |
|  | -   | -  | -   | 65            |
|  | 16,500  | 10,249                                       | 12,040  | 71,680        |
|  | 79,744  | 14,228                                       | 13,274  | 400,870       |
|  | \$ 3,275                                      | \$ 6,105                                     | \$ 1,516  | \$ 99,052     |
|  | 17,703  | 6,626  | 11,132  | 118,100       |
|  | 20,968  | 385  | 85  | 72,232        |
|  | 7,378   | -  | 116   | 9,475         |
|  | -   | -  | -   | 18,772        |
|  | 79  | 217  | 92  | 16,035        |
|  | 8,419   | -  | 1,023   | 25,425        |
|  | -   | -  | -   | (81)          |
|  | -   | -  | -   | 1,899         |
|  | 57,822  | 13,333                                       | 13,964  | 360,909       |
|  | 21,922  | 895  | (690)   | 39,961        |
|  | (21,922)                                      | (895)  | 690   | (15,333)      |
|  | -   | -  | -   | (24,628)      |
|  | \$ -  | \$ -   | \$ -  | \$ -          |

|  | 2018<br>Calgary TELUS<br>Convention Centre | 2018<br>Attainable<br>Homes Calgary<br>Corporation | 2018<br>Calgary Parking<br>Authority | 2018<br>Calgary Public<br>Library Board | 2018<br>Calgary<br>Housing Company |
|--|--|--|--------------------------------------|---|------------------------------------|
| <b>Financial Position</b>                      |  |  |                                      |   |                                    |
| Physical assets                                | \$ 2,819                                   | \$ 2   | \$ 125,094                           | \$ 52,199                               | \$ 95,747                          |
| Financial assets                               | 6,706                                      | 28,491   | 13,521                               | 7,536                                   | 52,164                             |
|  | 9,525                                      | 28,493   | 138,615                              | 59,735                                  | 147,911                            |
| Long-term debt                                 | –  | –  | 1,323                                | –                                       | 10,056                             |
| Financial liabilities                          | 7,531                                      | 15,662   | 17,770                               | 6,372                                   | 51,113                             |
|  | 7,531                                      | 15,662   | 19,093                               | 6,372                                   | 61,169                             |
| Net assets                                     | \$ 1,994                                   | \$ 12,831  | \$ 119,522                           | \$ 53,363                               | \$ 86,742                          |
| <b>Results of Operations</b>                   |  |  |                                      |   |                                    |
| <b>Revenue</b>                                 |  |  |                                      |   |                                    |
| Community Revitalization Levy                  | \$ –                                       | \$ –   | \$ –                                 | \$ –                                    | \$ –                               |
| Sales of goods & services                      | 21,038                                     | 13,009   | 60,652                               | –                                       | 48,189                             |
| Government transfers, agreements & subsidies   | –  | 27   | –                                    | 7,106                                   | 56,196                             |
| Developer contributions                        | –  | 10   | 8,208                                | –                                       | –                                  |
| Investment income                              | –  | 8  | 4,595                                | 210                                     | 717                                |
| Fines & penalties                              | –  | –  | 19,324                               | 1,035                                   | –                                  |
| Licenses, permits and fees                     | –  | –  | 1,423                                | –                                       | –                                  |
| Miscellaneous revenue                          | –  | 28   | 2,163                                | 3,567                                   | 1,889                              |
| Gain (loss) on sale of tangible capital assets | –  | –  | 103                                  | (3,150)                                 | –                                  |
| Internal transfers & contributions             | 1,941                                      | –  | 252                                  | 57,362                                  | (1,465)                            |
| Total revenue                                  | 22,979                                     | 13,082   | 96,720                               | 66,130                                  | 105,526                            |
| <b>Expenses</b>                                |  |  |                                      |   |                                    |
| Salaries, wages, and benefits                  | \$ 7,240                                   | \$ 951   | \$ 20,547                            | \$ 38,897                               | \$ 18,610                          |
| Contracted and general services                | 2,769                                      | 2,383  | 15,952                               | 17,097                                  | 48,338                             |
| Materials, equipment and supplies              | 11,887                                     | 12,480   | 5,686                                | 4,278                                   | 1,435                              |
| Interest charges                               | –  | 269  | 1,298                                | –                                       | 370                                |
| Transfers                                      | –  | –  | –                                    | –                                       | 18,564                             |
| Utilities                                      | 928  | 29   | 1,553                                | 1,019                                   | 11,757                             |
| Amortization                                   | 454  | 4  | 8,272                                | 6,847                                   | 2,967                              |
| Debt principal repayments                      | –  | –  | 486                                  | –                                       | 2,544                              |
| Total expenses                                 | 23,278                                     | 16,116   | 53,794                               | 68,138                                  | 104,585                            |
| Income (loss) before appropriations            | (299)                                      | (3,034)  | 42,926                               | (2,008)                                 | 941                                |
| Internal transfers                             | 299  | 3,034  | (22,121)                             | 2,008                                   | (941)                              |
| To City operating fund <sup>(1)</sup>          | –  | –  | (20,805)                             | –                                       | –                                  |
| Change in fund balance                         | \$ –                                       | \$ –   | \$ –                                 | \$ –                                    | \$ –                               |

(1) Distribution to The City for certain net surpluses from Calgary Parking Authority operations.

|  | 2018<br>Calgary Municipal<br>Land Corporation | 2018<br>Calgary Economic<br>Development Ltd. | 2018<br>Calgary Arts<br>Development<br>Authority Ltd. | 2018<br>Total |
|--|---|--|---|---------------|
|  | \$ 188,310                                    | \$ -   | \$ 28,340   | \$ 492,511    |
|  | 114,323                                       | 3,601  | 1,145   | 227,487       |
|  | 302,633                                       | 3,601  | 29,485  | 719,998       |
|  | 217,843                                       | -  | 2,600   | 231,822       |
|  | 38,456  | 2,664  | 950   | 140,518       |
|  | 256,299                                       | 2,664  | 3,550   | 372,340       |
|  | \$ 46,334                                     | \$ 937                                       | \$ 25,935   | \$ 347,658    |
|  | \$ 35,736                                     | \$ -   | \$ -  | \$ 35,736     |
|  | -   | -  | 743   | 143,631       |
|  | -   | 2,033  | 584   | 65,946        |
|  | -   | -  | 209   | 8,427         |
|  | 38  | 681  | 44  | 6,293         |
|  | -   | -  | -   | 20,359        |
|  | -   | -  | -   | 1,423         |
|  | 2,465   | 2,699  | 466   | 13,277        |
|  | -   | (6,718)                                      | -   | (9,765)       |
|  | -   | 8,522  | 6,514   | 73,126        |
|  | 38,239  | 7,217  | 8,560   | 358,453       |
|  | \$ 2,783                                      | \$ 6,179                                     | \$ 1,155  | \$ 96,362     |
|  | 6,628   | 7,075  | 6,121   | 106,363       |
|  | 14,849  | 99   | 452   | 51,166        |
|  | 7,539   | 235  | 118   | 9,829         |
|  | -   | -  | -   | 18,564        |
|  | 70  | 168  | 85  | 15,609        |
|  | 15,534  | 7,621  | 1,017   | 42,716        |
|  | -   | -  | -   | 3,030         |
|  | 47,403  | 21,377                                       | 8,948   | 343,639       |
|  | (9,164)                                       | (14,160)                                     | (388)   | 14,814        |
|  | 9,164   | 14,160                                       | 388   | 5,991         |
|  | -   | -  | -   | (20,805)      |
|  | \$ -  | \$ -   | \$ -  | \$ -          |

## 22. EXPENSES BY OBJECT

|   | 2019                | 2018                |
|---|---------------------|---------------------|
| Salaries, wages and benefits                | \$ 1,980,167        | \$ 1,972,396        |
| Contracted and general services             | 528,139             | 523,715             |
| Materials, equipment and supplies           | 368,262             | 356,138             |
| Interest charges (Note 14)                  | 109,234             | 110,998             |
| Transfer payments                           | 133,050             | 122,426             |
| Utilities                                   | 104,314             | 89,605              |
| Amortization                                | 678,251             | 678,537             |
| Loss on disposal of tangible capital assets | 12,152              | 18,829              |
|   | <b>\$ 3,913,569</b> | <b>\$ 3,872,644</b> |

## 23. GOVERNMENT TRANSFERS

|                      | 2019              | 2018              |
|----------------------|-------------------|-------------------|
| <b>Operating</b>     |                   |                   |
| Province of Alberta  | \$ 150,855        | \$ 160,387        |
| Government of Canada | 1,482             | 1,736             |
|                      | <b>152,337</b>    | <b>162,123</b>    |
| <b>Capital</b>       |                   |                   |
| Province of Alberta  | 502,826           | 443,363           |
| Government of Canada | 149,190           | 121,289           |
|                      | <b>652,016</b>    | <b>564,652</b>    |
|                      | <b>\$ 804,353</b> | <b>\$ 726,775</b> |

In accordance with PSAS, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the eligibility criteria and stipulation requirements of the agreements are met.

## 24. SEGMENTED INFORMATION

The Consolidated Schedule of Financial Activities by Segment has been prepared in accordance with PSAS Handbook Section 2700 (PS 2700) Segment Disclosures. With the change in reporting model effective January 1, 2009, the segments selected are to enable users to better understand the government reporting entity and the major revenue and expense activities of The City. For each reported segment, revenues and expenses represent amounts directly attributable to each segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget process as well as the quarterly reporting of budget status during the year. Segments include:

- a) **Tax Supported Operating programs** includes the items of revenue, recoveries and expenses pertaining to the ongoing operations of those programs that are funded, in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. This includes all operating programs with the exception of Water Resources and Water Services.
- b) **Self Supported Operating programs** includes the items of revenue, recoveries and expenses pertaining to the ongoing operations of programs not funded by tax revenues but solely by revenues or recoveries resulting from their own operations. These programs are Water Resources and Water Services, the units that manage our water resources and supplies quality drinking water, and provides treatment/disposal of wastewater for The City.

- c) **Tax Supported Capital programs** includes the expenses and sources of financing for acquisition of land and construction of buildings, bridges and other major permanent improvements to be used in programs that are funded, in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. This includes all programs with the exception of Water Resources and Water Services.
- d) **Self Supported Capital programs** includes the expenses and sources of financing for acquisition of land and construction of buildings, bridges, and other major permanent improvements to be used by programs that are not funded by tax revenues but solely by revenues or recoveries resulting from their own operations. These programs are Water Resources and Water Services, the units that manage our water resources and supplies quality drinking water, and provides treatment/disposal of wastewater for The City.
- e) **Subsidiary Entities** include the Calgary Public Library Board, Calgary Parking Authority, Calgary Housing Company, Attainable Homes Calgary Corporation, Calgary TELUS Convention Centre, Calgary Municipal Land Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd. These related authorities are consolidated within these financial statements. For more information regarding these related authorities, refer to Note 21.
- f) **ENMAX** is included as a government business enterprise and is accounted for on a modified equity basis. For more information regarding ENMAX, refer to Note 7.

