



REVISED AGENDA

AUDIT COMMITTEE

April 20, 2021, 8:30 AM
IN THE COUNCIL CHAMBER

Members

Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair
Councillor D. Colley-Urquhart
Councillor J. Davison
Citizen Representative L. Caltagirone
Citizen Representative K. Kim
Citizen Representative M. Lambert
Mayor N. Nenshi, Ex-Officio

SPECIAL NOTES:

*Public are encouraged to follow Council and Committee meetings using the live stream
www.calgary.ca/watchlive
Members may be participating remotely.*

1. CALL TO ORDER
2. OPENING REMARKS
3. CONFIRMATION OF AGENDA
4. CONFIRMATION OF MINUTES
 - 4.1. Minutes of the Regular Meeting of the Audit Committee, 2021 March 18
5. CONSENT AGENDA
 - 5.1. DEFERRALS AND PROCEDURAL REQUESTS
None
 - 5.2. BRIEFINGS
None

6. POSTPONED REPORTS
(including related/supplemental reports)

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1. 2020 Annual Investment Report - AC2021-0535

7.2. The City of Calgary 2020 Annual Report - AC2021-0485

REVISED MATERIALS

7.3. *2020 External Auditor Year-End Report - AC2021-0560*
Attachment 2 held confidential pursuant to Sections 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Review By: 2026 April 20

7.4. City Auditor's Office 1st Quarter 2021 Report - AC2021-0580

7.5. Shareholder Alignment Review of Wholly-Owned Subsidiaries Update - AC2021-0214

7.6. External Auditor Update on Off-Site Levy Assurance Procedures - AC2021-0545

8. ITEMS DIRECTLY TO COMMITTEE

8.1. REFERRED REPORTS
None

8.2. NOTICE(S) OF MOTION
None

9. URGENT BUSINESS

10. CONFIDENTIAL ITEMS

10.1. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1. Audit Forum (Verbal) - AC2021-0489
Held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.1.2. External Auditor (Verbal) - AC2021-0490
Held confidential pursuant to Sections 23 (Local public body confidences) and 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

- 10.1.3. City Auditor (Verbal) - AC2021-0491
Held confidential pursuant to Sections 19 (Confidential evaluations) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.
- 10.1.4. External Auditor Annual Renewal (Verbal) - AC2021-0584
Held confidential pursuant to Sections 19 (Confidential evaluations) and 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

10.2. URGENT BUSINESS

11. ADJOURNMENT



**MINUTES
AUDIT COMMITTEE**

**March 18, 2021, 9:30 AM
IN THE COUNCIL CHAMBER**

PRESENT: Councillor E. Woolley, Chair
Councillor J. Farkas, Vice-Chair (Remote Participation)
Councillor D. Colley-Urquhart (Remote Participation)
Councillor J. Davison (Remote Participation)
Citizen Representative K. Kim (Remote Participation)
Citizen Representative M. Lambert (Remote Participation)

ABSENT: Citizen Representative L. Caltagirone

ALSO PRESENT: Chief Financial Officer C. Male (Remote Participation)
External Auditor H. Gill (Remote Participation)
External Auditor T. Nakka (Remote Participation)
Executive Assistant C. Smillie
A/City Auditor L. Ormsby (Remote Participation)
Legislative Advisor D. Williams
Legislative Advisor A. de Groot

1. CALL TO ORDER

Councillor Woolley called the Meeting to order at 9:30 a.m.

ROLL CALL:

Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert.

Absent from Roll Call: Citizen Representative Caltagirone

2. OPENING REMARKS

Councillor Woolley provided opening remarks.

3. CONFIRMATION OF AGENDA

Moved by Councillor Farkas

That the Agenda for the 2021 March 18 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

4. CONFIRMATION OF MINUTES

4.1 Minutes of the Regular Meeting of the Audit Committee, 2021 February 25

Moved by Citizen Representative Kim

That the Minutes of the 2021 February 25 Regular Meeting of the Audit Committee be confirmed.

MOTION CARRIED

5. CONSENT AGENDA

5.1 DEFERRALS AND PROCEDURAL REQUESTS

None

5.2 BRIEFINGS

None

6. POSTPONED REPORTS

None

7. ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

7.1 Solutions for Achieving Value and Excellence (SAVE) Program Progress Update (Verbal), AC2021-0333

A presentation entitled "AC2021-0333 Solutions for Achieving Value and Excellence (SAVE) Program Progress Update (Verbal)" was distributed with respect to Report AC2021-0333.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0333 the following be approved:

That the Audit Committee receive the presentation for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.2 Code of Conduct Annual Report, AC2021-0263

Moved by Citizen Representative Kim

That with respect to Report AC2021-0263, the following be approved:

That the Audit Committee receive the report and presentation for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.3 City Auditor's Office 2020 Annual Report, AC2021-0314

A presentation entitled "1.0 One Calgary Accountability" was distributed with respect to Report AC2021-0314.

Councillor Woolley left the Chair at 10:55 a.m. and Vice-Chair Farkas assumed the Chair.

Councillor Woolley resumed the Chair at 10:57 a.m. and Councillor Farkas returned to his regular seat in Committee.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0314, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.4 Data Analytics Program Update, AC2021-0376

Moved by Councillor Farkas

That with respect to Report AC2021-0376, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

7.5 Cyber Security Incident Response Follow-up Audit, AC2021-0313

By General Consent, pursuant to Section 6(1) of Procedure Bylaw 35M2017, Committee suspended Section 78(2)(a) of the Procedure Bylaw in order to complete the remainder of the Agenda prior to the lunch recess.

Moved by Councillor Farkas

That pursuant to Sections 24 (Advice from officials), and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*, Committee now move into Closed Meeting at 11:28 a.m., in the Council Boardroom, to discuss confidential matters with respect to the following Items:

- 7.5 Cyber Security Incident Response Follow-up Audit, AC2021-0313
- 10.1.1 Progress Update on 2020 City of Calgary Annual Report (Verbal), AC2021-0386
- 10.1.2 Off-Site Levies Update (Verbal), AC2021-0349
- 10.1.3 Audit Forum (Verbal), AC2021-0341
- 10.1.4 External Auditor (Verbal), AC2021-0342
- 10.1.5 City Auditor (Verbal), AC2021-0343

And further, that Trevor Nakka, Harman Gill, Erica Vervoort, and Ivana Cvitanusic, External Auditors (Deloitte LLP), be invited to attend the Closed Meeting.

MOTION CARRIED

Committee reconvened in Public Meeting at 12:16 p.m. with Councillor Woolley in the Chair.

Moved by Councillor Colley-Urquhart

That Committee rise and report.

MOTION CARRIED

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0313:

Clerks: D. Williams and A. Degrood. City Manager: D. Duckworth. Advice: C. Male, G. Wiebe, L. Tochor, C. Smillie, A. Cohen, G. Dube, B. Labrenz, P. Lewis, L. Ormsby, E. Otte, and D. Mercer. External: I. Cvitanusic, H. Gill, T. Nakka, and E. Vervoort.

Moved by Citizen Representative Lambert

That with respect to Report AC2021-0313, the following be approved:

That the Audit Committee:

1. Receive this report for the Corporate Record;
2. Recommend that Council receive this report for the Corporate Record; and
3. Direct that Attachment 1 remain confidential pursuant to Sections 20 (Disclosure harmful to law enforcement) of the Freedom of Information and Protection of Privacy Act, to be reviewed 2036 March 31.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

8. ITEMS DIRECTLY TO COMMITTEE

8.1 REFERRED REPORTS

None

8.2 NOTICE(S) OF MOTION

None

9. URGENT BUSINESS

None

10. CONFIDENTIAL ITEMS

10.1 ITEMS FROM OFFICERS, ADMINISTRATION AND COMMITTEES

10.1.1 Progress Update on 2020 City of Calgary Annual Report (Verbal), AC2021-0386

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0386:

Clerks: D. Williams and A. Degrood. City Manager: D. Duckworth. Advice: C. Smillie, C. Male, L. Omsby, L. Tochor, and G. Wiebe. External: I. Cvitanusic, T. Nakka, H. Gill, and E. Vervoort.

Moved by Citizen Representative Kim

That with respect to Report AC2021-0386, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions be held confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.2 Off-Site Levies Update (Verbal), AC2021-0349

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0349:

Clerks: D. Williams and A. Degrood. City Manager: D. Duckworth. Advice: C. Smillie, C. Male, L. Ormsby, L. Tochor, and G. Wiebe. External: I. Cvitanusic, T. Nakka, H. Gill, and E. Vervoort.

Moved by Councillor Colley-Urquhart

That with respect to Report AC2021-0386, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions be held confidential pursuant to Section 24 (Advice from officials) of the *Freedom of Information and Protection of Privacy Act*.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.3 Audit Forum (Verbal), AC2021-0341

People in attendance during the Closed Meeting discussions with respect to Report AC2021-0341:

Clerks: D. Williams and A. Degrood. City Manager: D. Duckworth. Advice: C. Male, L. Ormsby, C. Smillie, L. Tochor, G. Wiebe. External: I. Cvitanusic, T. Nakka, E. Vervoort, and H. Gill.

Moved by Citizen Representative Kim

That with respect to Report AC2021-0341, the following be approved:

That the Audit Committee direct that the Closed Meeting discussions be held confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

For: (6): Councillor Woolley, Councillor Farkas, Councillor Colley-Urquhart, Councillor Davison, Citizen Representative Kim, and Citizen Representative Lambert

MOTION CARRIED

10.1.4 External Auditor (Verbal), AC2021-0342

No report given.

10.1.5 City Auditor (Verbal), AC2021-0343

No report given.

10.2 URGENT BUSINESS

None

11. ADJOURNMENT

Moved by Councillor Farkas

That this meeting adjourn at 12:22 p.m.

MOTION CARRIED

The following items have been forwarded to the 2021 April 12 Combined Meeting of Council:

CONSENT

- City Auditor's Office 2020 Annual Report, AC2021-0314
- Data Analytics Program Update, AC2021-0376
- Cyber Security Incident Response Follow-up Audit, AC2021-0313

The next Regular Meeting of the Audit Committee is scheduled to be held on 2021 April 20 at 8:30 a.m.

CONFIRMED BY COMMITTEE ON

CHAIR

ACTING CITY CLERK

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0535
Page 1 of 3**

2020 Annual Investment Report

RECOMMENDATION(S):

That the Audit Committee:

1. Recommends Council approval of The City of Calgary 2020 Annual Investment Report; and
2. Forward report AC2021-0535 to the 2021 April 26 Strategic Meeting of Council.

HIGHLIGHTS

- As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2020 to meet investment objectives.
- In 2020, The City of Calgary's total investment portfolio (including internally and externally managed portfolios), returned 6.53 per cent after fees on a market value basis.
- The 2020 net portfolio return beat the benchmark return of 6.49 per cent by 4 basis points, and the 2020 the annual inflation rate for Canada of 0.73 per cent.
- On a four-year annualized basis, the total portfolio returns of 4.2 per cent exceeded the benchmark return of 4.0 per cent.
- Gross income generated by the investments was \$167.7 million.
- Investment related expenses were \$11.2 million.
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The City of Calgary Investment and Governance Policy CP2020-02 directs the investment of The City's assets, which as at December 31, 2020 the market value of The City's total investment portfolio was \$5.3 billion.
- The funds are managed in a series of asset classes which include Short-term liquidity, short-term fixed income, long-term fixed income, equities, and real assets (infrastructure).
- The funds are managed to meet the investment objectives of City funds. This includes return, liquidity and capital preservation requirements, as well as longer term growth to match funds with longer-term time horizons.
- The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☐ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☒ Stakeholder dialogue/relations were undertaken

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0535
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2020 Annual Investment Report

The Investment Advisory Committee, made up of senior City leadership and external members with industry experience, provides oversight of The City's investments and monitors compliance with all applicable policies and regulations. The 2020 Annual Investment Report on investment holdings and performance was reviewed and approved by the Investment Advisory Committee at its meeting held on 2021 April 1.

IMPLICATIONS

Social

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Environmental

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

Economic

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

Service and Financial Implications

No anticipated financial impact

Total investment income earned in 2020 was \$167.7 million compared to budget of \$98.3 million. There are no specific financial implications associated with this report.

RISK

The City of Calgary 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 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. Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

ATTACHMENT(S)

1. Attachment 1 – Background and Previous Council Direction
2. Attachment 2 – The City of Calgary 2020 Annual Investment Report

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0535
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2020 Annual Investment Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	CFOD	Approve

Background

The City of Calgary has allocated money to provide benefits for a variety of different purposes. While the monies are waiting to be disbursed the assets are invested to provide a rate of return in order to protect the funds from variety of different risks including but not limited to liability growth, cost inflation and preservation of principle. The City of Calgary Investment and Governance Policy CP2020-02 governs the investments of The City.

Context

City funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equity investments, and direct infrastructure equity investments, to meet the investment objectives of City funds. This includes return and liquidity requirements as well, to match funds with longer-term time horizons.

The Annual Investment Report is an integral component of The City's investment governance structure and risk oversight to ensure investments are optimally managed. This report provides a summary of 2020 investment activity, asset mix, asset class and investment manager performance, as well as compliance information for Audit Committee.

Previous Council Direction

Pursuant to The City of Calgary Investment and Governance Policy CP2020-02, Administration reports to Council annually, through the Audit Committee, regarding the investments of The City during the year.

DATE	REPORT NUMBER	DIRECTION/DESCRIPTION
2020 April 20	AC2020-0442	Chief Financial Officer's Report to Audit Committee 2019 Annual Investment Report

Bylaws, Regulations, Council Policies

City of Calgary Investment and Governance Policy CP2020-02

City of Calgary Investment and Governance Policy CP2020-02



2020 Annual Investment Report

Chief Financial Officer's Department



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Capital Market Review

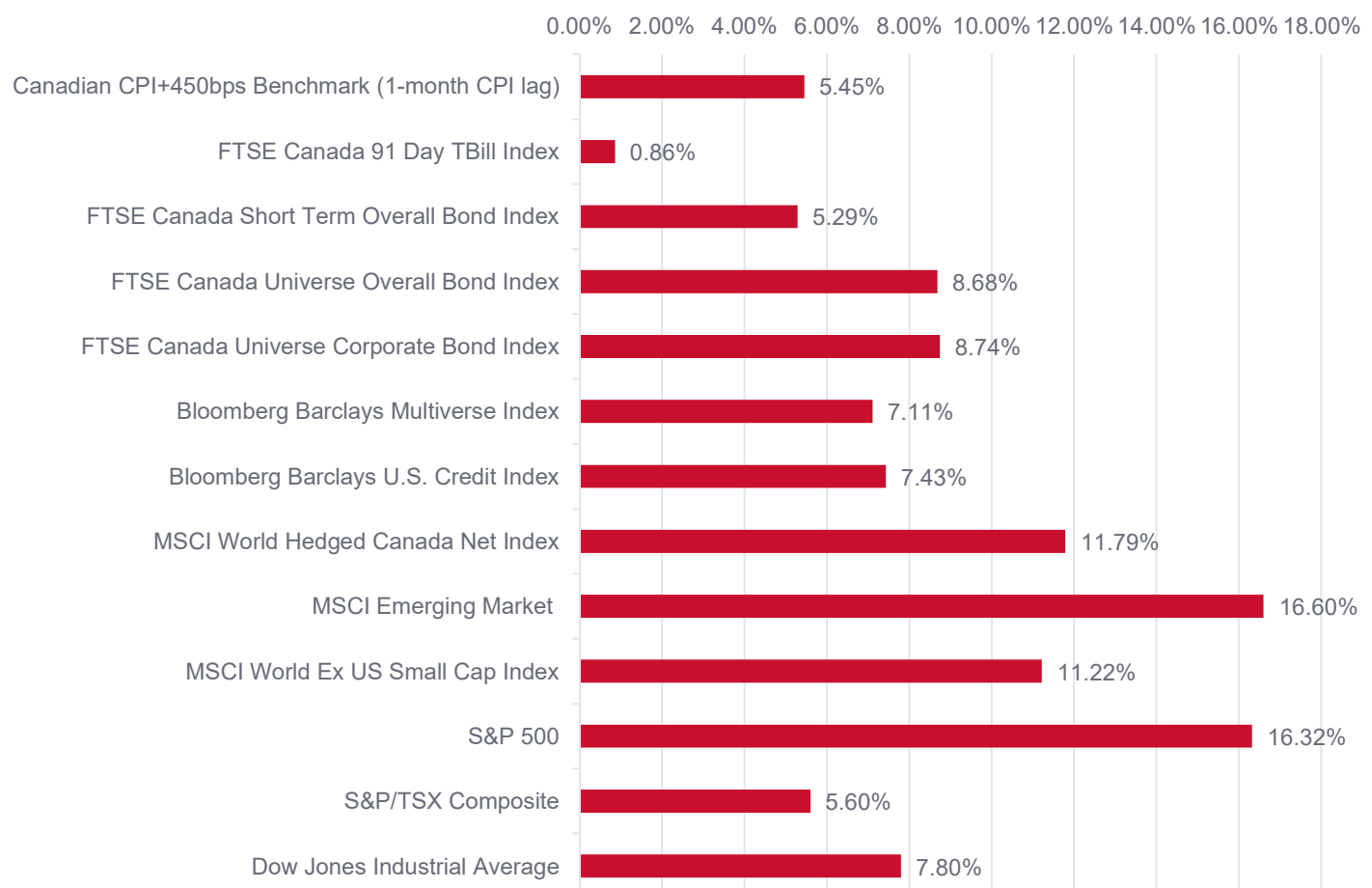
Capital markets had a turbulent and volatile year in 2020 as COVID-19 infections spread across the globe and many countries went into lockdowns to protect the health and safety of their citizens. The S&P 500 index dipped 33.8 per cent in March 2020 but markets rebounded in the second half as governments and central banks provided sizable stimulus relief along with relaxed lockdown measures. Global financial markets posted positive returns in Q4 2020, responding optimistically to the news of COVID-19 vaccine breakthroughs, the long-awaited Brexit completion, monetary and fiscal stimulus, and the U.S. election results.

As showcased in Figure 1.0, equities significantly outperformed fixed income assets, with the MSCI World Net Index returning 11.8 per cent and the FTSE Canada Universe Overall Bond Index returning 8.7 per cent. The bond market saw an increase in yields in Q4 across most maturities.

Crude oil prices increased more than 12 per cent in Q4 partly due to optimism over COVID vaccines and continued tightening of oil production by OPEC.

To help the economy recover from the COVID pandemic, the Federal Reserve kept rates close to zero. The Bank of Canada also reduced its overnight rate to 25 basis points (bps) to aid economic recovery and is expected to continue with its quantitative easing to support the Canadian financial market and keep yields low.

Figure 1.0 – 2020 Capital Market Returns (CAD)



Investment Objectives

The City has three core investment objectives that drive all strategic investment decisions:

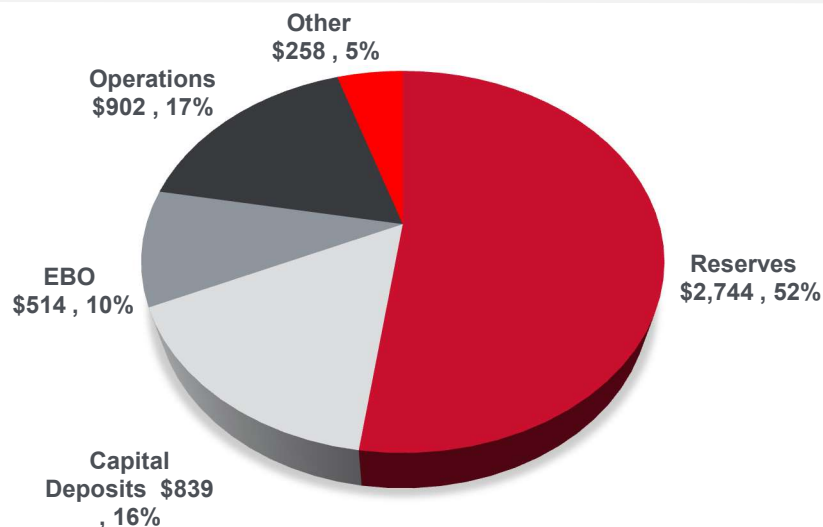
1. **Preservation of Capital**
 - a. Primary objective for total investment portfolio
2. **Risk Mitigation**
 - a. Diversification of asset classes and security holdings by sector, geography, and style
 - b. Policy constraints and limits
3. **Investment Returns**
 - a. Maximization of returns, relative to risk
 - b. Key considerations related to liquidity and investment time horizon requirements

Sources of Investments

The City of Calgary invests funds that stem from the following sources:

- **Reserves:** operating, capital and sustainment
- **Capital Deposits:** off-site levies and government grants
- **Funded Employee Benefit Obligations (EBO)**
- **General Operations**
- **Other:** trusts and affiliated entities

Figure 2.0 – 2020 Sources of Investments (\$ millions)



The above funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, private credit, commercial mortgages, global equities, and infrastructure investments. The allocation of source funds is executed in accordance with the investment objectives of The City.

Summary of Investments

As at December 31, 2020 the market value of The City's total investment portfolio was \$5.3 billion, up \$0.7 billion (\$0.3 billion – externally managed investment performance, \$0.4 – net contributions) from \$4.6 billion in 2019.

Figure 3.1 – Market Value of Assets Under Management (AUM) as at December 31, 2020 (\$ millions)

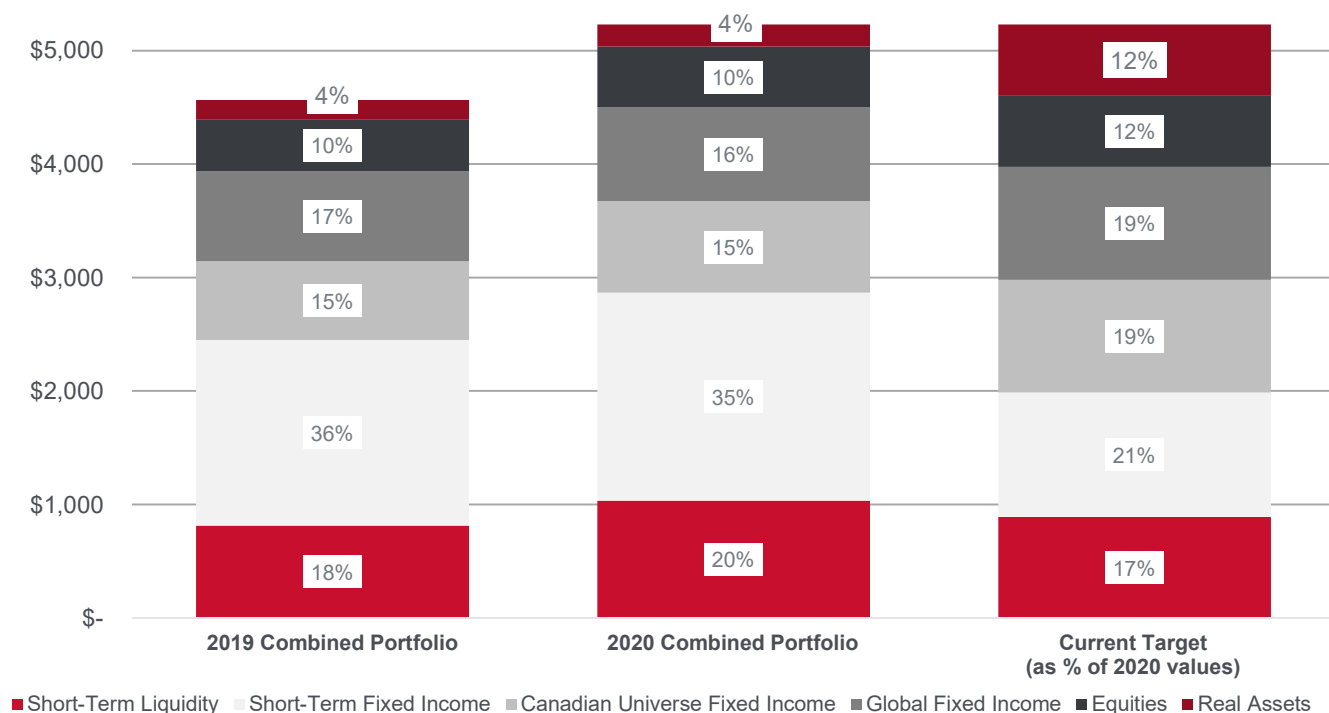
	2020	2019
Internal Management	1,034	815
Short-Term Liquidity*	1,034	815
External Management	4,222	3,769
Short-Term Fixed Income	1,833	1,634
Canadian Universe/Global Fixed Income	1,635	1,487
Equities	533	459
Real Assets	195	171
FX Overlay	26	18
Total Assets Under Management*	5,256	4,584

*Short-Term Liquidity balance is inclusive of \$159 million outstanding commercial paper.

The City's investment structure consists of internally and externally managed portfolios. Internal portfolios are managed to provide short-term liquidity for City funds, and as such, are invested primarily in money market securities, term deposits and short-term bonds.

Funds that are suitable for longer-term investment horizons are allocated to the externally managed Short-term Bond, Long-term Bond, Equity, and Infrastructure (Real Assets) portfolios.

Figure 4.0 – Asset Mix as at December 31, 2020 (\$ millions)



Investment Performance

In 2020, The City of Calgary's total portfolio (including internally and externally managed portfolios), returned 6.5 per cent after fees on a market value basis. The 2020 net portfolio return outperformed the benchmark by 4bps, and the annual inflation rate for Canada of 0.73 per cent.

Figure 5.1 – Portfolio versus Benchmark Return as at December 31, 2020

Investment Performance	2020 Return		4-Year Annualized Return	
	Portfolio	Benchmark	Portfolio	Benchmark
Infrastructure	6.4%	-0.6%	7.5%	6.4%
Equity	6.0%	13.9%	8.2%	10.5%
Private Credit	8.8%	8.6%		
Long-Term Bond (Global)	7.4%	7.4%		
Long-Term Bond (Universe)	9.6%	8.7%	5.1%	4.8%
Short-Term Bond	5.9%	5.2%	3.1%	2.9%
Total External Portfolio	7.0%	7.1%	4.9%	4.8%
Short-Term Liquidity	1.8%	0.9%	1.9%	1.1%
Total Portfolio	6.5%	6.5%	4.2%	4.0%

Note: 4-year data was not available for Global Long-Term bonds, Private Credit asset classes as mandates within the classification have inception dates in 2019.

Investment Policy Limits & Ranges

Figure 5.2 – Investment Policy Limits, Ranges and allocation as at December 31, 2020

Internal Investment Policy ¹		
Constraint	Ranges	Current Allocation
Short Term Liquidity	7 - 27%	19.7%
Short Term Fixed Income	16 - 26%	34.9%
Canadian Universe Fixed Income	14 - 24%	15.4%
Global Fixed Income	14 - 24%	15.8%
Real Assets	10 - 14%	3.7%
Equities	7 - 17%	10.1%

¹ Recommended constraints per Funds Policy approved by Investment Advisory committee (Effective July 1, 2020).

The total portfolio is transitioning to the new asset mix and allocations are being made to new mandates out of Short term fixed income. Once portfolio transition is complete, actual allocations will be in within ranges outlined in the investment policy statement.

Performance Measurement Benchmarks

The investment performance of all funds is reported to the Investment Advisory Committee on a quarterly basis and presented annually to The City's Audit Committee. Investment benchmarks are used for comparison purposes to assess the actual performance of The City's investment managers versus their respective performance benchmarks. Investment managers are expected to generate higher returns than the benchmark measure over a business cycle.

Short Term Fixed Income Portfolio

- FTSE TMX Canada Short Term Bond Index (Addenda, Connor, Clark & Lunn (CC&L), Phillips, Hager & North (PH&N), Sun Life)
- ICE BofAML US Treasury Bills 0-3 Months Index (BlackRock)

Canadian Universe Fixed Income Portfolio

- FTSE TMX Canada Universe Bond Index (BlackRock, PH&N, CC&L)

Global Fixed Income Portfolio

- Bloomberg Barclays US Credit Index (PIMCO)
- Bloomberg Barclays Capital Multiverse Index Unhedged (\$ CAD) (Manulife)
- Bloomberg Barclays Global Aggregate Bond Index (BlackRock)
- FTSE TMX Canada Universe Corporate Bond Index (Sun Life)
- S&P/LSTA Leveraged Loan Index (LLI) + 200 bps (Crestline)
- S&P European Leveraged Loan Index + 200 bps (Bridgepoint)

Equity Portfolio

- MSCI ACWI ex-US (CC&L)
- S&P 500 (Vanguard VOO)
- MSCI EM (Ashmore)
- MSCI World Small Cap (Wasatch)
- MSCI World for Global Low Volatility Equity (TDAM)

Infrastructure Portfolio

- CPI + 450 bps (Northleaf)
- Dow Jones Brookfield Global Infrastructure Net Comp Index (Brookfield)

Investment Income

In 2020, The City of Calgary's total portfolio generated \$165.4 million of investment income before allocations and fees. Investment income is based on realized gains/losses, interest and dividends and excludes unrealized gains/losses.

Annual Investment Income (\$ '000s) as at December 31	2019	2020
Allocations to Self-Supporting Business Units and Capital Deposits	43,097	51,954
Transfers to Reserves from Operations	41,019	46,991
Expenditures (net of receivables)	6,957	11,152
General Investment Income	120,389	57,622**
Corporate Total Investment Income	211,462	167,720

**In 2020, overall investment portfolio generated general investment income of \$57.6 million versus budgeted income target of \$36 million and excess income of \$21.6 million was allocated to the Established Area Growth Change Strategy Reserve. Fidelity equity mandate was liquidated in 2019 and it led to realization of previously unrealized gains of approximately \$60 million, resulting in higher investment income in 2019 versus 2020.

Short Term Liquidity

The Short Term Liquidity portfolio is invested in a combination of corporate and bank paper, term deposits, and short-term government and corporate bonds. All investments in the Short Term Liquidity portfolio mature in less than two years. 2020 overnight cash balances were significantly higher than usual due to better bank rates compared to high credit quality short term instruments available in the market.

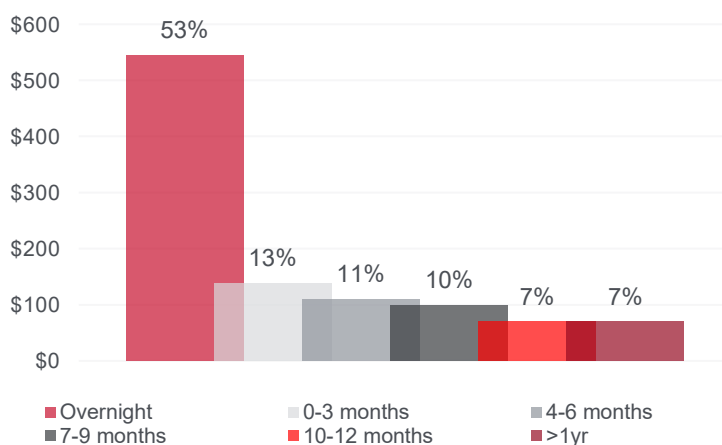
Manager: The City of Calgary, Treasury

Mandate: To generate investment income while preserving capital and providing liquidity for the cash flow requirements of all City funds.

Cash Flow Management Strategy

Forecasting of short and long-term cash flows is a critical input in the investment management process. In order to meet The City's investment objectives, the cash flow forecast is utilized for liquidity management purposes and investment decision making. The cash management strategy is largely influenced by the interest rate environment. Treasury continuously assesses the benefits of holding overnight balances with the bank against returns available through short-term investment vehicles, while also taking into account liquidity requirements. With high overnight cash balances, The City is able to access the top tier overnight interest rate offered by the banks, while also maintaining certainty of cash availability.

Figure 6.1 – Maturity Ladder as at December 31, 2020



Short Term Liquidity Portfolio Returns

The internally managed portfolio returned 1.8 per cent in 2020, outperforming the benchmark return of 0.9 per cent. This is in line with the annualized 4-year return of 1.9 per cent.

The excess return achieved by the internal portfolio is largely attributed to a longer term to maturity versus benchmark, credit exposure, and the illiquidity premium received on the term deposits held.

Figure 6.2 – 2020 Annual Portfolio Return vs Benchmark*
(* Performance shown in figure 6.2 excludes return on cash; realized return with cash is 1.3 per cent)

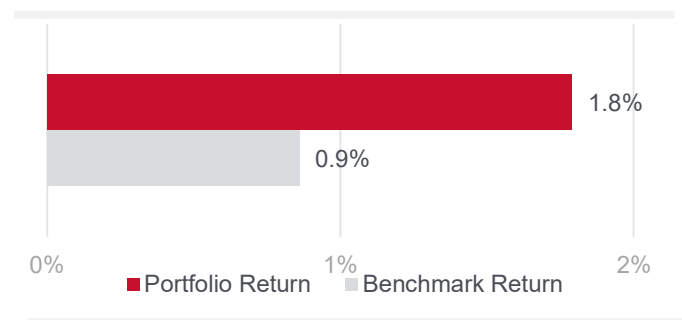


Figure 6.3 – Portfolio Asset Type as at December 31, 2020



Figure 6.4 – Credit Quality of Assets in Portfolio as at December 31, 2020



Fixed Income

Global Long Term bonds returned 7.4 per cent, slightly exceeding the benchmark return by 1 basis point. Canadian Universe & Short Term bonds beat their benchmarks, returning 9.6 per cent and 5.9 per cent respectively (Figure 7.1). Private Credit returned 8.8 per cent and outperformed the benchmark return by 23 bps. Portfolio saw gains from price appreciation as yields fell and credit spread compression.

Short Term Bond Portfolio

Mandate: Investment in a diversified portfolio of short-term fixed income securities with an average term to maturity of three to five years. This portfolio includes commercial mortgage mandates.

Figure 7.1 – 2020 Annual Portfolio Return vs Benchmark

Short-Term Bond Portfolio			
Manager	AUM (millions)	Portfolio Return	Benchmark Return
Total Short Term Bonds	1,833.2	5.9%	5.2%
Addenda	121.7	5.8%	5.3%
BlackRock	28.3	-0.2%	-1.2%
Connor Clark & Lunn	667.7	6.0%	5.3%
Phillips, Hager & North	542.8	6.4%	5.3%
Phillips, Hager & North - MPT	361.7	5.6%	5.3%
Sun Life	111.0	7.3%	5.3%

Long Term Bond Portfolio

Mandate: Investment in a diversified portfolio of fixed income securities with an average term to maturity of seven to ten years. This portfolio includes private credit mandates (3-year terms; longer lock-up period).