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

## Schedule of Financial Activities by Segment

For the Year Ended December 31, 2019 (in thousands of dollars)

|  | Tax Supported<br>Operating | Self Supported<br>Operating | Tax Supported<br>Capital | Self Supported<br>Capital | Total The<br>City of Calgary |
|--|----------------------------|-----------------------------|--------------------------|---------------------------|------------------------------|
| <b>REVENUES</b>                              |                            |                             |                          |                           |                              |
| Property tax                                 | \$ 2,152,961               | \$ –                        | \$ –                     | \$ –                      | \$ 2,152,961                 |
| Business tax                                 | 4,365                      | –                           | –                        | –                         | 4,365                        |
| Sales of goods & services                    | 509,300                    | 695,712                     | 1                        | 1,429                     | 1,206,442                    |
| Government transfers, grants & subsidies     |                            |                             |                          |                           |                              |
| Federal                                      | 1,198                      | –                           | 144,999                  | 4,021                     | 150,218                      |
| Provincial                                   | 95,513                     | 98                          | 490,741                  | 12,085                    | 598,437                      |
| Developer contributions                      | 269                        | 51,599                      | 66,975                   | 1,081                     | 119,924                      |
| Donated assets                               | –                          | –                           | –                        | –                         | –                            |
| Investment income                            | 180,666                    | 9,143                       | –                        | –                         | 189,809                      |
| Fines & penalties                            | 72,754                     | 2,026                       | –                        | –                         | 74,780                       |
| Licences, permits and fees                   | 108,833                    | 2,966                       | –                        | –                         | 111,799                      |
| Miscellaneous revenue                        | 56,266                     | 785                         | –                        | –                         | 57,051                       |
| Proceeds on sale of TCA (Misc revenue)       | 521                        | –                           | –                        | –                         | 521                          |
| Gain/(loss) on sale of TCA (Misc revenue)    | 3,550                      | –                           | –                        | –                         | 3,550                        |
| Dividends from ENMAX Corporation             | 50,000                     | –                           | –                        | –                         | 50,000                       |
| Equity in earnings from ENMAX                | –                          | –                           | –                        | –                         | –                            |
| Debt   | –                          | –                           | 155,032                  | 137,536                   | 292,568                      |
| Contribution from reserves                   | 172,627                    | 192,823                     | 353,180                  | 264,628                   | 983,258                      |
| Internal transfers & contribution            | 25,914                     | –                           | –                        | –                         | 25,914                       |
| <b>Total Revenues</b>                        | <b>3,434,737</b>           | <b>955,152</b>              | <b>1,210,928</b>         | <b>420,780</b>            | <b>6,021,597</b>             |
| <b>EXPENSES</b>                              |                            |                             |                          |                           |                              |
| Salaries, wages and benefits                 | 1,799,666                  | 139,389                     | 20,877                   | 7,408                     | 1,967,340                    |
| Contracted and general services              | 534,762                    | 79,779                      | 659,696                  | 346,586                   | 1,620,823                    |
| Materials, equipment and supplies            | 338,684                    | 46,309                      | 404,588                  | 41,162                    | 830,743                      |
| Utilities                                    | 77,153                     | 30,564                      | 463                      | 315                       | 108,495                      |
| Transfers                                    | 217,260                    | 60,288                      | 20,997                   | –                         | 298,545                      |
| Internal recoveries                          | (500,288)                  | (24,822)                    | (154,854)                | (138)                     | (680,102)                    |
| Interest charges                             | 34,961                     | 70,066                      | 2,822                    | –                         | 107,849                      |
| Amortization                                 | 29,748                     | 83,543                      | –                        | –                         | 113,291                      |
| Loss on Sale                                 | –                          | –                           | –                        | –                         | –                            |
| Debt principal repayments                    | 151,876                    | 11,004                      | 1,020                    | –                         | 163,900                      |
| Contribution from operations to reserves     | 740,816                    | 416,313                     | –                        | –                         | 1,157,129                    |
| Contribution (to) from operations to capital | (57,280)                   | 3                           | 70,817                   | 28,918                    | 42,458                       |
| Internal transfers & contribution            | (42,716)                   | 42,716                      | –                        | –                         | –                            |
| <b>Total Expenses</b>                        | <b>3,324,642</b>           | <b>955,152</b>              | <b>1,026,426</b>         | <b>424,251</b>            | <b>5,730,471</b>             |
| <b>Annual Surplus</b>                        | <b>\$ 110,095</b>          | <b>\$ –</b>                 | <b>\$ 184,502</b>        | <b>\$ (3,471)</b>         | <b>\$ 291,126</b>            |

|    | Related<br>Authorities | ENMAX            | Consolidation<br>Adjustments | Total<br>Consolidated<br>2019 |
|----|------------------------|------------------|------------------------------|-------------------------------|
| \$ | 52,351                 | \$ -             | \$ (120,057)                 | \$ 2,085,255                  |
|    | -                      | -                | (865)                        | 3,500                         |
|    | 162,981                | -                | (46,269)                     | 1,323,154                     |
|    | 545                    | -                | (91)                         | 150,672                       |
|    | 57,920                 | -                | (2,676)                      | 653,681                       |
|    | 5,567                  | -                | (503)                        | 124,988                       |
|    | -                      | -                | 323,067                      | 323,067                       |
|    | 9,179                  | -                | (61)                         | 198,927                       |
|    | 23,866                 | -                | -                            | 98,646                        |
|    | 1,317                  | -                | (5)                          | 113,111                       |
|    | 15,399                 | -                | (39,289)                     | 33,161                        |
|    | 27                     | -                | 12,770                       | 13,318                        |
|    | 38                     | -                | (9,525)                      | (5,937)                       |
|    | -                      | -                | -                            | 50,000                        |
|    | -                      | 78,349           | -                            | 78,349                        |
|    | 16,500                 | -                | (309,068)                    | -                             |
|    | -                      | -                | (983,258)                    | -                             |
|    | 55,180                 | -                | (81,094)                     | -                             |
|    | <b>400,870</b>         | <b>78,349</b>    | <b>(1,256,924)</b>           | <b>5,243,892</b>              |
|    | 99,052                 | -                | (86,225)                     | 1,980,167                     |
|    | 118,100                | -                | (1,210,784)                  | 528,139                       |
|    | 72,232                 | -                | (534,713)                    | 368,262                       |
|    | 16,035                 | -                | (20,216)                     | 104,314                       |
|    | 18,772                 | -                | (184,267)                    | 133,050                       |
|    | (81)                   | -                | 680,183                      | -                             |
|    | 9,475                  | -                | (8,090)                      | 109,234                       |
|    | 25,425                 | -                | 539,535                      | 678,251                       |
|    | -                      | -                | 12,152                       | 12,152                        |
|    | 1,899                  | -                | (165,799)                    | -                             |
|    | -                      | -                | (1,157,129)                  | -                             |
|    | -                      | -                | (42,458)                     | -                             |
|    | 24,628                 | -                | (24,628)                     | -                             |
|    | <b>385,537</b>         | -                | <b>(2,202,439)</b>           | <b>3,913,569</b>              |
| \$ | <b>15,333</b>          | \$ <b>78,349</b> | \$ <b>945,515</b>            | \$ <b>1,330,323</b>           |

## Schedule of Financial Activities by Segment

For the Year Ended December 31, 2018 (in thousands of dollars)

|  | Tax Supported<br>Operating | Self Supported<br>Operating | Tax Supported<br>Capital | Self Supported<br>Capital | Total The<br>City of Calgary |
|--|----------------------------|-----------------------------|--------------------------|---------------------------|------------------------------|
| <b>REVENUES</b>                              |                            |                             |                          |                           |                              |
| Property tax                                 | \$ 2,092,965               | \$ –                        | \$ –                     | \$ –                      | \$ 2,092,965                 |
| Business tax                                 | 45,108                     | –                           | –                        | –                         | 45,108                       |
| Sales of goods & services                    | 460,141                    | 701,701                     | 87                       | 13,942                    | 1,175,871                    |
| Government transfers, grants & subsidies     |                            |                             |                          |                           |                              |
| Federal                                      | 1,197                      | –                           | 120,663                  | 61                        | 121,921                      |
| Provincial                                   | 97,479                     | 1,046                       | 533,042                  | 9,351                     | 640,918                      |
| Developer contributions                      | 618                        | 57,104                      | 167,174                  | 809                       | 225,705                      |
| Donated assets                               | –                          | –                           | –                        | –                         | –                            |
| Investment income                            | 89,710                     | 5,233                       | –                        | –                         | 94,943                       |
| Fines & penalties                            | 73,630                     | 1,758                       | –                        | –                         | 75,388                       |
| Licences, permits and fees                   | 113,984                    | 1,848                       | –                        | –                         | 115,832                      |
| Miscellaneous revenue                        | 47,935                     | 708                         | –                        | –                         | 48,643                       |
| Proceeds on sale of TCA (Misc revenue)       | 1,090                      | –                           | –                        | –                         | 1,090                        |
| Gain/(loss) on sale of TCA (Misc revenue)    | 6,589                      | –                           | –                        | –                         | 6,589                        |
| Dividends from ENMAX Corporation             | 40,000                     | –                           | –                        | –                         | 40,000                       |
| Equity in earnings from ENMAX                | –                          | –                           | –                        | –                         | –                            |
| Debt   | –                          | –                           | 57,488                   | 95,416                    | 152,904                      |
| Contribution from reserves                   | 146,452                    | 71,980                      | 295,134                  | 209,191                   | 722,757                      |
| Internal transfers & contribution            | 22,029                     | –                           | –                        | –                         | 22,029                       |
| <b>Total Revenues</b>                        | <b>3,238,927</b>           | <b>841,378</b>              | <b>1,173,588</b>         | <b>328,770</b>            | <b>5,582,663</b>             |
| <b>EXPENSES</b>                              |                            |                             |                          |                           |                              |
| Salaries, wages and benefits                 | 1,795,229                  | 136,924                     | 19,522                   | 6,047                     | 1,957,722                    |
| Contracted and general services              | 605,873                    | 76,958                      | 850,441                  | 279,786                   | 1,813,058                    |
| Materials, equipment and supplies            | 350,713                    | 44,170                      | 472,110                  | 26,591                    | 893,584                      |
| Utilities                                    | 69,092                     | 28,780                      | 8,771                    | 468                       | 107,111                      |
| Transfers                                    | 193,313                    | 60,826                      | 38,978                   | 615                       | 293,732                      |
| Internal recoveries                          | (534,220)                  | (27,853)                    | (93,950)                 | (788)                     | (656,811)                    |
| Interest charges                             | 35,808                     | 71,322                      | 1,987                    | 339                       | 109,456                      |
| Amortization                                 | 32,017                     | 82,371                      | –                        | –                         | 114,388                      |
| Loss on Sale                                 | –                          | –                           | –                        | –                         | –                            |
| Debt principal repayments                    | 148,604                    | 8,781                       | –                        | –                         | 157,385                      |
| Contribution from operations to reserves     | 584,302                    | 316,227                     | –                        | –                         | 900,529                      |
| Contribution (to) from operations to capital | (37,839)                   | 156                         | 47,749                   | 35,684                    | 45,750                       |
| Internal transfers & contribution            | (42,716)                   | 42,716                      | –                        | –                         | –                            |
| <b>Total Expenses</b>                        | <b>3,200,176</b>           | <b>841,378</b>              | <b>1,345,608</b>         | <b>348,742</b>            | <b>5,735,904</b>             |
| <b>Annual Surplus</b>                        | <b>\$ 38,751</b>           | <b>\$ –</b>                 | <b>\$ (172,020)</b>      | <b>\$ (19,972)</b>        | <b>\$ (153,241)</b>          |

|    | Related<br>Authorities | ENMAX              | Consolidation<br>Adjustments | Total<br>Consolidated<br>2018 |
|----|------------------------|--------------------|------------------------------|-------------------------------|
| \$ | 35,736                 | \$ -               | \$ (104,609)                 | \$ 2,024,092                  |
|    | -                      | -                  | (1,130)                      | 43,978                        |
|    | 143,631                | -                  | (41,403)                     | 1,278,099                     |
|    | 1,233                  | -                  | (129)                        | 123,025                       |
|    | 64,713                 | -                  | (101,881)                    | 603,750                       |
|    | 8,427                  | -                  | (15,144)                     | 218,988                       |
|    | -                      | -                  | 254,799                      | 254,799                       |
|    | 6,293                  | -                  | -                            | 101,236                       |
|    | 20,359                 | -                  | -                            | 95,747                        |
|    | 1,423                  | -                  | (1)                          | 117,254                       |
|    | 13,277                 | -                  | (32,190)                     | 29,730                        |
|    | 12,682                 | -                  | 15,339                       | 29,111                        |
|    | (22,447)               | -                  | 1,968                        | (13,890)                      |
|    | -                      | -                  | -                            | 40,000                        |
|    | -                      | (51,257)           | -                            | (51,257)                      |
|    | -                      | -                  | (152,904)                    | -                             |
|    | -                      | -                  | (722,757)                    | -                             |
|    | 73,126                 | -                  | (95,155)                     | -                             |
|    | <b>358,453</b>         | <b>(51,257)</b>    | <b>(995,197)</b>             | <b>4,894,662</b>              |
|    | 96,362                 | -                  | (81,688)                     | 1,972,396                     |
|    | 106,363                | -                  | (1,395,706)                  | 523,715                       |
|    | 51,166                 | -                  | (588,612)                    | 356,138                       |
|    | 15,609                 | -                  | (33,115)                     | 89,605                        |
|    | 18,564                 | -                  | (189,870)                    | 122,426                       |
|    | -                      | -                  | 656,811                      | -                             |
|    | 9,829                  | -                  | (8,287)                      | 110,998                       |
|    | 42,716                 | -                  | 521,433                      | 678,537                       |
|    | -                      | -                  | 18,829                       | 18,829                        |
|    | 3,030                  | -                  | (160,415)                    | -                             |
|    | -                      | -                  | (900,529)                    | -                             |
|    | -                      | -                  | (45,750)                     | -                             |
|    | 20,805                 | -                  | (20,805)                     | -                             |
|    | <b>364,444</b>         | -                  | <b>(2,227,704)</b>           | <b>3,872,644</b>              |
| \$ | <b>(5,991)</b>         | \$ <b>(51,257)</b> | \$ <b>1,232,507</b>          | \$ <b>1,022,018</b>           |

## 25. UNRECOGNIZED ASSETS

The City of Calgary has the following major categories of unrecognized assets:

- a) Art Collections – The City has acquired various art collections for the benefit of citizens funded by capital infrastructure projects, donated by local artists, and heritage art. As at December 31, 2019, the insured value of the various art collections is \$25,180 (2018 – \$25,180).
- b) Antique Airplanes – The City has ownership of antique airplanes, which are displayed in the Hangar Flight Museum of Calgary formerly known as the Aerospace Museum of Calgary. As at December 31, 2019, the insured value of the antique airplanes is \$6,923 (2018 – \$6,923).
- c) Crown Land – The City has assets that reside/intersect on certain crown lands. The City is unable to determine a reasonable value for the Crown lands.
- d) Heritage Artifacts – The City has a variety of heritage artifacts that are items of cultural significance. The City is unable to determine a reasonable value for the heritage artifacts.

## 26. CONTRACTUAL RIGHTS

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City's contractual rights arise because of contracts entered into for various service, long term lease, and rental contracts. Contractual rights arise from the normal course of business and are not reflected in the consolidated financial statements until revenues or assets are received. The following table summarizes the contractual rights of The City for future assets:

|            | Service Contracts | Long term lease<br>and rental<br>agreements | Total            |
|------------|-------------------|---|------------------|
| 2020       | \$ 11,543         | \$ 8,279                                    | \$ 19,822        |
| 2021       | 9,681             | 6,101                                       | 15,782           |
| 2022       | 4,938             | 4,949                                       | 9,887            |
| 2023       | 2,875             | 3,368                                       | 6,243            |
| 2024       | 1,780             | 2,204                                       | 3,984            |
| Thereafter | 1,103             | 4,310                                       | 5,413            |
|            | <u>\$ 31,920</u>  | <u>\$ 29,211</u>                            | <u>\$ 61,131</u> |

## 27. CONTINGENT ASSETS

In the ordinary course of business, various claims and lawsuits are brought by The City. It is the opinion of management that the settlement of these actions will result in The City's favour and the settlement amounts will be available for The City's use. The estimated assets value could not be disclosed due to the nature of the claims and may have an adverse effect on the outcomes. Contingent assets are not recorded in the consolidated financial statements.

## 28. COMMITMENTS AND CONTINGENT LIABILITIES

- a) Capital commitments of \$1,665,663 (2018 – \$1,062,931) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2019, on major projects and estimated obligations under other various agreements. These capital commitments were included in The City's capital budget and will be funded from capital deposits, reserves and debt in future years.
- b) Commitments of \$48,677 (2018 – \$51,376) related to reserves, and operating leases for office premises and facilities are not reflected in the consolidated financial statements. Annual commitments will be funded from the operating fund in the respective future years and are as follows:

|            |                  |
|------------|------------------|
| 2020       | \$ 15,835        |
| 2021       | 9,571            |
| 2022       | 6,456            |
| 2023       | 3,468            |
| 2024       | 2,754            |
| Thereafter | 10,593           |
|            | <u>\$ 48,677</u> |

- c) In the ordinary course of business, various loss claims, expropriation claims and lawsuits are brought against The City. It is the opinion of administration that the settlement of these actions will not result in any material liabilities beyond any amounts already accrued. Where the resulting loss of various claims and lawsuits brought against The City cannot be reasonably estimated, amounts have not been recorded, and the City's administration believes that there will be no material adverse effect on the financial position of the City.

- d) Where estimated environmental management costs are reasonably determinable, The City has recorded a total provision in the amount of \$2,200 (2018 – \$2,744) for environmental liabilities based on management’s estimate of these costs. Such estimates are subject to adjustment based on changes in laws and regulations and as additional information becomes available.
- e) As at December 31, 2019, there were various assessment appeals pending with respect to properties. The outcome of those appeals would be settled from an already established provision. The City makes an annual provision for property taxes that might be impacted by appeals, including specific provision where the results of an appeal are reasonably determinable and general provision for those where the outcome is presently indeterminable.
- f) Alberta Revenue, Tax and Revenue Administration (Alberta Finance) is responsible for assessing the income tax returns filed under the payment in lieu of taxes (PILOT) regulation to the *Electric Utilities Act* which became effective January 1, 2001. ENMAX regularly reviews the potential for adverse outcomes in respect of tax matters and believes it has adequate provisions for these tax matters. The determination of the income tax provision is an inherently complex process, requiring management to interpret continually changing regulations and to make certain judgments.
- g) The City has entered into a 20-year contract for power supply from ENMAX Energy from 2007 to 2026. Under the terms of the agreement, ENMAX Energy is to supply The City with 100 per cent of the electricity from renewable sources. Annual electricity prices are based on a portfolio of energy sources developed for The City by ENMAX Energy.
- h) The City has entered into a 20-year agreement with District Energy, a wholly owned subsidiary of ENMAX, for thermal energy supply commencing July 1, 2010. The annual price of the energy supplied will be a blended rate which includes a fixed charge component. As at December 31, 2019, the estimated future obligation for this fixed charge is \$5,597 (2018 – \$6,057) until June 30, 2029.
- i) The City is responsible for the remediation of contaminated sites that are no longer in productive use where The City is directly responsible or has accepted responsibility for remediation. A provision for future clean-up costs and monitoring has been accrued based on environmental assessments. As at December 31, 2019, the provision was \$405 (2018 – \$471) and is classified in accounts payable and accrued liabilities. This provision is based on \$477 (2018 – \$541) in expenditures expected to be incurred over the next 25 years discounted at 3.0 per cent (2018 – 3.1 per cent) based on The City’s weighted average cost of capital.

The liability for contaminated sites includes sites associated with former industrial operations. The nature of contamination includes polycyclic aromatic hydrocarbons, heavy metals and road salts. The sources of the contamination include, but are not limited to, activities related to historical operations and non-sanctioned activities on City land. Sites often have multiple sources of contamination.

From time to time, there may be uncertainty as to whether The City has a legal responsibility or accepts responsibility for a contaminated site or whether economic benefits will be foregone for a contaminated site. It is not expected that the impact of any such sites would have a material impact on the financial statements. When The City is able to determine that all inclusion criteria have been met, The City will accrue a liability for these future remediation costs.

- j) On December 5, 2019, The City entered into an agreement with CMLC and Calgary Sport and Entertainment Corporation (CSEC) to build a new event centre which will be owned by the City and operated by CSEC. The City through CMLC committed to fund 50 per cent of the Eligible Costs of \$550,000 for the construction and 90 per cent of the eligible costs of \$13,800 for the demolition of the existing Saddledome. CSEC is committed to fund the remaining 50 per cent for the construction and 10 per cent for the demolition. This results in a commitment for the City of \$275,000 for the construction and \$12,420 for the demolition. The total commitment of \$287,420 will be funded via The City’s Major Capital Projects Reserve, The Federal Gas Tax Fund, The Municipal Sustainability Initiative, Pay as You Go fund and The Capital Budget Savings Account Reserve. The commitment has been included as a capital commitment in Note 28 a).
- k) On November 1, 2019, The City entered into a contribution agreement with CMLC and Calgary Exhibition and Stampede Limited (CESL) to expand the BMO Convention Centre which is owned and operated by CESL. The City through CMLC committed to fund two-thirds of the Eligible Costs of \$333,334 which will be funded via The City’s Major Capital Projects Reserve. CMLC will repay The City through the Rivers District Community Revitalization Levy starting in 2028 through 2047. As at December 31, 2019, The City incurred \$18,566 of costs, which were expensed as a donation to CESL. The commitment related to this is \$314,768 and has been included as a capital commitment in Note 28 a).

## 29. GUARANTEES

In the normal course of business, The City enters into various agreements that may contain features that meet the definition of a guarantee. A guarantee is defined to be a contract (including an indemnity) that contingently requires The City to make payments to the guaranteed party based on (a) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variables that are related to an asset, liability or an equity security of the counterparty, (b) failure of another party to perform under an obligating agreement or, (c) failure of a third party to pay its indebtedness when due. Significant guarantees The City has provided to third parties include the following:

### a) Third party debt agreements

No amounts have been accrued in the consolidated financial statements of The City with respect to the following agreements.

- i) The City has guaranteed certain indebtedness of the CESL. This third party debt agreement requires The City to make immediate payment of certain outstanding borrowings on behalf of CESL in the event CESL cannot fulfill its obligations to a Canadian chartered bank. The terms of these guarantees are equal to the amortization periods of the related credit facilities, which mature between 2024 and 2036. The interest rates on the credit facilities held by CESL range from 2.37 per cent to 5.77 per cent (2018 – 2.30 per cent to 6.23 per cent). As at December 31, 2019, CESL has drawn a total of \$61,443 (2018 – \$66,687) on the total maximum available facility of \$74,843 (2018 – \$80,087). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of \$77,491 (2018 – \$100,227) charging certain lands owned by the CESL.
- ii) The City has guaranteed certain indebtedness of The Calgary Zoological Society (the Zoo). This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of the Zoo in the event the Zoo cannot fulfill its obligations to a Canadian chartered bank. The term of the guarantee is valid until 2024, and the related debt will mature December 18, 2020, subject to a renewal for a further four years at that time. In the event the Zoo does not extend the loan beyond 2020, the City's guarantee will automatically expire. The interest rate on the credit facility is 3.11 per cent (2018 – 4.94 per cent). As at December 31, 2019, the outstanding balance of the facility was \$2,108 (2018 – \$2,471) on the total maximum available facility of \$2,108 (2018 – \$2,471). As collateral to this guarantee, The City could terminate its Lease and Operating Agreement with the Zoo and take possession and control of all Zoo facilities, including any and all personal property owned by the Zoo at that time.
- iii) The City has guaranteed certain indebtedness of AHCC. This third party debt agreement requires The City to make immediate payment of outstanding borrowings on behalf of AHCC in the event AHCC cannot fulfill its obligations on a revolving credit facility to a Canadian financial institution. The City guarantee expires on June 30, 2021, and the related credit facility matures February 27, 2020. The interest on the credit facility is Prime minus 0.75 per cent per annum (2018 – Prime minus 0.75 per cent). As at December 31, 2019, the outstanding balance of the facility was \$6,248 (2018 – \$7,879) on the total maximum available facility of \$10,000 (2018 – \$10,000). The City, as an unconditional guarantor, holds as security a fixed and floating debenture in the amount of \$10,000 (2018 – \$10,000).

### b) Other indemnification agreements

In the normal course of business, The City may provide indemnification to counterparties that would require The City to compensate them for costs incurred as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a result of the transaction. The terms of these indemnification agreements will vary based upon the contract. The nature of the indemnification agreements prevents The City from making a reasonable estimate of the maximum potential amount it could be required to pay to counterparties. Historically, The City has not made any payments under such indemnifications and any potential future claims would be claimed against the Civic Insurance Program, which comprises a combination of purchased insurance and a self-funded component.

### 30. EXECUTIVE SALARIES AND BENEFITS

Disclosure of executive salaries and benefits, as required by provincial regulations, is as follows:

|                                    | 2019 Salaries | 2019 Benefits | 2019 Total | 2018 Salaries | 2018 Benefits | 2018 Total |
|------------------------------------|---------------|---------------|------------|---------------|---------------|------------|
| Mayor                              | \$ 208        | \$ 39         | \$ 247     | \$ 200        | \$ 42         | \$ 242     |
| Councillors <sup>(1) (2)</sup>     | 1,641         | 520           | 2,161      | 1,580         | 508           | 2,088      |
| City Manager <sup>(3)</sup>        | 346           | 57            | 403        | 342           | 50            | 392        |
| Designated Officers <sup>(4)</sup> | 1,148         | 209           | 1,357      | 1,133         | 220           | 1,353      |

Executive salaries and benefits obligations have been fully funded by The City.

Notes:

- (1) The Councillors who served throughout 2019 in Wards 1 through 14 each received a salary of \$113 (2018 – \$113) and benefits ranging between \$14 and \$39 (2018 – \$14 and \$38). 2018 benefits have been adjusted for comparability purposes.
- (2) Elected officials receive a transition allowance of two weeks pay for each year in office, up to a maximum of twenty six years, when they leave office. These allowances may be taken over several years and are not included in the salary and benefits amounts reported above. Transitional allowances paid in 2018 to the former Councillors who left office in 2017 were Ward 3 – \$44, Ward 10 – \$52 and Ward 11 – \$22. No transitional allowances were paid or owing in 2019.
- (3) Salaries and benefits for the City Manager excludes compensation paid to the outgoing City Manager from February through August 2019, which amounted to \$182 for salary, including retirement allowance, vacation and statutory holidays, as well as \$25 for benefits.
- (4) The City’s five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2019, there was \$38 (2018 – \$nil) in holiday pay, vacation pay out of the ordinary course of business and severance payouts for these five designated officers.