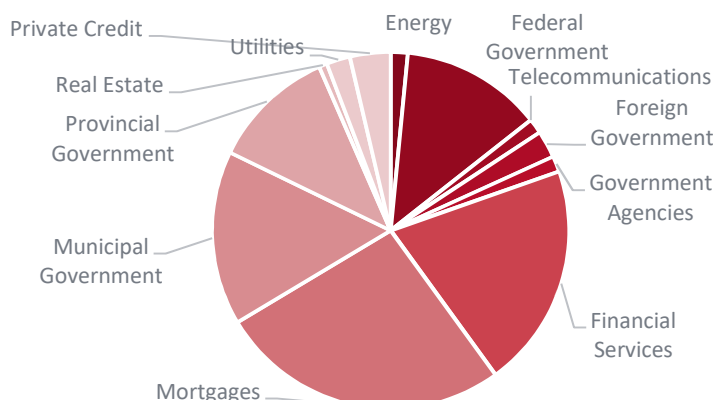
Private Credit Portfolio Average Credit Ratings¹:

Crestline: Ba/B
Bridgepoint: B/B-
Sun Life: A

¹ Estimated average portfolio credit rating

Long-Term Bond Portfolio			
Manager	AUM (millions)	Portfolio Return	Benchmark Return
Total Universe	690.1	9.6%	8.7%
Phillips, Hager & North	259.8	10.4%	8.7%
Connor Clark & Lunn	255.0	9.6%	8.7%
BlackRock	175.3	8.6%	8.7%
Total Global	706.7	7.4%	7.4%
PIMCO	402.3	7.6%	7.4%
Manulife	166.7	8.3%	7.1%
BlackRock FIGO	137.7	5.6%	7.3%
Total Private Debt	238.1	8.8%	8.6%
Sun Life	167.0	8.7%	8.7%
Crestline	35.9	7.5%	3.3%
Bridgepoint (former EQT)	35.2	12.4%	11.6%

Figure 7.2 – Industry Exposure of Top 20 Fixed Income Names by Market Value



Note: All figures reflect values as at December 31, 2020 unless otherwise specified

Geographic Exposure – Top Five (\$millions)

1. Canada	2,605.0
2. United States	737.0
3. Europe	30.8
4. Japan	12.1
5. United Kingdom	11.6

Name Exposure – Top Five (\$millions)

1. Province of Ontario	305.5
2. Government of Canada	227.3
3. Province of Quebec	120.0
4. Royal Bank of Canada	103.3
5. Bank of Montreal	91.1

Equity

The City's Total Equity portfolio generated returns of 6.0 per cent versus the benchmark return of 13.9 per cent in (Figure 8.1). Most of the strategies either exceeded their benchmark return or were not too far behind it with the exception of TDAM's Global Low Volatility strategy. TDAM accounted for 23 per cent of the total investment in equities at the end of Q4 2020. This strategy underperformed its benchmark due to a large underweight in consumer discretionary and information technology sectors which posted very positive returns in 2020. This mandate was terminated in March 2021 as it did not fit in the revised equity structure implemented in 2019-20. The most significant driver of underperformance for Ashmore was the allocation to Chinese equities which detracted 463 bps vs benchmark.

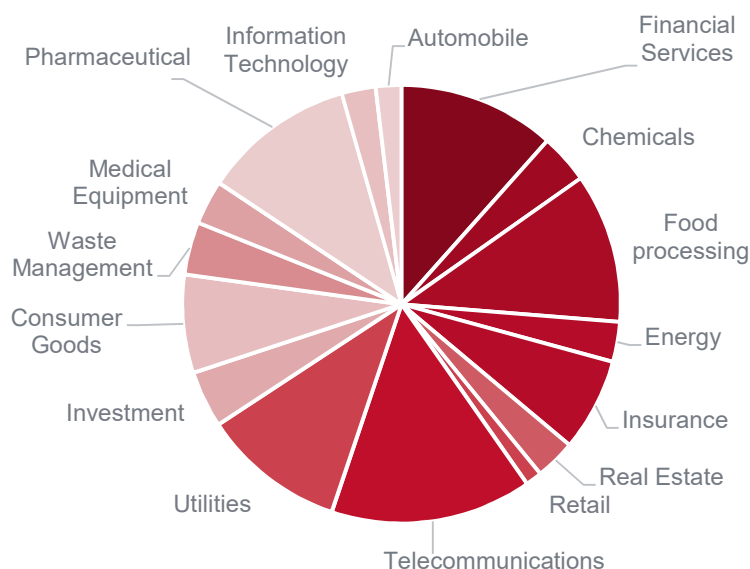
Equity Portfolio

Mandate: Investment in a diversified portfolio of Global equities located in developed and emerging markets to achieve long-term capital appreciation and inflation protection.

Figure 8.1 – 2020 Annual Portfolio Return vs Benchmark

Equity Portfolio			
Manager	AUM (millions)	Portfolio Return	Benchmark Return
Total Equity Portfolio	533.0	6.0%	13.9%
Ashmore EM	87.0	12.2%	16.6%
Connor Clark & Lunn Intl.	127.0	12.0%	9.2%
TD Asset Management Global	121.5	-8.7%	13.9%
Vanguard VOO U.S.	115.8	16.3%	16.3%
Wasatch	81.8	22.8%	18.6%

Figure 8.2 – Industry Exposure of Top 20 Equity Names by Market Value



Geographic Exposure – Top Five (\$millions)

1. United States	95.2
2. Japan	23.6
3. Canada	21.4
4. Europe	13.7
5. Switzerland	12.5

Name Exposure – Top Five (\$millions)

1. Taiwan Semiconductor	11.1
2. Samsung Electronics	8.9
3. Alibaba Group	8.3
4. Apple Inc	7.9
5. Microsoft Corp	7.3

Note: All figures reflect values as at December 31, 2020 unless otherwise specified

Infrastructure

As of December 31, 2020, Northleaf had called over 87 per cent of The City's \$125 million committed capital and generated positive returns of 12.8 per cent, exceeding the benchmark return of 5.5 per cent in 2020. Brookfield exceeded its benchmark return of -11.1 per cent but ended the year with a negative return of -4.7 per cent. COVID lockdowns adversely impacted the volume-linked assets in Brookfield's mandate.

Figure 9.0 – 2020 Annual Portfolio Return vs Benchmark

Mandate: Investment in core infrastructure assets to provide inflation protection and diversification in risk-seeking assets.

Infrastructure Portfolio			
Manager	AUM (millions)	Portfolio Return	Benchmark Return
Total Infrastructure	194.5	6.4%	-0.6%
Brookfield IM	62.0	-4.7%	-11.1%
Northleaf Capital Partners	132.5	12.8%	5.5%

Currency Overlay

The notional value to which BNP Paribas AM manages the portfolio is based on the foreign currency exposures of The City's underlying portfolio, excluding all non-CAD exposures that represent less than one per cent of the NAV of the portfolio. BNPP AM reviews net foreign currency exposures for The City's portfolio on a monthly basis, and at their discretion, implements a hedge of between 0 and 100 per cent for each underlying currency exposure. The portfolio outperformed the prior 90% passive hedge benchmark by 97 bps.

Manager: BNP Paribas Asset Management

Mandate: To reduce the occurrence of negative returns due to foreign currency exposure in externally managed accounts.

Benchmark: Zero Benchmark (passive)

Figure 10.0 – 2020 Annual Portfolio Return vs Benchmark

% Return	Q4 2020	YTD (%)
Portfolio	1.2	0.8
Benchmark	0.0	0.0
Excess Return	1.2	0.8

Portfolio Currency Exposures (CAD \$ millions)					
As Of Date	31-Mar-21		31-Dec-20		
Currency	Market Value	% Exposure	Market Value	% Exposure	% Average Hedge Ratio
CAD	149.0	12%	140.4	16%	
USD	792.4	66%	614.6	68%	11.0
AUD	29.2	2%	24.5	3%	72.9
EUR	102.2	8%	75.3	8%	49.6
JPY	40.7	3%	17.3	2%	41.3
CHF	16.5	1%	11.9	1%	63.5
GBP	23.1	2%	16.5	2%	30.6
HKD	37.1	3%	0.0	0%	
KRW	14.2	1%	0.0	0%	
Total Notional Value	1204.4	100%	900.4	100%	

2021 Economic & Capital Market Outlook

The global economy is forecasted by Capital Economics to grow by 6.8 per cent in 2021 following a contraction of 3.9 per cent last year. The economic recovery is expected to be rapid throughout most of the world with emerging Asia leading the way and advanced economies bouncing back strong. The recovery will be driven by a number of factors, including the expansion of vaccination efforts, loosening of lockdowns, resumption of travel, increased business investment and consumer spending. World trade should grow by more than 8 per cent, recouping much of what was lost in 2020 (-9.6%). Debt levels are at record highs in many countries and will continue to increase as governments continue to provide ample stimulus and corporations take advantage of low borrowing rates. Household debt levels have been reduced in many developed economies as consumers spent less in 2020 and received generous government benefits. Central banks throughout all major economies are expected to hold off on raising their policy interest rates until 2022 at the earliest, more likely 2023 (or later). This will be possible because inflation rates remain subdued globally. Current central bank policy rates are as follows: USA (0-0.25%); Canada (0.25%); Eurozone (-0.50%); Japan (-0.10%); UK (0.10%).

The Canadian economy is forecasted to expand by 5.3 per cent in 2021 following the worst year on record in which the country posted gross domestic product (GDP) growth of -5.4 per cent. This expansion will be driven by household consumption, private fixed investment and growth in exports. The energy sector should see improved performance as current oil prices are already significantly higher than the forecasted average price of \$57.24 per barrel provided by the U.S. Energy Information Administration. Canada's debt level will continue to be a concern as it reached 294 per cent of GDP in 2020 and is significantly higher than America's 250 per cent. Canadian equities are expected to outperform and return 15 per cent for the year as the economy gathers pace. Canadian Universe fixed income (longer-term bonds) returns will likely only be approximately 1 per cent as mid-to-long-term yields continue to rise, putting downward pressure on bond prices.

The United States economy is expected expand by more than 5 per cent following a comparatively moderate contraction of 3.6 per cent last year. This growth will be accelerated by the massive \$1.9 trillion stimulus passed in March 2021 as well as a very successful, and rapidly expanding, vaccination effort. American equities are expected to produce total returns of 11 per cent for the year while aggregate fixed income returns should be approximately 1.5 per cent. The Euro Zone is forecasted to post GDP growth of 5.0 per cent which is welcome news following last year's recession where GDP contracted by 7.5 per cent. Emerging market economies are expected to see overall growth of more than 7.5 per cent led by China's 10.0 per cent forecasted growth rate. The Chinese economy will be driven by consumer spending and continued government intervention while the issue of unsustainable debt levels, similar to Canada's, remains unresolved.

The outlook for global growth is very positive with most economies expected to experience rapid expansions and recover much of last year's losses. This should lead to double-digit equity returns in most developed countries and emerging market returns in excess of 15 per cent. This will contrast with lower fixed income returns as yields are near record lows and bond prices will gradually decline as yields rise. Alternative investments should continue to outperform in 2021, especially real assets, private equity and private debt.

Investment Governance

The City's *Investment & Governance Policy (CP2020-02)* articulates the governance framework for the management of City investments. It sets out the accountability, reporting, and disclosure requirements for all investment activity. This policy establishes the roles and responsibilities of Council, the Investment Advisory Committee (IAC), Administration, and external investment managers regarding the management of portfolio investments.

The IAC oversees The City's investment program to ensure that investments are effectively managed in accordance with legislation, Council-approved policies, and industry best practices. In 2020, The City completed a comprehensive investment strategy review which resulted in a new *Investment & Governance Policy*, approved by Council in June 2020. The review entailed a major examination of City funds and obligations including operating and capital requirements, capital deposits, and short-term liquidity to fully understand the characteristics, including risk tolerance, time horizon, and liquidity requirements of these funds. A new internal Funds Policy established objectives and asset mixes for each source of funds under management. The internal Investment Portfolios Policy provides detail on how each asset class portfolio is managed. The revised aggregate asset mix has the potential to increase sector and geographic diversification of assets to mitigate investment risks and increase risk-adjusted returns.

Environmental, Social, and Governance (ESG) Considerations

ESG refers to three key factors in the investment process that can impact the financial value and sustainability of an investment. These factors are environmental, social, and corporate governance.

Factoring good governance and sustainable business practices into the investment process is becoming common practice in the institutional investment industry. Studies of stock returns indicate a positive correlation between stock price performance and a company's rating on an ESG index. More recent studies show that as ESG factor screens become more prevalent in the industry, companies with poor governance do not attract wide-scale investment and returns may suffer as a result.

Good governance takes many forms. It includes following local environmental regulations, labour and safety standards, as well as sound corporate board and executive management structures. An important component of ESG and sustainable investing is engagement with company management. Institutional investors can exercise influence over companies by engaging in dialogue with them and taking an active role in proxy voting. Shareholders can use their influence and voting authority to modify a company's ESG practices to enhance long-term value.

When The City of Calgary is selecting or reviewing an external investment manager The City monitors how ESG is implemented not only in the execution of investment management decisions but also how the investment manager implements ESG in its own operations. Most of The City's investment mandates include fundamental analysis where The City's managers meet directly with external investment managers to gain a thorough understanding of their structure and business practices. By partnering with like-minded investment managers, The City can ensure its corporate values are reflected in its investment holdings.

Risk Management and Compliance

The City manages investment risk through a sound governance framework and comprehensive investment policies. These policies define investment objectives, appropriate diversification requirements, eligible asset classes and security instruments, investment strategies, and quality and quantity constraints.

The City's primary risk management tool is effective governance of funds with strategic implementation and diversification at both the security and portfolio level. Investment managers apply rigorous investment analysis and practices to select securities and construct portfolios that are diversified among security types, maturity dates, issuers, industry sectors, and geographically by country and region. Additionally, The City constructs a total portfolio of diverse strategies, asset classes, and investment manager styles. A prudently diversified portfolio should reduce the overall impact if performance from any one security, asset class, or investment manager underperforms.

When investing in the capital markets some risk is inevitable. This includes liquidity, market, credit, and interest rate risk from inflation and rising interest rates. The key is to identify and understand the risks being accepted. The City monitors advanced risk metrics at both the manager and total portfolio level to ensure that the level of risk taken is in line with The City's risk tolerance and that The City is meeting its investment objectives.

The City's investments are held electronically at a securities custodian. One control the custodian provides is independent, third-party settling and reporting of all trades which protects The City's investable assets. The custodian provides independent verification of all accounting information and security holdings. The City also receives third-party performance measurement and reporting. Return performance reported by The City's investment managers is verified and compared against both market benchmarks and peers which allows The City to effectively evaluate manager performance.

Compliance statements from investment managers are received quarterly. Compliance statements are verified and maintained by Treasury. During the year, all investments complied with the Municipal Government Act, the Major Cities Investment Regulation and The City of Calgary's investment policies.

Expense Management

The City uses external investment managers to manage much of its investments. These managers are carefully selected and monitored by its own team of internal investment managers. External managers can provide expertise in more specialized asset classes and have a great deal of resources in terms of investment personnel, other professionals, and systems. The size of The City's portfolio and allocations is such that it can receive very favourable pricing when investing in these funds. In 2020, The City spent approximately \$9 million on external manager fees.

As part of the governance framework, cost effectiveness is assessed through annual participation in surveys conducted by CEM Benchmarking and Municipal Benchmarking Network Canada. Participation in cost benchmarking services provides The City with a comparison of investment management costs against other municipalities.

In 2019¹, external investment manager costs were 32.4 bps, 6.6 bps higher than the benchmark cost of 25.8 bps but 16.5 bps lower than Canadian median of funds that participated in the CEM benchmarking survey. The City's investment portfolio has a significantly different asset mix than other cities.

¹ CEM Benchmarking data for 2020 will become available in Q4 of 2021.

Investment Advisory Committee Members

The Investment Advisory Committee provides advice and risk oversight on The City's investments including the investment structure, implementation strategies, monitoring of performance, and compliance.

Internal Members *(as at December 31, 2020)*

- Carla Male (Chair), CPA, CA - Chief Financial Officer
- David Duckworth, P. Eng, MBA – City Manager
- Les Tochor, CPA, CA – City Treasurer and Director of Finance
- Katie Black, MSW – Acting General Manager, Community Services

External Members *(as at December 31, 2020)*

- Dr. Michael Robinson, MBA, Ph.D., CFA, ICD.D - *Haskayne School of Business*, Professor of Entrepreneurial Finance
- Ian Bourne, B.Comm, ICD.D - Corporate Director
- Delicia Teo, CFA – Portfolio Manager, City of Edmonton

Definitions/Glossary

Term	Description
Benchmark	A standard against which the performance of an investment manager can be measured. Generally, broad market stock and bond indexes are used for this purpose.
Diversification	<p>A risk-management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and result in lower price volatility than individual investments found within the portfolio.</p> <p>Diversification strives to smooth unsystematic risk events in a portfolio so that the positive performance of some investments will neutralize the negative performance of others. Therefore, the benefits of diversification will hold if the securities in the portfolio are not perfectly correlated.</p>
Infrastructure Investments	Investments in Canadian and global businesses that focus on a variety of public sponsored and private quality infrastructure assets such as toll roads, utilities, renewable energy, communications, and transportation and healthcare facilities.
Investment Managers	Those firms or individuals appointed by the Chief Financial Officer for the investment of each Fund's assets. Includes both internal and external managers.
Market Value	The price at which a security is trading in the open market.
Portfolio	Collection of assets held by an investor.
Rate of Return	The gain or loss of an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments include any income received from the security, plus realized and unrealized capital gains.
Risk-Adjusted Return	A standardized measure of investment return based on an adjustment for the level of risk involved in generating that return.

Reference Documents

Document Name	Approved By	Updated/Approved
<i>Investment & Governance Policy (CP2020-02)</i>	Council	June 2020
<i>Funds Policy</i>	Chief Financial Officer	June 2020
<i>Investment Portfolios Policy</i>	Chief Financial Officer	June 2020

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0485
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The City of Calgary 2020 Annual Report

RECOMMENDATION(S):

That the Audit Committee:

1. Consider this report in conjunction with Report AC2021-0560 "2020 External Auditor's Year-End Report";
2. Recommends Council approval of The City of Calgary 2020 Annual Report, and
3. Forward to Council as a matter of urgent business to the 2021 April 26 Strategic Meeting of Council.

HIGHLIGHTS

- Council approval of The City of Calgary 2020 Annual Report is required to comply with Section 276(3) of the Municipal Government Act which states that each Municipality must make its financial statements available publically May 1 of the year following the year for which the statements have been prepared.
- It is recommended that the report be forwarded as an item of urgent business to the 2021 April 26 Strategic Meeting of Council in order that the legislated timeline for financial statements to be available to the public be met.
- The City of Calgary 2020 Annual Report includes the 2020 consolidated financial statements which have been audited, by Deloitte LLP, Chartered Professional Accountants and received an unmodified audit opinion. Once the Annual Report has been approved by Council, a Report to Citizens will be placed in the Calgary Herald summarizing the financial information, as well as details for where the public can obtain complete copies of the Annual Report. The Annual Report will also be available electronically on www.calgary.ca.
- The 2020 External Auditor's Year End Audit Report is required for the Audit Committee to fulfill its audit governance responsibilities, with respect to confirming the integrity of The City's Annual Financial Statements and recommending its approval to Council. The External Auditor's Year-End Audit Report will be brought forward to Council as report AC2021-0560. Financial Reporting compliance with provincial legislation is essential to ensure public confidence and fulfill the public's need for transparency and accountability.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

The City of Calgary 2020 Annual Report ("Annual Report") will be published in a one-book landscape format. The publication provides readers with financial and operational information for 2020, as well as Outlook information for 2021 and beyond.

**Chief Financial Officer's Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0485
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The City of Calgary 2020 Annual Report

Summary of Financial Results:

The Public Sector Accounting Standards reporting model prescribes five indicators of performance:

1. Net Financial Assets (Debt);
2. Accumulated Surplus (Deficit);
3. Annual Surplus (Deficit);
4. Cash Flow in the Year; and
5. Change in Net Financial Assets (Debt) in the Year.

Together, these indicators help the reader understand how well The City has managed its finances in the year and where The City stands in terms of resources held and debts owed at the end of the year.

The 2020 consolidated financial statements of The City of Calgary continue to reflect a strong and healthy financial picture of a municipality investing in infrastructure.

Each of the five indicators of financial health is described in detail, below:

On the Consolidated Statement of Financial Position:

1. Net Financial Assets: calculated as total financial assets less financial liabilities. The focus on financial assets as separate from non-financial assets is critical, as financial assets can be used to discharge liabilities or provide services, while non-financial assets are normally only used to provide services in the future. The City has a net financial assets position of \$2,790 million. This is an increase of \$333 million from the net financial asset position of \$2,457 million at the end of 2019. This means The City has more financial assets than financial liabilities (including debt). This is primarily due to increases in cash, investments, land inventory, other assets and investment in ENMAX Corporation. Financial assets are partially offset by an increase in bank indebtedness, deferred revenue, capital deposits, employee benefit obligations and provision for landfill rehabilitation.
2. Accumulated Surplus: This indicator represents The City's total net economic resources, both financial and non-financial and it is the sum of net financial performance since inception. The City has an accumulated surplus of \$21,817 million as at December 31, 2020, comprised of \$2,790 million in net financial assets and \$19,027 million in non-financial assets. This surplus means that there are net resources (both financial and physical) that can be used to provide future services. This total accumulated surplus also indicates that, over time, The City has raised enough funds to cover annual operations and contributions to capital programs and that borrowing has been for capital purposes only. A further breakdown of the elements of the accumulated surplus is provided in Note 17 of the consolidated financial statements.

Chief Financial Officer's Report to
Audit Committee
2021 April 20

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The City of Calgary 2020 Annual Report

On the Consolidated Statement of Operations and Accumulated Surplus:

3. Annual Surplus: The City has an annual surplus position of \$792 million, meaning enough funds were raised in the year to afford the total cost of providing services and a contribution to investment in new capital assets in the year.

On the Consolidated Statement of Cash Flows:

4. Cash flow in the year: The increase in cash and cash equivalents of \$369 million in the year represents that, from a cash perspective, The City raised enough cash to afford the required cash outflows in the year. Cash was raised through \$1,356 million in operating activities and \$134 million in financing activities. Cash was spent through a combination of \$982 million in capital activities, and \$139 million in investing activities.

On the Consolidated Statement of Changes in Net Financial Assets:

5. Change in Net Financial Assets in the year: From December 31, 2019 to December 31, 2020, The City increased its net financial asset position by \$333 million, from \$2,457 million in 2019 to \$2,790 million in 2020. The change in the year is a measure of whether the revenues raised were sufficient to cover the spending in the year, including any capital spending to acquire new assets. The increase in the year was primarily a result of the excess of 2020 revenues over expenses and amortization of existing tangible capital assets, less the acquisition and contributions of new capital assets in the year.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☐ Stakeholder dialogue/relations were undertaken

IMPLICATIONS

Social, Environmental, Economic (External)

The Annual Report demonstrates The City's accomplishments in 2020 in the areas:

- COVID-19 pandemic response;
- Managing our budget;
- Supporting businesses and the community; and
- Advancing strategic investments

Chief Financial Officer's Report to
Audit Committee
2021 April 20

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The City of Calgary 2020 Annual Report

Service and Financial Implications

Current and Future Operating Budget:

There are no anticipated financial implications as a result of implementing these recommendations.

Current and Future Capital Budget:

There are no anticipated financial implications as a result of implementing these recommendations.

RISK

Each municipality must make its financial statements, or a summary of them, and the auditor's report of the financial statements available to the public by May 1 of the year following the year for which the financial statements have been prepared. If Council does not approve this report at the 2021 April 26 Strategic Meeting of Council, then The City would not be in compliance with this legislative requirement.

ATTACHMENT(S)

1. Previous Council Direction and Background
2. The City of Calgary 2020 Annual Report

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	CFOD	Approve

Background

Section 276(1)(a) specifies that the financial statements be prepared in accordance with “Canadian generally accepted accounting principles for municipal governments, which are the standards approved by the Public Sector Accounting Board included in the CPA Canada Public Sector Accounting Handbook published by the Chartered Professional Accountants of Canada, as amended from time to time”.

Further to this, Section 276(3) of the Municipal Government Act provides:

“Each municipality must make its financial statements, or a summary of them, and the auditor’s report of the financial statements available to the public in the manner the Council considers appropriate by May 1 of the year following the year for which the financial statements have been prepared.”

Previous Council Direction

The Audit Committee’s Terms of Reference (included in Bylaw 33M2020) as approved by Audit Committee and Council, state that the Audit Committee, with respect to The City’s Financial Disclosure and Accounting Practices:

- a) Reviews and oversees the integrity of the annual financial statements and recommends their approval to Council;
- b) Reviews and discusses The City’s compliance with financial reporting, policies and procedures with Administration and the External Auditor;
- c) Engages Administration and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results;
- d) In consultation with the Chief Financial Officer and External Auditor, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed analysis, prepared by Administration, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested; and
- e) Maintains open lines of communication with the External Auditor and Administration.
- f) Must meet with the Chief Financial Officer, in the absence of the External Auditor, at least quarterly.

Calgary



AC2021-0485
ATTACHMENT 2

MOVING FORWARD TOGETHER



The City of Calgary 2020 Annual Report

Calgary, Alberta, Canada | For the year ended December 31, 2020

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The City of Calgary, Alberta | ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020
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 CALGARY AT A GLANCE well and what needs improvement. This year, 2,500 Calgarians, 18 and older, provided their thoughts. Complete Citizen Satisfaction Survey results are available on calgary.ca/citsat.

QUALITY OF LIFE IN CALGARY

79%

rate their quality of life
as good

77%

agree Calgary is a great
place to make a life

58%

agree Calgary is a great
place to make a living

70%

agree Calgary is on the
right track to be a better
city 10 years from now

COVID-19



78%

agree COVID-19
is a threat to their
physical health



78%

agree COVID-19
is a threat to their
mental health



76%

agree COVID-19
is a threat to
their financial
situation

CITY SERVICES



67%

are satisfied with
the overall level
and quality of
City services and
programs



75%

are
satisfied with the
overall level and
quality of customer
service provided by
The City of Calgary

PERCEPTIONS ABOUT CITY PERFORMANCE & TRANSPARENCY

Admin + Council

69%

of citizens are satisfied
with the way Council and
Administration are running
The City

Perceptions of Transparency and Citizen Input (two measures):

73%

of Calgarians
agree that The City of
Calgary practices open and
accessible government

67%

of Calgarians
agree that The City uses
input from Calgarians in
decision-making about City
projects and services

CALGARY AT A GLANCE

1,306,700*

Population

1,115 km

City pathways

1.6%

Population growth

26

City-supported events

37*

Median age

\$457,997

MLS average selling price

11.7%

Unemployment rate

2,716

Single family housing starts

848 km²

City area

\$3.4 billion

Value of building
permits issued

(*Corporate Economics estimate)

MESSAGE FROM THE MAYOR

We've never seen a year like 2020 before, and it's my sincere hope that we'll never see one quite like that again. Our city endured through a global pandemic that, in 2020 alone, took the lives of almost 300 of our friends, family members and neighbours. With this invisible threat already looming over us, we also experienced the June 13 hailstorm, which was the fourth costliest natural disaster in Canadian history, and devastated homes across our city's northeast communities. At the same time, Calgarians continued to work our way through an economic recovery, made worse by the 2020 oil price war, which resulted in negative prices of our biggest commodity for several weeks. Each of these moments happened against the backdrop of an ongoing mental health and addictions crisis affecting Calgary and the rest of our country.

It's safe to say that 2020 was a challenging year.

And yet, through all of this, Calgary and Calgarians continued to shine, making progress and showing the resilience that has been at the core of our character and success these past 125 years.

Spurred on by the horrific murders of Breonna Taylor and George Floyd in the United States, activists around the world rose up to further a conversation about the systemic racism inherent in our systems. In Calgary, this brought about a

conversation about what it means to move from a place of being "not racist", towards an understanding of what it means to be truly "anti-racist." The voices that came forward, that spoke up about their experience, and that continue to guide this movement were given a platform, and one I hope continues to be there for them in 2021 and beyond.

At The City of Calgary, we acted quickly when the pandemic struck. We put in place business supports, launched #SupportLocalYYC, created adaptive outdoor spaces, and brought in a mask bylaw, all to try and reduce the spread and keep the day-to-day lives of as many Calgarians as we could intact. It wasn't easy, and it wasn't always smooth, but your City Council, and our City Administration knew that keeping the citizen at the centre of what we do would be the only way we could continue to deliver the services Calgarians count on at one of the lowest tax rates in the country.

Throughout those trying 10 months, and into the early months here in 2021, I have continued to be astonished at the resolve, resilience and strength the people of this city have shown. You've acted to keep one another safe, and you've shown that there is nothing that can dampen your support for one another.

Thanks to our advocacy to the federal government, municipalities received the financial supports required to keep up our operations, which made possible our 2021 budget. In case you missed that news, Calgary City Council approved a 1.77 per cent decrease in our tax rates. With everything we've been through, it was the right thing to do.

Throughout this report, you'll find examples of the great work that my colleagues at The City of Calgary have undertaken to fulfill that simple, yet powerful, mantra we all live by—making life better every day.



There is much work ahead, and the pandemic is far from over, but I can say in my 10 years as your Mayor, I've never been prouder to be in this position. None of it would be possible without the spirit and civic pride of Calgarians, and that's something I'll never take for granted.

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/cityclerks

CITY OF CALGARY COMMITTEES

In 2020, 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 2020, Council recommended appointments to various boards, commissions, committees and other bodies when vacancies occurred throughout the year following Council's Organizational Meeting in October 2019.

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
(Retired as of Oct. 2020)



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

I think everyone would agree that Calgary has changed significantly in the last five years, and 2020 brought all of us both new challenges and new opportunities for transformation. During the COVID-19 pandemic, our city and our organization have learned to adapt and innovate together. The City of Calgary discovered new ways to deliver our services and provide value to citizens with a focus on safety, wellness and innovation at the core.

Due to the unique circumstances that were brought to the forefront by the pandemic, The City of Calgary focused our attention on four key areas:

- COVID-19 pandemic response
- Managing our budget
- Supporting businesses and the community
- Advancing strategic investments

Despite the year's hardships, Calgary still remains one of the most liveable places in the world, named the top in North America by *The Economist* Intelligence Unit. In 2020, we took bold action in managing our budgets to support Calgary's economic recovery and COVID-19 response. Taking a least-harm approach to those services citizens continue to rely on every day, we worked incredibly hard to further reduce costs while continuing to modernize services and invest in key priorities to better serve the changing needs of Calgarians.

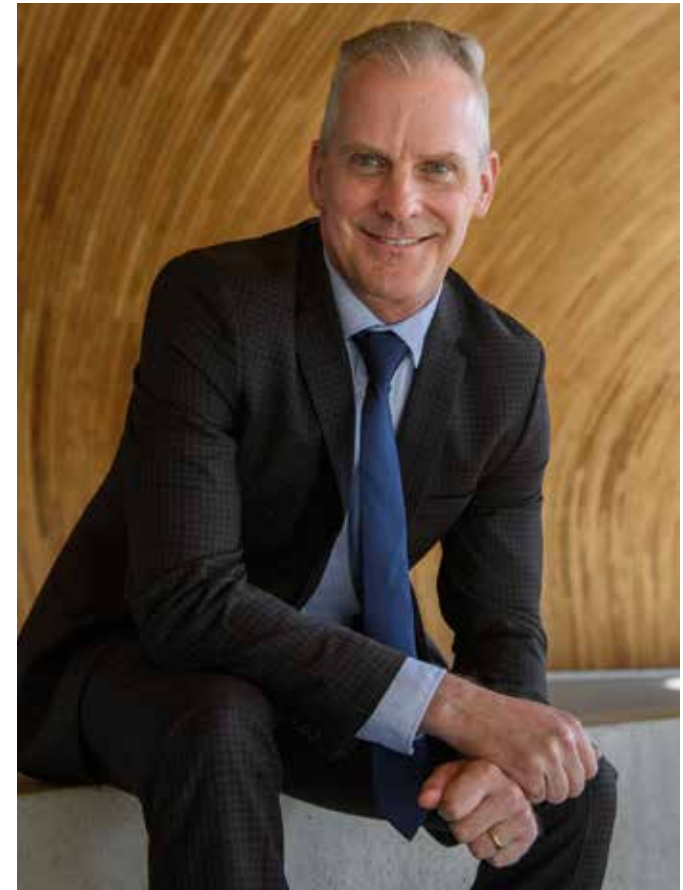
We also supported businesses through fee and tax relief programs, and furthered work on our strategic projects to invest in Calgary's future, such as the Green Line, Event Centre, and BMO Centre Expansion.

I am very proud of and energized by the strength and creativity demonstrated by our Administration – how we adjusted and overcame immense constraints, rethought service delivery and worked together in new ways to keep our city running. While much work is still left to do, it is truly commendable how our organization, citizens, business and communities have adapted during an unpredictable pandemic and prolonged economic downturn. Despite challenging times, I continue to remain optimistic about our city's future and look forward to advancing Council's strategic priorities.

I encourage you to read our report to find out more about our accomplishments in 2020 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.

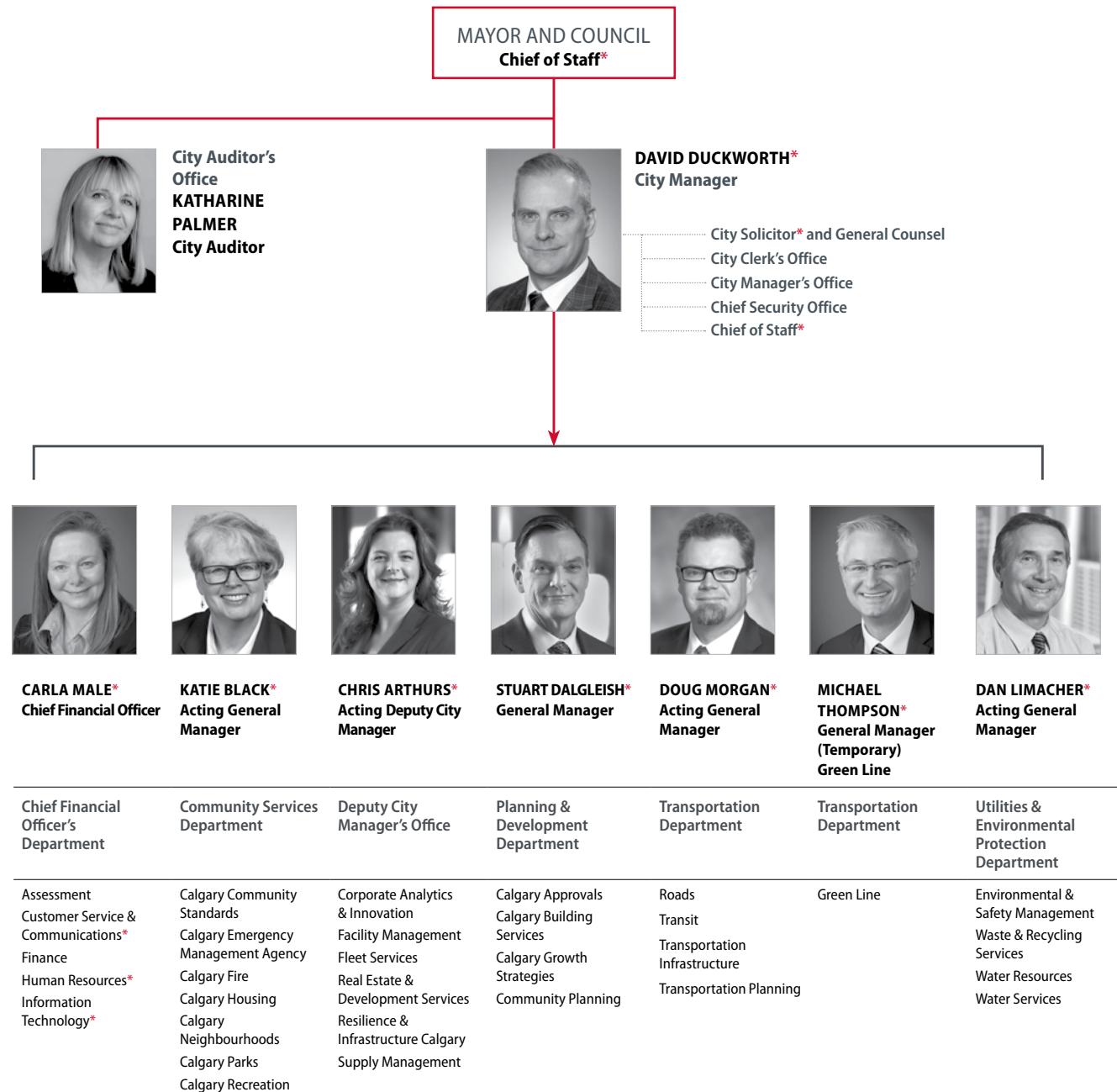
It is Administration's responsibility to provide, manage and sustain civic infrastructure, facilities and programs that support the quality of life that is so much a part of Calgary's appeal.

THE ROLE OF THE CITY MANAGER

The City Manager leads the Executive Leadership Team (ELT) 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.

EXECUTIVE LEADERSHIP TEAM

The ELT oversees all City operations and strategic management by leading, managing and co-ordinating The City's programs, projects and initiatives. The ELT 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 November 2020
*Members of ELT

AUDIT COMMITTEE

The Audit Committee assists City Council in fulfilling its oversight and stewardship responsibilities. Audit Committee gains reasonable assurance in relation to financial and governance matters, risk management and compliance, internal controls, integrity of The City's annual financial statements and Whistle-blower Program.

The Audit Committee is comprised of seven independent members appointed by City Council, with the Mayor serving as ex-officio. The membership includes four City councillors and three volunteer public 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 Bylaw authorizes the Audit Committee to provide oversight on behalf of City Council. In 2020, the Audit Committee performed a complete review of their bylaw to ensure the mandate remained relevant and aligned with strategic priorities. A new Audit Committee Bylaw 33M2020 came into force on October 26, 2020.

The onset of the global COVID-19 pandemic and declaration of a State of Local Emergency saw the Audit Committee rapidly adjust to remote meeting participation. The Audit Committee continued to focus on matters of significant risk and financial impact including issues related to the pandemic. In 2020, the City Manager and the Chief Financial Officer provided updates to the Audit Committee on the financial impacts of COVID-19, the Solutions for Achieving Value and Excellence (SAVE) Program, the Principal Corporate Risks and a Strategic Update on Budgeting and Risk.

Three civic entities delivered presentations throughout 2020 on their risk management, internal controls, financial reporting, governance structure, key initiatives and strategy. A shareholder alignment review of seven wholly owned subsidiaries was approved to take place in 2021 to ensure their governance practices align with the goals and purpose of The City. 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 2020 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, 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 available to the public on 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 quarterly and annual information related to reports received and investigations conducted during the year. Information on recommendations raised following Whistle-blower Program investigations is available on calgary.ca/whistle.

The Audit Committee works 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 2020 Annual Report.



Evan Woolley,
Ward 8 Councillor
Chair, Audit Committee

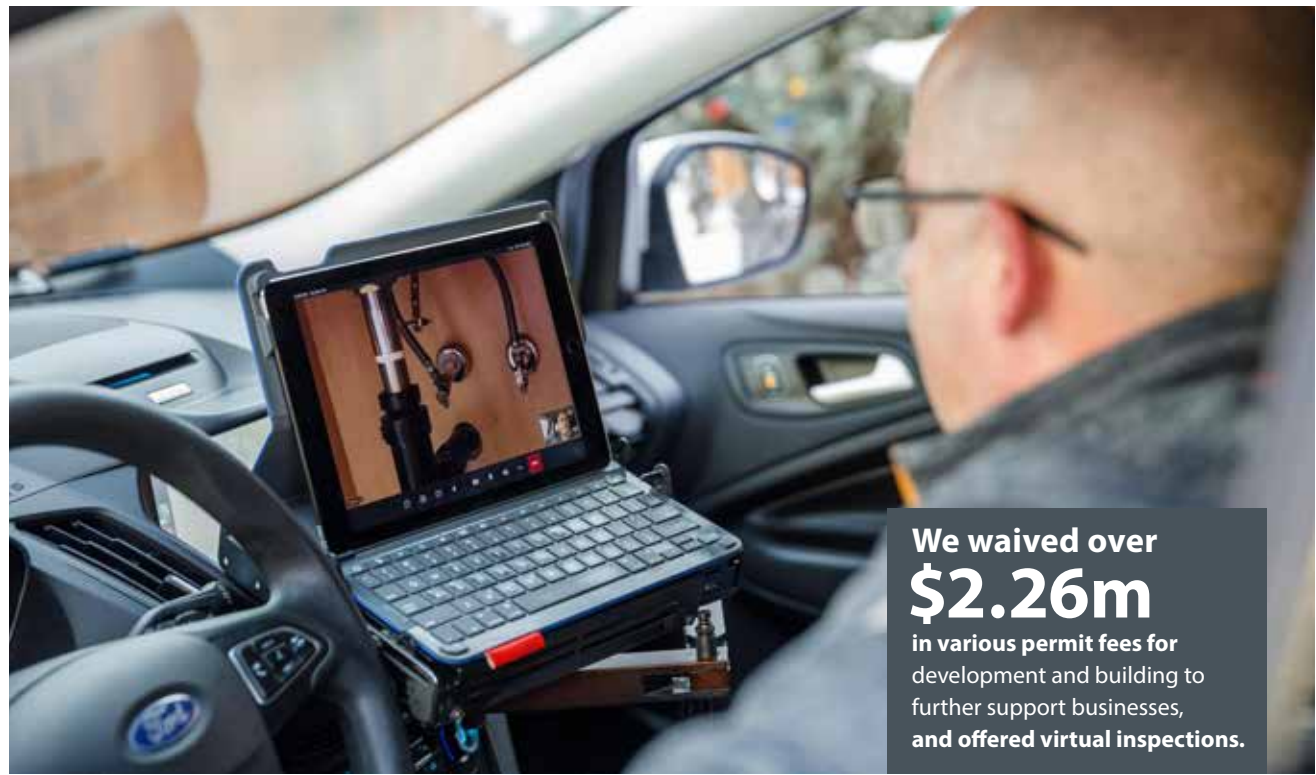


COVID-19 pandemic response

The City of Calgary offered programs and services to support Calgarians through the COVID-19 pandemic and partnered with many community organizations to offer support. Some examples of our support include:

- We deferred property taxes to support citizens and businesses, and were one of the first cities in Canada to reduce the penalty for late payment.
- We provided 2020 tax relief measures to give Calgarians additional flexibility in managing their personal finances during these difficult times.
- We waived over \$2.26 million in various permit fees for development and building to further support businesses, and offered virtual inspections.
- We expanded pathways and created adaptive roadways for citizens who were spending more time outside.
- We found ways to host large scale events like the Mayor's Environment Expo, which drew over 7,000 attendees.
- We continued workshops and engaged Calgarians virtually on matters such as the Green Line and local area planning, and offered webinars on topics such as secondary suites.
- We approved 116 temporary patios on public property for no fee for restaurants wanting to add space.
- We further supported restaurants and businesses by offering deferred fees for permanent and temporary outdoor cafes on private property, and helping pivot to winter operations with tents and outdoor fire permits.

The fee-relief measures have been a critical support for citizens, business owners, developers, builders and supporting professionals. This relief has supported them in continuing their operations, keeping their staff employed, and supporting Calgary's economy.



Managing our budget

The City reviews its service plans and budgets on an annual basis and makes appropriate adjustments if required to ensure we are providing Calgarians with the services they need. In 2020, we took bold action in managing our budgets to support Calgary's economic recovery and COVID-19 response. Taking a least-harm approach to citizen-facing services, we worked incredibly hard to further reduce costs, while continuing to modernize services and invest in key priorities to better serve the changing needs of Calgarians.

We are well-positioned to support citizens, businesses and communities today due in large part to our prudent management, including the work of the Solutions for Achieving Value and Excellence (SAVE) program. SAVE provides us with an opportunity to be more strategic about our finances and reduces the need for across-the-board reductions that have been used in previous years.

Through the hard work and collaboration from everyone in the organization, we were able to surpass the financial targets set by Council during budget adjustments. Administration has been working closely with Council to support Calgary's economic recovery, and our annual adjustments process provides an opportunity to respond to the continued economic downturn and the financial impacts of the COVID-19 pandemic. Despite the challenges we face, we know citizens continue to rely on our services every day. Together, we have found solutions that balance the financial impact to Calgarians with the continued need for City services.



Supporting businesses and the community

Acting on feedback from our business community, and as part of Calgary's existing economic strategy, *Calgary in the New Economy*, The City has established a dedicated team and resources to support businesses, reduce red tape and encourage business innovation.

We are focused on being business-friendly over the long term, ensuring we are identifying all opportunities for improvement to City services that will enable our business community to be successful. In 2020, the Business and Local Economy team focused on:

- Maintaining ongoing dialogue with Calgary's business community.
- Sharing and promoting service improvements for businesses.
- Equipping businesses with resources and information to strengthen their resilience.
- Streamlining services and processes to attract and support business opportunities.
- Identifying opportunities and providing support to business innovation in Calgary.

Businesses are vital for creating jobs and vibrant communities. Council has provided \$213 million in tax relief to non-residential (business) property owners through the Phased Tax Program since 2017. In 2020, business property owners received a combined 12.07% tax decrease. Additionally, through the COVID-19 pandemic, over \$2.26 million in various permit fees for development and building were waived for customers, with current deferred fees of over \$2 million in 2020.

One of the priorities of the Business Advisory Committee – a Council-chaired committee focused on supporting business by removing barriers within City processes



– is to look at how we can make industrial land more competitive for businesses coming to Calgary or expanding within Calgary. We are identifying areas for investigation and improvement with stakeholders from our business community. This work, along with several other initiatives by both the Business Advisory Committee and the Business and Local Economy team, are all focused on supporting businesses to thrive and grow in Calgary, with the aim of making Calgary one of the most business friendly cities in Canada.



Advancing strategic investments

Strategic investments in key landmark projects such as the Green Line, Event Centre, BMO Convention Centre Expansion and Arts Commons Transformation will contribute to revitalizing our downtown, bring new life and vibrancy to our city, create jobs and stimulate the economy. **Together, these select investments represent over \$6 billion.** Their social, economic and environmental value is far more – we are investing to make life better every day.

GREEN LINE

The Green Line LRT is the largest infrastructure project in Calgary's history. With \$4.9 billion in unprecedented investments from the Government of Canada, Government of Alberta and The City of Calgary, Green Line will play a vital role in shaping our city's future. From kick-starting our economy with 20,000 jobs to connecting people and places to reducing congestion on our roads, Green Line will help build the Calgary of tomorrow.

EVENT CENTRE

The Event Centre will add an extraordinary civic amenity to our city that will serve residents and visitors for generations. In addition to a world-class venue for sports and entertainment events, the project will also add outdoor festival spaces and will be a year-round, permanent gathering place for Calgarians. The Calgary Municipal Land Corporation will manage the \$550 million Event Centre project throughout its construction timeline. Construction is set to begin in 2021 with completion anticipated in 2024.

BMO CONVENTION CENTRE EXPANSION

The expansion of the venue, projected to be completed in 2024, will significantly increase Calgary's and southern Alberta's ability to host larger conventions and conferences by doubling the centre's current rentable area. Construction of the entire BMO Convention Centre Expansion will commence in spring 2021. When the expansion is complete, BMO Convention Centre will be the largest facility in Western Canada and will give Calgary top-tier destination status, attracting attention in the competitive international meetings and conventions market.

ARTS COMMONS TRANSFORMATION (ACT)

The vision for Arts Commons is to support an inclusive ecosystem of artists, resident companies and community groups. The ACT will break down barriers to cultural participation by providing a modern and open gathering space in a central location where a ticket is not required in order to take in the inspiration of the arts. The ACT will both expand capacity in an adjoining new building and renew the existing facility. The tri-party agreement between the Calgary Municipal Land Corporation, Arts Commons and The City of Calgary will initiate the design process and position the Calgary Municipal Land Corporation as development manager on behalf of the partners.



BMO Convention Centre Expansion rendering



Art Commons



Conceptual Event Centre and Festival Street rendering

FINANCIAL INFORMATION

THE CITY OF CALGARY, ALBERTA



2020 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 services and infrastructure. 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.

In 2020, the COVID-19 pandemic and prolonged economic downturn created a challenging environment for both citizens and businesses. To help support Calgarians through these tough times, The City's services have adapted quickly and efficiently to the changing needs of the community while continuously striving to reduce costs, modernize services, and invest in key priorities. The 2020 year was also the second year in the four-year business plan and budget cycle (2019 – 2022), also known as One Calgary Service Plans and Budgets (One Calgary).

The City remained committed to delivering One Calgary and achieving Council's direction against a background of uncertain COVID-19 impacts, which was demonstrated by the implementation of Solutions for Achieving Value and Excellence (SAVE) program. The City took many steps to balance continued service delivery to citizens, especially the most vulnerable groups, with the emerging fiscal realities. The 2020 service plan and budget adjustments were a concerted effort by The City to support Calgarians through tough times. This included the approval of adjustments for the SAVE program, which has been instrumental in cost reduction and modernization efforts, and support for priority investment areas such as anti-racism and business support. In 2020, SAVE identified \$26 million in net base budget savings, \$1 million in revenue and additional one-time savings, surpassing its \$24 million financial target. The SAVE program, combined with other budget reduction tactics, enabled The City to find over \$90 million in savings, which resulted in an overall tax rate decrease of 1.77 per cent for 2021, the first overall municipal tax rate decrease in over 25 years.

The City's 2020 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, ENMAX),
- 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.



Carla Male
Chief Financial Officer

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.

Economic Environment

The economic environment in the Calgary Economic Region deteriorated in 2020 due to the dual shock of COVID-19 and crude oil price collapse. Total employment declined by 47,000 persons, from 881,000 in 2019 to 834,700 in 2020. The unemployment rate spiked by 4.5 percentage points, from 7.2 per cent in 2019 to 11.7 per cent in 2020. Building permit value in the city dropped by 34.6 per cent, from \$5.2 billion in 2019 to \$3.4 billion in 2020. In the meantime, the number of building permits increased from 15,865 to 17,476, indicating an increase in smaller scale projects.

	2020	2019	Change
Calgary			
Population (persons)	1,306,700*	1,285,711	1.6%
Building permit applications	17,476	15,865	1,611
Building permit value (\$ billions)	3.4	5.2	(1.8)
Calgary Census Metro Area			
CPI inflation rate (%)	1.1	1.4	(0.3)
Calgary Economic Region			
Employment (persons)	834,700	881,000	(5.3%)
Unemployment rate (%)	11.7	7.2	4.5

Sources: population estimates are from Corporate Economics, building permit data are from City licensing and application records, and inflation and unemployment estimates are from Statistics Canada.

* The City of Calgary discontinued its annual civic census. As a result, this year's population number is an estimate from Corporate Economics using alternative demographic data from Statistics Canada and the Alberta government.

For Calgary, population growth from April 2019 to March 2020 was 20,989 (1.6 per cent) compared to 18,400 (1.5 per cent) the previous year. Those living in the Calgary census metropolitan area experienced a small annual decrease to their cost of living at -0.3 per cent in 2020.

Calgary's population growth for the next four years should be faster than the national average because of the relatively young population in the city at a median age of 37. However, Calgary's population growth is expected to be lower in the future years than its historical average as the population ages slowly. The travel restrictions due to the COVID-19 pandemic are also expected to negatively impact the migrations to the city, especially from international sources.

FINANCIAL HIGHLIGHTS

Revenues and Expenses

The City had consolidated revenues of \$4,181 million in 2020 (2019 – \$4,172 million) before external transfers for infrastructure. External transfers for infrastructure include grants and revenue sharing recognized from other governments plus funds and tangible capital assets from developers totaling \$617 million (2019 – \$1,100 million).

The City consolidated expenses were \$3,849 million (2019 – \$3,914 million) before net ENMAX Corporation (ENMAX) loss of \$157 million (2019 – \$28 million). Included in expenses is amortization in the amount of \$693 million (2019 – \$678 million) as the estimated annual cost of owning and using The City's capital assets.

For 2020, net revenues including external transfer to infrastructure of funds and tangible capital assets totaled \$949 million (2019 – \$1,358 million).

Consolidated Financial Position

As at December 31 (in millions)

	2020	2019
A. Financial Assets	\$ 8,227	\$ 7,579
B. Liabilities	\$ 5,436	\$ 5,122
C. Net Financial Assets (A minus B)	\$ 2,791	\$ 2,457
D. Non-Financial Assets	\$ 19,027	\$ 18,568
E. Accumulated Surplus (C plus D)	\$ 21,818	\$ 21,025

The City's net financial assets increased by \$334 million (2019 – \$538 million) mainly due to increases in cash and investments. 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 \$793 million (3.8 per cent) in 2020, primarily from the net increase in tangible capital assets (purchased and donated) of \$453 million, increase in cash and cash equivalents of \$369 million, investments of \$193 million, partially offset by increase in bank indebtedness of \$172 million, and capital deposits of \$163 million. In 2019, the City's accumulated surplus increased by \$1,330 million (6.8 per cent), primarily from the net increase in tangible capital assets (purchased and donated) of \$783 million, increase in investments of \$192 million and a decrease in accounts payable and accrued liabilities of \$135 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 2020.

Cash Flow

The City's cash and cash equivalents increased by \$369 million to \$633 million and investments increased by \$193 million to \$4,423 million. The increase in cash and cash equivalents is primarily due to reduction in capital activities and an increase in bank indebtedness for short-term cash flow management.

Cash provided by operating activities

In 2020, cash provided by operating activities was \$1,356 million, compared to \$1,330 million in 2019. This increase was primarily due to an overall increase in the capital deposits, equity in earnings of ENMAX, offset by increase in other comprehensive loss in ENMAX, accounts payable and accrued liabilities, and a decrease in developer contributions-in-kind related to capital.

Cash used in capital activities

Cash used in capital activities was \$(982) million, compared to \$(1,143) million in 2019, and includes:

- Additions to capital assets of \$(994) million; and
- Proceeds from sale of tangible capital assets of \$12 million.

Cash provided by investing activities

Cash used by investing activities was \$(139) million, compared to \$(142) million used by investing activities in 2019, and includes:

- Net purchase of investments of \$(193) million; and
- Dividends from ENMAX of \$54 million.

Cash used in financing activities

Cash provided by financing activities was \$134 million, compared to \$(27) million of cash used in 2019, and includes:

- Proceeds from long-term debt issued of \$222 million;
- Long-term debt repayments of \$(260) million; and
- Net increase in bank indebtedness of \$172 million.

Revenues – Comparison to Prior Year

For the years ended December 31 (in thousands)

	Actual 2020	Actual 2019	Increase/ (Decrease)	Percent Change
Net taxes available for municipal purposes	\$ 2,123,471	\$ 2,088,755	\$ 34,716	2%
Sales of goods and services	1,131,088	1,323,154	(192,066)	(15%)
Government transfers related to operating	336,250	152,337	183,913	121%
Investment income	102,795	198,927	(96,132)	(48%)
Fines and penalties	69,080	98,646	(29,566)	(30%)
Licences, permits and fees	96,372	113,111	(16,739)	(15%)
Miscellaneous revenue	33,660	40,542	(6,882)	(17%)
Equity in earnings of ENMAX Corporation	288,114	156,162	131,952	84%
Total revenues (before external transfers for infrastructure)	\$ 4,180,830	\$ 4,171,634	\$ 9,196	0%
Developer contributions	\$ 166,008	\$ 124,988	\$ 41,020	33%
Government transfers related to capital	282,756	652,016	(369,260)	(57%)
Developer contributions-in-kind related to capital	168,674	323,067	(154,393)	(48%)
Total external transfers for infrastructure	\$ 617,438	\$ 1,100,071	\$ (482,633)	(44%)

Net taxes available for municipal purposes increased by 2 per cent due to higher revenue resulting from the overall growth and net impact of 9.01 per cent residential tax increase and 12.82 per cent non-residential tax rate decrease. The increase was also due to lower provincial requisition due to rate decrease for non-residential properties. This was partially off-set by lower revenues in-lieu of taxes from ENMAX due to the lower weighted average price of electricity.

Sales of goods and services decreased by 15 per cent largely due to the ongoing impacts of the COVID-19 pandemic. Calgary Transit experienced a 52 per cent decline in transit ridership as compared to prior year. Recreation faced temporary closures of all facilities resulting in service of less than 1.5 million customers in 2020 as compared to over 4 million customers annually. Real Estate and Development Services, Calgary Municipal Land Corporation and Attainable Homes Calgary Corporation saw sharp declines in year over year sales. The Calgary Parking Authority experienced significantly lower parking demand due to reduced downtown traffic and Calgary TELUS Convention Centre was utilized as a satellite homeless shelter for approximately three months and experienced reduced meetings and conferences due to strict health regulations. This decrease was partially offset by increased revenues for Water and Waste due to increased installations and higher landfill tipping, green cart and recyclable revenue.

Government transfers related to operating were approximately 121 per cent higher due to \$187.5 million of Municipal Operating Support Transfer (MOST) grant revenue recognized by The City, which was not present in 2019. This funding was provided by the federal and provincial governments to support municipalities with the financial impacts experienced due to the COVID-19 pandemic. Calgary Neighbourhoods also received higher than budgeted grants for the social services COVID-19 relief grant from the Government of Alberta. These increases were offset by slight decreases experienced by other service lines of The City.

Investment income was 48 per cent lower due to termination of the small capital mandate resulting in realization of losses. In 2019, previously unrealized gains were realized with equity allocations into more global funds, which contributed to higher income. Lower yield on money market investments along with lower average balance also resulted in lower income for 2020. In addition, as directed by Council, previously unallocated investment income was redirected to offsite levy balances, creating a year over year unfavourable variance. These unfavourable changes were partially offset by gains from foreign exchange overlay strategies, and higher bond balances and yields resulting in higher bonds income.

Fines and penalties were approximately 30 per cent lower due to less summonses issued by the Calgary Police Service as compared to 2019 with the addition of increased provincial administration fees on tickets from 26.7 per cent in 2019 to 40 per cent in 2020. COVID-19 also resulted in lower parking activity and reduced parking fines issued by Calgary Parking Authority. The City also experienced a decline in this revenue stream due to the July 1st penalty period being waived to provide relief to taxpayers and the October 1st penalty period being billed at 50 per cent of the original amount.

Licences, permits and fees were approximately 15 per cent lower due to reduced activity from building permits, trades permits, compliance certificates, excavation permits, traffic permits, animal licence renewal fees and business licence renewal fees. In some instances, fees were also waived as a COVID-19 relief measure. This was partially offset by a favourable variance in deferred revenue recognition from prior year's major construction projects.

Miscellaneous revenue decreased by 17 per cent over prior year due to reduced gains from the sale of tangible capital assets and lower Carbon Offset Credits monetized. The Calgary Public Library also experienced decreased grants for programs and services and restricted grant deferrals due to the pandemic.

Equity in earnings of ENMAX Corporation increased by 84 per cent due to increased transmission, distribution and electricity margins, along with foreign exchange gains recognized which were absent in 2019. In 2020, ENMAX also successfully closed the transaction to purchase Versant Power (formerly Emera Maine), which contributed to increase in earnings. This was offset by higher operations, maintenance and administration expenses as compared to prior year.

Developer contributions were approximately 33 per cent higher due to higher capital revenue recognition of deposits where obligations are fulfilled. Water also experienced higher revenues due to more off-site levy hectares and development agreements signed in 2020 as compared to 2019. Transportation also recognized increased revenues however, these favourable variances were slightly offset by lower capital spend rates in some areas.

Government transfers related to capital were approximately 57 per cent lower primarily due to Transportation Infrastructure experiencing project scope modifications and construction delays resulting in a lower spend rate of 54 per cent of capital budget in 2020 as compared to 89 per cent in 2019. Transit also received lower provincial grant payments in 2020 as a result of the substantial completion of Stoney CNG facility and Transit light rail station upgrade projects in 2019. Green Line also experienced an unfavourable variance due to unanticipated changes in timing of government grants received from both the Provincial and Federal governments. In 2019, funding was provided under the Public Transit Infrastructure Fund (PTIF) agreement which has now been primarily fully utilized, and the new Investing in Canada Infrastructure Program (ICIP) claim process has not yet been established which prevented any 2020 eligible expenses from being claimed. Recreation also had an unfavourable variance as more Municipal Sustainability Initiative (MSI) provincially grant funded project expenditures were incurred in 2019 as compared to 2020 on the Seton Recreation Facility, the Centennial Planetarium, and McCall Lake Golf Course Upgrade projects.

Developer contributions-in-kind related to capital were approximately 48 per cent lower 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)

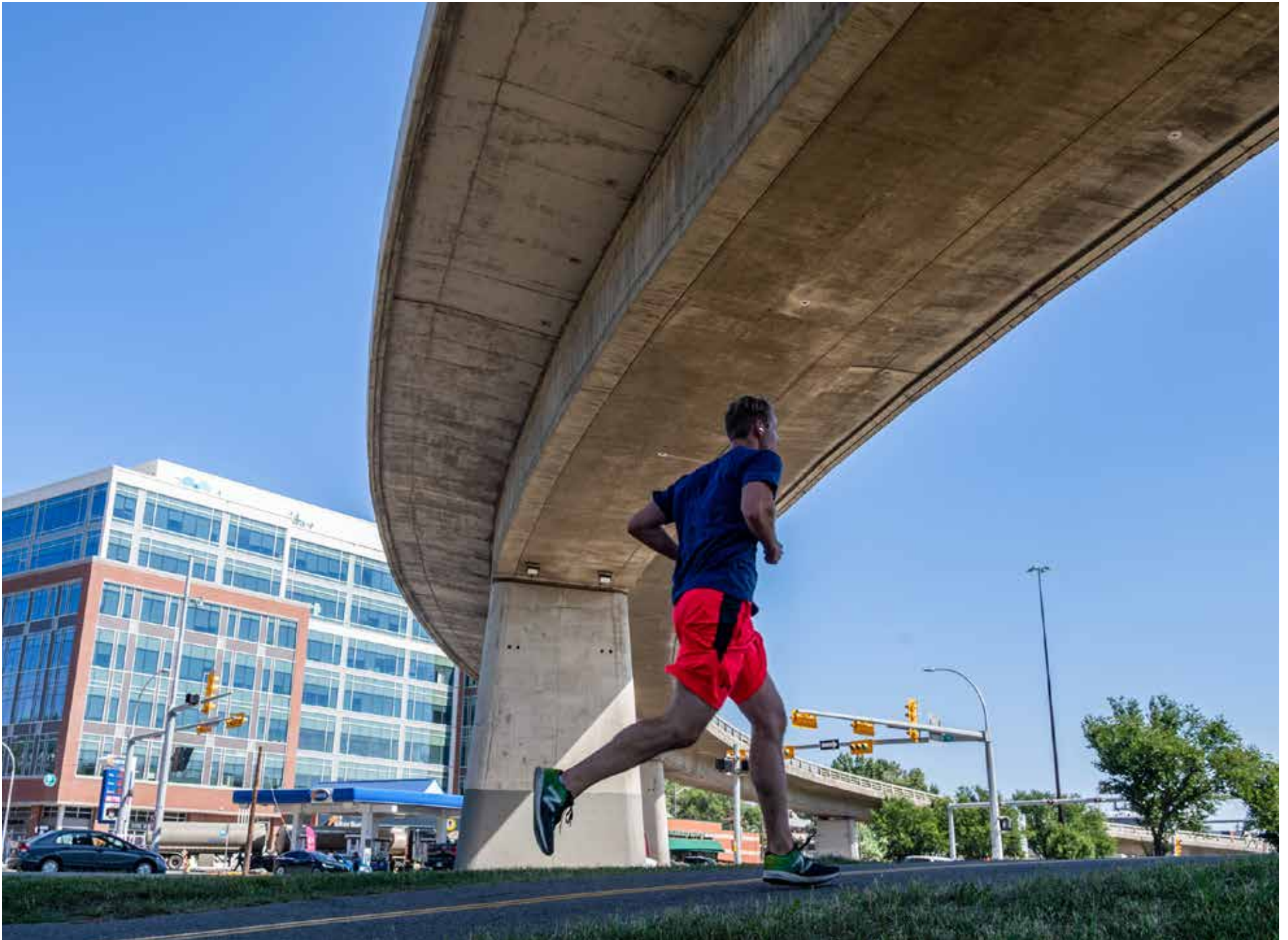
	Actual 2020	Actual 2019*	Increase/ (Decrease)	Percent Change
Protection	\$ 814,277	\$ 816,368	\$ (2,091)	0%
Transportation	1,015,816	1,047,582	(31,766)	(3%)
Utilities and environmental services	704,607	705,978	(1,371)	0%
Community and cultural services	602,674	648,229	(45,555)	(7%)
General government	321,630	319,604	2,026	1%
Public works	287,582	288,813	(1,231)	0%
Real estate services	102,216	86,995	15,221	17%
	\$ 3,848,802	\$ 3,913,569	\$ (64,767)	(2%)

*2019 comparative figures have been reclassified to conform with the changes made to Note 24 on the financial statements. See Note 34 on the financial statements for additional information.

Transportation expenses decreased by approximately 3 per cent due to Calgary Transit experiencing significantly reduced service delivery resulting in layoffs and hiring freezes. Reduced trip demands also resulted in lower contract, general, and supplies costs.

Community and cultural services expenses decreased by approximately 7 per cent due to Recreation experiencing reduced operations due to temporary facility closures and event cancellations due to COVID-19 provincial health orders. Calgary TELUS Convention Centre had event cancellations, Calgary Public Library reduced spending due to temporary layoffs and program deferrals, and Parks had a decrease in their workforce and other operational expenditures. These decreases were partially offset by increased grant payments by Calgary Neighbourhoods to community partners to combat the effects of the pandemic.

Real estate services expenses increased by approximately 17 per cent primarily due to higher capital expenses incurred by Calgary Municipal Land Corporation in 2020. These increases were offset by lower than anticipated land sales by Real Estate and Development Services and Attainable Homes Calgary Corporation which decreased associated cost of sales.



Revenues – Budget to Actual Comparison

For the years ended December 31 (in thousands)

	Budget 2020	Actual 2020	Favourable/ (Unfavourable)	Percent Change
Net taxes available for municipal purposes	\$ 2,143,348	\$ 2,123,471	\$ (19,877)	(1%)
Sales of goods and services	1,391,516	1,131,088	(260,428)	(19%)
Government transfers related to operating	157,057	336,250	179,193	114%
Investment income	82,939	102,795	19,856	24%
Fines and penalties	84,333	69,080	(15,253)	(18%)
Licences, permits and fees	112,717	96,372	(16,345)	(15%)
Miscellaneous revenue	24,664	33,660	8,996	36%
Equity in earnings of ENMAX Corporation	169,000	288,114	119,114	70%
Total revenues (before external transfers for infrastructure)	\$ 4,165,574	\$ 4,180,830	\$ 15,256	0%
Developer contributions	\$ 283,482	\$ 166,008	\$ (117,474)	(41%)
Government transfers related to capital	704,910	282,756	(422,154)	(60%)
Developer contributions-in-kind related to capital	–	168,674	168,674	100%
Total external transfers for infrastructure	\$ 988,392	\$ 617,438	\$ (370,954)	(38%)

Total City consolidated revenues (before external transfers for infrastructure) were consistent with the total budgeted amounts for 2020, mainly as a result of higher than expected government transfers related to operating and equity in earnings of ENMAX offsetting a significant decline in sales of goods and services.

Net taxes for municipal purposes were approximately 1 per cent lower than budgeted primarily due to lower net property tax as the actual costs for the Phased Tax Program are not budgeted. The community revitalization levy amounts were also slightly lower due to lower non-residential property assessment values. In addition, the local improvement levies also decreased as the annual billings for a few local improvement levy projects will expire in 2021 and during 2020, the billings amount consists mainly of an interest component, which is recorded in investment income. These decreases were slightly offset by increased revenues in-lieu of taxes from ENMAX due to the higher weighted average price of electricity.

Sales of goods and services were approximately 19 per cent lower than budgeted primarily due to significantly unfavourable impacts of COVID-19 on various service lines. Calgary Transit had a decrease in fare revenue, as the annual transit ridership dropped by approximately 52 per cent. Real Estate and Development Services and Attainable Homes Calgary Corporation experienced lower than budgeted land and housing sales. Recreation had lower revenue due to temporary closure of facilities through-out Calgary and Calgary TELUS Convention Centre experienced significantly reduced conferences and meetings. Calgary Parking Authority also suffered a major decline in revenue due to lower parking demands due to the pandemic and provincial lockdown.

Government transfers related to operating were overall approximately 114 per cent higher than budgeted primarily due to \$187.5 million of MOST grant revenue recognized by The City. This funding was provided by the federal and provincial governments to support municipalities with financial impacts experienced due to the COVID-19 pandemic. Calgary Neighbourhoods also received higher than budgeted grants for the social services COVID-19 relief grant from the Government of Alberta. These increases were slightly offset by lower than budgeted grants experienced by Calgary Housing Company due to lower capital and maintenance related grant spending and also certain grants not materializing.