### 31. FINANCIAL INSTRUMENTS

At December 31, 2019, The City had 18 (2018 – 4) USD exchange fixed contracts in place. Delivery dates for these contracts range from February 2020 to December 2021. Total committed future foreign exchange purchases are \$10,071 USD (2018 – \$5,005 USD). Total committed future foreign merchandise purchases are \$65,089 USD (2018 – \$48,513 USD), and €2 (2018 – €83).

Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for CAD trades against the USD with Canadian Schedule 1 banks at rates ranging from \$1.31 to \$1.34 CAD. The dollar value of these contracts at December 31, 2019 was \$13,324 CAD (2018 – \$6,660 CAD). During the fiscal year ended December 31, 2019, the various arrangements for foreign merchandise cost The City \$2,220 CAD less (2018 – \$5,866 CAD less) than if the arrangements had not been entered into.

The City has hired an external manager to execute an active portfolio hedging strategy designed to efficiently reduce currency risk. The manager may purchase CAD against foreign currencies held in The City’s portfolio.

At December 31, 2019, this portfolio held 36 forward contracts that have a settlement date of January 22, 2020. The Total market value of the forward contracts is \$4,560 CAD. The forward contracts have the following range of rates with the following currencies\*:

- 2 AUD per USD (\$0.68)
- 4 CAD per USD (\$1.31 – \$1.32)
- 4 EURO per USD (€1.11 – €1.12)
- 2 JPY per AUD (¥75.13)
- 6 JPY per USD (¥106.11 – ¥107.52)
- 2 USD per AUD (\$0.68)
- 4 USD per CAD (\$1.32 – \$1.33)
- 6 USD per EUR (\$1.10 – \$1.12); and
- 6 USD per JPY (\$0.01).

\* Currencies

AUD – Australian Dollar (\$)      CAD – Canadian Dollar (\$)      USD – U.S. Dollar (\$)
   
EURO – Euro (€)      JPY – Japanese Yen (¥)

In addition to U.S. foreign exchange fixed contracts, The City has also previously purchased hedges for future purchases relating to the light rail transit system. Under the terms of the purchase order agreement, The City has fixed exchange risk on foreign purchases for CAD trades against USD with the supplier at rates ranging from \$1.03 CAD to \$1.07 CAD. During the fiscal year ended December 31, 2019, the various arrangements for foreign merchandise cost The City \$2,198 CAD less (2018 – \$1,383 CAD less) than if the arrangements had not been entered into. At December 31, 2019, The City had remaining commitments of \$14,444 USD (2018 – \$19,556 USD) that are anticipated to be settled by 2020. The City continues to monitor economic conditions and impacts on The City’s financial status and adjusts strategies accordingly.

## 32. FUNDS HELD IN TRUST

The City administers the following trusts on behalf of third parties. As related trust assets are not owned by The City, the trusts have been excluded from the consolidated financial statements. The following table provides a summary of the transactions within these trusts during the year:

|                                    | December 31,<br>2018 | Receipts  | Investment<br>Income | Disbursements | December 31,<br>2019 |
|------------------------------------|----------------------|-----------|----------------------|---------------|----------------------|
| Joint Use Reserve Fund             | \$ 70,417            | \$ 3,330  | \$ 2,126             | \$ (1,377)    | \$ 74,496            |
| Oversize roads                     | 1,840                | 10,381    | 36                   | (9,682)       | 2,575                |
| Oversize parks                     | 13,862               | 1,512     | 270                  | (5,957)       | 9,687                |
| Oversize utilities                 | 8,194                | 2,021     | 148                  | (2,122)       | 8,241                |
| Developers' cash bonds             | 4,517                | 300       | 72                   | (2,197)       | 2,692                |
| Southland natural park sport field | 1,085                | –         | –                    | (1,085)       | –                    |
| Off-site levies                    | 471                  | –         | 18                   | (10)          | 479                  |
| Candidate Campaign Surplus Fund    | 201                  | –         | 1                    | –             | 202                  |
| Other miscellaneous trusts         | 641                  | 34        | 8                    | (168)         | 515                  |
|                                    | \$ 101,228           | \$ 17,578 | \$ 2,679             | \$ (22,598)   | \$ 98,887            |

The Joint Use Reserve Fund consists of monies received from land developers in lieu of the 10 per cent reserve land requirement as set forth in Part 17 of the *Municipal Government Act*. Use of the Joint Use Reserve Fund is restricted to unanimously approved land acquisitions for future school, parks and recreation facilities.

The oversize roads, parks, and utilities fund consist of amounts provided by developers of new subdivisions in accordance with oversize rates set out in the Master Development Agreement (MDA). A MDA is a legal contract for all residential, industrial and commercial developments. The contract sets out the terms and conditions under which development of the lands are to take place within the city including the responsibility to construct public facilities and associated financial obligations.

The developers' cash bonds are monies held to secure performance by a developer under the terms of the MDA.

The Southland natural park sport field funds are held for the purpose of maintaining the sports field in Southland Natural Park.

Off-site levies consist of monies received from developers pursuant to a special clause in the MDA prior to the year 2000. The levies are to be used for recreational facilities in designated communities.

The Candidate Campaign Surplus Funds are administered by The City on behalf of Candidate elections, the funds held in trust shall remit the funds and interest to the candidate for use the next general election.

Other miscellaneous trusts are composed of multiple funds with minimal balances that are held for external organizations.

### 33. 2013 FLOOD EVENT

#### Overview

On June 20, 2013, The City experienced a major flood event and a State of Local Emergency (SOLE) was declared within The City. The flood caused significant damage to The City's tangible capital assets. While The City has completed a portion of the work to restore conditions to pre-flood state, it is expected that remediation and mitigation efforts will continue into 2020 and beyond.

The City holds various insurance policies with multiple insurance providers which have been used to fund a portion of the remediation and recovery efforts.

The City has applied to the Province of Alberta for flood relief and mitigation funding through the following programs:

- Disaster Recovery Program (DRP) to provide financial assistance for uninsurable property damage, loss and other expenses incurred as the result of the flood;
- Flood Recovery Erosion Control (FREC) program addresses immediate repairs of erosion damage caused by the flood and long term community mitigation projects;
- Municipal Staffing Capacity Grant (MSCG) program to fund consultants and newly hired staff to perform operating flood recovery work; and
- Flood Readiness Grant program to secure operating grants to enable communities impacted by the flood to increase community resiliency and enhance operational capability to mitigate and respond to future flood risks.

#### Impact on Financial Results

Costs incurred as a result of remediation or mitigation efforts are capitalized or expensed in accordance with accounting policies in Note 1. Only costs that represent a betterment, enhancement or a new asset are capitalized, with all other costs expensed as repairs and maintenance. All operating expenditures are recognized in the current year consolidated statement of operations and accumulated surplus in the various business units that incurred those costs.

The City has incurred \$nil in insurance related capital expenditures in 2019 and 2018. The City completed the insurance related capital expenditures in 2016.

With respect to the Provincial flood funding, the following grants were received, and expenses were recognized in the consolidated statement of operations and accumulated surplus:

- The City received \$nil DRIP grant in 2019 and 2018. The City has incurred \$474 (2018 – \$4,468) in DRP related capital expenditures, of which approved expenditures are funded by the DRP advance and interest earned \$216 (2018 – \$305), and remainder being funded internally until further DRP claims are processed and finalized.
- The City has also incurred \$462 (2018 – \$1,085) of emergency operating and recovery costs and recovered \$2,427 (2018 – \$3,648) from DRP in 2019 with the remaining balance expected to be recovered in future years.
- FREC provided \$nil funding in 2019 and 2018. In 2019, \$4,941 (2018 – \$3,401) was spent from the advances received in prior years. Cash advances that are not spent at the end of the year including interest earned \$299 (2018 – \$298) in the amount of \$4,835 (2018 – \$9,478) are recorded as capital deposits.

The City is required to earn interest income, through its investment strategy, on the unspent balance of the Provincial grants received for FREC, MSCG and Flood Readiness. There is no unspent grant fund to be repaid back to the province.

Due to significant uncertainty in measurement, as well as significant uncertainty of collectability, The City has not recognized accounts receivable or revenue for Provincial proceeds that it expects to receive in the future related to remediation or mitigation costs. These amounts will be recorded as revenue in the fiscal year received.

Tangible capital assets that were significantly impacted by the flood include a variety of asset types through a variety of business units. The majority of asset classes affected include buildings, various engineered structures (e.g. roads, bridges, pathways, transit lines, etc.), machinery and equipment and vehicles. The majority of these assets have been replaced or repaired with the remainder of these costs to be incurred in 2020 and beyond. The City has completed review assessments of the conditions of assets affected by the flood and has determined that no permanent impairment is present as at December 31, 2019.

#### Measurement Uncertainty

The impact of the flood was subject to a high degree of estimation and judgement, particularly as it relates to the estimation of future expenditures and impairment of assets. The City has used the best information at the time in all measurements and estimations related to the flood and those estimates may not materialize and the final results and adjustments to these estimates will be reflected in future financial statements.

The City has estimated the total cost of capital expenditures related to the flood to be approximately \$298,380 (excluding resiliency), which includes repairs, replacements and mitigation strategies, of which \$6,640 (2018 – \$10,681) has been incurred in 2019 for a total incurred spend of \$291,557 (2018 – \$284,917).

### 34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Reclassifications have been made in 2018 to reclassify certain balances between tangible capital asset categories in Note 15 and capital deposit categories in Note 11.

The impact of these changes on Note 15 was to decrease the cost base of land improvements by \$3,134 and increase the cost base of buildings by \$3,134 and decrease the accumulated depreciation of land improvements by \$298 and increase accumulated depreciation of buildings by \$298. There was no impact to asset useful lives or the tangible capital asset amount reported on the statement of financial position as a result of this reclassification.

The impact of these changes on Note 11 were decreases in offsite levies of \$2,362 and provincial government grant of \$6,735. This was offset by increases to developer contributions of \$1,938, other private contributions by \$7,046 and federal government grants by \$113. These changes better reflect the source of funding and have no impact on the capital deposit amount reported on the statement of financial position as a result of this reclassification.

### 35. SUBSEQUENT EVENTS

- a) Subsequent to the year-end, on March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus (COVID-19) as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and operations of The City in future periods.
- b) Subsequent to the year-end, on March 24, 2020, ENMAX, a wholly owned subsidiary of The City, announced that the transaction to purchase Emera Maine for \$1,286 million from Emera Inc. was successfully closed. ENMAX previously announced that it has entered into a definitive agreement to acquire Emera Maine on March 25, 2019. Including assumed debt, the aggregate enterprise value is expected to be approximately \$1,800 million. Effective March 24, 2020, Emera Maine is a wholly owned subsidiary of ENMAX.