Investment income was approximately 24 per cent higher than budgeted due to a higher amount of realized gains as a result of a change in investment strategies, as funds were moved from working capital to short-term bonds resulting in higher investment income from bonds. The foreign exchange overlay strategies also created profitable results due to the strong Canadian dollar environment. These gains were partially offset by an unbudgeted reclass of previously unallocated investment income to offsite levies balances. In addition, the termination of the small capital mandate during the year resulting in realization of previously unrecognized losses, and lower guaranteed investment certificate rates resulting in lower investments income on money market investments, also contributed towards offsetting the overall gains.

Fines and penalties were approximately 18 per cent lower than budgeted primarily due to Calgary Parking Authority issuing lower than expected parking tickets due to the pandemic. Corporate Revenue and Costs also experienced lower property tax penalty revenue due to the July 1st penalty period being waived for property tax payments to provide relief to taxpayers and the October 1st penalty period being billed at 50 per cent of the original amount as per Council direction. Calgary Police Service also had lower revenue due to COVID-19 resulting in extended payment periods allowed by the courts and a decrease in the number of summonses issued in 2020.

Licences, permits and fees were approximately 15 per cent lower than budgeted due to lower than expected revenue from building permits, trades permits, compliance certificates, excavation permits, traffic permits, animal licence renewal fees and an increase in waiver of business licence renewal fees. This was partially offset by unbudgeted favourable variance in deferred revenue recognition from prior year's major construction projects.

Miscellaneous revenue was approximately 36 per cent higher than budgeted mainly due to increased proceeds from the sale of tangible capital assets, unbudgeted contributions received under the Homelessness Prevention work, Community Hubs Program, Anti-racism and Mental Health and Addictions Initiative. The increase was also slightly higher due to receipt of an unbudgeted GST rebate and group life policy surplus refund.

Equity in earnings of ENMAX Corporation were approximately 70 per cent higher than budgeted due to increased transmission and distribution margins, and foreign exchange gains recognized. In 2020, ENMAX also successfully closed the transaction to purchase Versant Power (formerly Emera Maine), which contributed to an increase in earnings. This was offset by higher than budgeted operations, maintenance and administration expenses and lower electricity margins.

Developer contributions were approximately 41 per cent lower than budgeted due to differences in the estimates of anticipated contributions used during the year. COVID-19 was a major contributing factor to the construction delays and project scope modifications. Transportation Infrastructure had a spend rate of approximately 54 per cent of the capital budget and was one of the primary contributors for this variance. Water also experienced lower than budgeted revenues due to reduced expenditures for redevelopment and downtown wastewater.

Government transfers related to capital were approximately 60 per cent lower than budgeted primarily due to unanticipated changes in receipt and usage of government grants and lower than budgeted capital expenditures. Due to COVID-19 and other project scope modifications, Calgary Transit completed only 47 per cent of the capital budget, and Transportation Infrastructure had a spend rate of 54 per cent of the capital budget. Green Line and Water also experienced unanticipated changes in timing of government grants received from both provincial and federal governments.

Developer contributions-in-kind related to capital were higher than budgeted as capital acquisitions and capital donated assets 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)

	2020 Budget (excluding Amortization)	2020 Actual (excluding Amortization)	Favourable/ (Unfavourable)	Percent Change	2020 Budget Amortization Expense	2020 Actual Amortization Expense
Protection	\$ 801,772	\$ 784,946	\$ 16,826	2%	\$ –	\$ 29,331
Transportation	785,132	707,101	78,031	10%	6,386	308,715
Utilities and environmental services	579,019	553,072	25,947	4%	89,660	151,535
Community and cultural services	557,606	509,273	48,333	9%	2,910	93,401
General government	416,946	297,484	119,462	29%	–	24,146
Public works	246,253	210,601	35,652	14%	32,980	76,981
Real estate services	111,217	93,363	17,854	16%	–	8,853
	\$ 3,497,945	\$ 3,155,840	\$ 342,105	10%	\$ 131,936	\$ 692,962

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 *Municipal Government Act* (MGA) requirements for balanced operating budgets.

In 2020, 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:

Protection expenses were approximately 2 per cent lower than budgeted due to reduced travel and training related expenditures along with a decreased need for uniform supplies due to the postponement of new recruit classes and increased sickness and accident benefits as a result of the COVID-19 pandemic.

Transportation expenses were approximately 10 per cent lower than budgeted primarily due to the impact of the pandemic on Calgary Transit ridership. The lower expenses were caused by increased layoffs, delayed hiring, reduced trips and a significant decrease in fuel consumption. Utilization of three car trains as compared to four car trains resulted in lower power station consumption, thus reducing electricity related expenses. Roads also experienced reduced contract work along with a decrease in maintenance and sign installation expenditures. Lower than expected snow days also led to additional savings.

Utilities and environmental services expenses were approximately 4 per cent lower than budgeted due to the impacts of the pandemic resulting in higher vacancies, sickness and accident benefits, operational movements, and intentional workforce management. Consulting related costs were reduced for engineering and architecture services as less storm pond work was performed. Interest charges were also lower as a smaller amount of debt was taken for capital projects.

Community and cultural services expenses were approximately 9 per cent lower than budgeted due to parks and recreation facilities experiencing lower expenses by intentionally managing the workforce, contracting out operational activities, reducing workforce due to the pandemic shutdowns, reducing irrigation at larger sites and undergoing temporary facility closures. Calgary Public Library also had temporary layoffs, gradual reopening and program deferrals due to COVID-19. Social housing expenses were also lower than budgeted due to deferral or cancellation of workforce positions and reduced maintenance spending due to reduced grants received. These reduced expenses were offset by an increase in unbudgeted grant payments by Calgary Neighbourhoods, including COVID-19 social services support relief grant, Emergency Resiliency Fund Program, Mental Health and Addiction Initiatives, seniors home maintenance program and Homelessness Prevention grant.

General government expenses include the costs of Council, City Manager, Finance, Supply, Mayor, City Auditor, City Clerk's, Law, Assessment, Customer Service and Communications, Human Resources, Information Technology and Corporate Revenues and Costs. Expenses were approximately 29 per cent lower than budgeted primarily due to intentional management of corporate contingency estimates, partially offset by lower fringe benefits recoveries due to lower than forecasted gross pay.

Public works expenses include the costs of Calgary Community Standards, Calgary Growth Strategies, Community Planning, Calgary Approvals, Calgary Building Services, Facility Management, Fleet and Corporate Analytics and Innovation. Expenses were approximately 14 per cent lower than budgeted primarily due to reduced workforce and spending on materials and equipment, slightly offset by higher contract and general expense due to pandemic related expenses, such as additional cleaning protocols and installation of plexi-glass and signage into facilities.

Real estate services expenses were approximately 16 per cent lower than budgeted primarily due to the pandemic creating unfavourable market conditions and resulting in lower sales activity experienced by Real Estate and Development Services and Attainable Homes Calgary Corporation.

Tangible Capital Assets

For the years ended December 31 (in thousands)

	2020 Net book value	2019 Net book value	Increase/ (Decrease)
Land	\$ 2,563,504	\$ 2,521,124	\$ 42,380
Land improvements	560,046	570,207	(10,161)
Engineered structures	11,042,060	10,682,995	359,065
Buildings	2,281,973	2,281,939	34
Machinery and equipment	248,291	264,755	(16,464)
Vehicles	867,280	862,903	4,377
	\$ 17,563,154	\$ 17,183,923	\$ 379,231
Work in progress			
Land	\$ 13,434	\$ 13,746	\$ (312)
Construction	1,357,891	1,284,282	73,609
Tangible capital assets	\$ 18,934,479	\$ 18,481,951	\$ 452,528

During 2020, the net book value of tangible capital assets increased by \$453 million (2019 – \$783 million). Spending on capital projects was primarily for roads and water infrastructure projects, the transit Light Rail Vehicles purchase 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 two to 100 years.

During 2020, amortization expense of \$693 million was recorded (2019 – \$678 million). In total there was \$169 million (2019 – \$323 million) of donated and contributed assets which were mainly for water, parks, and roads. Disposals with a net book value of \$41 million were made in 2020 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)

	Actual 2020	Actual 2019	Actual 2018	Actual 2017 (Restated)	Actual 2016 (Restated)
Net taxes available for municipal purposes	\$ 2,123,471	\$ 2,088,755	\$ 2,068,070	\$ 1,955,429	\$ 1,938,199
Sales of goods and services	1,131,088	1,323,154	1,278,099	1,274,060	1,211,983
Government transfers	336,250	152,337	162,123	145,168	132,817
Investment income	102,795	198,927	101,236	104,520	77,451
Fines and penalties	69,080	98,646	95,747	92,040	89,796
Licences, permits and fees	96,372	113,111	117,254	124,356	114,988
Miscellaneous revenue	33,660	40,542	44,951	90,806	56,794
Equity in earnings of ENMAX Corporation	288,114	156,162	5,094	(30,312)	143,597
Total revenues (before external transfers for infrastructure)	\$ 4,180,830	\$ 4,171,634	\$ 3,872,574	\$ 3,756,067	\$ 3,765,625

The five-year trend for revenues largely reflects rate and growth-related increases for the 2016-2019 years, with COVID-19 impacts largely reducing growth for 2020 year offset by Government transfers.

Net taxes available for municipal purposes generally increases with growth and tax rate changes; 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 2020 were lower than 2019 revenues. This decrease is primarily due to adverse impacts of COVID-19 on revenues generated by Calgary Transit, Recreation, Real Estate and Development Services, and other related authorities. These decreases in revenues were slightly offset by higher revenues earned by Water and Waste services due to increased installations and higher landfill tipping, green cart and recyclable revenue. The 2019 revenues were higher than 2018, primarily due to revenues generated through land sales, green and black cart programs, higher residential recycling and commercial collection, and higher transit and recreation rates. Wastewater, water and drainage services saw decreases in revenue in 2019 due to reduced installation. Historically, this trend of increased revenue was consistent for the period of 2016-2019 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.

Government transfers in 2020 were higher than 2019 primarily due to recognition of MOST and social services COVID-19 relief grant. 2019 revenue was 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. Historically, there has been minimal fluctuation in federal transfers over the years except 2020 where COVID-19 related government transfers have caused a large variance.

Investment income for 2020 was influenced by previously unrealized losses materializing on termination of the small capital mandate, lower yield on money market investment, and an allocation of previously unallocated investment income to offsite levy balances. In 2019,

the variance 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 and other permit revenues which experiences variability between years. In 2020, COVID-19 resulted in an overall decrease in various kinds of permits and licences granted by The City. In 2019, revenues were lower due to a decrease in land use amendment and land development fees, which was partially offset by increase in Water's application fees. 2018 also experienced reductions from 2017 due to a permit and licence fee freeze. 2017 represent higher revenue years because of increased excavation permits and completion of residential and commercial development activities.

Miscellaneous revenue decreased in 2020 due to reduced gains from the sale of tangible capital assets and lower Carbon Offset Credits monetized, along with the Calgary Public Library experiencing lower grants due to the pandemic. In 2019, the reduced gains resulted from the sale of tangible capital assets, partially offset by higher land parcel sales by Calgary Municipal Land Corporation and insurance settlements from third parties. The reduction in 2018 was due to lower land sales activity as compared to 2017 amounts.

Equity in earnings of ENMAX Corporation comprises the net equity increase in The City's government business enterprise ENMAX. In 2020, the increase was due to increased transmission, distribution and electricity margins, along with foreign exchange gains recognized which were absent in 2019. In 2020, ENMAX also successfully closed the transaction to purchase Versant Power (formerly Emera Maine), which contributed to increase in earnings. This was offset by higher operations, maintenance and administration expenses as compared to prior year. In 2019, there was also an increase due to increased transmission, distribution and contractual services margins. These favourable impacts were 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.

LIQUIDITY AND DEBT

Financial Position – Net Financial Assets

As at December 31 (in thousands)

	Actual 2020	Actual 2019	Actual 2018	Actual 2017 (Restated)	Actual 2016 (Restated)
FINANCIAL ASSETS					
Cash and cash equivalents	\$ 632,626	\$ 263,209	\$ 246,116	\$ 134,006	\$ 227,884
Investments	4,423,320	4,230,756	4,038,562	3,893,757	4,096,462
Receivables	373,481	375,636	357,296	327,725	328,499
Land inventory	279,307	275,592	279,532	276,418	248,008
Other assets	101,415	94,701	106,386	109,434	109,390
Investment in ENMAX Corporation	2,416,472	2,339,699	2,261,350	2,314,000	2,291,308
	8,226,621	7,579,593	7,289,242	7,055,340	7,301,551
LIABILITIES					
Bank indebtedness	224,159	51,711	73,640	46,200	70,255
Accounts payable and accrued liabilities	800,092	811,799	947,274	860,453	945,890
Deferred revenue	109,765	103,629	96,249	92,926	111,502
Capital deposits	838,562	675,135	771,294	712,685	1,018,173
Provision for landfill rehabilitation	104,593	101,198	93,709	88,905	87,263
Employee benefit obligations	514,061	495,564	499,641	493,870	480,153
Long-term debt	2,845,144	2,883,447	2,888,831	3,066,263	3,216,672
	5,436,376	5,122,483	5,370,638	5,361,302	5,929,908
NET FINANCIAL ASSETS	\$ 2,790,245	\$ 2,457,110	\$ 1,918,604	\$ 1,694,038	\$ 1,371,643

There was an increase of \$333 million in net financial assets in 2020 relative to 2019 with increases in cash and cash equivalents, investments and investment in ENMAX balances driving the change. This was offset by increases in bank indebtedness and capital deposits that are restricted to specific types of capital. A trend of increasing cash, investments, and receivables have been the primary factors of the net financial asset growth trend through the 2016 to 2020 years.

The downward trend in long term debt levels from 2016 to 2018 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, the decrease was due to the full repayment of MSI debt outstanding offset by new borrowings for tax-supported debt. In 2020, the downward trend continued due to a decrease in tax-supported debt.

Long-Term Debt

As at December 31 (in thousands)

	2020	2019	2018	2017	2016
Opening balance	\$ 2,883,447	\$ 2,888,831	\$ 3,066,263	\$ 3,216,672	\$ 3,360,602
Increase (Decrease)					
Tax-supported	(40,342)	75,973	(41,385)	(43,667)	(39,837)
Self-sufficient tax-supported	3,946	(78,021)	(60,196)	(205,404)	(202,514)
Self-supported	(1,907)	(3,336)	(75,851)	98,662	98,421
Net (decrease) during the year	(38,303)	(5,384)	(177,432)	(150,409)	(143,930)
Closing balance	2,845,144	2,883,447	2,888,831	3,066,263	3,216,672
ENMAX debt in The City's name	1,371,972	1,283,320	1,185,380	1,078,522	1,145,184
Total debt attributable to The City	\$ 4,217,116	\$ 4,166,767	\$ 4,074,211	\$ 4,144,785	\$ 4,361,856

In 2020, 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 and 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 2020, The City issued \$1.8 million tax-supported debt to finance growth-related projects, and repaid \$42.1 million in tax-supported debt, resulting in a net reduction in tax-supported debt of \$40.3 million to \$401.1 million as at December 31, 2020. 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 2.5 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.

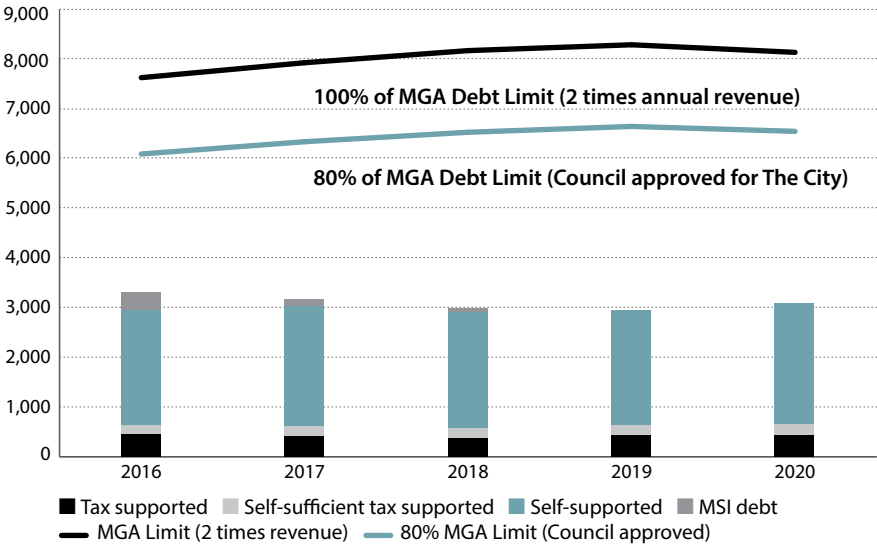
Self-sufficient tax-supported debt comprises debt for Calgary Municipal Land Corporation's programs and activities whose operating costs, including debt servicing, have historically been funded in whole or in part, directly or indirectly, by revenue from municipal property and business taxes. These costs are currently being partially funded by revenues resulting from their own operations. As at December 31, 2020, Calgary Municipal Land Corporation has \$214.3 million (2019 – \$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. The City has no outstanding debt for these projects as at December 31, 2020 and December 31, 2019. 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 2020, \$191 million (2019 – \$176.9 million) in new self-supported debt (primarily related to water services and resources) was obtained and \$194.1 million (2019 – \$180.2 million) was repaid, resulting in a net reduction in self-supported debt of \$3 million (2019 – \$3.3 million) to \$2,228.6 million (excluding \$1.4 million in debt attributable to ENMAX) (2019 – \$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.

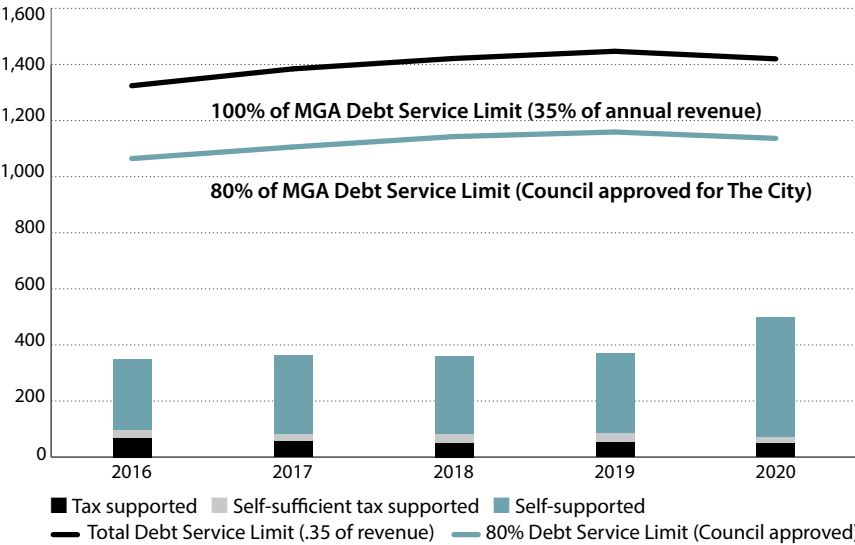
The MGA requires The City to comply with two separate debt related limits which are expressed as a percentage of revenue. The MGA Debt Limit stipulates the maximum amount of debt principal that The City can have outstanding, including loan guarantees, and is calculated at two times revenue. Chart A below reports The City's total historical outstanding debt from 2016 to 2020. It indicates that as at December 31, 2020 The City had used 37.74 per cent (2019 – 35.76 per cent) of its MGA debt limit.

Chart A — The City Historic Debt Levels
MGA Debt Limits Trend 2016–2020
 (in millions of dollars)



The City Charter Regulation allows The City to establish debt limits in a debt policy. Council approved Council Policy CP2020-05 on November 2, 2020 that establishes the debt limits equivalent to 80 per cent of the current MGA limits. As of January 1, 2021, the debt limits will be reported as the limits set out in CP2020-05.

Chart B — MGA Debt Service Limit Trend 2016–2020
 (in millions of dollars)



Reserves

As at December 31 (in thousands)

	2020	2019	2018	2017	2016
				(Restated)	(Restated)
	\$ 2,743,827	\$ 2,493,588	\$ 2,299,998	\$ 2,032,652	\$ 1,975,809

The reserve balances totaled \$2,744 million at the end of 2020 (2019 – \$2,494 million). The net increase was primarily the result of increases in the Budget Savings Account, Fiscal Stability Reserve, Reserve for Future Capital, Established Area Investment Fund, Community Investment and Lifecycle Maintenance. This was partially offset by reductions in Major Capital Projects, Real Estate Services and Utilities Sustainment Reserve.

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. The 2020 triennial review process was suspended with Council approval and alternate procedures were performed to review reserves as part of The City's SAVE program. The SAVE Financial Reserves Optimization review included twelve reserves totaling \$1,549 million, representing approximately 57 per cent of all reserve balances as at December 31, 2019. This reserves review identified ongoing base budget savings of \$5 million, commencing in 2021, and one-time savings of \$14.4 million in 2021 and \$2.2 million in 2022. In addition, several operational recommendations were made to improve the transparency and administration of reserves and these recommendations will be actioned in 2021.

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) (2020 – \$474 million; 2019 – \$426 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. The second largest reserve is the Reserve for Future Capital (2020 – \$388 million; 2019 – \$357 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 (MCP) Reserve: 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. As part of this strategy, the MCP Reserve was created with a total of \$424 million. The balance of the MCP Reserve at the end of 2020 is \$385 million.

The City is continuing to improve efficiency and effectiveness through a variety of approaches. In 2015, a Budget Savings Account (BSA) 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 BSA is generated by favourable budget variances identified by business units through the management of their operating and capital budgets. During 2020, business units contributed operating savings and other transfers of \$93 million (2019 – \$18 million) from tax-supported programs to the BSA reserve. Contributions were higher in 2020 due to the aggressive program to manage services and expenditures that City Administration committed to at the beginning of the pandemic, along with excess provision in the tax loss provision identified in a SAVE business case, the use of provincial operating support, and transfers from capital deposits due to recognized revenue. Capital savings of \$1.5 million (2019 – \$1.2 million) were contributed to the BSA program in 2020.



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 City.

In 2020, The City experienced a heightened degree of volatility and risk exposure, primarily due to ongoing economic crisis and the COVID-19 global pandemic; both being external risk events having substantial impacts on multiple sectors at the same time. The impact of these risk events will continue to be felt into 2021 and years beyond. As Calgary is adjusting to these current risks, social unrest is another emerging risk on the horizon. There is the potential for trends related to disenchantment with government, unemployment (particularly of youth/young adults), and decline in education rates to develop into a risk that could manifest into significant disruptions of government operations.

Twice a year, The City conducts an organization-wide risk review, including a comprehensive assessment of The City's service risks and risks with the greatest strategic impact on The City – our 17 Principal Corporate Risks (PCRs). 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 2020 were Economic, Financial, Health, Safety and Wellness, Reputation, and Social Impact.

1 – Economic Risk

The economic risk is related to additional waves of COVID-19 in Calgary. This necessitates renewed restrictions and business closures which may inflict serious harm to an already weakened local economy. Additionally, because of COVID-19, Calgary is likely to experience a K-shaped recovery which occurs when the economy recovers at an uneven rate. Some sectors of the economy will experience positive outcomes while other sectors continue to suffer decline. In Calgary, the stressed sectors are oil and gas, tourism, hospitality, entertainment, and commercial real estate.

Also, as many downtown businesses have shifted to remote work, downtown service providers and building operators will continue to experience a decline in demand and lost revenues. Office vacancy rates and unemployment levels will remain a concern. Coupled with a prolonged collapse in business and tourism travel, the extreme risk is that Calgary's downtown will become increasingly less attractive, as a place to work, live, or visit.

The City has taken a number of steps to address this risk. Key highlights of this work are:

- The Downtown Strategy team is leveraging the collective efforts of The City and its public and private sector partners to also respond to prolonged economic challenges.
- Implementation in 2021 and 2022 of City Administration's response to the recommendations of the Financial Task Force (FTF).
- Continuous implementation of the "Business Friendly" strategy to improve City services in support of local businesses.
- The City Manager is implementing the "Rethink to Thrive" strategy which focuses on enhancing collaboration and innovation that modernizes city processes that increases The City's capacity to deliver services to residents, reduce costs and improve the reputation of municipal government.
- Establishment of an Economic Resilience Task Force (ERTF) to assist with mitigating this risk.

2 – Financial Risk

In 2020, The City had a high level of risk due to funding constraints on both the operating and capital fronts. For operating, this included non-property tax revenue failing to keep up with the pace of inflation, and for capital, this included Provincial delays or cuts to capital funding transfers to The City.

Corporate Financial Risk

Additional funding and financing constraints have emerged, mostly attributable to the onset of the COVID-19 pandemic resulting in sharp revenue declines in areas such as Transit, Recreation, Real Estate and Development Services and various Related Authorities. For 2021, The City is monitoring the risk of higher levels of non-payment of municipal taxes, decline in non-property tax revenue sources and the cost of service delivery during response and recovery.

To address the heightened financial risk, City Administration has implemented the following five tactics to narrow the gap caused by lower revenues and higher expenses:

- Implemented service changes to meet the changing needs of Calgarians.
- Found and implemented efficiencies for The City.
- Enacted a hiring freeze and review process for unfilled vacancies.
- Enabled further use of reserves and adjusted capital programs.
- Applied for grant funding as it is made available by other orders of government.

Although the COVID-19 pandemic had serious impacts on the financial industry, global financial markets posted positive returns in Q4 2020, responding positively to the news of COVID-19 vaccine breakthroughs, the long-awaited Brexit amendment, monetary and fiscal stimulus, and the U.S. election results. The City's investment portfolio generated a return of 6.49 per cent net of fees and exceeded the respective benchmarks. 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 The 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 86 per cent is cash and fixed income, 10 per cent equity and 4 per cent direct infrastructure, is very conservative and designed to provide liquidity as needed.

Normal Operations Risk

As part of normal operating risks, The City is subject to credit risk with respect to taxes receivable and trade, and other receivables. This operational risk arises from the possibility that taxpayers and counter parties to which The City provides services may not be able to fulfill their obligations to The City. The City has numerous controls in place to mitigate these risks including having a vast diversity of taxpayers and customers.

The City has cash management policies which include all cash handling, banking, investing and borrowing activities to meet the needs of The City. All cash and cash equivalents, and investments are held with credible financial institutions. In addition to these assets held, The City is required to pay for goods and services in currencies other than Canadian dollars. Transacting in foreign currencies exposes The City to risk of currency volatility and foreign exchange risk. As part of the risk management strategy, The City has hired an external investment manager to execute an active portfolio hedging strategy designed to efficiently reduce currency risk. The manager is authorized to purchase Canadian dollars against foreign currencies held in The City's portfolio. At December 31, 2020, this portfolio held 15 forward contracts that have a settlement date of March 10, 2021. At December 31, 2019, this portfolio held 36 forward contracts that had a settlement date of January 22, 2020. The total market value of the forward contracts is \$0.72 million CAD (2019 – \$4.56 million CAD), in addition to U.S. foreign exchange fixed contracts.

At December 31, 2020, The City had 19 (2019 – 18) U.S. dollar foreign exchange fixed contracts in place. Delivery dates for these contracts range from January 2021 to August 2023. Total committed future foreign exchange purchases are \$46.04 million USD (2019 – \$10.01 million USD). Total committed future foreign merchandise purchases are \$80.85 million USD (2019 – \$65.09 million USD), and €2.57 million (2019 – €0.0 million).

Under the terms of the contract arrangements, The City has fixed its exchange risk on foreign purchases for Canadian dollar trades against the U.S. dollar with Canadian Schedule 1 banks at rates ranging from 1.2783 to 1.5583 Canadian dollars. The Canadian dollar equivalent of these contracts at December 31, 2020 was \$61.69 million CAD (2019 – \$13.32 million CAD). During the fiscal year ended December 31, 2020, the various arrangements for foreign merchandise cost The City \$1.18 million less (2019 – \$2.22 million less) than if the arrangements had not been entered into.

The City has also contracted for future USD denominated purchases relating to the light rail transit system. Under the supplier agreement terms, The City has fixed the exchange risk at rates ranging from \$1.03 CAD to \$1.07 CAD. During the fiscal year ended December 31, 2020, this arrangement for foreign merchandise cost The City \$2.26 million CAD less (2019 – \$2.20 million CAD less) than if the arrangements had not been entered into. At December 31, 2020, The City had remaining commitments of \$14.21 million USD (2019 – \$14.44 million USD) that are anticipated to be settled by 2021. 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, 2020. The City sponsored registered and non-registered defined benefit pension plans currently have a total unamortized net actuarial loss of \$15.9 million (2019 – \$18.9 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, 2019 for LAPP was \$7,913 million (2018 – \$3,469 million) and for SFPP a surplus of \$185 million (2018 – deficit of \$191 million). At December 31, 2019, The City employees represented approximately 8.00 per cent of the employees in LAPP and 48.8 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 requirements 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 29 per cent of The City's financial assets on the consolidated statement of 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 consolidated statement of operations and accumulated surplus. 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, climate, 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 2020 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 24, 2020, ENMAX completed its acquisition of BHE Holdings, Inc., the parent company of Emera Maine. On May 11, 2020 ENMAX changed the name of Emera Maine to Versant Power. This transaction is aligned with the ENMAX's strategy to grow regulated cash flows and diversify revenue streams within North America. With the addition of Versant Power, the ENMAX's regulated rate base has increased by 50 per cent, and the expected portion of future cash flows from regulated and non-commodity sources has risen to 70 per cent. As a result of the acquisition of BHE Holdings, Inc. ENMAX acquired all the outstanding common shares of Versant Power. The aggregate purchase price was approximately \$1,393 million (\$961.6 million USD) on closing, in addition to the assumption of approximately \$566.5 million (\$391.2 million USD) of existing debt for an aggregate enterprise value of approximately \$1,959.5 million (\$1,352.8 million USD). ENMAX funded this transaction through a combination of cash, a two-year bank loan and issuance of private debentures. ENMAX has effectively implemented various programs to reinforce internal controls over cash flow management to mitigate the exposure to extreme foreign exchange rate movements.

On March 24, 2020, S&P updated their credit rating for ENMAX, reducing the credit by one rating from BBB+ to BBB- with a stable outlook and affirmed this rating on November 25, 2020. On March 25, 2020, DBRS updated their credit rating for ENMAX, reducing the credit rating from A (low) to BBB (high) with a stable outlook. The updates were in response to ENMAX's acquisition of Versant Power.

3 – Health, Safety, and Wellness Risk

The City will continue to face challenges related to health, safety, and wellness risks. There are internal and external pressures on employees which may negatively affect employee mental health and resilience over time. This includes exposure to COVID-19 or to stressors related to having a large portion of the workforce working from home.

As a result of several important strategies and tactics that were initiated in 2020 and are continuing to be implemented to protect employee physical and psychological safety, safety performance has improved this year over the previous year. However, it may take time to achieve sustained, long-term positive results on health, safety and wellness performance.

In order to manage this risk, The City is:

- Enhancing the Occupational Health and Safety Management System and Corporate Safety Strategy and continuing to implement the Healthy Workplace Strategy.
- Implementing specific initiatives to improve safety performance including: mandatory health, safety and wellness training for all City leaders; traffic safety; employees' right to refuse unsafe work; and an internal safety auditing program.
- Responding to COVID-19 with respect to the health, safety and wellness of City employees. This includes building employee resilience and creating physically and psychologically safe work environments in these challenging times.

Furthermore, a psychological safety governance working group has been formed to coordinate support to employees and The City regarding accountability and responsibilities pertaining to psychological safety.

4 – Reputation Risk

A positive reputation for The City is a catalyst for delivering services, engaging citizens, businesses and partners, attracting talent and working collaboratively with other orders of government. As a municipal government, The City faces a high degree of public scrutiny, and any of our activities have the potential to influence this risk.

The City regularly monitors and measure this risk through the Citizen Satisfaction Survey. Citizen trust and satisfaction has declined for both Council and Administration in the fall of 2020, though not by a large margin. All reputation measures monitored by The City have likely been negatively impacted by the economic recovery as citizen trust and confidence in government is often stressed during difficult economic times. Further, The City continues to face public scrutiny related to the property tax shift, reductions in city-wide services, and other contentious investment decisions.

Managing The City's reputation relies on the entire organization, as exemplified in our shared values, individual responsibility and collective accountability. To manage this risk, The City will:

- Continue to educate, inform and speak with One Voice in response to COVID-19 as well as ensure communications are aligned and updated.
- Support City initiatives and committees tied to economic recovery by elevating and amplifying messaging regarding The City being open, transparent and business friendly (e.g. Downtown Strategy, Event Centre, Green Line, Arts Commons transformation).
- Renew focus on telling our 'story' of high-quality, affordable services and correcting misinformation to communicate the value for taxes, strengthening trust.
- Create and sustain partnerships within The City to improve the service planning and budgeting process by leveraging citizen perspectives and insights.

Another action being taken is an increase in citizen engagement to determine Calgarians' trust in, and support for, municipal government. The City measures and reports on reputation using The City's Citizen Perspectives Survey. There is also an increased emphasis on engaging all areas in The City to recognize and support the responses for this risk.

5 – Social Impact Risk

The social impact risk has increased its risk rating in every cross-corporate risk review since mid-year 2019. Calgary's social and economic conditions are changing, which has contributed to social unrest. The City's ability to respond is under pressure, as it requires shared responsibility between other orders of government and key community partnerships. This risk, as it materializes, has a negative impact on the well-being of citizens.

The City is currently focusing on three main strategies to address the social impact risk. They are:

- Use existing partnerships with the non-profit sector, community groups and advisory committees to understand emerging needs and gaps, and then mitigate risk through collaboration, coordination, and collective action (including advocacy strategies with other orders of government).
- Maintain accountability and reporting protocols to measure impact of funds dispersed, and/or programs and services delivered.
- Monitor number of applicants to Fair Entry; and other social programs, including waitlists.

THE OUTLOOK

2020 Economic Challenges

Significant work is underway in 2021 and beyond to support the recovery from three shocks that adversely impacted the Calgary economy in 2020:

1. A demand shock was the immediate and medium-term fallout of the COVID-19 pandemic throughout 2020. There are negative impacts on health and quality of life and chronic demand restraint for many goods and services.
2. Structural change with a significant and sustained decline in economic activity and jobs in a few industries below their 2014 level. It prompted a sharp and sustained drop in downtown office buildings' property values and a shift in non-residential property taxes away from downtown non-residential property owners through to 2020.
3. A supply shock due to a global oil supply glut in early 2020 as a few oil-producing countries struggled for market share. It compressed oil prices. Calgary's oil industry cash flows and profitability suffered, leading to direct job losses in the oil and gas industry and indirect job losses in ancillary industries. It shifted the concentration of business activity toward local industrial activity.

1 – COVID-19 Pandemic Response

The City and its partners are continuing to support community response initiatives to help reduce the social and economic impact of COVID-19 health restrictions on citizens and local business. Since the onset of COVID-19, The City has maintained a flexible approach to changing service demands and public health orders to ensure The City was able to continue delivering the services that Calgarians need and expect through the pandemic. In November, The City announced the COFLEX Program, which provides funding services to help Administration respond quickly to changing demands on our services while ensuring decisions are optimized for maximum benefit to citizens and businesses. Throughout the year, The City delivered regular updates to Council on service and financial impacts due to COVID-19, including impacts to performance and risk, providing important context for decision-making and longer-term strategic choices.

The COFLEX Program includes funding to support restored or improved service activities and levels associated with The City's COVID-19 response and recovery. As part of the COFLEX Program, a \$32.8 million COVID-19 Relief Fund comprised of Council and Provincial approved investments was created. The fund supports The City and its community partners in offsetting the negative impact of service interruptions, facility and local business closures due to public health restrictions.

Many of The City's services and partners adapted delivery methods to meet pandemic restrictions and changes in community demand for safe social interaction. The Civic Partners adjusted operations by shifting to digital and contactless options, offering outdoor events and self-guided tours and programs. Similarly, Arts and Culture reimagined festivals and events, holding Canada Day festivities as a virtual event and creating "Cultural Intersections" of Culture Days to showcase cultural opportunities in unique spaces. As part of the COVID-19 Relief Fund, Civic Partners were able to access \$5 million in the Emergency Resiliency Fund to offset losses in revenue due to temporary closures.

Calgary Neighbourhoods coordinated COVID-19 response initiatives to support vulnerable Calgarians. This work addressed food scarcity, provided access to technology, enabled neighbour to neighbour support and supported the opening of facilities for essential services. In addition, Neighbourhood Partnership Coordinators supported community groups to access \$2.7 million in COVID-19 relief funds to offset the impacts of facility closures. The work supporting equitable access to resources will continue in 2021.

The City also collaborated with 40 stakeholders to develop the COVID-19 Affordable Housing Community Advocacy, which led to \$24.6 million in funding through the Canada Mortgage and Housing Corporation's Rapid Housing Initiative to create 176 new non-profit build affordable homes for Calgarians experiencing homelessness.

Transportation made many adjustments to its regular business due to COVID-19 impacts. From installing permanent screens on buses for Transit drivers to implementing "adaptive roadways" to allow pedestrians and cyclists to move more freely during lockdown restrictions, Transportation moved quickly to adapt to fast-moving and ever-evolving circumstances. Transit ridership was most impacted with many businesses shuttered during the peak of the pandemic. Many companies also gave staff the option to work from home, additionally impacting transit ridership. It is still unclear how the longer term of this change will impact Transit.

Facility Management and Real Estate and Development Services also collaborated with Alberta Health Services to set up the Former Greyhound Station and South Spring Gardens in the northeast part of the city as COVID-19 testing sites. Additionally, to help with the COVID-19 recovery, Infrastructure Calgary coordinated The City's submission to the Municipal Stimulus Program for \$152.8 million in capital investment for 2020 and 2021. To address the \$73 million reduction in MSI funding, Infrastructure Calgary also coordinated the reprioritization of the capital portfolio.

2 – Supporting the recovery of Calgary's Downtown

Investment decisions for new downtown multi-storey office buildings take several years to implement. Significant additions in Calgary for 2014 to 2019 reflect economic conditions between 2008 and 2013. Investors recalled and responded to chronic shortages between 2004 and 2007. Low vacancy raised rents and sale values for downtown office buildings, pushing up taxable assessed values. For a decade, through to 2015, more non-residential tax responsibility was consistently directed toward downtown office units.

The reverse occurred starting with the 2015 to 2016 economic recession. More of the non-residential tax responsibility was directed away from downtown office units. The steep and rapid market value decline for a small number of high-valued downtown office buildings was about \$16 billion from 2015 to 2020. It has led to a material decrease in non-residential property taxes paid by these property owners. The risk of business failures by shifting all the associated tax responsibility to non-residential properties outside of the downtown area led Calgary municipal authorities to implement an immediate shift of part of the responsibility to residential properties and a long-term commitment to a Downtown Strategy.

Council approved the Downtown Strategy in April 2019. The strategy identified a recovery of economic activity in the downtown as a critical component to Calgary's long-term resilience and sustainability of The City's finances. Over the past two years, work on the Downtown Strategy focused on transformation to position downtown Calgary for success in the new economy.

In 2021 and beyond, there is an additional commitment to tackle requirements for a vibrant downtown in a post-pandemic world. Initial recommendations would emerge in the first half of 2021 through two critical ongoing initiatives. First, a new Greater Downtown Plan would provide a refreshed and future-focused vision for the Greater Downtown, including a range of strategic moves and corporate actions. Second, a report on incentives and investments needed to support a robust recovery in Downtown Calgary would follow to help realize the vision and roadmap in the Plan. These two initiatives are essential pillars for sustainable City finances in the future.

3 – Addressing the need for a thriving industrial sector in Calgary

Between 2016 and 2020, non-residential tax responsibility was directed away from the office sector to the industrial, retail and other sectors. Due to sustained weakness in the oil and gas industry, there was a significant shift to the industrial sector in 2021. Although the 2021 non-residential tax base is estimated to decrease by about 5 per cent, the industrial sector is estimated to increase (+5 per cent). The office sector (-10 per cent), the retail sector (-9 per cent) and other sectors (-6 per cent) are all expected to decrease.

Consequently, as part of the non-residential assessment class, industrial properties would ordinarily experience an increase in assessed value and an even more significant increase in overall property taxes in 2021. Without fiscal policy intervention, total taxes paid by industrial properties would increase by about 7 per cent. There would be substantial variation in the impact across industrial properties. As a result of the latest round of redistribution for 2021, about 16 per cent of industrial properties would ordinarily experience a very significant property tax increase (i.e. more than 10 per cent) from 2020. Another 73 per cent would ordinarily experience an increase of less than 10 per cent.

Short-term and long-term measures are under consideration to address the tax shift's impact and ensure a favourable business environment for industrial activity in Calgary. Short-term measures would come up for approval in the first half of 2021, addressing the potential for significant increases to deter business activity in a challenging economic environment. Long-term efforts would leverage work underway to implement the FTFs recommendations targeting lower non-residential property tax base volatility. Work would also commence in 2021 to develop a strategy for industrial development as part of an integrated Citywide Growth Strategy. The geographic scope is the existing industrial areas and the vacant and undeveloped industrial areas, totalling approximately 7,000 hectares of land or 8.5 per cent of the city's total land area. The strategy would focus on industrial land and its development and its support for Calgary's economy and business competitiveness.

The industrial sector plays a crucial role in Calgary's economic prosperity. Currently, it contributes about 22 per cent of Calgary's total municipal property tax revenue. It provides many employment opportunities in the Calgary region. In 2020, Calgary's industrial areas supported over 66,000 jobs or 11 per cent of jobs in the city. By one estimate, industrial sub-sectors such as manufacturing, wholesale trade, transportation, and warehousing would generate approximately 85,000 total jobs by 2041. Work on the strategy and the associated city-building work would help sustain a vibrant and competitive industrial sector in Calgary and, in turn, support stability in non-residential municipal property tax revenue.

Calgary Economic Reviews and Management of Growth

To support Calgary's economic recovery and financial resiliency, Council directed work through a FTF, to identify and assess innovative solutions to address the challenges of the current municipal property assessment and tax system and improve financial resiliency for The City through short term economic mitigation, long term recovery solutions and revenue options. The Task Force was led by The City's Chief Financial Officer, as Chair and consisted of a panel of twelve external members with expertise in policy formulation, business strategy, property valuations. On June 29, 2020, Council accepted thirty-five recommendations of the FTF as well as eight identified success factors:

- Improving the understanding of municipal finance circumstances
- Bringing property taxation into the twenty-first century
- Improving tax efficiency for long-term fiscal sustainability
- Responding to Calgary's cyclical economy using existing tools
- Preparing for changes that would occur as the economy evolves
- Making Calgary more competitive, livable and attractive
- Supporting regional economic development
- Working better with partners in achieving progress

The recommendations of the FTF have broad implications across The City. In general, the recommendations tend towards improvement to the assessment and taxation system, clearer communication of value, more diversity in revenue sources, more regional coordination and a clear focus on economic development. Council approved Administration's Action Items on July 27, 2020 which informed a high-level work plan that is now underway in many parts of The City to implement the recommendations where possible and return to Council for additional direction when required. The Chief Financial Officer's office will continue to monitor and report on progress semi-annually in June and December through the Priorities and Finance Committee.

Council approved the ERTF on March 16, 2020. It was one of five Task Forces governed by the COVID-19 Corporate Governance Committee to address challenges arising from the COVID-19 pandemic. Unlike the other Task Forces that focused primarily on the short-term COVID-19 response, the mandate of the ERTF extended to recommending strategies for the medium and long-term economic recovery and resilience to address shocks facing The City, Calgarians and the local business community.

The City's resilience strategy guided the work of the ERTF. As outlined in the strategy, a city's economic resilience improves when all are encouraged and able to participate in a diverse and strong economy. It enhances the community's ability to attract business, talent and investment. Calgary can capitalize on its high quality of life, available commercial real estate and educated workforce to bounce back from stresses and shocks. The goal is to strengthen a community engaged with local businesses, government, and partners cooperating and exploring opportunities together.

For the medium-term economic recovery, targeted at attracting investments and creating jobs in Calgary, the ERTF proposed four programs. The programs are consistent with the 2020 June Alberta Recovery Plan and the 2020 September Federal Speech from the Throne. The programs are:

1. Green investments and financing
2. Innovation through public procurement
3. Better value for The City's assets
4. Youth and community spirit

The expected benefits of these programs over the medium-term are numerous. Targeting the primary source of Calgary's greenhouse gas emissions (i.e. buildings) with retrofits that would reduce emissions and create local jobs for builders, plumbers, and electricians. Challenge or problem-based procurement, "first try and first buy program" procurement, and the domestication of supply chains would help create jobs, drive innovation, and protect supply chains. Assessing the extent to which the physical capital The City owns can generate more return on investment would help unlock "idle" capital to deliver improved or additional benefits. Partnerships with others in the community would support youth in the economy, including youth engagement and youth employment. These and other ongoing City programs and initiatives would support post-pandemic economic recovery in 2021 and beyond.

The Calgary Metropolitan Region Board Regulation AR190/2017 came into effect on January 1, 2018. This regulation formalized Provincial intent to mandate The City 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 three 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 June 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. Construction on several key components of the expansion is close to completion with commissioning due to commence later in 2021. The cost estimate for the Plant D expansion project has been revised to approximately \$673 million with a current spend (to the end of 2020) of \$366 million.

The \$500 million BMO Centre expansion is planned for completion in 2024 and will enable larger conventions and conferences to be attracted to Calgary and double the size of the current facility. 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 The City have each confirmed their support as one-third funding partners for the BMO Centre Expansion as a key infrastructural enhancement for this region.

The \$550 million 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 is integral to The City's Downtown Strategy to further Calgary's economic recovery and resilience. The City and Calgary Sports and Entertainment Corporation, as equal funding partners, entered into a 35-year management and lease agreement with The City owning 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 was actively engaged in advancing the planning, procurement and delivery phases of the Green Line Stage 1 LRT Program (Stage 1 Program) during 2020. Most notably, through a June 2020 Council approval for the updated Stage 1 alignment, a stage-gate process for delivery of the Stage 1 Program, incremental capital budget appropriation of \$4,740 million and borrowing bylaw to incur City indebtedness up to \$1,800 million. The total Stage 1 Program capital budget increased to \$5,543 million, consisting of \$4,903 million in capital expenditures and \$640 million in financing costs. In addition, the procurement of major contracts for the Stage 1 Program advanced, including the release of the:

- Request for Proposals for the Light Rail Vehicles on June 16, 2020;
- Request for Proposals for Segment 1 on July 24, 2020; and
- Request for Proposals for the Construction Management of Segment 2 Utility was issued on December 4, 2020.

Ensuring the optimal governance structure is in place to secure successful delivery of the Green Line Program was identified as essential by Council, the City Auditor and the Green Line Technical and Risk Committee (TRC). This resulted in the establishment of the Green Line Board with Council approval on July 20, 2020 and the appointment of external board members to the Board in early 2021.

The Government of Alberta, as a significant funding partner for the Green Line Program, initiated a due diligence review of the Stage 1 Program in the summer of 2020 related to the project structure, risks and cost certainty with the program. After significant engagement with the Government of Alberta, The City made the decision to pause the Segment 1 procurement schedule in late 2020 to provide time to conclude the provincial review discussions. A joint working group established between The City and the Government of Alberta is seeking to resolve the Province's concerns and discussions continue to be underway in early 2021.

To facilitate strategic and efficient growth in new communities, developers and The City continue to work together to address infrastructure needs, timing, and understand the 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. Collaborative work through the Citywide Growth Strategy is expanding beyond new communities to address strategic growth in established and industrial areas.

Intergovernmental and 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 and 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.

2020 was an important year on the intergovernmental front, with the start of the COVID-19 pandemic federal and provincial advocacy was required. In both cases, ICS coordinated and supported corporate-wide advocacy campaigns aimed at elevating the following five City of Calgary COVID-19 Priorities:

- Aid to vulnerable citizens and non-profits
- Aid to business
- Aid to municipalities
- Stimulative infrastructure
- Long term economic resilience and a new deal for cities

2021 is expected to be an equally busy year in intergovernmental relations. Federally, there is a strong possibility for an early election as the current minority government looks to secure a mandate for its ambitious recovery plan. The election will provide an opportunity for The City to continue to advance its five advocacy priorities. Should the current government be returned to power, we are expecting a range of new programming available to cities, which will require increased coordination at The City to ensure we are maximizing these opportunities.

Provincially, the Government of Alberta's recent budget announced reductions in support for municipalities. The City will continue to advocate for a reversal to these reductions, and pursue other opportunities to advance The City's interests, particularly where they are aligned with provincial goals, including changes to provincial legislation to reduce red tape.

Significant changes at the local government level are also expected in 2021. The municipal election in October 2021 is anticipated to result in a new mayor and a minimum of six new councillors for the City of Calgary. Due to the expected turnover of elected officials, administration is focused on Council's current projects to minimize any transition delays to the citizens.

Climate Related Financial Disclosures

The City is committed to taking action to mitigate and adapt to the current, emerging and anticipated impacts of climate change. The adoption of our Climate Resilience Strategy: Climate Mitigation and Adaptation Action Plans in 2018 and the 2050 Target of 80 per cent reduction in greenhouse gas emissions confirms this commitment. The Strategy guides the mainstreaming of climate-specific decision-making into policies, program and projects.

Climate related financial disclosures is the disclosure of an organization's governance around climate-related risks and opportunities; the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning; how the organization identifies, assesses, and manages climate-related risks; and the metrics and targets used to assess and manage relevant climate-related risk and opportunities. The Task Force on Climate-Related Financial Disclosure (TCFD), a group of 31 members from across the G20, representing both authors and users of financial disclosures, released recommendations for voluntary climate related financial disclosures. The recommendations are for climate-related disclosures that are consistent, comparable, reliable, effective and clear, and provide decision-useful information to lenders, insurers, and investors.

Municipal Climate Related Financial Disclosure in Canada

The City's Climate Resilience Strategy is focused on advocating, supporting and collaborating with other governments, cities and stakeholders to respond together on global and national climate commitments. This includes collaborating with other large Canadian cities on aligning and progressing municipal climate related financial disclosure as it evolves over time. To date, the cities of Vancouver, Toronto and Montreal have started along the path of climate related disclosure (multi-year maturity process) utilizing the TCFD framework. Additional Canadian cities are initiating this work as global and national focus on climate related financial disclosure in both the private and public sector is growing rapidly.

Climate-Related Risk and The City

The City recognizes that understanding the costs and potential economic benefits of climate change is essential for The City and Calgarians. The City has adopted a strategic long-term and future-focused approach to climate adaptation and mitigation that prepares Calgary to better support economic growth, attract new investors, reduce potential costs and damages, and build a more resilient community. As climate related financial disclosure is an integral component of this strategic approach, in 2021, The City will explore application of, and potential commitment to, the TCFD recommended framework for the future integration of climate related financial disclosure in The City's Annual Financial Reports.

Council and City Administration Actions

One Calgary 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.

One Calgary includes 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 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. At the end of 2019, Council approved adjustments to the 2020 budget that reduced the tax rate increase to 1.5 per cent along with an additional \$13 million increase to offset impacts to Police from the provincial budget, provided a \$24 million rebate in 2020 and 2021, and shifted tax revenues such that 52 per cent of property tax revenue came from residential properties and 48 per cent from non-residential properties. Council also directed that Administration target reductions in operating budgets of \$24 million in 2021 and \$50 million in 2022.

SAVE Program

In 2020, Council also approved the recommendations of the FTF, along with the plan to implement the recommendations. The FTF, which comprised citizen members had the mandate to develop strategy on short-term mitigation, long-term solutions and revenue options to improve financial resiliency. As part of the COVID-19 response strategy, Administration initiated the ERTF, comprising members of Council, citizens and senior management.

The City remains well-positioned to serve Calgarians in tough times due to its prudent financial management. One key aspect of this is pursuit of the SAVE program. In November 2019, Council directed the program (then called the Strategy for Improving Service Value) to target a reduction in operating budgets of \$24 million in 2021 and \$50 million in 2022 to deliver modern and affordable municipal lines of service within our City mandate. To deliver this work, The City partnered with Ernst and Young (EY) to form a unified program team. Informed by feedback from Calgarians, Council, front-line employees, and working closely with service owners, the team undertook a rigorous and strategic approach to savings and modernization that reduces the need for the across-the-board reductions.

The program prioritized opportunities with limited citizen impacts and the ability to produce the tangible savings in 2021. The program surpassed the \$24 million target, identifying \$26 million in net base budget savings, \$1 million in revenue and additional one-time savings. These were approved by Council during the Mid-Cycle Adjustments in November 2020. The team continues to work collaboratively across The City to implement the approved savings in 2021 while also progressing work towards achieving the 2022 targets.

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 pandemic and 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 2020, while facing the harsh impacts of the COVID-19 pandemic and ongoing economic downturn, The City was focused on supporting Calgarians and economic recovery. The City continued assisting Calgarians in need, ensuring delivery of essential services without interruptions, making strategic investment in infrastructure, supporting business opportunities and financial sustainability.

The City continued its collaboration with community partners to minimize the social and economic impacts of COVID-19 on citizens and local business, by creating a COFLEX Program and implementing a \$32.8 million COVID-19 Relief Fund and collaborating with stakeholders to develop the COVID-19 Affordable Housing Community Advocacy, which led to \$24.6 million in funding through the Canada Mortgage and Housing Corporation.

In addition, The City remains committed to delivering the One Calgary 2019-2022 Service Plans and Budgets, and also identified efficiencies and cost savings through the SAVE program. The City has persevered through these many challenges, and its resilience and prudent financial management have allowed it to maintain its AA+ credit rating.

Strategic ongoing investment continued in the BMO Centre expansion project, the Event Centre, Arts Commons transformation, Foothills Fieldhouse and the Green Line project, supporting business, arts, entertainment and accessibility for Calgarians to make life better every day.

The ongoing economic downturn and 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. As we look forward to 2021, we will continue to focus on responding to COVID-19, reducing our costs, modernizing our service delivery, and supporting the community both now and in the long-term.



Carla Male, Chief Financial Officer
April 26, 2021



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

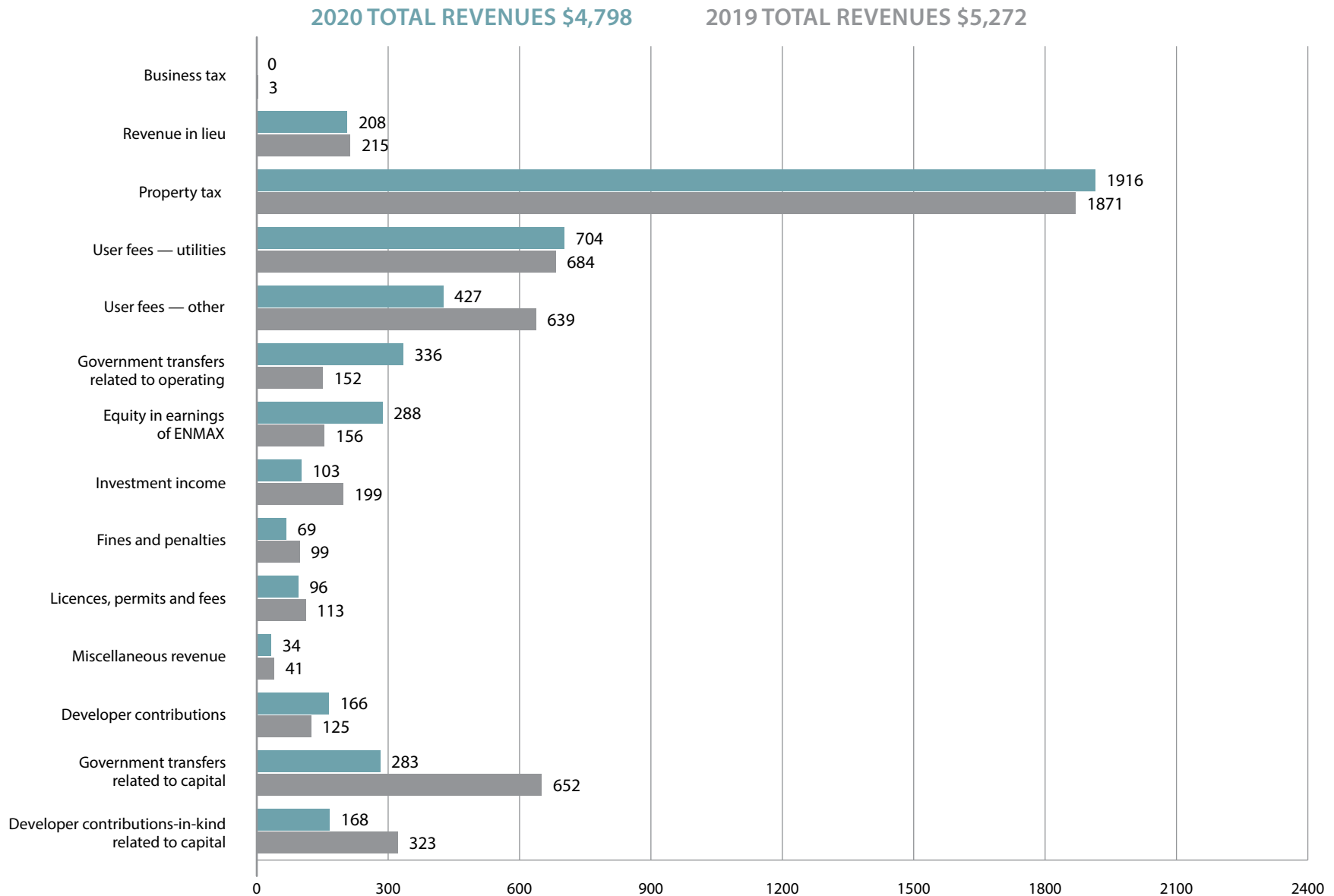
December 31, 2019

A handwritten signature in black ink that reads "Christopher P. Morrell".

Executive Director/CEO

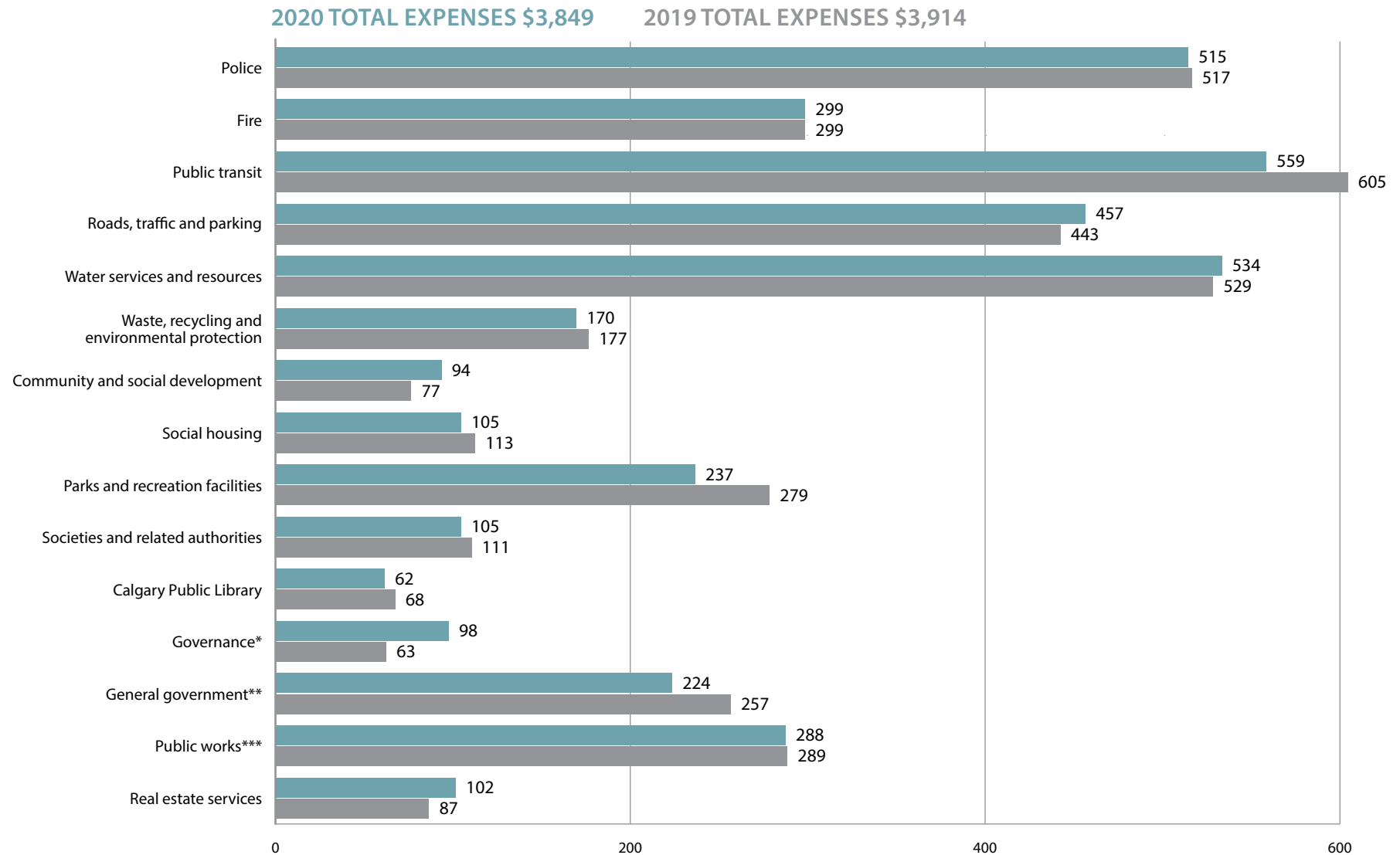
Financial Synopsis 2020 Sources of Revenue

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



Financial Synopsis 2020 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, Calgary Approvals Coordination, Corporate Analytics & Innovation, Calgary Building Services, Facility Management and Fleet Services.

2019 comparative figures have been reclassified to conform with the changes made to the Financial Statements Note 24 on the financial statements.

See Note 34 on the consolidated financial statements for additional information.

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 2020, 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 26, 2021

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, 2020 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, 2020, and the results of its operations, cash flows 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 City 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.

Chartered Professional Accountants

April 26, 2021



Consolidated Statement of Financial Position

As at December 31 (in thousands)

	2020	2019
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 632,626	\$ 263,209
Investments (Note 3)	4,423,320	4,230,756
Receivables (Notes 4 and 7 c))	373,481	375,636
Land inventory (Note 5)	279,307	275,592
Other assets (Note 6)	101,415	94,701
Investment in ENMAX Corporation (Note 7)	2,416,472	2,339,699
	8,226,621	7,579,593
FINANCIAL LIABILITIES		
Bank indebtedness (Note 8)	224,159	51,711
Accounts payable and accrued liabilities (Notes 7 c) and 9)	800,092	811,799
Deferred revenue (Note 10)	109,765	103,629
Capital deposits (Notes 11 and 34)	838,562	675,135
Provision for landfill rehabilitation (Note 12)	104,593	101,198
Employee benefit obligations (Note 13)	514,061	495,564
Long-term debt (Note 14)	2,845,144	2,883,447
	5,436,376	5,122,483
NET FINANCIAL ASSETS	2,790,245	2,457,110
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 15)	18,934,479	18,481,951
Inventory	63,552	59,401
Prepaid assets	29,255	26,944
	19,027,286	18,568,296
ACCUMULATED SURPLUS (Note 17)	\$ 21,817,531	\$ 21,025,406

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)

	Budget 2020 (Note 16)	Actual 2020	Actual 2019 (Note 34)
REVENUES			
Net taxes available for municipal purposes (Note 20)	\$ 2,143,348	\$ 2,123,471	\$ 2,088,755
Sales of goods and services	1,391,516	1,131,088	1,323,154
Government transfers related to operating (Note 23)	157,057	336,250	152,337
Investment income	82,939	102,795	198,927
Fines and penalties	84,333	69,080	98,646
Licences, permits and fees	112,717	96,372	113,111
Miscellaneous revenue	24,664	33,660	40,542
Equity in earnings of ENMAX Corporation (Note 7)	169,000	288,114	156,162
	4,165,574	4,180,830	4,171,634
EXPENSES			
Protection			
Police	513,967	515,088	517,498
Fire	287,805	299,189	298,870
	801,772	814,277	816,368
Transportation			
Public transit	483,694	558,435	604,869
Roads, traffic and parking	307,824	457,381	442,713
	791,518	1,015,816	1,047,582
Utilities and environmental services			
Water services and resources	505,371	534,446	529,005
Waste, recycling and environmental services	163,308	170,161	176,973
	668,679	704,607	705,978
Community and cultural services			
Community and social development	70,626	93,749	76,843
Social housing	120,411	104,846	113,553
Parks and recreation facilities	210,049	237,083	278,601
Societies and related authorities	96,798	105,190	110,820
Calgary Public Library Board	62,632	61,806	68,412
	560,516	602,674	648,229
General government	416,946	321,630	319,604
Public works	279,233	287,582	288,813
Real estate services	111,217	102,216	86,995
	3,629,881	3,848,802	3,913,569
EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	535,693	332,028	258,065
OTHER			
Developer contributions	283,482	166,008	124,988
Government transfers related to capital (Note 23)	704,910	282,756	652,016
Developer contributions-in-kind related to capital (Note 23)	–	168,674	323,067
	988,392	617,438	1,100,071
NET REVENUES	1,524,085	949,466	1,358,136
ENMAX Corporation – other comprehensive loss adjustment (Note 7)	–	(157,341)	(27,813)
ANNUAL SURPLUS	1,524,085	792,125	1,330,323
ACCUMULATED SURPLUS, BEGINNING OF YEAR	21,025,406	21,025,406	19,695,083
ACCUMULATED SURPLUS, END OF YEAR	\$ 22,549,491	\$ 21,817,531	\$ 21,025,406

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31 (in thousands)

	2020	2019
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS:		
OPERATING ACTIVITIES		
Annual Surplus	\$ 792,125	\$ 1,330,323
Deduct items not affecting cash:		
Equity in earnings of ENMAX Corporation (Note 7)	(288,114)	(156,162)
ENMAX Corporation– other comprehensive loss (Note 7)	157,341	27,813
Amortization of tangible capital assets	692,962	678,251
Net loss on disposal of tangible capital assets	4,893	4,771
Developer contributions-in-kind related to capital	(168,674)	(323,067)
Change in non-cash items:		
Receivables	2,155	(18,340)
Land inventory	(3,715)	3,940
Other assets	(6,714)	11,685
Inventory	(4,151)	(3,966)
Prepaid assets	(2,311)	(4,479)
Accounts payable and accrued liabilities	(11,707)	(135,475)
Deferred revenue	6,136	7,380
Capital deposits	163,427	(96,159)
Provision for landfill rehabilitation	3,395	7,489
Employee benefit obligations	18,497	(4,077)
	1,355,545	1,329,927
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(994,025)	(1,160,353)
Proceeds on sale of tangible capital assets	12,316	17,026
	(981,709)	(1,143,327)
INVESTING ACTIVITIES		
Dividends from ENMAX Corporation	54,000	50,000
Net purchases of investments	(192,564)	(192,194)
	(138,564)	(142,194)
FINANCING ACTIVITIES		
Proceeds from long-term debt issued	221,783	309,067
Long-term debt repaid	(260,086)	(314,451)
Net increase (decrease) in bank indebtedness	172,448	(21,929)
	134,145	(27,313)
INCREASE IN CASH AND CASH EQUIVALENTS	369,417	17,093
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	263,209	246,116
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 632,626	\$ 263,209

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Financial Assets

For the year ended December 31 (in thousands)

	Budget 2020 (Note 16)	Actual 2020	Actual 2019
ANNUAL SURPLUS	\$ 1,524,085	\$ 792,125	\$ 1,330,323
Amortization of tangible capital assets	131,936	692,962	678,251
Proceeds on sale of tangible capital assets	603	12,316	17,026
Tangible capital assets received as contributions	–	(168,674)	(323,067)
Net loss on disposal of tangible capital assets	–	4,893	4,771
Acquisition of tangible capital assets	(552,311)	(994,025)	(1,160,353)
Acquisition of supplies inventories	–	211,235	143,291
Use of supplies inventories	–	(215,386)	(147,257)
Acquisition of prepaid assets	–	240,511	259,475
Use of prepaid assets	–	(242,822)	(263,954)
INCREASE IN NET FINANCIAL ASSETS	1,104,313	333,135	538,506
NET FINANCIAL ASSETS, BEGINNING OF YEAR	2,457,110	2,457,110	1,918,604
NET FINANCIAL ASSETS, END OF YEAR	\$ 3,561,423	\$ 2,790,245	\$ 2,457,110

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

December 31, 2020 (in thousands)

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 therefore included in the consolidated financial statements, these include:

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

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
The Burns Memorial Fire Fund
The Burns Memorial Police Fund
Calgary Board of Education
Calgary Roman Catholic Separate School District No.1
Conseil Scolaire FrancoSud
Saddledome Foundation
St. Mary's University College

Civic Partners

Aero Space Museum of Association Calgary (operating as the Hangar Flight Museum)
Calgary Centre for Performing Arts (operating as Arts Commons)
Calgary Exhibition and Stampede Limited
Calgary Heritage Authority (operating as Heritage Calgary)
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
Glenbow Alberta-Institute
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)
Tourism Calgary – Calgary Convention and 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 1 k) 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

- i) 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.
- ii) 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, 2020.
- iii) 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.