# FINANCIAL AND STATISTICAL SCHEDULES

THE CITY OF CALGARY, ALBERTA



## Revenue by Source unaudited (see Notes) 2015 to 2019

(in thousands of dollars)

|  | 2019                |                     |                     | 2018                |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | Operating           | Capital             | Total               | Operating           | Capital             | Total               |
| Property taxes   | \$ 2,611,336        | \$ –                | \$ 2,611,336        | \$ 2,564,601        | \$ –                | \$ 2,564,601        |
| Community Revitalization Levy                              | 39,882              | –                   | 39,882              | 39,582              | –                   | 39,582              |
| Business taxes   | 3,500               | –                   | 3,500               | 43,978              | –                   | 43,978              |
| Revenue in lieu of taxes                                   | 214,636             | –                   | 214,636             | 206,488             | –                   | 206,488             |
| Local improvement levies and special taxes                 | 16,476              | –                   | 16,476              | 6,273               | –                   | 6,273               |
|  | <b>2,885,830</b>    | <b>–</b>            | <b>2,885,830</b>    | <b>2,860,922</b>    | <b>–</b>            | <b>2,860,922</b>    |
| Less: Provincial property taxes                            | (797,075)           | –                   | (797,075)           | (792,852)           | –                   | (792,852)           |
| <b>Net taxes available for municipal purposes</b>          | <b>2,088,755</b>    | <b>–</b>            | <b>2,088,755</b>    | <b>2,068,070</b>    | <b>–</b>            | <b>2,068,070</b>    |
| Sales of goods and services                                |                     |                     |                     |                     |                     |                     |
| Water and sewer  | 683,757             | –                   | 683,757             | 701,580             | –                   | 701,580             |
| Public transit   | 181,450             | –                   | 181,450             | 177,204             | –                   | 177,204             |
| Real estate  | 79,893              | –                   | 79,893              | 51,890              | –                   | 51,890              |
| Recreation and culture                                     | 71,071              | –                   | 71,071              | 67,690              | –                   | 67,690              |
| Parking  | 54,784              | –                   | 54,784              | 57,916              | –                   | 57,916              |
| Social housing   | 49,635              | –                   | 49,635              | 49,525              | –                   | 49,525              |
| Protective services  | 33,259              | –                   | 33,259              | 34,588              | –                   | 34,588              |
| Waste disposal   | 132,029             | –                   | 132,029             | 105,873             | –                   | 105,873             |
| Other  | 37,276              | –                   | 37,276              | 31,833              | –                   | 31,833              |
|  | <b>1,323,154</b>    | <b>–</b>            | <b>1,323,154</b>    | <b>1,278,099</b>    | <b>–</b>            | <b>1,278,099</b>    |
| <b>Government transfers and revenue sharing agreements</b> |                     |                     |                     |                     |                     |                     |
| Federal  |                     |                     |                     |                     |                     |                     |
| Debenture interest rebates                                 | –                   | –                   | –                   | 203                 | –                   | 203                 |
| Revenue and cost sharing agreements and grants agreements  | 1,482               | 149,191             | 180,673             | 1,533               | 121,290             | 122,823             |
| Provincial   |                     |                     |                     |                     |                     |                     |
| Debenture interest rebates                                 | –                   | –                   | –                   | 12                  | –                   | 12                  |
| Grants, entitlements, revenue and cost sharing agreements  | 150,855             | 502,825             | 653,680             | 160,375             | 443,362             | 603,737             |
|  | <b>152,337</b>      | <b>652,016</b>      | <b>804,353</b>      | <b>162,123</b>      | <b>564,652</b>      | <b>726,775</b>      |
| <b>Other revenue</b>                                       |                     |                     |                     |                     |                     |                     |
| Dividends from ENMAX                                       | 50,000              | –                   | 50,000              | 40,000              | –                   | 40,000              |
| Other equity/(loss) earnings in ENMAX                      | 106,162             | –                   | 106,162             | (34,906)            | –                   | (34,906)            |
| Other equity earnings in Co-ownership                      | –                   | –                   | –                   | –                   | –                   | –                   |
| Developer contributions                                    | –                   | 124,988             | 124,988             | –                   | 218,988             | 218,988             |
| Donated assets   | –                   | 323,067             | 323,067             | –                   | 254,799             | 254,799             |
| Investment income  | 198,927             | –                   | 198,927             | 101,236             | –                   | 101,236             |
| Fines and penalties  | 98,646              | –                   | 98,646              | 95,747              | –                   | 95,747              |
| Licences, permits and fees                                 | 113,111             | –                   | 113,111             | 117,254             | –                   | 117,254             |
| Miscellaneous revenue                                      | 40,542              | –                   | 40,542              | 44,951              | –                   | 44,951              |
|  | <b>607,388</b>      | <b>448,055</b>      | <b>1,055,443</b>    | <b>364,282</b>      | <b>473,787</b>      | <b>838,069</b>      |
| <b>Total revenue</b>                                       | <b>\$ 4,171,634</b> | <b>\$ 1,100,071</b> | <b>\$ 5,271,705</b> | <b>\$ 3,872,574</b> | <b>\$ 1,038,439</b> | <b>\$ 4,911,013</b> |

|    | 2017 (Restated) <sup>(3)</sup> |              |              | 2016 (Restated) <sup>(2)</sup> |              |              | 2015 (Restated) <sup>(1)</sup> |              |              |
|----|--------------------------------|--------------|--------------|--------------------------------|--------------|--------------|--------------------------------|--------------|--------------|
|    | Operating                      | Capital      | Total        | Operating                      | Capital      | Total        | Operating                      | Capital      | Total        |
| \$ | 2,438,392                      | \$ -         | \$ 2,438,392 | \$ 2,393,642                   | \$ -         | \$ 2,393,642 | \$ 2,219,421                   | \$ -         | \$ 2,219,421 |
|    | 37,740                         | -            | 37,740       | 41,031                         | -            | 41,031       | 38,785                         | -            | 38,785       |
|    | 88,105                         | -            | 88,105       | 134,601                        | -            | 134,601      | 196,184                        | -            | 196,184      |
|    | 169,606                        | -            | 169,606      | 154,293                        | -            | 154,293      | 184,722                        | -            | 184,722      |
|    | 11,852                         | -            | 11,852       | 6,294                          | -            | 6,294        | 6,926                          | -            | 6,926        |
|    | 2,745,695                      | -            | 2,745,695    | 2,729,861                      | -            | 2,729,861    | 2,646,038                      | -            | 2,646,038    |
|    | (790,266)                      | -            | (790,266)    | (791,662)                      | -            | (791,662)    | (719,820)                      | -            | (719,820)    |
|    | 1,955,429                      | -            | 1,955,429    | 1,938,199                      | -            | 1,938,199    | 1,926,218                      | -            | 1,926,218    |
|    | 681,048                        | -            | 681,048      | 642,499                        | -            | 642,499      | 607,673                        | -            | 607,673      |
|    | 173,804                        | -            | 173,804      | 176,170                        | -            | 176,170      | 195,228                        | -            | 195,228      |
|    | 89,725                         | -            | 89,725       | 54,129                         | -            | 54,129       | 95,489                         | -            | 95,489       |
|    | 68,774                         | -            | 68,774       | 70,774                         | -            | 70,774       | 73,503                         | -            | 73,503       |
|    | 58,340                         | -            | 58,340       | 60,353                         | -            | 60,353       | 63,596                         | -            | 63,596       |
|    | 46,679                         | -            | 46,679       | 50,482                         | -            | 50,482       | 49,241                         | -            | 49,241       |
|    | 36,279                         | -            | 36,279       | 40,727                         | -            | 40,727       | 40,906                         | -            | 40,906       |
|    | 85,888                         | -            | 85,888       | 86,113                         | -            | 86,113       | 93,068                         | -            | 93,068       |
|    | 33,523                         | -            | 33,523       | 30,736                         | -            | 30,736       | 66,576                         | -            | 66,576       |
|    | 1,274,060                      | -            | 1,274,060    | 1,211,983                      | -            | 1,211,983    | 1,285,280                      | -            | 1,285,280    |
|    | 203                            | -            | 203          | 199                            | -            | 199          | 129                            | -            | 129          |
|    | 4,490                          | 115,047      | 119,537      | 4,461                          | 60,783       | 65,244       | 3,683                          | 64,447       | 68,130       |
|    | 34                             | -            | 34           | 40                             | -            | 40           | 41                             | -            | 41           |
|    | 140,441                        | 637,478      | 777,919      | 128,117                        | 618,953      | 747,070      | 128,390                        | 635,257      | 763,647      |
|    | 145,168                        | 752,525      | 897,693      | 132,817                        | 679,736      | 812,553      | 132,243                        | 699,704      | 831,947      |
|    | 48,000                         | -            | 48,000       | 47,000                         | -            | 47,000       | 56,000                         | -            | 56,000       |
|    | (78,312)                       | -            | (78,312)     | 96,597                         | -            | 96,597       | (46,275)                       | -            | (46,275)     |
|    | -                              | -            | -            | -                              | -            | -            | 618                            | -            | 618          |
|    | -                              | 133,103      | 133,103      | -                              | 198,394      | 198,394      | -                              | 107,456      | 107,456      |
|    | -                              | 204,778      | 204,778      | -                              | 298,678      | 298,678      | -                              | 197,021      | 197,021      |
|    | 104,520                        | -            | 104,520      | 77,451                         | -            | 77,451       | 79,185                         | -            | 79,185       |
|    | 92,040                         | -            | 92,040       | 89,796                         | -            | 89,796       | 80,451                         | -            | 80,451       |
|    | 124,356                        | -            | 124,356      | 114,988                        | -            | 114,988      | 124,358                        | -            | 124,358      |
|    | 90,806                         | -            | 90,806       | 56,794                         | -            | 56,794       | 68,235                         | -            | 68,235       |
|    | 381,410                        | 337,881      | 719,291      | 482,626                        | 497,072      | 979,698      | 362,572                        | 304,477      | 667,049      |
| \$ | 3,756,067                      | \$ 1,090,406 | \$ 4,846,473 | \$ 3,765,625                   | \$ 1,176,808 | \$ 4,942,433 | \$ 3,706,313                   | \$ 1,004,181 | \$ 4,710,494 |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016.

(2) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

(3) Figures for 2017 have been restated for the correction of developer contributions and government transfers related to capital. Years prior to 2017 have not been restated for these adjustments.

## Expenses By Function unaudited (see Notes) 2015 to 2019

(In thousands of dollars)

|                                   | 2019                | 2018         | 2017         | 2016 <sup>(2)</sup><br>(Restated) | 2015 <sup>(1)</sup><br>(Restated) |
|-----------------------------------|---------------------|--------------|--------------|-----------------------------------|-----------------------------------|
| <b>Protective Services</b>        |                     |              |              |                                   |                                   |
| Police                            | \$ 517,498          | \$ 521,224   | \$ 508,953   | \$ 494,546                        | \$ 473,727                        |
| Fire                              | 297,449             | 310,823      | 325,180      | 312,732                           | 289,593                           |
|                                   | <b>814,947</b>      | 832,047      | 834,133      | 807,278                           | 763,320                           |
| <b>Transportation</b>             |                     |              |              |                                   |                                   |
| Public transit                    | 607,382             | 567,655      | 554,680      | 546,375                           | 542,416                           |
| Roads, traffic and parking        | 445,867             | 425,123      | 461,739      | 409,420                           | 407,105                           |
|                                   | <b>1,053,249</b>    | 992,778      | 1,016,419    | 955,795                           | 949,521                           |
| <b>Environmental protection</b>   |                     |              |              |                                   |                                   |
| Water services & resources        | 529,891             | 517,822      | 514,187      | 525,185                           | 476,634                           |
| Waste and recycling               | 163,761             | 151,587      | 136,910      | 131,726                           | 128,182                           |
|                                   | <b>693,652</b>      | 669,409      | 651,097      | 656,911                           | 604,816                           |
| <b>Social development</b>         |                     |              |              |                                   |                                   |
| Community and social development  | 76,842              | 85,787       | 82,965       | 76,180                            | 66,063                            |
| Social housing                    | 136,777             | 129,831      | 133,279      | 122,718                           | 159,323                           |
|                                   | <b>213,619</b>      | 215,618      | 216,244      | 198,898                           | 225,386                           |
| <b>Recreation and culture</b>     |                     |              |              |                                   |                                   |
| Parks and recreation facilities   | 279,505             | 277,912      | 320,900      | 303,334                           | 264,150                           |
| Societies and related authorities | 108,926             | 103,657      | 83,039       | 77,141                            | 81,239                            |
| Calgary Public Library Board      | 69,150              | 67,390       | 64,171       | 63,182                            | 54,527                            |
|                                   | <b>457,581</b>      | 448,959      | 468,110      | 443,657                           | 399,916                           |
| <b>Other expenditure</b>          |                     |              |              |                                   |                                   |
| General government                | 330,169             | 384,844      | 292,912      | 262,412                           | 300,654                           |
| Public works                      | 303,494             | 287,594      | 293,561      | 304,598                           | 272,039                           |
| Real estate services              | 46,858              | 41,395       | 48,429       | 43,001                            | 75,139                            |
|                                   | <b>680,521</b>      | 713,833      | 634,902      | 610,011                           | 647,832                           |
| <b>Total expenses</b>             | <b>\$ 3,913,569</b> | \$ 3,872,644 | \$ 3,820,905 | \$ 3,672,550                      | \$ 3,590,751                      |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016.

(2) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

## Financial Position and Net Revenues unaudited 2015 to 2019

(in thousands of dollars)

|                       | 2019         | 2018         | 2017 <sup>(3)</sup> | 2016 <sup>(2)</sup> | 2015 <sup>(1)</sup> |
|-----------------------|--------------|--------------|---------------------|---------------------|---------------------|
| Financial assets      | \$ 7,579,593 | \$ 7,289,242 | \$ 7,055,340        | \$ 7,301,551        | \$ 7,054,676        |
| Financial liabilities | 5,122,483    | 5,370,638    | 5,361,302           | 5,929,908           | 5,810,378           |
| Net financial assets  | 2,457,110    | 1,918,604    | 1,694,038           | 1,371,643           | 1,244,298           |
| Non-financial assets  | 18,568,296   | 17,776,479   | 16,980,420          | 16,097,912          | 15,052,646          |
| Accumulated surplus   | 21,025,406   | 19,695,083   | 18,674,458          | 17,469,555          | 16,296,944          |
| Annual surplus        | \$ 1,330,323 | \$ 1,022,018 | \$ 1,126,572        | \$ 1,204,389        | \$ 1,145,119        |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, and capital deposit adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.  
 (2) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.  
 (3) Figures for 2017 have been restated for the correction of capital deposits, developer contributions, government transfers related to capital, and reserves. Years prior to 2017 have not been restated for these adjustments.

## Acquisition of Tangible Capital Assets 2015 to 2019

(in thousands of dollars)

|                   | 2019         | 2018         | 2017         | 2016 <sup>(2)</sup> | 2015 <sup>(1)</sup> |
|-------------------|--------------|--------------|--------------|---------------------|---------------------|
| Capital additions | \$ 1,160,353 | \$ 1,270,669 | \$ 1,344,160 | \$ 1,416,262        | \$ 1,051,262        |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset adjustments identified in 2016.  
 (2) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

## Consolidated Accumulated Surplus unaudited 2015 to 2019

(in thousands of dollars)

|   | 2019                 | 2018                 | 2017 <sup>(5)</sup>  | 2016 <sup>(3)</sup>  | 2015 <sup>(1)</sup>  |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   |                      |                      | (Restated)           | (Restated)           | (Restated)           |
| Operating fund                                      | \$ 110,095           | \$ 38,751            | \$ 80,955            | \$ 37,731            | \$ 59,026            |
| Capital fund  | 341,047              | 146,082              | 270,854              | 217,226              | 303,958              |
| Reserves  | 2,493,588            | 2,299,998            | 2,032,652            | 1,975,809            | 1,915,176            |
| Obligation to be funded in future years (4)         | (10,184)             | (4,087)              | (5,933)              | (6,755)              | (10,211)             |
| Equity in ENMAX                                     | 2,339,699            | 2,261,350            | 2,314,000            | 2,291,308            | 2,260,205            |
| Local improvements to be funded in future years (2) | 62,234               | 60,715               | 62,618               | 67,329               | 70,583               |
| Equity in non-financial assets                      | 15,688,927           | 14,892,274           | 13,919,312           | 12,886,907           | 11,698,207           |
|   | <b>\$ 21,025,406</b> | <b>\$ 19,695,083</b> | <b>\$ 18,674,458</b> | <b>\$ 17,469,555</b> | <b>\$ 16,296,944</b> |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

(2) In 2013, The City adopted PS 3510 prospectively, which resulted in a change in the timing of revenue recognition of certain tax revenues. See Note 1 of the audited consolidated financial statements.

(3) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

(4) Obligation to be funded in future years consists of unfunded liabilities of \$ (2017 – \$5,933) and \$nil (2017 – \$nil) for the landfill rehabilitation provision and liability for contaminated sites, respectively.

(5) Figures for 2017 have been restated for the correction of capital deposits, developer contributions, government transfers related to capital, and reserves. Years prior to 2017 have not been restated for these adjustments.

## Other Financial and Statistical Schedules

### EXPENSES BY OBJECT UNAUDITED

2015 to 2019 (in thousands of dollars)

|   | 2019                | 2018                | 2017                | 2016 <sup>(2)</sup>        | 2015 <sup>(1)</sup>        |
|---|---------------------|---------------------|---------------------|----------------------------|----------------------------|
| Salaries, wages and benefits                | \$ 1,980,167        | \$ 1,972,396        | \$ 2,012,895        | (Restated)<br>\$ 1,976,054 | (Restated)<br>\$ 1,860,128 |
| Contracted and general services             | 528,139             | 523,715             | 469,470             | 466,613                    | 456,424                    |
| Materials, equipment and supplies           | 368,262             | 356,138             | 369,692             | 293,747                    | 343,164                    |
| Interest charges                            |                     |                     |                     |                            |                            |
| Tax supported                               | 24,946              | 27,018              | 31,183              | 36,632                     | 46,368                     |
| Self supported                              | 84,288              | 83,980              | 84,291              | 87,451                     | 84,650                     |
| Transfer payments                           | 133,050             | 122,426             | 123,837             | 118,297                    | 114,834                    |
| Utilities                                   | 104,314             | 89,605              | 92,000              | 81,338                     | 79,283                     |
| Amortization                                | 678,251             | 678,537             | 628,646             | 596,106                    | 580,110                    |
| Loss on disposal of tangible capital assets | 12,152              | 18,829              | 8,891               | 16,312                     | 25,830                     |
| <b>Total expenses</b>                       | <b>\$ 3,913,569</b> | <b>\$ 3,872,644</b> | <b>\$ 3,820,905</b> | <b>\$ 3,672,550</b>        | <b>\$ 3,590,791</b>        |

Notes: (1) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

(2) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017. Years prior to 2016 have not been restated for these adjustments.

### CONSOLIDATED INVESTMENTS UNAUDITED

2015 to 2019 (in thousands of dollars)

|                                 | 2019                | 2018                | 2017                | 2016                | 2015                |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Cost:</b>                    |                     |                     |                     |                     |                     |
| Government of Canada            | \$ 314,011          | \$ 358,864          | \$ 448,941          | \$ 390,136          | \$ 360,775          |
| Other Government                | 401,467             | 195,357             | 427,985             | 522,641             | 540,840             |
| Corporate                       | 2,128,282           | 2,700,491           | 2,107,337           | 2,743,537           | 2,889,837           |
| Global fixed income investments | 797,670             | 401,372             | 501,720             | 97,726              | –                   |
| Equity investments              | 589,326             | 382,478             | 407,774             | 342,422             | 326,536             |
|                                 | <b>\$ 4,230,756</b> | <b>\$ 4,038,562</b> | <b>\$ 3,893,757</b> | <b>\$ 4,096,462</b> | <b>\$ 4,117,988</b> |
| <b>Market Value:</b>            |                     |                     |                     |                     |                     |
| Government of Canada            | \$ 313,910          | \$ 369,707          | \$ 445,545          | \$ 387,989          | \$ 362,277          |
| Other government                | 407,729             | 195,829             | 421,092             | 517,358             | 542,556             |
| Corporate                       | 2,137,713           | 2,733,093           | 2,095,590           | 2,743,949           | 2,893,485           |
| Global fixed income investments | 803,403             | 358,748             | 496,850             | 97,725              | –                   |
| Equity investments              | 631,881             | 401,215             | 480,860             | 406,573             | 360,635             |
|                                 | <b>\$ 4,294,636</b> | <b>\$ 4,058,592</b> | <b>\$ 3,939,937</b> | <b>\$ 4,153,594</b> | <b>\$ 4,158,953</b> |

## Other Financial and Statistical Schedules

### CONSOLIDATED RESERVES UNAUDITED

2015 to 2019 (in thousands of dollars)

|  | 2019                | 2018                | 2017 <sup>(3)</sup><br>(Restated) | 2016 <sup>(2)</sup><br>(Restated) | 2015 <sup>(1)</sup><br>(Restated) |
|--|---------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>Significant Reserves</b>  |                     |                     |                                   |                                   |                                   |
| Fiscal stability   | \$ 426,189          | \$ 617,531          | \$ 492,766                        | \$ 518,830                        | \$ 488,785                        |
| Reserve for future capital   | 357,467             | 305,675             | 305,420                           | 327,014                           | 354,190                           |
| Budget savings account   | 91,251              | 135,198             | 157,334                           | 130,103                           | 60,905                            |
| Major Capital Projects   | 400,011             | –                   | –                                 | –                                 | –                                 |
| Debt servicing   | 52,570              | 52,570              | 52,570                            | 52,570                            | 52,570                            |
| Legacy parks   | 7,889               | 7,025               | 8,155                             | 10,558                            | 18,450                            |
| Corporate housing reserve <sup>(3)</sup>   | 33,952              | 31,622              | 30,383                            | 29,559                            | 38,205                            |
| Real estate services (combined operating & capital)  | 93,238              | 77,971              | 65,831                            | 59,005                            | 63,432                            |
| Community investment   | 61,481              | 43,704              | 39,079                            | 102,204                           | 152,379                           |
| Opportunity Calgary investment fund  | 95,853              | 101,047             | 55,000                            | –                                 | –                                 |
| Calgary building services sustainment  | 81,707              | 77,908              | 86,752                            | 99,114                            | 93,707                            |
| Reserve for tax loss provision   | –                   | 37,398              | 37,398                            | 37,398                            | 37,398                            |
| Lifecycle maintenance and upgrade  | 245,554             | 248,660             | 171,056                           | 116,123                           | 149,391                           |
| Calgary Housing Company <sup>(3)</sup>   | 28,726              | 27,653              | 27,349                            | 27,448                            | 27,426                            |
|  | <b>\$ 1,975,888</b> | <b>\$ 1,763,962</b> | <b>\$ 1,529,093</b>               | <b>\$ 1,509,926</b>               | <b>\$ 1,536,838</b>               |
| Other reserve balances will be utilized in future years for the following types of expenses: |                     |                     |                                   |                                   |                                   |
| Utilities sustainment <sup>(1) (3)</sup>   | \$ 156,957          | \$ 175,255          | \$ 141,661                        | \$ 135,131                        | \$ 83,257                         |
| Cash in lieu lifecycle sustainment   | 42,477              | –                   | –                                 | –                                 | –                                 |
| Social programs  | 8,523               | 8,387               | 9,084                             | 10,197                            | 10,310                            |
| Parking land acquisition   | –                   | 42,851              | 41,719                            | 40,772                            | 38,215                            |
| Police services  | 41,825              | 44,868              | 44,209                            | 44,254                            | 38,349                            |
| Waste & recycling sustainment <sup>(2)</sup>   | 67,312              | 63,083              | 64,802                            | 48,019                            | 48,809                            |
| ENMAX dividend stabilization   | 14,500              | 13,000              | 20,000                            | 20,000                            | 20,000                            |
| Other operating  | 95,463              | 98,831              | 104,448                           | 99,520                            | 81,841                            |
| Other capital expenditures   | 90,643              | 89,761              | 77,636                            | 67,990                            | 57,557                            |
|  | <b>517,700</b>      | <b>536,036</b>      | <b>503,559</b>                    | <b>465,883</b>                    | <b>378,338</b>                    |
|  | <b>\$ 2,493,588</b> | <b>\$ 2,299,998</b> | <b>\$ 2,032,652</b>               | <b>\$ 1,975,809</b>               | <b>\$ 1,915,176</b>               |

Notes: (1) In 2015, Corporate housing reserves, Calgary Housing Company reserve, and Utilities sustainment reserves were restated for adjustments identified in 2016. Years prior to 2015 have not been restated for these adjustments.

(2) In 2016, Lifecycle maintenance and upgrade reserves and other operating reserves were reclassified to conform to the current year's presentation. Years prior to 2016 have not been restated for these adjustments.

(3) In 2017, corrections were made to reserves related to capital. Years prior to 2017 have not been restated for these adjustments. Years prior to 2017 have not been restated for these adjustments.