- iv) 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.
- v) Expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.
- vi) 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.
- vii) 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 consolidated statement of operations and accumulated surplus. 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 licences, 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 Protection and Enhancement 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 and 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 Protection and Enhancement 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, 2020. 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 statement of changes 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 are 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 is 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 2020 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 management 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 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 consolidated 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.

Management continues to assess the impact of the novel coronavirus ("COVID-19") and governments' response to it on The City. Portions of the financial results incorporate estimates from management that are subject to increased uncertainty due to the market disruptions caused by the COVID-19 pandemic. The amounts recorded in these consolidated financial statements are based on the latest reliable information available to management at the time the consolidated financial statements were prepared where that information reflects conditions as at the date of the consolidated financial statements. However, there is inherent uncertainty about these assumptions and estimates which could result in outcomes that require adjustments to the carrying amount of the affected assets or liabilities in the future.

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 parties 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, which 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 consolidated financial statements.

As of December 31, 2020, there are no material transactions for disclosure from key management personnel (2019 – none). Refer to Note 7 c) for ENMAX related party disclosures.

z) **Restructuring Transactions**

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. The City has applied this standard prospectively on applicable restructuring transactions. For the year ended December 31, 2020, there were no restructuring transactions.

aa) Future Accounting Pronouncements

Standards effective for the fiscal year ending December 31, 2023

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. This standard includes obligations for solid waste landfill sites and post-closure obligations. Once adopted the existing Solid Waste Landfill Closure and Post-Closure Liability (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, 2024

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.

vii) Purchased Intangibles

Purchased Intangibles (PSG 8) establishes guidelines on how to account for identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act.

The City continues to assess the impact of these standards on the consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on deposit	\$ 632,576	\$ 262,950
Treasury bills and GICs with original maturities of 90 days or less	50	259
	\$ 632,626	\$ 263,209

Treasury bills and GICs interest rates are approximately 0.4 per cent in 2020 and 1.7 per cent in 2019.

3. INVESTMENTS

All the investments managed by The City are held in fixed income securities and equity investments. Investments with a cost of \$2,345 (2019 – \$2,327) are managed by the Parks Foundation Calgary⁽¹⁾, and include equity investments of \$1,537 (2019 – \$1,596). The cost and market value of all investments as at December 31 are as follows:

	2020 Cost	2020 Market value	2019 Cost	2019 Market Value
Government of Canada	\$ 240,785	\$ 245,592	\$ 314,011	\$ 313,910
Other Government	512,225	533,604	401,467	407,729
Corporate	2,197,535	2,233,484	2,128,282	2,137,713
Global fixed income investments	821,671	866,195	797,670	803,403
Equity investments	651,104	728,719	589,326	631,881
	\$4,423,320	\$4,607,594	\$ 4,230,756	\$ 4,294,636

The average yield earned from investments during the year ended December 31, 2020, was 3.6 per cent (2019 – 3.5 per cent). Maturity dates on the investments range from 2021 to 2081. Investments include \$488,000 (2019 – \$614,311) in an internally managed portfolio composed of short-term money market instruments and bonds.

A portion of The City's 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

	2020	2019
Taxes	\$ 69,510	\$ 53,048
Federal and Provincial governments	42,465	45,122
General	261,506	277,466
	\$ 373,481	\$ 375,636

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.

	2020	2019
Developed land	\$ 87,050	\$ 83,155
Under development	106,504	107,460
Long-term inventory	85,753	84,977
	\$ 279,307	\$ 275,592

6. OTHER ASSETS

	2020	2019
Long-term debt recoverable	\$ 19,011	\$ 12,498
Long-term receivables	70,191	66,628
Other receivables	6,741	10,596
Loans receivable	5,472	4,979
	\$ 101,415	\$ 94,701

Long-term debt recoverable includes debentures issued to fund local improvements which are collectible from property owners for work authorized by them and performed by The City, and term loan's granted on previously owned City sites.

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 (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 2020, an allowance for doubtful accounts of \$3,021 (2019 – \$3,388) 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

- a) ENMAX is a wholly-owned subsidiary of The City and was formed to continue the electric utility transmission and distribution operations previously provided by the Calgary Electric System, a former department of The City. ENMAX operates in four segments: 1) Power Delivery, a regulated operating segment established to own and operate electricity transmission and distribution assets in the Calgary service area; 2) Versant Power, a regulated operating segment that carries on the business of electricity transmission and distribution in the United States of America Bangor Hydro District and Maine Public District; 3) Competitive Energy, an unregulated operating segment established to carry out all energy supply and retail functions; and 4) Corporate and Eliminations, a segment responsible for providing shared services and financing for the operating segments.

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.

Effective March 24, 2020, ENMAX successfully closed the transaction to purchase Versant Power (formerly Emera Maine) for approximately \$1,393 million from Emera Inc. in addition to the assumption of approximately \$566.5 million of existing debt for an aggregate enterprise value of approximately \$1,959.5 million. Versant Power's operations are subject to the rate-setting authority of the Federal Energy Regulatory Commissions (FERC) and the Maine Public Utilities Commission (MPUC). The operations of Versant Power are accounted for using U.S. Generally Accepted Accounting Principles. ENMAX is required to convert Versant Power's transactions under U.S. GAAP to ENMAX's basis of presentation in accordance with International Financial Reporting Standards (IFRS).

ENMAX and its Canadian operating segments 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 segments 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. ENMAX's Versant Power is subject to U.S. tax reforms.

Debentures reported by ENMAX as long-term debt in the amount of \$1,371,972 (2019 – \$1,283,320) have been issued in the name of The City (Note 14 a)).

- b) The financial statements of ENMAX are prepared in accordance with IFRS. There were no new accounting standards effective for 2020.

New accounting standard effective for 2019 was IFRS 16 "Leases". The standard was 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.

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

	2020	2019
Financial Position		
Current assets	\$ 997,044	\$ 1,948,257
Deferred income taxes	56,367	35,933
Capital and intangible assets	6,063,491	4,679,953
Other assets	880,843	79,982
Total assets	7,997,745	6,744,125
Regulatory deferral account debit balances	189,367	31,183
Total assets and regulatory deferral account debit balances	8,187,112	6,775,308
Current liabilities		
(including current portion of long-term debt; 2020 – \$73,617; 2019 – \$73,271)	1,003,268	945,512
Deferred income tax liabilities	267,680	31,636
Other long-term liabilities	837,777	787,009
Asset retirement obligations	142,455	121,262
Long-term debt	3,368,123	2,548,667
Total liabilities	5,619,303	4,434,086
Regulatory deferral account credit balances	151,337	1,523
Total liabilities and regulatory deferral account credit balances	5,770,640	4,435,609
ENMAX net assets	2,416,472	2,339,699
Accumulated other comprehensive loss	(189,779)	(32,438)
Retained earnings	2,606,251	2,372,137
Investment in ENMAX Corporation	\$ 2,416,472	\$ 2,339,699

	2020	2019
Results of Operations		
Revenues	\$ 2,626,199	\$ 2,524,981
Operating expenses	2,242,523	2,207,071
Interest charges (net)	134,161	80,602
Net earnings before income tax	249,515	237,308
Income tax recovery (expense)	28,075	(33,788)
Net earnings before net movements in regulatory deferral account balances	277,590	203,520
Net movement in regulatory deferral account balances	10,524	(47,358)
Net earnings before dividends paid	288,114	156,162
Dividends paid	(54,000)	(50,000)
Net earnings after dividends paid	234,114	106,162
Other comprehensive loss	(157,341)	(27,813)
Net earnings after other comprehensive loss	76,773	78,349
Net assets, beginning of year	2,339,699	2,261,350
Equity in ENMAX Corporation	\$ 2,416,472	\$ 2,339,699

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

	2020	2019
Received by The City		
Dividends	\$ 54,000	\$ 50,000
Local access fee	132,378	142,450
Sales of services	22,632	23,206
Purchased by The City		
Power and other services	\$ 155,563	\$ 157,424
Capital expenditures paid or payable	\$ 10,407	\$ 13,570

The City's accounts payable and accrued liabilities and deferred revenue include \$23,604 (2019 – \$16,817) for amounts owed to ENMAX at December 31, 2020. The City's receivables include \$13,152 (2019 – \$19,100) for amounts owing to The City by ENMAX at December 31, 2020. 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 \$160,000 (2019 – \$60,000). As at December 31, 2020, The City had a total of \$70,418 (2019 – \$43,516) of bank indebtedness comprised of cheques issued in excess of deposits, included in this balance is \$36,422 (2019 – \$16,016) from three related authorities (2019 – two related authorities).

The City has the approved authority to issue up to \$600,000 (2019 – \$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, 2020, The City had \$153,741 (2019 – \$8,195) of short-term borrowings, which consisted of promissory notes held by The City and demand loans held by Attainable Homes Calgary Corporation, and Calgary Arts Development Authority Ltd. The City has 13 promissory notes valued at \$149,894 with maturity dates from January 14, 2021 to March 31, 2021 with interest rates ranging from 0.32 per cent to 0.36 per cent (2019 – no promissory notes were issued by The City).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade	\$ 752,728	\$ 763,702
Federal and Provincial governments	30,763	30,064
Accrued interest	16,601	18,033
	\$ 800,092	\$ 811,799

10. DEFERRED REVENUE

Advance sales of goods and services are revenues received from operations in advance of the services being provided. Licences, permits and application fees include amounts received for building permits, business and animal licences 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, 2019	Inflows	Revenue Recognized	December 31, 2020
Advance sales of goods and services	\$ 35,594	\$ 47,701	\$ (57,946)	\$ 25,349
Licences, permits and application fees	45,004	17,362	(30,906)	31,460
Government grants*	13,204	266,330	(245,425)	34,109
Other contributions	9,827	13,293	(4,273)	18,847
	\$ 103,629	\$ 344,686	\$ (338,550)	\$ 109,765

* Includes a one-time Municipal Operating Support Transfer for COVID-19 related incremental operating costs or decreases in revenue in the period April 1, 2020 to March 31, 2021

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:

	2020	2019
		(Note 34)
Developers contributions	\$ 138,731	\$ 147,391
Offsite levies	330,024	287,632
Deferred capital contribution – Event Centre	4,635	–
Other private contributions	18,234	14,827
Provincial government grants	176,029	80,880
Federal government grants	170,909	144,405
	\$ 838,562	\$ 675,135

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, 2020, management estimates that the total liability for operating and closed landfill sites is \$165,607 (2019 – \$163,612). 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 (2019 – 3.2 per cent) was used for the active landfills and 3.1 per cent (2019 – 3.1 per cent) for the closed landfills.

The calculation of the reported liability of \$104,593 (2019 – \$101,198) is based on the cumulative capacity used at December 31, 2020 compared to the total estimated landfill capacity at that same date. The change in calculation resulted in \$12,253 (2019 – \$10,184) of unfunded liability being recognized in 2020. The unfunded liability will be funded through future contributions from the Waste and Recycling Sustainment Reserve. At December 31, 2020, the balance of the Waste and Recycling Sustainment Reserve is \$73,878 (2019 – \$67,312).

The estimated remaining capacity of the landfill sites is 45.3 (2019 – 46.4) million cubic metres, which is 46 per cent (2019 – 47 per cent) of the sites' total capacity. In 2020, The City determined that the landfills' expected remaining life would be kept at 44 years (2019 – 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, 2020.

The City has fully met its current year cash contribution requirements for employee benefit obligations as at December 31, 2020. Employee benefit obligation recognized on The City's consolidated statement of financial position in respect to employee benefits is as follows:

	2020 *Funded	2019 *Funded
a) Registered defined-benefit pension plans	\$ 54,061	\$ 52,483
b) Non-registered defined-benefit pension plans	41,202	39,952
c) Post-retirement benefits	181,389	179,247
d) Vacation and overtime (undiscounted)	237,409	223,882
	\$ 514,061	\$ 495,564

* 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:

	2020	2019
Registered defined-benefit pension plans	\$ 19,692	\$ 701
Non-registered defined-benefit pension plans	15,680	18,176
Post-retirement benefits	(41,765)	(41,529)
	\$ (6,393)	\$ (22,652)

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 (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, 2020	Dec 31, 2019
Year end obligation discount rate (%)	2.50	2.85
Inflation rate (%)	2.00	2.00
Expected rate of return on plan assets (%)	6.00	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 *Income Tax Act* (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:

	2020	2019
Fair value of plan assets – beginning of year	\$ 164,258	\$ 145,662
Contributions – employer	8,066	8,935
Contributions – member	136	154
Expected interest on plan assets	9,828	8,789
Less benefits paid	(9,126)	(7,447)
Actuarial (loss) gain	(2,990)	8,165
Fair value of plan assets – end of year	\$ 170,172	\$ 164,258
Accrued benefit obligation – beginning of year	\$ 217,442	\$ 194,686
Current period benefit cost	10,507	8,939
Interest on accrued benefit obligation	6,367	6,497
Less benefits paid	(9,126)	(7,447)
Actuarial loss	18,735	14,767
Accrued benefit obligation – end of year	\$ 243,925	\$ 217,442
Funded status – plan deficit	\$ 73,753	\$ 53,184
Unamortized net actuarial loss	(19,692)	(701)
Accrued benefit liability	\$ 54,061	\$ 52,483
Current period benefit cost	\$ 10,507	\$ 8,939
Amortization of actuarial losses	2,734	2,479
Less member contributions	(136)	(154)
Benefit expense	\$ 13,105	\$ 11,264
Interest on accrued benefit obligation	6,367	6,497
Less expected interest on plan assets	(9,828)	(8,789)
Benefit interest	(3,461)	(2,292)
Total expense	\$ 9,644	\$ 8,972

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:

	2020	2019
Calgary Firefighters' Supplementary Pension Plan (FSPP)	15.0	15.9
The City of Calgary Supplementary Pension Plan (SPP)	8.2	8.3
Pension Plan for Elected Officials of The City of Calgary (EOPP)	9.1	9.2
Calgary Police Supplementary Pension Plan (PSPP)	Not applicable	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 (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, 2019	December 31, 2022
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, 2020, 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:

	2020 Employer	2020 Members	2019 Employer	2019 Members
Current service contributions	\$ 4,588	\$ 3,843	\$ 5,320	\$ 4,330
Contribution rates (% of pensionable salaries)	2.83%	2.32%	*2.83%	*2.32%

*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, 2020, 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, 2019 as follows:

	2020 Employer	2020 Members	2019 Employer	2019 Members
Current service contributions	\$ 3,031	\$ 2,436	\$ 3,134	\$ 2,532
Contribution rates (% 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:

	2020 Employer	2020 Members	2019 Employer	2019 Members
Current service contributions	\$ 281	\$ 136	\$ 320	\$ 154
Contribution rates (% 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. 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, 2020.

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 (OCP)	December 31, 2020	December 31, 2021
The City of Calgary Police Chief and Deputy Overcap Pension Plan (PCDOP)	December 31, 2020	December 31, 2021
The City of Calgary Fire Chief and Deputies Overcap Pension Plan (FCDOP)	December 31, 2020	December 31, 2021
Supplementary Pension Plan for Elected Officials of The City of Calgary (EOSP)	December 31, 2020	December 31, 2021
Executive Pension Plan (EPP)	December 31, 2020	December 31, 2021
Contractual obligations	December 31, 2020	December 31, 2021

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2020 valuations for accounting purposes for the non-registered pension plans:

	2020	2019
Accrued benefit obligation – beginning of year	\$ 58,128	\$ 58,669
Current period benefit cost	864	1,167
Interest on accrued benefit obligation	1,604	1,828
Less benefits paid	(5,439)	(7,199)
Actuarial loss	1,725	3,663
Accrued benefit obligation – end of year	\$ 56,882	\$ 58,128
Funded status – plan deficit	\$ 56,882	\$ 58,128
Unamortized net actuarial loss	(15,680)	(18,176)
Accrued benefit liability ⁽¹⁾	\$ 41,202	\$ 39,952
Current period benefit cost	\$ 864	\$ 1,167
Amortization of actuarial losses	4,221	3,859
Interest on accrued benefit obligation	1,604	1,828
Total expense	\$ 6,689	\$ 6,854

(1) To satisfy the obligations under these plans, assets in the amount of \$41,202 (2019 – \$39,952) are held within The City's investments.

Unamortized net actuarial gains and losses of the OCP 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:

	2020	2019
OCP	8.1	9.1
PCDOP	6.8	6.4
FCDOP (closed plan)	Not applicable	Not applicable
EOSP	12.7	13.8
EPP (closed plan)	Not applicable	Not applicable
Contractual obligations (closed plan)	Not applicable	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 OCP 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 OCP 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 OCP for the Police Chief and Deputies and the OCP 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 OCP 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 EOP to provide an annual retirement benefit of 2 per cent of all pensionable earnings for the years of service recognized under the EOP (Note 13 a iii)). The decision made by Council to end service accruals in the EOSP takes effect as of the 2021 election – October 18, 2021. The plan will be considered closed to new entrants as of that date.

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 OCP 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 City's consolidated 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. The City's management exempt employees that do not qualify for retirement before December 31, 2021 have been removed from the retirement allowance obligation. CPA made the decision to discontinue the retirement allowance for exempt employees as of February 1, 2022. Exempt employees that do not qualify for retirement before February 1, 2022 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: The City and CPA	Next Valuation Date: The City and CPA
PWB	December 31, 2020	December 31, 2021
Retirement Allowance	December 31, 2020	December 31, 2021
Supplemental Compensation	December 31, 2020	December 31, 2021

The following table sets out the results of, and significant assumptions utilized, in the December 31, 2020 valuations for accounting purposes for post-retirement benefits:

	2020	2019
Accrued benefit obligation – beginning of year	\$ 139,754	\$ 137,129
Current period benefit cost	9,241	9,211
Interest on accrued benefit obligation	4,142	4,618
Less benefits paid	(7,160)	(8,086)
Actuarial (gain)	(4,211)	(3,139)
Accrued benefit obligation – end of year	\$ 141,766	\$ 139,733
Funded status – plan deficit	\$ 141,766	\$ 139,733
Plan assets ⁽²⁾	(2,142)	(2,036)
Unamortized net actuarial gain	41,765	41,550
Accrued benefit liability ⁽³⁾	\$ 181,389	\$ 179,247
Current period benefit cost	\$ 9,241	\$ 9,211
Amortization of actuarial (gain)	(3,927)	(2,608)
Curtailment Gain ⁽¹⁾	(153)	(10,541)
Interest on accrued benefit obligation	4,141	4,618
Total expense	\$ 9,302	\$ 680
Annual increase in extended health costs ⁽⁴⁾	4.4%	5.0%
Annual increase in dental costs ⁽⁴⁾	4.4%	4.0%

(1) Changes made to the CPA retirement allowance benefit effective February 1, 2022 have resulted in a curtailment gain of \$153 (2019 – curtailment gain of \$10,541 due to changes made to The City's retirement allowance benefit).

(2) Plan assets in the amount of \$2,142 (2019 – \$2,036) to satisfy future life claims are equal to fair market value.

(3) Assets in the amount of \$181,389 (2019 – \$179,247) to satisfy the obligations under these plans are held within The City's investment portfolio.

(4) Actuarial gains and losses are amortized as follows:

- for plans where employees are actively accruing benefits (i.e. PWB and Retirement Allowance), on a straight line basis over the EARSL of such employees beginning at the times such amounts are determined; and
- for plans where employees are not actively accruing benefits (i.e. Supplemental Compensation), recognized in the year in which they arise.

The EARSL for each plan is:

	2020	2019
The City PWB	12.3	12.4
The City Retirement Allowance	12.2	12.4
The City Supplemental Compensation	Not applicable	Not applicable
CPA PWB and Retirement Allowance	7.8	11.8

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 \$237,409 (2019 – \$223,882) 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 consolidated financial statements. As at December 31, 2019, the LAPP and SFPP were in surplus positions.

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:

	2020 Employer	2020 Members	2019 Employer	2019 Members
Current service contributions	\$ 133,829	\$ 120,807	\$ 136,637	\$ 128,332
Contribution Rates (% of pensionable salaries)	9.39% up to YMPE and 13.84 % over YMPE	8.39% up to YMPE and 12.84% over YMPE	9.39% up to YMPE and 13.84 % over YMPE	8.39% up to YMPE and 12.84% over YMPE

The LAPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2019 of \$7,913,261 (2018 – \$3,469,347). More recent information was not available at the time of preparing these consolidated financial statements.

LAPP consists of 167,162 active members. The City's active plan membership represents approximately 8.0 per cent (2018 – 8.3 per cent) of the total LAPP active membership as at December 31, 2019.

ii) Special Forces Pension Plan

The SFPP provides an annual retirement benefit of 1.4 per cent of pensionable earnings up to 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 *Income Tax Act* (Canada). Under the *Alberta Public Sector Pension Plans Act*, The City and members of the SFPP made the following contributions:

	2020 Employer	2020 Members	2019 Employer	2019 Members
Current service contributions	\$ 36,729	\$ 33,736	\$ 35,342	\$ 33,785
Contribution Rates (% of pensionable salaries)	14.55%	13.45%	14.55%	13.45%

The SFPP reported a surplus (extrapolation results of the actuarial valuation) for the overall plan as at December 31, 2019 of \$184,631 (2018 – deficit of \$191,195). More recent information was not available at the time of preparing these financial statements. The City's 2020 contribution rates did not change as a result of this surplus.

SFPP consists of 4,570 active members. The City active plan membership represents approximately 48.8 per cent (2018 – 48.5 per cent) of the total SFPP active membership as at December 31, 2019.

14. LONG-TERM DEBT

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

	2020				2019			
	Tax Supported	Self Sufficient Tax Supported	Self Supported	Total	Tax Supported	Self Sufficient Tax Supported	Self Supported	Total
i) Debentures	\$ 337,695	\$ 214,268	\$ 3,584,085	\$ 4,136,048	\$ 372,060	\$ 210,322	\$ 3,490,147	\$ 4,072,529
ii) Mortgages and other debt	63,427	–	17,641	81,068	69,404	–	24,834	94,238
	401,122	214,268	3,601,726	4,217,116	441,464	210,322	3,514,981	4,166,767
Less								
iv) Debt attributable to ENMAX	–	–	(1,371,972)	(1,371,972)	–	–	(1,283,320)	(1,283,320)
	\$ 401,122	\$ 214,268	\$ 2,229,754	\$ 2,845,144	\$ 441,464	\$ 210,322	\$ 2,231,661	\$ 2,883,447

- i) Debentures, which are predominantly held by the Alberta Capital Finance Authority, hereafter referred to as the "Province" (Note 14 g)) 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 and Resources, includes debentures in the amount of \$62,304 (2019 – \$60,259) 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 which has been fully repaid in 2020 (2019 – \$176), 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 \$3,691 (2019 – \$3,901). 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, 2020, 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. Land and building assets with a carrying value of \$43,859 (2019 – \$51,767) are pledged as collateral against the mortgages. In 2019, The City issued borrowings held by ENMAX and Plenary Infrastructure Calgary LP (Plenary) for The City's Shephard 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 \$164,914 in 2020 (2019 – \$172,415), 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 Tax Supported	Self Supported	Less: Debt attributable to ENMAX	Total
2021	\$ 35,092	\$ 16,970	\$ 270,062	\$ (73,238)	\$ 248,886
2022	35,618	16,956	251,273	(68,674)	235,173
2023	32,372	16,128	230,648	(69,350)	209,798
2024	27,596	16,241	224,645	(68,949)	199,533
2025	25,591	15,662	217,631	(68,874)	190,010
Thereafter	244,853	132,311	2,407,467	(1,022,887)	1,761,744
	\$ 401,122	\$ 214,268	\$ 3,601,726	\$ (1,371,972)	\$ 2,845,144

c) Debenture interest is payable, before provincial subsidy, at rates ranging from 0.86 per cent to 8.25 per cent (2019 – 1.09 per cent to 8.25 per cent) per annum. Debenture debt held at year end has an average rate of interest of 3.51 per cent (2019 – 3.63 per cent) before provincial subsidy and 3.51 per cent (2019 – 3.63 per cent) after provincial subsidy.

	Tax Supported	Self Sufficient Tax Supported	Self Supported	Average Interest
Gross (before interest subsidy)	3.70%	3.50%	3.30%	3.51%
Net (after interest subsidy)	3.70%	3.50%	3.30%	3.51%

Calgary Housing Company has mortgages outstanding in the amount of \$7,491 (2019 – \$8,667), with one mortgage remaining for a fixed subsidy property with interest of 0.68 per cent (2019 – 1.04 per cent to 2.22 per cent) before interest rate subsidy. The effective interest rate after the subsidy for the fixed-subsidy project is 2 per cent (2019 – 2 per cent).

d) Interest charges are as follows:

	2020 Tax Supported	2020 Self Sufficient Tax Supported	2020 Self Supported	2020 Total	2019 Tax Supported	2019 Self Sufficient Tax Supported	2019 Self Supported	2019 Total
Debenture interest	\$ 12,900	\$ 7,013	\$ 78,211	\$ 98,124	\$ 14,110	\$ 7,587	\$ 81,109	\$ 102,806
Other interest and charges	3,380	6,806	3,066	13,252	3,249	–	3,179	6,428
	\$ 16,280	\$ 13,819	\$ 81,277	\$ 111,376	\$ 17,359	\$ 7,587	\$ 84,288	\$ 109,234

e) The estimated fair value of The City's long-term debt is \$3,088,846 (2019 – \$3,039,840). Calculation of the estimated fair value of the debt is based on lending rates obtainable at December 31, 2020 for debentures with comparable maturities from The City's primary lender, the Province.

f) Section 271 of the *Municipal Government Act* 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.

	2020	2019
Total debt limit (2 times revenue)	\$ 8,117,447	\$ 8,280,921
Total debt (short and long-term)	3,063,919	2,961,444
Percentage of debt to debt limit	37.74%	35.76%
Total debt service limit (35% of revenue)	\$ 1,420,553	\$ 1,449,161
Total debt service	499,457	369,416
Percentage of debt service to service limit	35.16%	25.49%

The City's related authorities are subject to certain financial and non-financial covenants over their credit facilities. As at December 31, 2020 all the related authorities were in compliance with their covenants.

- g) In November 2019, legislation including the new *Local Authorities Capital Financing Act* (LACFA) was passed to support the dissolution of the Alberta Capital Finance Authority (ACFA). This included proclaiming LACFA into force on October 31, 2020 which resulted in the repeal of the *Alberta Capital Finance Authority Act* and dissolution of the ACFA.

Upon dissolution of ACFA, the department of Treasury Board and Finance (TBF), on behalf of the Province, were made responsible for the administration of ACFA's lending program effective November 1, 2020. This did not affect the lending processes, policies, and structures that ACFA had in place, which were retained by the Province. For the year ended 2020, there was no impact to The City's borrowings with ACFA, now referred to as the "Province".

15. TANGIBLE CAPITAL ASSETS

Cost	December 31, 2019	Additions	Disposals	December 31, 2020
Land	\$ 2,521,124	\$ 49,203	\$ (6,823)	\$ 2,563,504
Land improvements	1,235,726	37,047	(4,703)	1,268,070
Engineered structures	16,434,785	736,571	(18,967)	17,152,389
Buildings	3,413,838	121,672	(10,427)	3,525,083
Machinery and equipment	727,305	45,250	(51,799)	720,756
Vehicles	1,611,870	100,649	(54,593)	1,657,926
	\$ 25,944,648	\$ 1,090,392	\$ (147,312)	\$ 26,887,728
Work in progress				
Land	13,746	43	(355)	13,434
Construction	1,284,282	96,074	(22,465)	1,357,891
	\$ 27,242,676	\$ 1,186,509	\$ (170,132)	\$ 28,259,053
Accumulated amortization	December 31, 2019	Additions	Disposals	December 31, 2020
Land improvements	\$ 665,519	\$ 46,469	\$ (3,964)	\$ 708,024
Engineered structures	5,751,790	375,308	(16,769)	6,110,329
Buildings	1,131,899	119,597	(8,386)	1,243,110
Machinery and equipment	462,550	61,457	(51,542)	472,465
Vehicles	748,967	90,131	(48,452)	790,646
	\$ 8,760,725	\$ 692,962	\$ (129,113)	\$ 9,324,574
Net book value	\$ 18,481,951	\$ 493,547	\$ (41,019)	\$ 18,934,479

In 2020, \$168,674 (2019 – \$323,067) 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 2020 and 2019 consist of certain buildings and land.

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 2020 (2019 – \$nil).

16. 2020 BUDGET

Budget data presented in these consolidated financial statements are based upon the 2020 operating and capital budgets as approved by Council. Council approved budgets are prepared in accordance with MGA which in some cases differs from budget amounts reported on the consolidated statement of operations and accumulated surplus and consolidated 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	\$ 4,151,890	\$ 4,231,247	\$ 79,358
Capital	–	1,404,066	1,404,066
Add			
Capital budget adjustments and revisions	–	725,973	725,973
Related authorities	265,091	312,397	116,701
Equity in earnings of ENMAX Corporation	122,000	–	–
Transfers between capital and operating	–	–	60,887
	\$ 4,538,981	\$ 6,673,683	\$ 2,386,985
Less			
Operating budget adjustments and revisions	(87,003)	(87,003)	–
Intercompany eliminations	(76,594)	(107,492)	(39,736)
Contributions from Utilities	(67,584)	(42,716)	–
Contributions from reserves and operations	(122,625)	(762,268)	–
Contributions between reserves	(19,601)	–	–
Debt principal repayments	–	(62,098)	–
Tangible capital asset adjustments	–	(1,850,289)	–
Debt issued	–	–	(584,360)
Transfers from reserves	–	–	(774,497)
Amortization	–	(131,936)	–
BUDGET FOR FINANCIAL STATEMENT PURPOSES	\$ 4,165,574	\$ 3,629,881	\$ 988,392

17. ACCUMULATED SURPLUS

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

	2020	2019
Operating fund	\$ 164,156	\$ 110,095
Capital fund	258,012	341,047
Local improvements to be funded in future years	66,119	62,234
Obligation to be funded in future years ⁽¹⁾	(12,253)	(10,184)
Obligation to be funded in future years – Event Centre	(4,635)	–
Reserves (Note 19)	2,743,827	2,493,588
Equity in ENMAX (Note 7)	2,416,472	2,339,699
Equity in non-financial assets (Note 18)	16,185,833	15,688,927
	\$ 21,817,531	\$ 21,025,406

(1) Obligation to be funded in future years consists of unfunded liabilities of \$12,253 (2019 – \$10,184) for the landfill rehabilitation provision (Note 12).

18. EQUITY IN NON FINANCIAL ASSETS

	2020	2019
Tangible capital assets (Note 15)	\$ 28,259,053	\$ 27,242,676
Accumulated amortization (Note 15)	(9,324,574)	(8,760,725)
Long-term debt (Note 14)	(2,845,144)	(2,883,447)
Long-term debt recoverable – non capital (Note 14 a) i))	3,691	4,078
Inventory	63,552	59,401
Prepaid assets	29,255	26,944
	\$ 16,185,833	\$ 15,688,927

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:

	2020	2019
Fiscal stability	\$ 473,859	\$ 426,189
Reserve for future capital	387,680	357,467
Budget savings account	134,736	91,251
Major capital projects	384,634	400,011
Debt servicing	52,570	52,570
Legacy parks	10,719	7,889
Corporate housing reserve	36,573	33,952
Real estate services	83,098	93,238
Community investment	81,101	61,481
Opportunity Calgary investment fund	95,839	95,853
Planning and development sustainment	84,199	81,707
Established area investment fund	52,326	–
Lifecycle maintenance and upgrade	313,207	245,554
Calgary Housing Company	29,770	28,726
Subtotal	\$ 2,220,311	\$ 1,975,888

Other reserve balances:

	2020	2019
Utilities sustainment	\$ 133,107	\$ 156,957
Cash in Lieu lifecycle sustainment	44,028	42,477
Social programs	9,726	8,523
Police services	48,062	41,825
Waste and recycling sustainment	73,878	67,312
ENMAX dividend stabilization	18,000	14,500
Other operating	107,053	95,463
Other capital expenditures	89,662	90,643
Subtotal	\$ 523,516	\$ 517,700
Total	\$ 2,743,827	\$ 2,493,588

20. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2020	2019
Property taxes	\$ 2,651,631	\$ 2,611,336
Community Revitalization Levy	37,099	39,882
Business taxes	–	3,500
Revenue in lieu of taxes	207,728	214,636
Local improvement levies and special taxes	6,092	16,476
	\$ 2,902,550	\$ 2,885,830
Less: Provincial property taxes (see below)		
Current year levy	(771,295)	(795,866)
Prior year levy	(7,784)	(1,209)
Net taxes available for municipal use	\$ 2,123,471	\$ 2,088,755

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 \$3,613 (2019 – \$23,151) has been recorded at December 31, 2020 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 (AHCC) 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 \$743 for the year ended December 31, 2020 (2019 – loss of \$3,029) 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.