# Taxation and Assessments unaudited 2015 to 2019

(in thousands of dollars unless otherwise stated)

|   |       | 2019          | 2018          | 2017          | 2016          | 2015 <sup>(1)</sup><br>(Restated) |
|---|-------|---------------|---------------|---------------|---------------|-----------------------------------|
| <b>TAX RATES</b>                            |       |               |               |               |               |                                   |
| Residential                                 |       |               |               |               |               |                                   |
| Municipal and Library                       | Mills | 4.211         | 3.901         | 3.963         | 3.709         | 3.541                             |
| Provincial property                         | Mills | 2.443         | 2.456         | 2.538         | 2.465         | 2.214                             |
| Non-Residential                             |       |               |               |               |               |                                   |
| Municipal and Library                       | Mills | 17.775        | 15.323        | 13.882        | 12.155        | 10.737                            |
| Provincial property                         | Mills | 4.247         | 4.103         | 3.863         | 3.780         | 3.458                             |
| <b>ASSESSED VALUES</b>                      |       |               |               |               |               |                                   |
| Residential                                 |       | \$215,899,419 | \$214,765,997 | \$206,172,452 | \$210,448,506 | \$210,408,125                     |
| Percentage of total (%)                     |       | 78.7          | 76.7          | 75.6          | 75.3          | 74.9                              |
| Commercial, industrial and farm             |       | \$58,382,878  | \$65,306,173  | \$66,440,662  | \$68,985,390  | \$70,507,335                      |
| Percentage of total (%)                     |       | 21.3          | 23.3          | 24.4          | 24.7          | 25.1                              |
| Total assessment                            |       | \$274,282,297 | \$280,072,170 | \$272,613,114 | \$279,433,896 | \$280,915,460                     |
| <b>TAX LEVIES</b>                           |       |               |               |               |               |                                   |
| Municipal property taxes                    |       |               |               |               |               |                                   |
| Residential                                 |       | \$853,589     | \$842,238     | \$813,769     | \$788,084     | \$745,974                         |
| Non-residential                             |       | 968,036       | 936,707       | 841,003       | 820,245       | 762,066                           |
| Community Revitalization Levy               |       | 39,882        | 39,582        | 37,740        | 41,031        | 38,785                            |
| Business taxes                              |       | 3,500         | 43,978        | 88,105        | 134,601       | 196,184                           |
| Revenue in lieu of taxes                    |       | 207,272       | 199,292       | 162,960       | 147,944       | 176,283                           |
| Local improvement levies and special levies |       | 16,476        | 6,273         | 11,852        | 6,294         | 6,926                             |
|   |       | \$2,088,755   | \$2,068,070   | \$1,955,429   | \$1,938,199   | \$1,926,218                       |
| Provincial property taxes                   |       |               |               |               |               |                                   |
| Residential                                 |       | \$539,762     | \$527,066     | \$532,887     | \$520,571     | \$463,175                         |
| Non-residential                             |       | 249,949       | 258,590       | 250,733       | 264,742       | 248,206                           |
| Revenue in lieu of taxes                    |       | 7,364         | 7,196         | 6,646         | 6,349         | 8,439                             |
|   |       | 797,075       | 792,852       | 790,266       | 791,662       | 719,820                           |
| Total taxes levied                          |       | \$2,885,830   | \$2,860,922   | \$2,745,695   | \$2,729,861   | \$2,646,038                       |
| <b>PERCENTAGE OF TOTAL LEVIES</b>           |       |               |               |               |               |                                   |
| Property tax                                |       |               |               |               |               |                                   |
| Residential property                        |       | 48.28%        | 47.86%        | 49.05%        | 47.94%        | 45.70%                            |
| Non-residential property                    |       | 42.21%        | 41.78%        | 39.76%        | 39.75%        | 38.18%                            |
| Local improvement levies                    |       | 0.57%         | 0.22%         | 0.43%         | 0.23%         | 0.26%                             |
| Community Revitalization Levy               |       | 1.38%         | 1.38%         | 1.37%         | 1.50%         | 1.47%                             |
| Business tax                                |       | 0.12%         | 1.54%         | 3.21%         | 4.93%         | 7.41%                             |
| Revenue in lieu of taxes                    |       | 7.44%         | 7.22%         | 6.18%         | 5.65%         | 6.98%                             |

Notes: (1) Figures for 2015 have been restated for the correction of tax revenue accounting related adjustments identified in 2016.

# Taxation and Assessments unaudited 2015 to 2019

(in thousands of dollars unless otherwise stated)

|  | 2019         | 2018         | 2017         | 2016         | 2015         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>PROPERTY TAX – Continuity</b>                               |              |              |              |              |              |
| Taxes receivable, January 1                                    | \$ 48,815    | \$ 49,557    | \$ 37,234    | \$ 38,179    | \$ 31,708    |
| Current levies   |              |              |              |              |              |
| Property taxes   | 2,634,604    | 2,625,419    | 2,540,761    | 2,475,556    | 2,259,232    |
| Business taxes   | (6)          | 47,940       | 95,610       | 141,619      | 188,238      |
| Non-tax items for collection                                   | 1,609        | 1,061        | 1,079        | 931          | 1,066        |
| Penalties  | 12,245       | 11,696       | 10,631       | 9,863        | 8,873        |
| Cancellation of tax arrears                                    | (14,098)     | (1,684)      | (2,574)      | (1,599)      | (19,044)     |
| Write-off of taxes   | (478)        | (1,370)      | (468)        | (1,157)      | (1,416)      |
| Total to be collected  | 2,682,691    | 2,732,619    | 2,682,273    | 2,663,392    | 2,468,657    |
| Collections during the year                                    |              |              |              |              |              |
| Current levies   | (2,589,463)  | (2,642,847)  | (2,604,624)  | (2,597,569)  | (2,399,612)  |
| Arrears  | (40,079)     | (40,957)     | (28,092)     | (28,589)     | (30,866)     |
| Subtotal   | 53,149       | 48,815       | 49,557       | 37,234       | 38,179       |
| Allowance for doubtful accounts                                | (100)        | (100)        | (140)        | (500)        | (1,000)      |
| Taxes receivable, December 31                                  | \$ 53,049    | \$ 48,715    | \$ 49,417    | \$ 36,734    | \$ 37,179    |
| Percentage of current taxes collected (%)                      | 96.52%       | 96.71%       | 97.11%       | 97.53%       | 97.20%       |
| Taxes outstanding as a percentage of the current year levy (%) | 2.02%        | 1.83%        | 1.88%        | 1.42%        | 1.56%        |
| <b>Other Major Tax Levies:</b>                                 |              |              |              |              |              |
| Revenue in lieu of taxes                                       |              |              |              |              |              |
| Municipal consent and access fee                               | \$ 142,450   | \$ 136,078   | \$ 95,690    | \$ 88,410    | \$ 113,629   |
| Franchise fees   | 62,039       | 57,460       | 61,779       | 54,089       | 57,045       |
| Governments  |              |              |              |              |              |
| Provincial   | 5,951        | 9,126        | 8,291        | 8,655        | 8,459        |
| Federal  | 3,380        | 3,013        | 3,045        | 2,615        | 2,150        |
|  | \$ 213,820   | \$ 205,677   | \$ 168,805   | \$ 153,769   | \$ 181,283   |
| <b>Net Taxes Available For Municipal Purposes:</b>             |              |              |              |              |              |
| Property taxes   | \$ 2,611,336 | \$ 2,564,601 | \$ 2,438,392 | \$ 2,393,642 | \$ 2,219,421 |
| Community Revitalization Levy                                  | 39,882       | 39,582       | 37,740       | 41,031       | 38,785       |
| Business taxes   | 3,500        | 43,978       | 88,105       | 134,601      | 196,184      |
| Revenue in lieu of taxes                                       | 214,636      | 206,488      | 169,606      | 154,293      | 184,722      |
| Local improvement levies and special taxes                     | 16,476       | 6,273        | 11,852       | 6,294        | 6,926        |
|  | 2,885,830    | 2,860,922    | 2,745,695    | 2,729,861    | 2,646,038    |
| Less: Provincial property taxes:                               |              |              |              |              |              |
| Current year levy  | (795,866)    | (780,499)    | (785,126)    | (784,791)    | (715,164)    |
| Prior year levy  | (1,209)      | (12,353)     | (5,140)      | (6,871)      | (4,656)      |
| Net taxes available for municipal use                          | \$ 2,088,755 | \$ 2,068,070 | \$ 1,955,429 | \$ 1,938,199 | \$ 1,926,218 |

# Continuity of Long-Term Debt unaudited 2015 to 2019

(in thousands of dollars unless otherwise stated)

|   | 2019                | 2018                | 2017                | 2016                | 2015                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Opening Balance   | \$ 2,888,831        | \$ 3,066,263        | \$ 3,216,672        | \$ 3,360,602        | \$ 3,626,177        |
| <b>New issues or additions during the year</b>  |                     |                     |                     |                     |                     |
| Tax supported   |                     |                     |                     |                     |                     |
| Debentures  | 45,181              | –                   | 1,044               | 5,097               | 7,262               |
| Mortgages and other debt  | 70,489              | –                   | –                   | 20,000              | –                   |
|   | 115,670             | –                   | 1,044               | 25,097              | 7,262               |
| Self supported  |                     |                     |                     |                     |                     |
| Debentures  | 172,823             | 123,713             | 254,978             | 223,779             | 193,686             |
| Local improvement debentures  | 4,117               | 3,638               | 4,548               | 5,930               | 4,023               |
| Capital leases  | –                   | –                   | –                   | (1,174)             | –                   |
| Mortgages and other debt  | (43)                | 153                 | 2,959               | 25,969              | 12,470              |
|   | 176,897             | 127,504             | 262,485             | 254,504             | 210,179             |
| Self sufficient tax supported   |                     |                     |                     |                     |                     |
| Debentures  | 16,500              | 26,000              | 26,500              | 28,000              | 5,000               |
|   | 16,500              | 26,000              | 26,500              | 28,000              | 5,000               |
| <b>Debt repaid during the year</b>  |                     |                     |                     |                     |                     |
| Tax supported   |                     |                     |                     |                     |                     |
| Debentures  | (38,612)            | (41,385)            | (44,711)            | (44,934)            | (45,686)            |
| Mortgages and other debt  | (1,085)             | –                   | –                   | (20,000)            | –                   |
|   | (39,697)            | (41,385)            | (44,711)            | (64,934)            | (45,686)            |
| Self supported  |                     |                     |                     |                     |                     |
| Debentures  | (169,660)           | (170,603)           | (153,898)           | (141,881)           | (149,351)           |
| Local improvement debentures  | (7,933)             | (7,451)             | (6,938)             | (7,669)             | (6,281)             |
| Capital leases  | –                   | –                   | –                   | (364)               | (865)               |
| Mortgages and other debt  | (2,640)             | (25,301)            | (2,987)             | (6,169)             | (4,938)             |
|   | (180,232)           | (203,355)           | (163,823)           | (156,083)           | (161,435)           |
| Self sufficient tax supported   |                     |                     |                     |                     |                     |
| Debentures  | (94,521)            | (86,196)            | (231,904)           | (230,514)           | (280,895)           |
|   | (94,521)            | (86,196)            | (231,904)           | (230,514)           | (280,895)           |
| <b>Increase (Decrease)</b>  |                     |                     |                     |                     |                     |
| Tax supported   | 75,973              | (41,385)            | (43,667)            | (39,837)            | (38,424)            |
| Self supported  | (3,336)             | (75,851)            | 98,662              | 98,421              | 48,744              |
| Self sufficient tax supported   | (78,021)            | (60,196)            | (205,404)           | (202,514)           | (275,895)           |
| <b>Net Increase during the year</b>   | <b>(5,384)</b>      | <b>(177,432)</b>    | <b>(150,409)</b>    | <b>(143,930)</b>    | <b>(265,575)</b>    |
| <b>Closing balance</b>  | <b>\$ 2,883,447</b> | <b>\$ 2,888,831</b> | <b>\$ 3,066,263</b> | <b>\$ 3,216,672</b> | <b>\$ 3,360,602</b> |
| Debt servicing as a per cent of operating expenditures (net of recoveries), tax supported | 1.5                 | 1.9                 | 1.9                 | 2.2                 | 2.3                 |
| Percentage of legal debt limit as per Municipal Government Act [see Note 14 f)]           | 35.8                | 36.4 <sup>(1)</sup> | 39.8                | 43.2                | 45.3                |

Notes: (1) The 2018 total debt limit value was understated and the associated percentage has been revised. This change is for disclosure purposes only and does not change the previously reported Statement of Financial Position or Operations.