	2020 Calgary TELUS Convention Centre	2020 Attainable Homes Calgary Corporation	2020 Calgary Parking Authority	2020 Calgary Public Library Board	2020 Calgary Housing Company
Financial Position					
Physical assets	\$ 1,861	\$ –	\$ 123,865	\$ 45,244	\$ 93,594
Financial assets	5,410	16,665	52,976	12,146	54,833
	7,271	16,665	176,841	57,390	148,427
Long-term debt	–	–	278	–	7,491
Financial liabilities	8,800	7,603	19,318	4,792	44,252
	8,800	7,603	19,596	4,792	51,743
Net (debt) assets	\$ (1,529)	\$ 9,062	\$ 157,245	\$ 52,598	\$ 96,684
Results of Operations					
Revenue					
Community Revitalization Levy	\$ –	\$ –	\$ –	\$ –	\$ –
Sales of goods and services	15,081	14,902	36,068	–	49,984
Government transfers, agreements and subsidies	–	–	10,222	7,220	50,204
Developer contributions	–	–	–	–	–
Investment income	–	7	7,965	171	509
Fines and penalties	–	–	13,719	256	–
Licences, permits and fees	–	–	780	–	–
Miscellaneous revenue	–	54	1,176	2,025	1,127
Loss on sale of tangible capital assets	–	–	(78)	(12)	–
Internal transfers and contributions	3,514	–	(13,014)	52,676	(280)
Total revenue	18,595	14,963	56,838	62,336	101,544
Expenses					
Salaries, wages, and benefits	\$ 5,033	\$ 1,076	\$ 20,240	\$ 33,913	\$ 19,518
Contracted and general services	4,494	1,080	13,806	14,331	41,871
Materials, equipment and supplies	7,486	13,433	6,221	7,479	1,147
Interest charges	–	110	863	–	261
Transfers	–	–	–	–	17,054
Utilities	1,063	7	1,459	952	11,961
Amortization	490	–	5,338	6,429	2,793
Internal Recoveries	–	–	(64)	–	–
Debt principal repayments	–	–	535	–	1,176
Total expenses	18,566	15,706	48,398	63,104	95,781
Income (loss) before appropriations	29	(743)	8,440	(768)	5,763
Internal transfers	(29)	743	4,574	768	(5,763)
To City operating fund ⁽¹⁾	–	–	(13,014)	–	–
Change in fund balance	\$ –	\$ –	\$ –	\$ –	\$ –

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

	2020 Calgary Municipal Land Corporation	2020 Calgary Economic Development Ltd.	2020 Calgary Arts Development Authority Ltd.	2020 Total
	\$ 265,833	\$ –	\$ 26,305	\$ 556,702
	226,408	3,485	1,911	373,834
	492,241	3,485	28,216	930,536
	214,268	–	1,834	223,871
	228,536	1,464	1,627	316,392
	442,804	1,464	3,461	540,263
	\$ 49,437	\$ 2,021	\$ 24,755	\$ 390,273
	\$ 69,834	\$ –	\$ –	\$ 69,834
	–	–	627	116,662
	–	574	212	68,432
	–	–	–	–
	5	41	15	8,713
	–	–	–	13,975
	–	–	–	780
	4,503	2,682	438	12,005
	–	–	–	(90)
	29,000	10,078	15,223	97,197
	103,342	13,375	16,515	387,508
	\$ 4,318	\$ 6,559	\$ 1,642	\$ 92,299
	7,905	6,181	14,112	103,780
	39,436	250	47	75,499
	15,139	–	97	16,470
	–	–	–	17,054
	80	195	83	15,800
	8,403	–	1,023	24,476
	–	–	–	(64)
	–	–	–	1,711
	75,281	13,185	17,004	347,025
	28,061	190	(489)	40,483
	(28,061)	(190)	489	(27,469)
	–	–	–	(13,014)
	\$ –	\$ –	\$ –	\$ –

	2019 Calgary TELUS Convention Centre	2019 Attainable Homes Calgary Corporation	2019 Calgary Parking Authority	2019 Calgary Public Library Board	2019 Calgary Housing Company
Financial Position					
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 (debt) assets	\$ (1,558)	\$ 9,804	\$ 135,935	\$ 53,400	\$ 89,744
Results of Operations					
Revenue					
Community Revitalization Levy	\$ –	\$ –	\$ –	\$ –	\$ –
Sales of goods and services	24,389	20,718	59,655	–	50,154
Government transfers, agreements and subsidies	–	171	–	7,703	49,605
Developer contributions	–	–	5,567	–	–
Investment income	–	13	7,904	254	910
Fines and penalties	–	–	22,838	1,028	–
Licences, 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 and contributions	1,883	–	(24,628)	55,931	(295)
Total revenue	26,280	20,943	75,401	69,475	101,525
Expenses					
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
(Loss) income 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 ⁽¹⁾	–	–	(24,628)	–	–
Change in fund balance	\$ –	\$ –	\$ –	\$ –	\$ –

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

	2019 Calgary Municipal Land Corporation	2019 Calgary Economic Development Ltd.	2019 Calgary Arts Development Authority Ltd.	2019 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)
	\$ –	\$ –	\$ –	\$ –

22. EXPENSES BY OBJECT

	2020	2019
		(Note 34)
Salaries, wages and benefits	\$ 1,971,506	\$ 1,990,256
Contracted and general services	438,914	518,050
Materials, equipment and supplies	387,207	368,262
Utilities	99,265	104,314
Transfer	138,779	133,050
Interest charges (Note 14)	111,376	109,234
Amortization	692,962	678,251
Loss on disposal of tangible capital assets	8,793	12,152
	\$ 3,848,802	\$ 3,913,569

23. GOVERNMENT TRANSFERS

	2020	2019
Operating		
Province of Alberta	\$ 333,998	\$ 150,855
Government of Canada	2,252	1,482
	336,250	152,337
Capital		
Province of Alberta	168,436	502,826
Government of Canada	114,320	149,190
	282,756	652,016
	\$ 619,006	\$ 804,353

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) **Protection** a service within The City that protects life through emergency response, code inspections, enforcement and safety education.
- b) **Transportation** helps Calgarians, visitors and goods to move across The City. The service offers mobility that is safe, accessible and affordable, while managing The City's environmental footprint.
- c) **Utilities and environmental services** services Calgarians by managing environmental risks, protecting citizens against floods, providing clean drinking water, collecting waste and managing landfills.
- d) **Community and cultural services** includes neighbourhood services, affordable housing, parks and recreation along with various family services.
- e) **General government** includes activities that are attributable to multiple segments and provides support including communications, information technology and administrative services corporately. Provides financial services to citizens, City departments and City Council including financial planning, accounting services, revenue and collections, payroll, purchasing and risk management. Provides specialised advice and assistance in all facets of people management and occupational health and safety. The segment operates under a recovery model by directly charging other City departments for centralized services.
- f) **Public works** provides building safety services as well as plans, builds and operates The City's civic facilities of workplaces and civic spaces. Management of The City's fleet which operates under a full cost recovery model by directly charging other City departments for the provision of fleet services.
- g) **Real estate services** negotiate real estate transactions, manages large capital projects, and provides affordable housing to the citizens of Calgary.
- h) **ENMAX** is a wholly-owned subsidiary of The City, accounted for on a modified equity basis as a government business enterprise. Note 7 of these financial statements provides condensed financial information for ENMAX.

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, 2020 (in thousands)

	Protection	Transportation	Utilities and environmental services	Community and cultural services	General government
REVENUES					
Property tax	\$ –	\$ 225	\$ 773	\$ 1,575	\$ 2,120,898
Business tax	–	–	–	–	–
Sales of goods and services	27,736	129,148	839,398	85,024	11,702
Government transfers, grants and subsidies					
Federal	887	13	237	1,128	(78)
Provincial	38,986	88,929	166	100,957	104,950
Investment income	37	8,018	14,531	1,823	75,594
Fines and penalties	45,607	14,709	1,460	256	6,640
Licences, permits and fees	789	15,186	2,739	1,027	339
Miscellaneous revenue	842	2,012	1,140	10,613	11,189
Gain on sale	88	308	17	–	–
Dividend income from ENMAX	–	–	–	–	54,000
Equity in earnings from ENMAX	–	–	–	–	–
Total Revenues	114,972	258,548	860,461	202,403	2,385,234
EXPENSES					
Salaries, wages and benefits	691,516	404,532	212,801	197,977	275,145
Contracted and general services	38,108	125,223	157,147	105,915	(28,354)
Materials, equipment and supplies	50,308	121,295	86,144	48,120	40,817
Utilities	3,826	38,173	22,964	24,515	(11)
Transfers	–	801	73	123,517	6,611
Interest charges	123	14,646	73,894	8,590	3,276
Amortization	29,331	308,715	151,535	93,401	24,146
Loss on disposal of tangible capital assets	1,065	2,431	49	639	–
Total Expenses	814,277	1,015,816	704,607	602,674	321,630
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	(699,305)	(757,268)	155,854	(400,271)	2,063,604
OTHER					
Developer contributions	2,694	82,249	73,483	4,875	–
Government transfers related to capital	3,477	236,289	24,708	12,954	(5,512)
Developer contributions-in-kind related to capital	–	54,233	90,382	21,183	–
NET REVENUES	(693,134)	(384,497)	344,427	(361,259)	2,058,092
ENMAX Corporation – other comprehensive loss adjustment	–	–	–	–	–
Annual (Deficit) Surplus	\$ (693,134)	\$ (384,497)	\$ 344,427	\$ (361,259)	\$ 2,058,092

	Public works	Real estate services	ENMAX	Total Consolidated 2020
\$	–	\$ –	\$ –	\$ 2,123,471
	–	–	–	–
	12,678	25,402	–	1,131,088
	65	–	–	2,252
	10	–	–	333,998
	2,773	19	–	102,795
	408	–	–	69,080
	75,973	319	–	96,372
	601	3,363	–	29,760
	109	3,378	–	3,900
	–	–	–	54,000
	–	–	234,114	234,114
	92,617	32,481	234,114	4,180,830
	173,001	16,534	–	1,971,506
	22,662	18,213	–	438,914
	(9,764)	50,287	–	387,207
	8,991	807	–	99,265
	7,776	1	–	138,779
	5,348	5,499	–	111,376
	76,981	8,853	–	692,962
	2,587	2,022	–	8,793
	287,582	102,216	–	3,848,802
	(194,965)	(69,735)	234,114	332,028
	2,707	–	–	166,008
	10,840	–	–	282,756
	–	2,876	–	168,674
	(181,418)	(66,859)	234,114	949,466
	–	–	(157,341)	(157,341)
\$	(181,418)	\$ (66,859)	\$ 76,773	\$ 792,125

Schedule of Financial Activities by Segment

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

	Protection	Transportation	Utilities and environmental services	Community and cultural services	General government
REVENUES					
Property tax	\$ –	\$ 242	\$ –	\$ 1,884	\$ 2,083,129
Business tax	–	–	–	–	3,500
Sales of goods and services	32,391	248,690	815,079	120,687	9,961
Government transfers, grants and subsidies					
Federal	707	–	–	865	(90)
Provincial	39,088	9,532	98	96,170	5,893
Investment income	34	7,975	14,331	2,156	171,549
Fines and penalties	58,057	24,322	2,348	1,028	12,245
Licences, permits and fees	2,445	19,605	2,966	1,203	421
Miscellaneous revenue	1,337	2,202	3,176	10,883	12,092
Gain on sale	34	126	–	646	–
Dividend income from ENMAX	–	–	–	–	50,000
Equity in earnings from ENMAX	–	–	–	–	–
Total Revenues	134,093	312,694	837,998	235,522	2,348,700
EXPENSES					
Salaries, wages and benefits	689,615	440,028	210,685	224,573	238,499
Contracted and general services	39,887	128,744	165,074	120,167	2,740
Materials, equipment and supplies	53,564	122,057	84,111	55,309	40,790
Utilities	4,448	41,034	23,023	26,050	(3)
Transfers	20	367	125	116,136	8,190
Interest charges	130	11,216	75,930	9,532	1,002
Amortization	28,297	298,268	146,527	95,585	28,386
Loss on disposal of tangible capital assets	407	5,868	503	877	–
Total Expenses	816,368	1,047,582	705,978	648,229	319,604
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES BEFORE OTHER	(682,275)	(734,888)	132,020	(412,707)	2,029,096
OTHER					
Developer contributions	7,822	60,434	52,577	3,007	–
Government transfers related to capital	14,181	580,242	22,958	24,497	5,415
Developer contributions-in-kind related to capital	–	75,247	188,110	51,462	–
NET REVENUES	(660,272)	(18,965)	395,665	(333,741)	2,034,511
ENMAX Corporation – other comprehensive loss adjustment	–	–	–	–	–
Annual (Deficit) Surplus	\$ (660,272)	\$ (18,965)	\$ 395,665	\$ (333,741)	\$ 2,034,511

Public works	Real estate services	ENMAX	Total Consolidated 2019
\$ -	\$ -	\$ -	\$ 2,085,255
-	-	-	3,500
12,231	84,115	-	1,323,154
-	-	-	1,482
74	-	-	150,855
2,844	38	-	198,927
646	-	-	98,646
86,109	362	-	113,111
1,288	2,183	-	33,161
77	6,498	-	7,381
-	-	-	50,000
-	-	106,162	106,162
103,269	93,196	106,162	4,171,634
174,368	12,488	-	1,990,256
24,035	37,403	-	518,050
(6,928)	19,359	-	368,262
9,303	459	-	104,314
8,212	-	-	133,050
5,436	5,988	-	109,234
72,440	8,748	-	678,251
1,947	2,550	-	12,152
288,813	86,995	-	3,913,569
(185,544)	6,201	106,162	258,065
1,148	-	-	124,988
4,552	171	-	652,016
2,200	6,048	-	323,067
(177,644)	12,420	106,162	1,358,136
-	-	(27,813)	(27,813)
\$ (177,644)	\$ 12,420	\$ 78,349	\$ 1,330,323

25. UNRECOGNIZED ASSETS

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

- 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, 2020, the insured value of the various art collections is \$25,180 (2019 – \$25,180).
- 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, 2020, the insured value of the antique airplanes is \$6,923 (2019 – \$6,923).
- 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.
- 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 and rental agreements	Total
2021	\$ 12,697	\$ 7,361	\$ 20,058
2022	12,143	6,263	18,406
2023	12,096	4,833	16,929
2024	10,430	3,501	13,931
2025	9,171	2,090	11,261
Thereafter	1,656	1,485	3,141
	<u>\$ 58,193</u>	<u>\$ 25,533</u>	<u>\$ 83,726</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

- Capital commitments of \$1,397,000 (2019 – \$1,665,663) are not reflected in the consolidated financial statements. This amount represents uncompleted portions of contracts, as at December 31, 2020, 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.
- Commitments of \$61,018 (2019 – \$48,677) 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:

2021	\$ 14,779
2022	12,909
2023	9,707
2024	8,114
2025	3,931
Thereafter	11,578
	<u>\$ 61,018</u>

- 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.
- Where estimated environmental management costs are reasonably determinable, The City has recorded a total provision in the amount of \$2,140 (2019 – \$2,200) 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, 2020, 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, a wholly owned subsidiary of ENMAX, 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, 2020, the estimated future obligation for this fixed charge is \$5,127 (2019 – \$5,597) 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, 2020, the provision was \$411 (2019 – \$405) and is classified in accounts payable and accrued liabilities. This provision is based on \$466 (2019 – \$477) in expenditures expected to be incurred over the next 25 years discounted at 2.9 per cent (2019 – 3.0 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 The City's 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 and Pay as You Go fund. 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, 2020, The City incurred \$37,454 (2019 – \$18,566) of costs, which were expensed as a donation to CESL. The commitment related to this is \$277,314 (2019 – \$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 a guaranteed party to perform under an obligating agreement or, (c) failure of a guaranteed 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 Calgary Exhibition and Stampede Limited (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 0.78 per cent to 6.07 per cent (2019 – 2.37 per cent to 5.77 per cent). As at December 31, 2020, CESL has drawn a total of \$60,100 (2019 – \$61,443) on the total maximum available facility of \$73,500 (2019 – \$74,843). The City, as an unconditional guarantor, holds as security a fixed debenture in the amount of \$77,491 (2019 – \$77,491) charging certain lands owned by 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 December 18, 2024, and the related debt will mature December 18, 2024. The interest rate on the credit facility is 1.95 per cent (2019 – 3.11 per cent). As at December 31, 2020, the outstanding balance of the facility was \$1,713 (2019 – \$2,108) on the total maximum available facility of \$1,713 (2019 – \$2,108). 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 Attainable Homes Calgary Corporation (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 28, 2021. The interest on the credit facility is Prime minus 0.75 per cent per annum (2019 – Prime minus 0.75 per cent). As at December 31, 2020, the outstanding balance of the facility was \$3,114 (2019 – \$6,248) on the total maximum available facility of \$10,000 (2019 – \$10,000). The City, as an unconditional guarantor, holds as security a fixed and floating debenture in the amount of \$10,000 (2019 – \$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:

	2020 Salaries	2020 Benefits	2020 Total	2019 Salaries	2019 Benefits	2019 Total
Mayor	\$ 199	\$ 40	\$ 239	\$ 208	\$ 39	\$ 247
Councillors ^{(1) (2)}	1,551	484	2,035	1,641	520	2,161
City Manager	340	50	390	346	57	403
Designated Officers ⁽³⁾	1,236	240	1,476	1,148	209	1,357

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

Notes:

- (1) The Councillors who served throughout 2020 in Wards 1 through 14 each received a salary of \$113 (2019 – \$113) and benefits ranging between \$14 and \$39 (2019 – \$14 and \$39). Transitional allowances were paid to Councillors who left office after the 2017 election as disclosed in Note 30 (2).
- (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 allowance paid in 2020 to the former Councillor who left office in 2020 was Ward 10 – \$56. No transitional allowances were paid or owing in 2019.
- (3) The City's five designated officers are the City Assessor, City Clerk, City Solicitor, City Treasurer and City Auditor. In 2020, there was \$150 (2019 – \$38) 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, 2020, The City had 19 (2019 – 18) USD exchange fixed contracts in place. Delivery dates for these contracts range from January 2021 to August 2023. Total committed future foreign exchange purchases are \$46,043 USD (2019 – \$10,071 USD). Total committed future foreign merchandise purchases are \$80,846 USD (2019 – \$65,089 USD), and €2,570 (2019 – €2).

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 \$1.28 to \$1.56 CAD. The dollar value of these contracts at December 31, 2020 was \$61,693 CAD (2019 – \$13,324 CAD). During the fiscal year ended December 31, 2020, the various arrangements for foreign merchandise cost The City \$1,178 CAD less (2019 – \$2,220 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, 2020, this portfolio held 15 forward contracts that have a settlement date of March 10, 2021. The total market value of the forward contracts is \$718 CAD. The forward contracts have the following rates with the following currencies*:

- 1 AUD per USD (\$0.75)
- 1 CAD per USD (\$1.28)
- 1 CHF per USD (Fr.0.89)
- 1 EUR per USD (€ 1.21)
- 5 GBP per USD (£1.33 – £1.35)
- 1 JPY per USD (¥ 104.22)
- 4 USD per CAD (\$1.28 – \$1.29) ; and
- 1 USD per JPY (\$0.01).

* Currencies

AUD – Australian Dollar (\$)

EURO – Euro (€)

USD – U.S. Dollar (\$)

CAD – Canadian Dollar (\$)

GBP – British pound sterling (£)

CHF – Swiss Franc (Fr.)

JPY – Japanese Yen (¥)

The City has contracted for future USD denominated purchases relating to the light rail transit system. Under the supplier agreement terms, The City has fixed the exchange risk at rates ranging from \$1.03 CAD to \$1.07 CAD. During the fiscal year ended December 31, 2020, this arrangement for foreign merchandise cost The City \$2,257 CAD less (2019 – \$2,198 CAD less) than if the arrangements had not been entered into. At December 31, 2020, The City had remaining commitments of \$14,207 USD (2019 – \$14,444 USD) that are anticipated to be settled by 2021. 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, 2019	Receipts	Investment Income	Disbursements	December 31, 2020
Joint Use Reserve Fund	\$ 74,496	\$ 2,570	\$ 2,069	\$ (1,427)	\$ 77,708
Oversize roads	2,575	5,620	17	(8,041)	171
Oversize parks	9,687	18	134	(6,279)	3,560
Oversize utilities	8,241	318	95	(422)	8,232
Developers' cash bonds	2,692	40	30	(189)	2,573
Off-site levies	479	–	3	–	482
Candidate Campaign Surplus Fund	202	–	1	(90)	113
Other miscellaneous trusts	515	943	7	(326)	1,139
	\$ 98,887	\$ 9,509	\$ 2,356	\$ (16,774)	\$ 93,978

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.

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. The City has now completed the remediation and mitigation work to restore conditions to pre-flood state. It is expected that resiliency and enhancement work related to 2013 flood will continue into 2021 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 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 has not received DRP advance funds since 2016. The City has incurred \$nil (2019 – \$474) in DRP related capital expenditures funded by the DRP advance and earned interest of \$380 (2019 – \$216). The Province has reviewed and finalized all The City's DRP submissions and payments as at December 31, 2020. The result was an overpayment to The City and \$16,249 from the DRP advance will be returned to the Province.
- The City has also incurred \$nil (2019 – \$462) of emergency operating and recovery costs and recovered \$nil (2019 – \$2,427) from DRP in 2020 with no remaining balance expected to be recovered in future years.
- FREC provided \$nil funding in 2020 and 2019. In 2020, \$nil (2019 – \$4,941) was spent from the advances received in prior years. For FREC, there is no unspent grant funding to be repaid to the Province.

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. Only resiliency and enhancement related costs are to be incurred in 2021 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, 2020.

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.

The City has estimated the total cost of capital expenditures related to the flood to be approximately \$298,107 (excluding resiliency), which includes repairs, replacements and mitigation strategies, of which \$3,578 (2019 – \$6,640) has been incurred in 2020 for a total incurred spend of \$295,135 (2019 – \$291,557).

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Reclassifications have been made in 2019 to reclassify certain balances between capital deposits categories in Note 11 and expense categories in the segmented information in Note 24.

The impact of these changes on Note 11 were decreases in offsite levies of \$5,749. This was offset by increases to developer contributions of \$1,466 and other private contributions by \$4,283. 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 classification.

The impact of these changes on Note 24 also resulted in reclassifications made on the Consolidated Statement of Operations and Accumulated Surplus and Note 22 Expense by Objects.

FINANCIAL AND STATISTICAL SCHEDULES

THE CITY OF CALGARY, ALBERTA



Revenue by Source unaudited (see Notes) 2016 to 2020

(in thousands)

	2020			2019		
	Operating	Capital	Total	Operating	Capital	Total
Property taxes	\$ 2,651,631	\$ –	\$ 2,651,631	\$ 2,611,336	\$ –	\$ 2,611,336
Community Revitalization Levy	37,099	–	37,099	39,882	–	39,882
Business taxes	–	–	–	3,500	–	3,500
Revenue in lieu of taxes	207,728	–	207,728	214,636	–	214,636
Local improvement levies and special taxes	6,092	–	6,092	16,476	–	16,476
	2,902,550	–	2,902,550	2,885,830	–	2,885,830
Less: Provincial property taxes	(779,079)	–	(779,079)	(797,075)	–	(797,075)
Net taxes available for municipal purposes	2,123,471	–	2,123,471	2,088,755	–	2,088,755
Sales of goods and services						
Water and sewer	703,660	–	703,660	683,757	–	683,757
Public transit	87,572	–	87,572	181,450	–	181,450
Real estate	27,846	–	27,846	79,893	–	79,893
Recreation and culture	35,507	–	35,507	71,071	–	71,071
Parking	31,461	–	31,461	54,784	–	54,784
Social housing	49,287	–	49,287	49,635	–	49,635
Protective services	28,819	–	28,819	33,259	–	33,259
Waste disposal	137,320	–	137,320	132,029	–	132,029
Other	29,616	–	29,616	37,276	–	37,276
	1,131,088	–	1,131,088	1,323,154	–	1,323,154
Government transfers						
Federal						
Debenture interest rebates	–	206	206	–	–	–
Revenue and cost sharing agreements and grants agreements	2,252	114,115	116,367	1,482	149,191	180,673
Provincial						
Debenture interest rebates	14	–	14	–	–	–
Grants, entitlements, revenue and cost sharing agreements	333,984	168,435	502,419	150,855	502,825	653,680
	336,250	282,756	619,006	152,337	652,016	804,353
Other revenue						
Dividends from ENMAX	54,000	–	54,000	50,000	–	50,000
Other equity/(loss) earnings in ENMAX Corporation	234,114	–	234,114	106,162	–	106,162
Other equity earnings in Co-Ownership	–	–	–	–	–	–
Developer contributions	–	166,008	166,008	–	124,988	124,988
Donated assets	–	168,674	168,674	–	323,067	323,067
Investment income	102,795	–	102,795	198,927	–	198,927
Fines and penalties	69,080	–	69,080	98,646	–	98,646
Licences, permits and fees	96,372	–	96,372	113,111	–	113,111
Miscellaneous revenue	33,660	–	33,660	40,542	–	40,542
	590,021	334,682	924,703	607,388	448,055	1,055,443
Total revenue	\$ 4,180,830	\$ 617,438	\$ 4,798,268	\$ 4,171,634	\$ 1,100,071	\$ 5,271,705

2018			2017 (Restated) ⁽²⁾			2016 (Restated) ⁽¹⁾		
Operating	Capital	Total	Operating	Capital	Total	Operating	Capital	Total
\$ 2,564,601	\$ –	\$ 2,564,601	\$ 2,438,392	\$ –	\$ 2,438,392	\$ 2,393,642	\$ –	\$ 2,393,642
39,582	–	39,582	37,740	–	37,740	41,031	–	41,031
43,978	–	43,978	88,105	–	88,105	134,601	–	134,601
206,488	–	206,488	169,606	–	169,606	154,293	–	154,293
6,273	–	6,273	11,852	–	11,852	6,294	–	6,294
2,860,922	–	2,860,922	2,745,695	–	2,745,695	2,729,861	–	2,729,861
(792,852)	–	(792,852)	(790,266)	–	(790,266)	(791,662)	–	(791,662)
2,068,070	–	2,068,070	1,955,429	–	1,955,429	1,938,199	–	1,938,199
701,580	–	701,580	681,048	–	681,048	642,499	–	642,499
177,204	–	177,204	173,804	–	173,804	176,170	–	176,170
51,890	–	51,890	89,725	–	89,725	54,129	–	54,129
67,690	–	67,690	68,774	–	68,774	70,774	–	70,774
57,916	–	57,916	58,340	–	58,340	60,353	–	60,353
49,525	–	49,525	46,679	–	46,679	50,482	–	50,482
34,588	–	34,588	36,279	–	36,279	40,727	–	40,727
105,873	–	105,873	85,888	–	85,888	86,113	–	86,113
31,833	–	31,833	33,523	–	33,523	30,736	–	30,736
1,278,099	–	1,278,099	1,274,060	–	1,274,060	1,211,983	–	1,211,983
203	–	203	203	–	203	199	–	199
1,533	121,290	122,823	4,490	115,047	119,537	4,461	60,783	65,244
12	–	12	3434	–	34	40	–	40
160,375	443,362	603,737	140,441	637,478	777,919	128,117	618,953	747,070
162,123	564,652	726,775	145,168	752,525	897,693	132,817	679,736	812,553
40,000	–	40,000	48,000	–	48,000	47,000	–	47,000
(34,906)	–	(34,906)	(78,312)	–	(78,312)	96,597	–	96,597
–	–	–	–	–	–	–	–	–
–	218,988	218,988	–	133,103	133,103	–	198,394	198,394
–	254,799	254,799	–	204,778	204,778	–	298,678	299,678
101,236	–	101,236	104,520	–	104,520	77,451	–	77,451
95,747	–	95,747	92,040	–	92,040	89,796	–	89,796
117,254	–	117,254	124,356	–	124,356	114,988	–	114,988
44,951	–	44,951	90,806	–	90,806	56,794	–	56,794
364,282	473,787	838,069	381,410	337,881	719,291	482,626	497,072	979,698
\$ 3,872,574	\$ 1,038,439	\$ 4,911,013	\$ 3,756,067	\$ 1,090,406	\$ 4,846,473	\$ 3,765,625	\$ 1,176,808	\$ 4,942,433

Notes: (1) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017.

(2) 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) 2016 to 2020

(in thousands)

	2020	2019 ⁽²⁾	2018	2017	2016 ⁽¹⁾ (Restated)
Protection					
Police	\$ 515,088	\$ 517,498	\$ 521,224	\$ 508,953	\$ 494,546
Fire	299,189	298,870	310,823	325,180	312,732
	814,277	816,368	832,047	834,133	807,278
Transportation					
Public transit	558,435	604,869	567,655	554,680	546,375
Roads, traffic and parking	457,381	442,713	425,123	461,739	409,420
	1,015,816	1,047,582	992,778	1,016,419	955,795
Utilities and environmental services					
Water services and resources	534,446	529,005	517,822	514,187	525,185
Waste, recycling and environmental services	170,161	176,973	151,587	136,910	131,726
	704,607	705,978	669,409	651,097	656,911
Social development					
Community and social development	93,749	76,843	85,787	82,965	76,180
Social housing	104,846	113,553	129,831	133,279	122,718
	198,595	190,396	215,618	216,244	198,898
Recreation and culture					
Parks and recreation facilities	237,083	278,601	277,912	320,900	303,334
Societies and related authorities	105,190	110,820	103,657	83,039	77,141
Calgary Public Library Board	61,806	68,412	67,390	64,171	63,182
	404,079	457,833	448,959	468,110	443,657
Other expenditures					
General government	321,630	319,604	384,844	292,912	262,412
Public works	287,582	288,813	287,594	293,561	304,598
Real estate services	102,216	86,995	41,395	48,429	43,001
	711,428	695,412	713,833	634,902	610,011
Total expenses	\$ 3,848,802	\$ 3,913,569	\$ 3,872,644	\$ 3,820,905	\$ 3,672,550

Notes: (1) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017.

(2) Figures for 2019 have been reclassified to conform to the 2020 year end reporting. Years prior to 2019 have not been reclassified for these adjustments.

Financial Position and Net Revenues unaudited 2016 to 2020

(in thousands)

	2020	2019	2018	2017 ⁽²⁾	2016 ⁽¹⁾
				(Restated)	(Restated)
Financial assets	\$ 8,226,621	\$ 7,579,593	\$ 7,289,242	\$ 7,055,340	\$ 7,301,551
Financial liabilities	5,436,376	5,122,483	5,370,638	5,361,302	5,929,908
Net financial assets	2,790,245	2,457,110	1,918,604	1,694,038	1,371,643
Non-financial assets	19,027,286	18,568,296	17,776,479	16,980,420	16,097,912
Accumulated surplus	21,817,531	21,025,406	19,695,083	18,674,458	17,469,555
Annual surplus	\$ 792,125	\$ 1,330,323	\$ 1,022,018	\$ 1,126,572	\$ 1,204,389

Notes: (1) Figures for 2016 have been restated for the correction of certain tangible capital asset, land inventory and miscellaneous revenue adjustments identified in 2017.

(2) 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 2016 to 2020

(in thousands)

	2020	2019	2018	2017	2016 ⁽¹⁾
					(Restated)
Capital additions	\$ 994,025	\$ 1,160,353	\$ 1,270,669	\$ 1,344,160	\$ 1,416,262

Notes: (1) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017.

Consolidated Accumulated Surplus unaudited 2016 to 2020

(in thousands)

	2020	2019	2018	2017 ⁽⁴⁾	2016 ⁽²⁾
				(Restated)	(Restated)
Operating fund	\$ 164,156	\$ 110,095	\$ 38,751	\$ 80,955	\$ 37,731
Capital fund	258,012	341,047	146,082	270,854	217,226
Reserves	2,743,827	2,493,588	2,299,998	2,032,652	1,975,809
Obligation to be funded in future years ⁽³⁾	(12,253)	(10,184)	(4,087)	(5,933)	(6,755)
Obligation to be funded in future years – Event Centre	(4,635)	–	–	–	–
Equity in ENMAX Corporation	2,416,472	2,339,699	2,261,350	2,314,000	2,291,308
Local improvements to be funded in future years ⁽¹⁾	66,119	62,234	60,715	62,618	67,329
Equity in non-financial assets	16,185,833	15,688,927	14,892,274	13,919,312	12,886,907
	\$ 21,817,531	\$ 21,025,406	\$ 19,695,083	\$ 18,674,458	\$ 17,469,555

Notes: (1) 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.

(2) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017.

(3) Obligation to be funded in future years consists of unfunded liabilities of \$12,253 (2019 – \$10,184).

(4) 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

2016 to 2020 (in thousands)

	2020	2019 ⁽²⁾	2018	2017	2016 ⁽¹⁾ (Restated)
Salaries, wages and benefits	\$ 1,971,506	\$ 1,990,256	\$ 1,972,396	\$ 2,012,895	\$ 1,976,054
Contracted and general services	438,914	518,050	523,715	469,470	466,613
Materials, equipment and supplies	387,207	368,262	356,138	369,692	293,747
Interest charges					
Tax supported	30,099	24,946	27,018	31,183	36,632
Self supported	81,277	84,288	83,980	84,291	87,451
Transfer payments	138,779	133,050	122,426	123,837	118,297
Utilities	99,265	104,314	89,605	92,000	81,338
Amortization	692,962	678,251	678,537	628,646	596,106
Loss on disposal of tangible capital assets	8,793	12,152	18,829	8,891	16,312
Total expenses	\$ 3,848,802	\$ 3,913,569	\$ 3,872,644	\$ 3,820,905	\$ 3,672,550

Notes: (1) Figures for 2016 have been restated for the correction of certain tangible capital asset adjustments identified in 2017.

(2) Figures for 2019 have been reclassified to conform to the 2020 year end reporting. Years prior to 2019 have not been reclassified for these adjustments.

CONSOLIDATED INVESTMENTS UNAUDITED

2016 to 2020 (in thousands)

	2020	2019	2018	2017	2016
Cost:					
Government of Canada	\$ 240,785	\$ 314,011	\$ 358,864	\$ 448,941	\$ 390,136
Other Government	512,225	401,467	195,357	427,985	522,641
Corporate	2,197,535	2,128,282	2,700,491	2,107,337	2,743,537
Global fixed income investments	821,671	797,670	401,372	501,720	97,726
Equity investments	651,104	589,326	382,478	407,774	342,422
	\$ 4,423,320	\$ 4,230,756	\$ 4,038,562	\$ 3,893,757	\$ 4,096,462
Market Value:					
Government of Canada	\$ 245,592	\$ 313,910	\$ 369,707	\$ 445,545	\$ 387,989
Other government	533,604	407,729	195,829	421,092	517,358
Corporate	2,233,484	2,137,713	2,733,093	2,095,590	2,743,949
Global fixed income investments	866,195	803,403	358,748	496,850	97,725
Equity investments	728,719	631,881	401,215	480,860	406,573
	\$ 4,607,594	\$ 4,294,636	\$ 4,058,592	\$ 3,939,937	\$ 4,153,594

Other Financial and Statistical Schedules

CONSOLIDATED RESERVES UNAUDITED

2016 to 2020 (in thousands)

	2020	2019	2018	2017 ⁽²⁾ (Restated)	2016 ⁽¹⁾ (Restated)
Significant reserves					
Fiscal stability	\$ 473,859	\$ 426,189	\$ 617,531	\$ 492,766	\$ 518,830
Reserve for future capital	387,680	357,467	305,675	305,420	327,014
Budget savings account	134,736	91,251	135,198	157,334	130,103
Major capital projects	384,634	400,011	–	–	–
Debt servicing	52,570	52,570	52,570	52,570	52,570
Legacy parks	10,719	7,889	7,025	8,155	10,558
Established area investment fund	52,326	–	–	–	–
Corporate housing reserve	36,573	33,952	31,622	30,383	29,559
Real estate services (combined operating and capital)	83,098	93,238	77,971	65,831	59,005
Community investment	81,101	61,481	43,704	39,079	102,204
Opportunity Calgary investment fund	95,839	95,853	101,047	55,000	–
Planning and development sustainment	84,199	81,707	77,908	86,752	99,114
Reserve for tax loss provision	–	–	37,398	37,398	37,398
Lifecycle maintenance and upgrade ⁽¹⁾	313,207	245,554	248,660	171,056	116,123
Calgary Housing Company	29,770	28,726	27,653	27,349	27,448
	\$ 2,220,311	\$ 1,975,888	\$ 1,763,962	\$ 1,529,093	\$ 1,509,926
Other reserve balances will be utilized in future years for the following types of expenses:					
Utilities sustainment	\$ 133,107	\$ 156,957	\$ 175,255	\$ 141,661	\$ 135,131
Cash in lieu lifecycle sustainment	44,028	42,477	–	–	–
Social programs	9,726	8,523	8,387	9,084	10,197
Parking land acquisition	–	–	42,851	41,719	40,772
Police services	48,062	41,825	44,868	44,209	44,254
Waste and recycling sustainment	73,878	67,312	63,083	64,802	48,019
ENMAX dividend stabilization	18,000	14,500	13,000	20,000	20,000
Other operating	107,053	95,463	98,831	104,448	99,520
Other capital expenditures	89,662	90,643	89,761	77,636	67,990
	523,516	517,700	536,036	503,559	465,883
	\$ 2,734,827	\$ 2,493,588	\$ 2,299,998	\$ 2,032,652	\$ 1,975,809

Notes: (1) In 2016, Lifecycle maintenance and upgrade reserves and other operating reserves were reclassified to conform to the current year's presentation.

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

Taxation and Assessments unaudited 2016 to 2020

(in thousands unless otherwise stated)

		2020	2019	2018	2017	2016
TAX RATES						
Residential						
Municipal and Library	Mills	4.780	4.211	3.901	3.963	3.709
Provincial property	Mills	2.743	2.443	2.456	2.538	2.46
Non-Residential						
Municipal and Library	Mills	15.828	17.775	15.323	13.882	12.155
Provincial property	Mills	3.580	4.247	4.103	3.863	3.780
ASSESSED VALUES						
Residential		\$210,505,364	\$ 215,899,419	\$ 214,765,997	\$ 206,172,452	\$ 210,448,506
Percentage of total (%)		77.9	78.7	76.7	75.6	75.3
Commercial, industrial and farm		\$ 59,729,311	\$ 58,382,878	\$ 65,306,173	\$ 66,440,662	\$ 68,985,390
Percentage of total (%)		22.1	21.3	23.3	24.4	24.7
Total assessment		\$270,234,675	\$ 274,282,297	\$ 280,072,170	\$ 272,613,114	\$ 279,433,896
TAX LEVIES						
Municipal property taxes						
Residential		\$ 971,483	\$ 853,589	\$ 842,238	\$ 813,769	\$ 788,084
Non-residential		912,456	968,036	936,707	841,003	820,245
Community Revitalization Levy		37,099	39,882	39,582	37,740	41,031
Business taxes		–	3,500	43,978	88,105	134,601
Revenue in lieu of taxes		201,060	207,272	199,292	162,960	147,944
Local improvement levies and special levies		6,092	16,476	6,273	11,852	6,294
		\$ 2,128,190	\$ 2,088,755	\$ 2,068,070	\$ 1,955,429	\$ 1,938,199
Provincial property taxes						
Residential		\$ 565,732	\$ 539,762	\$ 527,066	\$ 532,887	\$ 520,571
Non-residential		206,678	249,949	258,590	250,733	264,742
Revenue in lieu of taxes		6,669	7,364	7,196	6,646	6,349
		779,079	797,075	792,852	790,266	791,662
Total taxes levied		\$ 2,907,269	\$ 2,885,830	\$ 2,860,922	\$ 2,745,695	\$ 2,729,861
PERCENTAGE OF TOTAL LEVIES						
Property tax						
Residential property		52.87%	48.28%	47.86%	49.05%	47.94%
Non-residential property		38.49%	42.21%	41.78%	39.76%	39.75%
Local improvement levies		0.57%	0.57%	0.22%	0.43%	0.23%
Community Revitalization Levy		1.28%	1.38%	1.38%	1.37%	1.50%
Business tax		0.00%	0.12%	1.54%	3.21%	4.93%
Revenue in lieu of taxes		7.15%	7.44%	7.22%	6.18%	5.65%

Taxation and Assessments unaudited 2016 to 2020

(in thousands unless otherwise stated)

	2020	2019	2018	2017	2016
PROPERTY TAX – Continuity					
Taxes receivable, January 1	\$ 53,149	\$ 48,815	\$ 49,557	\$ 37,234	\$ 38,179
Current levies					
Property taxes	2,753,858	2,634,604	2,625,419	2,540,761	2,475,556
Business taxes	–	(6)	47,940	95,610	141,619
Non-tax items for collection	3,486	1,609	1,061	1,079	931
Penalties	6,642	12,245	11,696	10,631	9,863
Cancellation of tax arrears	(647)	(14,098)	(1,684)	(2,574)	(1,599)
Write-off of taxes	(670)	(478)	(1,370)	(468)	(1,157)
Total to be collected	2,815,818	2,682,691	2,732,619	2,682,273	2,663,392
Collections during the year					
Current levies	(2,699,088)	(2,589,463)	(2,642,847)	(2,604,624)	(2,597,569)
Arrears	(44,599)	(40,079)	(40,957)	(28,092)	(28,589)
Subtotal	72,131	53,149	48,815	49,557	37,234
Allowance for doubtful accounts	(2,621)	(100)	(100)	(140)	(500)
Taxes receivable, December 31	69,510	\$ 53,049	\$ 48,715	\$ 49,417	\$ 36,734
Percentage of current taxes collected (%)	95.85%	96.52%	96.71%	97.11%	97.53%
Taxes outstanding as a percentage of the current year levy (%)	2.62%	2.02%	1.83%	1.88%	1.42%
Other Major Tax Levies:					
Revenue in lieu of taxes					
Municipal consent and access fee	\$ 132,378	\$ 142,450	\$ 136,078	\$ 95,690	\$ 88,410
Franchise fees	61,765	62,039	57,460	61,779	54,089
Governments					
Provincial	9,520	5,951	9,126	8,291	8,655
Federal	3,014	3,380	3,013	3,045	2,615
	\$ 206,677	\$ 213,820	\$ 205,677	\$ 168,805	\$ 153,769
Net Taxes Available For Municipal Purposes:					
Property taxes	\$ 2,651,631	\$ 2,611,336	\$ 2,564,601	\$ 2,438,392	\$ 2,393,642
Community Revitalization Levy	37,099	39,882	39,582	37,740	41,031
Business taxes	–	3,500	43,978	88,105	134,601
Revenue in lieu of taxes	207,728	214,636	206,488	169,606	154,293
Local improvement levies and special taxes	6,092	16,476	6,273	11,852	6,294
	2,902,550	2,885,830	2,860,922	2,745,695	2,729,861
Less: Provincial property taxes:					
Current year levy	(771,295)	(795,866)	(780,499)	(785,126)	(784,791)
Prior year levy	(7,784)	(1,209)	(12,353)	(5,140)	(6,871)
Net taxes available for municipal use	\$ 2,123,471	\$ 2,088,755	\$ 2,068,070	\$ 1,955,429	\$ 1,938,199

Continuity of Long-Term Debt unaudited 2016 to 2020

(in thousands unless otherwise stated)

	2020	2019	2018	2017	2016
Opening Balance	\$ 2,883,447	\$ 2,888,831	\$ 3,066,263	\$ 3,216,672	\$ 3,360,602
New issues or additions during the year					
Tax supported					
Debentures	1,775	45,181	–	1,044	5,097
Mortgages and other debt	–	70,489	–	–	20,000
	1,775	115,670	–	1,044	25,097
Self supported					
Debentures	180,853	172,823	123,713	254,978	223,779
Local improvement debentures	10,155	4,117	3,638	4,548	5,930
Capital leases	–	–	–	–	(1,174)
Mortgages and other debt	–	(43)	153	2,959	25,969
	191,008	176,897	127,504	262,485	254,504
Self sufficient tax supported					
Debentures	29,000	16,500	26,000	26,500	28,000
	29,000	16,500	26,000	26,500	28,000
Debt repaid during the year					
Tax supported					
Debentures	(36,140)	(38,612)	(41,385)	(44,711)	(44,934)
Mortgages and other debt	(5,977)	(1,085)	–	–	(20,000)
	(42,117)	(39,697)	(41,385)	(44,711)	(64,934)
Self supported					
Debentures	(177,611)	(169,660)	(170,603)	(153,898)	(141,881)
Local improvement debentures	(8,111)	(7,933)	(7,451)	(6,938)	(7,669)
Capital leases	–	–	–	–	(364)
Mortgages and other debt	(7,193)	(2,640)	(25,301)	(2,987)	(6,169)
	(192,915)	(180,232)	(203,355)	(163,823)	(156,083)
Self sufficient tax supported					
Debentures	(25,054)	(94,521)	(86,196)	(231,904)	(230,514)
	(25,054)	(94,521)	(86,196)	(231,904)	(230,514)
(Decrease) Increase					
Tax supported	(40,342)	75,973	(41,385)	(43,667)	(39,837)
Self supported	(1,907)	(3,336)	(75,851)	98,662	98,421
Self sufficient tax supported	3,946	(78,021)	(60,196)	(205,404)	(202,514)
Net decrease during the year	(38,303)	(5,384)	(177,432)	(150,409)	(143,930)
Closing balance	\$ 2,845,144	\$ 2,883,447	\$ 2,888,831	\$ 3,066,263	\$ 3,216,672
Debt servicing as a per cent of operating expenditures (net of recoveries), tax supported	1.5	1.5	1.9	1.9	2.2
Percentage of legal debt limit as per <i>Municipal Government Act</i> [see Note 14 f)]	37.7	35.8	36.4 ⁽¹⁾	39.8	43.2

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 consolidated statement of financial position or consolidated statements of operations and accumulated surplus.

Continuity of Long-Term Debt unaudited 2016 to 2020

(in thousands unless otherwise stated)

	2020	2019	2018	2017	2016
Tax Supported					
Facility management	\$ 23,325	\$ 28,349	\$ 34,089	\$ 39,713	\$ 45,139
Fire	1,076	1,299	1,522	1,903	2,319
Parks and recreation	211,738	225,878	240,942	255,498	268,575
Public housing	2,600	3,030	3,440	3,829	4,200
Roads	41,175	53,565	66,427	82,229	97,882
Societies and related authorities	8,068	9,190	10,269	11,335	12,363
Waste and recycling services	2,463	2,835	3,190	3,527	3,848
Public transit	109,677	112,499	5,612	8,842	16,217
Corporate analytics and innovation	–	4,819	–	–	–
	401,122	441,464	365,491	406,876	450,543
Tax supported, % of total	14.1	15.3	12.6	13.3	14.0
Per capita, tax supported	\$ 307	\$ 343	\$ 288	\$ 326	\$ 365
Self Supported					
Calgary Arts Development Authority	\$ 1,834	\$ 692	\$ 2,600	\$ 2,000	\$ –
Calgary Economic Development Ltd.	–	–	–	11,949	12,313
Calgary Parking Authority	278	813	1,324	1,810	2,273
Calhome Properties Ltd.	7,491	8,667	10,056	12,601	16,476
Lindsay Park Sports Society (operating as Repsol Sport Centre)	–	176	519	851	1,171
St. Mary's University College	3,691	3,901	4,105	4,303	4,496
Water services and resources	1,894,613	1,889,928	1,873,995	1,905,947	1,917,288
Facility management	5	6	7	8	9
Fleet services	135,670	137,337	141,438	153,573	127,866
Parks and recreation	284	349	729	1,748	2,911
Public housing	4,191	5,372	6,471	7,493	8,686
Real estate services	9,580	9,580	9,580	9,580	9,580
Roads	61,872	59,732	63,457	67,184	69,491
Societies and related authorities	426	521	611	696	777
Waste and recycling services	109,819	114,587	120,105	131,105	38,849
	2,229,754	2,231,661	2,234,997	2,310,848	2,212,186
Self supported, % of total	78.4	77.4	77.4	75.3	68.8
Per capita, self supported	\$ 1,705	\$ 1,735	\$ 1,764	\$ 1,843	\$ 1,791
Self Sufficient Tax Supported					
CMLC	\$ 214,268	\$ 210,322	\$ 217,843	\$ 208,039	\$ 193,443
MSI	–	–	70,500	140,500	360,500
	214,268	210,322	288,343	348,539	553,943
Self sufficient tax supported, % of total	7.5	7.3	10.0	11.4	17.2
Per capita, self sufficient tax supported	\$ 164	\$ 164	\$ 228	\$ 280	\$ 448
Total City debt	2,845,144	2,883,447	2,888,831	3,066,263	3,216,672
ENMAX debt	1,371,972	1,283,320	1,185,380	1,078,522	1,145,184
Total debt attributable to The City	\$ 4,217,116	\$ 4,166,767	\$ 4,074,211	\$ 4,144,785	\$ 4,361,856

Demographic and Other Information unaudited 2016 to 2020

	2020	2019	2018	2017	2016
Population ⁽ⁱ⁾	1,306,700	1,285,711	1,267,344	1,246,337	1,235,171
Change due to natural increase	12,300	8,807	9,419	10,192	10,783
Change due to net migration	8,700	9,560	11,588	974	(6,527)
Housing Activity					
Annual applications for residential units					
Total residential	15,154	12,232	10,233	8,122	11,064
Change (%)	23.9	19.5	26.0	(26.6)	(10.4)
Single family	2,716	2,685	2,750	4,199	2,630
Change (%)	2.0	1.3	(34.5)	59.7	(3.1)
MLS average selling price (\$) ⁽ⁱⁱ⁾	457,997	457,046	477,963	487,505	479,452
New housing price inflation (%) ⁽ⁱⁱⁱ⁾	1.8	(0.2)	(0.4)	0.0	(0.9)
Building Permits, applied for					
Number of applications	17,476	15,954	16,298	16,434	15,144
Change (%)	9.5	(2.1)	(0.9)	8.5	(9.1)
Value, in thousands	\$ 3,439,660	\$ 5,166,275	\$ 4,402,053	\$ 4,574,171	\$ 4,651,963
Change (%)	(33.4)	17.4	(3.8)	(1.6)	(26.0)
Inflation, CPI annual increases (%) ⁽ⁱⁱⁱ⁾					
Calgary	1.1	1.4	2.4	1.6	1.0
Alberta	1.1	1.8	2.4	1.6	1.1
Canada	0.7	1.9	2.3	1.6	1.4
Unemployment Rate (%) ⁽ⁱⁱⁱ⁾					
Calgary	11.7	7.1	7.6	8.7	9.1
Alberta	11.4	6.9	6.7	7.8	8.1
Canada	9.5	5.7	5.9	6.3	7.0
Top ten industries in Calgary (by the number of residents employed) ⁽ⁱⁱⁱ⁾					
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) Figures for 2020 were obtained from the 2020 Fall Forecast. Figures for 2019 to 2016 were obtained from the annual Civic Census, which was last performed in April 2019.

(ii) Calgary Real Estate Board

(iii) Statistics Canada

Demographic and Other Information unaudited 2016 to 2020

	2020	2019	2018	2017	2016
Revenue sources – City general⁽¹⁾	\$ 2,654,278	2,874,525	2,731,717	2,612,149	\$2,860,289
As a % of revenue					
Taxes and revenue in lieu of taxes	63.11	63.11	64.86	63.09	67.76
General	27.41	31.83	28.19	29.67	25.07
Utilities and related authorities contributions	0.00	0.00	1.92	2.00	2.32
Government transfers	0.01	3.32	3.57	3.40	3.21
Dividends from ENMAX	2.03	1.74	1.46	1.84	1.64
Interest charges – City general					
As a % of operating expenses					
Before subsidy	3.74	3.60	3.69	3.86	3.97
After subsidy	3.74	3.60	3.69	3.86	3.97
Interest charges – consolidated					
Before subsidy (000s)	\$ 111,766	\$ 109,537	\$ 111,337	\$ 115,847	\$ 110,899
Share of operating expenses (%)	3.5	3.4	3.5	3.6	3.9
After subsidy (000s)	\$ 111,547	\$ 109,537	\$ 111,122	\$ 115,610	\$ 110,660
Share of operating expenses (%) (net of subsidy)	3.5	3.5	3.5	3.6	3.9
Debt service limit (principal + interest)					
Total debt service limit	\$ 1,420,553	\$ 1,449,161	\$ 1,430,264 ⁽³⁾	\$ 1,386,287	\$ 1,337,148
Total debt service	\$ 499,457	\$ 369,416	\$ 359,705	\$ 362,341	\$ 348,569
Percentage used (%)	35.2	25.5	25.2	26.1	26.1
Debt limit⁽²⁾					
Total debt limit (000s)	\$ 8,117,447	\$ 8,280,921	\$ 8,172,936 ⁽³⁾	\$ 7,921,642	\$ 7,640,844
Total debt (000s)	\$ 3,063,919	\$ 2,961,444	\$ 2,976,209	\$ 3,149,658	\$ 3,303,092
Percentage used (%)	37.7	35.8	36.4	39.8	43.2
Municipal full-time equivalents – (excluding ENMAX)					
Total full-time equivalents – City	15,796	15,790	15,918	15,790	15,554
Total full-time equivalents – Related authorities	1,172	1,213	1,150	1,171	1,089
Full-time equivalents per 1,000 population – City	12.1	12.3	12.6	12.7	12.6
Full-time equivalents per 1,000 population – Related authorities	0.90	0.94	0.91	0.94	0.88
Area, square kilometres	848	848	848	848	848
Km of roads (lane km)	21,244	20,999	21,216	20,472	20,288
Km of roads (centreline km)	8,301	8,211	8,092	8,009	7,945
Transit passenger trips, annual (000s)	50,948	106,485	105,328	101,929	102,499
Km of wastewater mains	5,066	4,845	4,811	4,756	4,695
Km of water mains	5,312	5,288	5,262	5,165	5,060
Km of storm drainage mains	5,437	5,373	5,319	5,242	5,157

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) 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 consolidated statement of financial position or consolidated statements of operations and accumulated surplus.



**Audit Resource Management Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
REVISED: AC2021-0560
Page 1 of 2**

2020 External Auditor Year-End Report

RECOMMENDATIONS:

That the Audit Committee:

1. Conduct a Closed Meeting discussion with the External Auditor and keep that discussion confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of the public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2026 April 20;
2. Receive this Report and Attachments for the Corporate Record and consider them in conjunction with Report AC2021-0485, The City of Calgary 2020 Annual Report;
3. Direct that this Report and Attachments be forwarded to the 2021 April 26 Strategic Council Meeting as an item of Urgent Business;
4. Recommend that Council receives Report AC2021-0560, 2020 External Auditor's Year-End Report, and the Attachments, for information and the Corporate Record; and
5. Keep Attachment 2 and the Closed Meeting discussions with the External Auditor confidential pursuant to Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of the public body) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed by 2026 April 20.

HIGHLIGHTS

- In accordance with the approved External Auditor's 2020 Audit Service Plan, Deloitte LLP has completed their independent audit of the financial statements of The City of Calgary for the year ended 2020 December 31.
- What does this mean to Calgarians? Citizens have assurance that the financial statements present fairly, in all material respects, the financial position of The City as at 2020 December 31 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.
- Why does it matter? The Audit Committee's mandate is to ensure the integrity of The City's annual financial statements and the External Auditor provides independent assurance that the financial statements are free from material misstatement, whether due to fraud or error.
- The Attachments to this report contain the External Auditor's Report to the Audit Committee on the 2020 Audit.
- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- The Audit Committee Bylaw 33M2020, states in Schedule B, Section 1(b) that "The Audit Committee in conjunction with Administration's presentation of the annual financial statements, receives and reviews the External Auditor's year end audit results report. This report is to be forwarded to Council for information."

**Audit Resource Management Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
REVISED: AC2021-0560
Page 2 of 2**

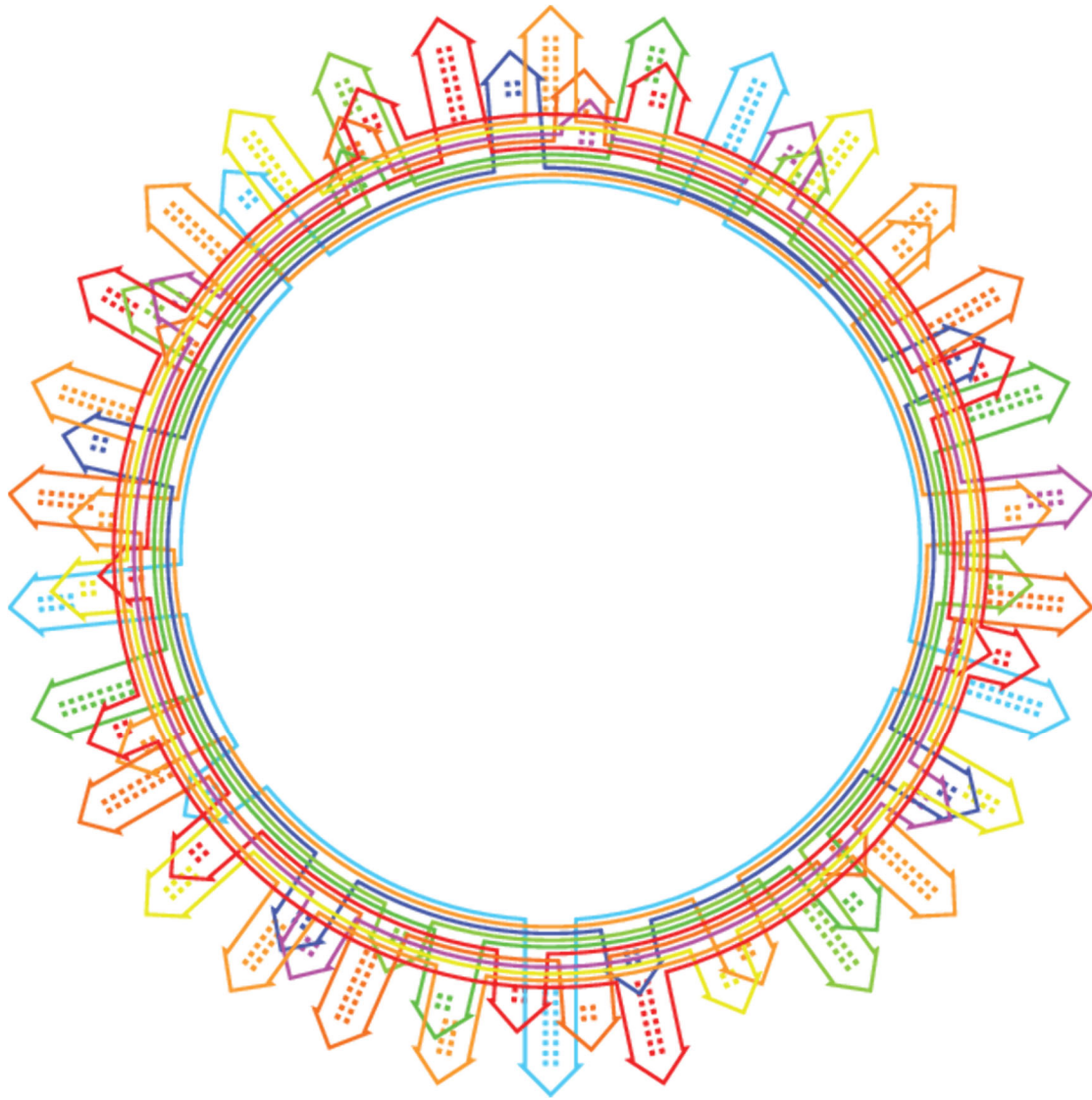
2020 External Auditor Year-End Report

ATTACHMENTS

1. The City of Calgary, Report to the Audit Committee on the 2020 Audit
2. Confidential – Appendix A of Appendix 6

Department Circulation

Councillor E. Woolley	Chair of Audit Committee	Approve
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The City of Calgary Report to the Audit Committee on the 2020 audit

April 20, 2021

April 12, 2021

To the Audit Committee of The City of Calgary

Report on audited annual financial statements

Dear Audit Committee members:

We are pleased to submit this report on the status of our audit of The City of Calgary ("The City") for the 2020 fiscal year. This report summarizes the scope of our audit, our findings to date and reviews certain other matters that we believe to be of interest to you. We are continuing to work with Administration to complete the outstanding matters summarized on page 1 of this report.

As agreed in our master services agreement ("MSA") dated July 25, 2018 and confirmation of changes letter dated July 23, 2020, we have performed an audit of the financial statements of The City of Calgary as of and for the year ended December 31, 2020, in accordance with Canadian generally accepted auditing standards ("Canadian GAAS") and expect to issue our audit report thereon dated April 26, 2021.

Our audit has been conducted in accordance with the audit plan that was presented to the Audit Committee at the meeting on July 23, 2020.

This report is intended solely for the information and use of the Audit Committee, Administration and others within The City and is not intended to be, and should not be, used by anyone other than these specified parties.

We, at Deloitte, work as one team to provide you with relevant business insights to assist you improving your current practices.

We look forward to discussing this report summarizing the outcome of our audit with you and answering any questions you may have.

Yours truly,



Chartered Professional Accountants

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Executive summary



Audit scope and terms of engagement

We have been asked to perform an audit of The City's financial statements (the "financial statements") in accordance with Canadian public sector accounting standards ("PSAS") as at and for the year ended December 31, 2020. Our audit was conducted in accordance with Canadian generally accepted auditing standards ("Canadian GAAS").

The terms and conditions of our engagement are described in the MSA and confirmation of changes letter. We have developed appropriate safeguards and procedures to eliminate threats to our independence or to reduce them to an acceptable level.



Significant risks

- 1 Administration override of controls
- 2 Capital deposits - revenue recognition
- 3 Tangible Capital Assets

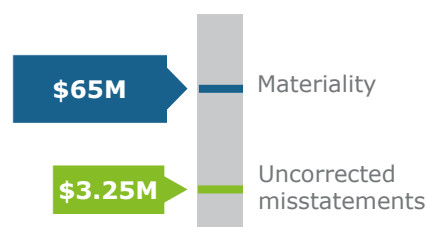


Continued from prior year

Status



Materiality



Materiality levels are determined on the basis of consolidated actual operating expenses and other qualitative factors. Our materiality for the year ended December 31, 2020 was \$65,000,000 (2019, \$65,000,000).



Outstanding Matters & Next Steps

Receipt of signed Administration representation letter and legal department's confirmation letter.

Completion of our subsequent events review.

Completion of review and tie-in of final version of financial statements, including updated versions of related authority financial statements.

Review of final version of the financial statements and financial statement discussion and analysis for changes, if any.

Approval of the financial statements by City Council at the recommendation of the Audit Committee.

Completion of the Engagement Quality Control review.



Highlights

Impacts related to the COVID-19 pandemic.

No changes in the significant risks identified.

Engaged with Administration on the adoption of upcoming accounting standards.

Performed additional audit procedures on misstatements identified by Administration.

Communicated with Administration throughout the fiscal year.

Engaged with Administration on complex accounting matters.

**Audit fees**

Audit fees	2020¹	2019¹
The City of Calgary consolidated financial statement audit	\$293,400 ²	\$290,500 ²
Municipal Information Return	\$4,600	\$4,600
Funds Held in Trust audit	\$1,800	\$1,800
Newspaper insert (summarization of The City's financial information)	Included in the City of Calgary Audit fee	Included in the City of Calgary Audit fee
PS 3260, <i>Liability for contaminated sites</i> ³	-	\$5,000
Audit procedures on accounting transactions and related to financial statement disclosure of P3 Agreement – Stoney Transit Facility dated September 13, 2016 ³	-	\$5,000
Adoption of new accounting standard for December 31, 2019	-	\$7,500
Additional audit procedures due to the impact of COVID-19	\$25,000	-
Audit of off-site levy interest income allocation misstatement	\$30,000	-
Additional audit procedures related to the Event Centre	\$10,000	-
Calgary Transit Projects audit	\$6,600	-
Total fees	\$371,400	\$339,400

¹ These fees are subject to a 7% administrative charge and applicable GST.

² The category previously listed as "audit procedures on related authorities for consolidation purposes" has been re-grouped into the category "The City of Calgary consolidated financial statement audit".

³ The review of all high risk sites in PS 3260 was substantially completed in 2019. The P3 Agreement was substantially completed in 2019.

**Going Concern**

Administration has completed its assessment of the ability of The City to continue as a going concern and in making its assessment did not identify any material uncertainties related to events or conditions that may cast significant doubt upon The City's ability to continue as a going concern. We agree with Administration's assessment.

**Results**

No restrictions have been placed on the scope of our audit. We intend to issue an unmodified audit report on the financial statements of The City for the year ended December 31, 2020 once the outstanding items referred to above are completed satisfactorily and the financial statements are approved by the Audit Committee and City Council.

Significant audit risks, significant events and areas of focus

The significant audit risks identified as part of our risk assessment, together with our planned responses and conclusions, are described below.

Significant risk dashboard

Legend



Significant level of Administration judgment involved



Minimal/No Administration judgment involved


D+I: Planned testing of the design and implementation of key controls

OE: Planned testing of the operating effectiveness of key controls


Administration override of controls

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
YES	Not applicable		Excel Analytics was used to perform journal entry testing.
Analysis of risk		Audit Response and Results	
<ul style="list-style-type: none"> Under Canadian Auditing Standards, it is the responsibility of Administration, with the oversight of those charged with governance to place a strong emphasis on fraud prevention and detection. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process. Administration override of controls is present in all entities. It is a risk of material misstatement resulting from fraud and therefore is considered as a significant risk. 		<ul style="list-style-type: none"> We engaged in periodic fraud discussions with certain members of senior Administration and others, including The City Auditor, City Manager and the Audit Committee. We considered the potential for bias in judgments and estimates, including performing retrospective analysis of significant accounting estimates. We evaluated the business rationale for any significant transactions. We also evaluated The City's fraud risk assessment and considered entity-level internal controls and internal controls over the closing and reporting process. We tested manual consolidation entries that exhibited characteristics of possible Administration override of controls identified. We obtained sufficient audit evidence to conclude that there were no material misstatements. 	

Capital deposits - revenue recognition

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
YES	D+I		Data Analytics performed on property tax revenue.
Analysis of risk		Audit Response and Results	
<ul style="list-style-type: none"> Capital revenue relating to government funding and private contributions is not recognized in the correct period, as expenditures are incurred. 		<ul style="list-style-type: none"> We assessed the design and implementation of relevant controls. We applied audit procedures to revenue recognition of capital deposits relating to both government funding and private contributions. Our testing included, on a sample basis, reviewing amounts included in the current year transactions to ensure only amounts that meet the revenue recognition criteria under PSAS are recognized as revenue. We obtained capital deposit contracts to ensure that the revenue recorded aligned with the stipulations in the contract. We applied audit procedures to test the completeness of revenue by reviewing the carry-forward forms for financing deficits as at December 31 to determine if grant funding has been applied in the appropriate period. We also applied audit procedures to off-site levies, on a sample basis, on the following areas: <ul style="list-style-type: none"> Signed agreements in the year Debt acquired for off-site levy projects Amounts recognized into revenue in the year Deferred revenue recognized into revenue in the year Investment income allocation as identified by Administration We obtained sufficient audit evidence to conclude that there were no material misstatements. 	

Tangible Capital Assets

Fraud Risk	Control Testing Planned	Level of Administration judgement	Specialist, Expert or Innovation Involvement
YES	D&I		Not Applicable.
Analysis of risk		Audit Response and Results	
<ul style="list-style-type: none"> Completeness, existence and valuation of Tangible Capital Assets ("TCA") work in progress ("WIP") and fund 40 expenditures. 		<ul style="list-style-type: none"> We assessed the design and implementation of relevant controls. On a sampling basis, we tested TCA WIP additions to ensure these WIP additions were appropriately capitalized and accounted for as WIP. On a sampling basis, we also tested TCA WIP transfers to ensure these WIP projects were appropriately transferred out of WIP and into the correct asset class at project completion. On a sampling basis, we tested fund 40 expenditures to ensure these costs were appropriately expensed or capitalized to TCA. We obtained sufficient audit evidence to conclude that there were no material misstatements. 	

Significant events

COVID-19

Impact on our 2020 audit

Due to COVID-19, we identified certain areas of our 2020 audit that were directly impacted in comparison to previous years. These changes had an impact to our audit in terms of nature, timing and extent of audit procedures that we were required to perform. We have outlined below the significant changes identified to date.

- Identified audit risks specific to COVID-19 and plan audit procedures to address these risks.
- Increased communication with City Administration throughout the year to understand COVID-19 impacts and implications.
- Applied audit procedures to any changes in processes and controls at The City.
- Considered alternative methods to obtain audit evidence (scanned copies, electronic versions, video calls to walk through controls, analyses and questions) due to remote work arrangements.
- Increased communication with related authorities/subsidiaries throughout the year to understand COVID-19 impacts and implications.
- Performed audit testing remotely.

We also monitored audit scope and timelines and adjusted accordingly to ensure we met reporting deadlines. As a result of performing these additional procedures related to COVID-19, we incurred fees of \$25,000 as communicated on page 2 of this document.

Areas of focus

Related parties (authorities/subsidiaries/civic partners)

Analysis	Audit response and results
<ul style="list-style-type: none"> • Completeness and disclosure of the accounting for organizations included in the government reporting entity (related authorities or subsidiaries). 	<ul style="list-style-type: none"> • We reviewed The City's accounting policies and any changes therein related to its related parties. • We verified that the related parties have been accounted for and disclosed in accordance with The City's accounting policies and PSAS and performed separate audits of significant related parties. • We audited all material balances relating to the related parties. • We applied audit procedures to entities identified by Administration in 2020 as possibly meeting the criteria for consolidation under PSAS guidance, if any. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

Litigation accruals and contingencies

Analysis	Audit response and results
<ul style="list-style-type: none"> • Completeness and accuracy of claims and litigation matters of The City and its related authorities. 	<ul style="list-style-type: none"> • We enquired with The City's legal department and The City Solicitor to determine the status of outstanding legal matters. • We reviewed legal correspondence from The City Solicitor and external legal counsel (if applicable) and discussed the status of outstanding legal matters with Administration and others, as necessary. • We assessed the appropriateness of any contingent liabilities and financial statement disclosures. • We obtained sufficient audit evidence to conclude that there were no material misstatements.

Property tax revenue

Analysis	Audit response and results
<ul style="list-style-type: none"> Completeness and accuracy of the accounting for property tax revenue. 	<ul style="list-style-type: none"> We performed reasonability tests on property tax revenue balances. We reviewed and tested the property tax revenue business cycle process controls. We completed data analytical testing on the property tax revenues for the year ending December 31, 2020. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Government grants and transfers

Analysis	Audit response and results
<