# Continuity of Long-Term Debt unaudited 2015 to 2019

(in thousands of dollars unless otherwise stated)

|  | 2019                | 2018                | 2017                | 2016                | 2015                |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Tax Supported</b>   |                     |                     |                     |                     |                     |
| Facility management  | \$ 28,349           | \$ 34,089           | \$ 39,713           | \$ 45,139           | \$ 50,373           |
| Fire   | 1,299               | 1,522               | 1,903               | 2,319               | 2,486               |
| Parks and recreation   | 225,878             | 240,942             | 255,498             | 268,575             | 282,239             |
| Public housing   | 3,030               | 3,440               | 3,829               | 4,200               | 4,552               |
| Roads  | 53,565              | 66,427              | 82,229              | 97,882              | 109,670             |
| Societies & related authorities                                | 9,190               | 10,269              | 11,335              | 12,363              | 13,378              |
| Waste & recycling services                                     | 2,835               | 3,190               | 3,527               | 3,848               | 4,154               |
| Public transit   | 112,499             | 5,612               | 8,842               | 16,217              | 23,528              |
| Corporate analytics & innovation                               | 4,819               | –                   | –                   | –                   | –                   |
|  | <b>441,464</b>      | <b>365,491</b>      | <b>406,876</b>      | <b>450,543</b>      | <b>490,380</b>      |
| Tax supported, % of total                                      | 15.3                | 12.6                | 13.3                | 14.0                | 14.6                |
| Per capita, tax supported                                      | \$ 343              | \$ 288              | \$ 326              | \$ 365              | \$ 398              |
| <b>Self Supported</b>  |                     |                     |                     |                     |                     |
| Calgary Arts Development Authority                             | \$ 692              | \$ 2,600            | \$ 2,000            | \$ –                | \$ –                |
| Calgary Economic Development Ltd.                              | –                   | –                   | 11,949              | 12,313              | –                   |
| Calgary Parking Authority                                      | 813                 | 1,324               | 1,810               | 2,273               | 3,123               |
| Calhome Properties Ltd.  | 8,667               | 10,056              | 12,601              | 16,476              | 15,206              |
| Lindsay Park Sports Society (operating as Repsol Sport Centre) | 176                 | 519                 | 851                 | 1,171               | 1,480               |
| St. Mary's University College                                  | 3,901               | 4,105               | 4,303               | 4,496               | 4,683               |
| Water services & resources                                     | 1,889,928           | 1,873,995           | 1,905,947           | 1,917,288           | 1,846,166           |
| Facility management  | 6                   | 7                   | 8                   | 9                   | 10                  |
| Fleet services   | 137,337             | 141,438             | 153,573             | 127,866             | 113,896             |
| Parks and recreation   | 349                 | 729                 | 1,748               | 2,911               | 4,164               |
| Public housing   | 5,372               | 6,471               | 7,493               | 8,686               | 9,799               |
| Real estate services   | 9,580               | 9,580               | 9,580               | 9,580               | 9,580               |
| Roads  | 59,732              | 63,457              | 67,184              | 69,491              | 71,152              |
| Societies & related authorities                                | 521                 | 611                 | 696                 | 777                 | 855                 |
| Waste & recycling services                                     | 114,587             | 120,105             | 131,105             | 38,849              | 33,651              |
|  | <b>2,231,661</b>    | <b>2,234,997</b>    | <b>2,310,848</b>    | <b>2,212,186</b>    | <b>2,113,765</b>    |
| Self supported, % of total                                     | 77.4                | 77.4                | 75.3                | 68.8                | 62.9                |
| Per capita, self supported                                     | \$ 1,735            | \$ 1,764            | \$ 1,843            | \$ 1,791            | \$ 1,717            |
| <b>Self Sufficient Tax Supported</b>                           |                     |                     |                     |                     |                     |
| CMLC   | \$ 210,322          | \$ 217,843          | \$ 208,039          | \$ 193,443          | \$ 175,957          |
| MSI  | –                   | 70,500              | 140,500             | 360,500             | 580,500             |
|  | <b>210,322</b>      | <b>288,343</b>      | <b>348,539</b>      | <b>553,943</b>      | <b>756,457</b>      |
| Self sufficient tax supported, % of total                      | 7.3                 | 10.0                | 11.4                | 17.2                | 22.5                |
| Per capita, self sufficient tax supported                      | \$ 164              | \$ 228              | \$ 280              | \$ 448              | \$ 615              |
| <b>Total City debt</b>   | <b>2,883,447</b>    | <b>2,888,831</b>    | <b>3,066,263</b>    | <b>3,216,672</b>    | <b>3,360,602</b>    |
| ENMAX debt   | 1,283,320           | 1,185,380           | 1,078,522           | 1,145,184           | 1,211,055           |
| <b>Total debt attributable to The City</b>                     | <b>\$ 4,166,767</b> | <b>\$ 4,074,211</b> | <b>\$ 4,144,785</b> | <b>\$ 4,361,856</b> | <b>\$ 4,571,657</b> |

## Demographic and Other Information unaudited 2015 to 2019

|  | 2019                | 2018         | 2017         | 2016         | 2015         |
|--|---------------------|--------------|--------------|--------------|--------------|
| <b>Population, per April civic census</b>                  | <b>1,285,711</b>    | 1,267,344    | 1,246,337    | 1,235,171    | 1,230,915    |
| Change due to natural increase                             | <b>8,807</b>        | 9,419        | 10,192       | 10,783       | 10,812       |
| Change due to net migration                                | <b>9,560</b>        | 11,588       | 974          | (6,527)      | 24,909       |
| <b>Dwelling Units, per April civic census</b>              |                     |              |              |              |              |
| Total number of units                                      | <b>521,257</b>      | 515,391      | 506,392      | 499,222      | 492,623      |
| Number of vacancies  | <b>19,892</b>       | 19,408       | 471,176      | 20,843       | 12,526       |
| Owner occupancy rate (%)                                   | <b>66.4</b>         | 68.2         | 68.8         | 69.8         | 69.2         |
| <b>Housing Activity</b>                                    |                     |              |              |              |              |
| Annual applications for residential units                  |                     |              |              |              |              |
| Total residential  | <b>12,232</b>       | 10,233       | 8,122        | 11,064       | 12,355       |
| Change (%)   | <b>19.5</b>         | 26.0         | (26.6)       | (10.4)       | (17.8)       |
| Single family  | <b>2,685</b>        | 2,750        | 4,199        | 2,630        | 2,714        |
| Change (%)   | <b>1.3</b>          | (34.5)       | 59.7         | (3.1)        | (51.4)       |
| MLS average selling price (\$) <sup>(i)</sup>              | <b>457,046</b>      | 477,963      | 487,505      | 479,452      | 469,399      |
| New housing price inflation (%) <sup>(ii)</sup>            | <b>(0.2)</b>        | (0.4)        | 0.0          | (0.9)        | 1.1          |
| <b>Building Permits, applied for</b>                       |                     |              |              |              |              |
| Number of applications                                     | <b>15,954</b>       | 16,298       | 16,434       | 15,144       | 16,667       |
| Change (%)   | <b>(2.1)</b>        | (0.9)        | 8.5          | (9.1)        | (14.7)       |
| Value, in thousands of dollars                             | <b>\$ 5,166,275</b> | \$ 4,402,053 | \$ 4,574,171 | \$ 4,651,963 | \$ 6,285,485 |
| Change (%)   | <b>17.4</b>         | (3.8)        | (1.6)        | (26.0)       | (3.4)        |
| <b>Inflation, CPI annual increases (%) <sup>(ii)</sup></b> |                     |              |              |              |              |
| Calgary  | <b>1.4</b>          | 2.4          | 1.6          | 1.0          | 1.2          |
| Alberta  | <b>1.8</b>          | 2.4          | 1.6          | 1.1          | 1.1          |
| Canada   | <b>1.9</b>          | 2.3          | 1.6          | 1.4          | 1.1          |
| <b>Unemployment Rate (%) <sup>(ii)</sup></b>               |                     |              |              |              |              |
| Calgary  | <b>7.1</b>          | 7.6          | 8.7          | 9.1          | 6.2          |
| Alberta  | <b>6.9</b>          | 6.7          | 7.8          | 8.1          | 6.0          |
| Canada   | <b>5.7</b>          | 5.9          | 6.3          | 7.0          | 6.9          |

### Top ten industries in Calgary (by the number of residents employed) <sup>(ii)</sup>

|   |  |
|---|--|
| 1 Trade   | 6 Educational Services                   |
| 2 Health Care and Social Assistance               | 7 Transportation and Warehousing         |
| 3 Professional, Scientific and Technical Services | 8 Transportation                         |
| 4 Construction                                    | 9 Forestry, Fishing, Mining, Oil and Gas |
| 5 Accommodation and Food Services                 | 10 Manufacturing                         |

External Sources:

(i) Calgary Real Estate Board

(ii) Statistics Canada

## Demographic and Other Information unaudited 2015 to 2019

|  | 2019                | 2018                        | 2017         | 2016         | 2015 <sup>(3)</sup><br>(Restated) |
|--|---------------------|-----------------------------|--------------|--------------|-----------------------------------|
| <b>Revenue sources – City general<sup>(1)</sup></b>              | <b>\$ 2,874,525</b> | \$ 2,731,717                | \$ 2,612,149 | \$ 2,860,289 | \$ 2,890,388                      |
| As a % of revenue  |                     |                             |              |              |                                   |
| Taxes and revenue in lieu of taxes                               | <b>63.11</b>        | 64.86                       | 63.09        | 67.76        | 66.64                             |
| General  | <b>31.83</b>        | 28.19                       | 29.67        | 25.07        | 26.13                             |
| Utilities and related authorities contributions                  | <b>0.00</b>         | 1.92                        | 2.00         | 2.32         | 2.35                              |
| Government transfers   | <b>3.32</b>         | 3.57                        | 3.40         | 3.21         | 2.94                              |
| Dividends from ENMAX   | <b>1.74</b>         | 1.46                        | 1.84         | 1.64         | 1.94                              |
| <b>Interest charges – City general</b>                           |                     |                             |              |              |                                   |
| As a % of operating expenses                                     |                     |                             |              |              |                                   |
| Before subsidy   | <b>3.60</b>         | 3.69                        | 3.86         | 3.97         | 4.18                              |
| After subsidy  | <b>3.60</b>         | 3.69                        | 3.86         | 3.97         | 4.18                              |
| <b>Interest charges – consolidated</b>                           |                     |                             |              |              |                                   |
| Before subsidy (000s)  | <b>\$ 109,537</b>   | \$ 111,337                  | \$ 115,847   | \$ 110,899   | \$ 113,629                        |
| Share of operating expenses (%)                                  | <b>3.4</b>          | 3.5                         | 3.6          | 3.9          | 4.0                               |
| After subsidy (000s)   | <b>\$ 109,537</b>   | \$ 111,122                  | \$ 115,610   | \$ 110,660   | \$ 113,459                        |
| Share of operating expenses (%) (net of subsidy)                 | <b>3.5</b>          | 3.5                         | 3.6          | 3.9          | 4.0                               |
| <b>Debt service limit (principal + interest)</b>                 |                     |                             |              |              |                                   |
| Total debt service limit   | <b>\$ 1,449,161</b> | \$ 1,430,264 <sup>(4)</sup> | \$ 1,386,287 | \$ 1,337,148 | \$ 1,331,199                      |
| Total debt service   | <b>\$ 369,416</b>   | 359,705                     | 362,341      | \$348,569    | \$554,584                         |
| Percentage used (%)  | <b>25.5</b>         | 25.2                        | 26.1         | 26.1         | 41.7                              |
| <b>Debt limit<sup>(2)</sup></b>                                  |                     |                             |              |              |                                   |
| Total debt limit (000s)  | <b>\$ 8,280,921</b> | \$ 8,172,936 <sup>(4)</sup> | \$ 7,921,642 | \$ 7,640,844 | \$ 7,606,852                      |
| Total debt (000s)  | <b>\$ 2,961,444</b> | \$ 2,976,209                | \$ 3,149,658 | \$ 3,303,092 | \$ 3,447,143                      |
| Percentage used (%)  | <b>35.8</b>         | 36.4                        | 39.8         | 43.2         | 45.3                              |
| <b>Municipal full-time equivalents – (excluding ENMAX)</b>       |                     |                             |              |              |                                   |
| Total full-time equivalents – City                               | <b>15,790</b>       | 15,918                      | 15,790       | 15,554       | 15,324                            |
| Total full-time equivalents – Related authorities                | <b>1,213</b>        | 1,150                       | 1,171        | 1,089        | 979                               |
| Full-time equivalents per 1,000 population – City                | <b>12.3</b>         | 12.6                        | 12.7         | 12.6         | 12.4                              |
| Full-time equivalents per 1,000 population – Related authorities | <b>0.94</b>         | 0.91                        | 0.94         | 0.88         | 0.80                              |
| Area, square kilometres  | <b>848</b>          | 848                         | 848          | 848          | 848                               |
| Km of roads (lane km)  | <b>20,999</b>       | 21,216                      | 20,472       | 20,288       | 19,956                            |
| Km of roads (centreline km)                                      | <b>8,211</b>        | 8,092                       | 8,009        | 7,945        | 7,815                             |
| Transit passenger trips, annual (000s)                           | <b>106,485</b>      | 105,328                     | 101,929      | 102,499      | 109,974                           |
| Km of wastewater mains   | <b>4,845</b>        | 4,811                       | 4,756        | 4,695        | 4,678                             |
| Km of water mains  | <b>5,288</b>        | 5,262                       | 5,165        | 5,060        | 5,012                             |
| Km of storm drainage mains                                       | <b>5,373</b>        | 5,319                       | 5,242        | 5,157        | 5,091                             |

Notes: (1) Figures (000s) are before consolidating eliminations.

(2) Calculations as prescribed by The Province of Alberta, regulations 255/2000 and 165/2011, and does not include debt attributable to ENMAX.

(3) Figures for 2015 have been restated for the correction of certain tangible capital asset, deferred income tax, capital deposit, and interest expense adjustments identified in 2016.

(4) The 2018 total debt limit and total debt service limit values were understated and have been revised including associated percentages. This change is for disclosure purposes only and does not change the previously reported Statement of Financial Position or Operations.



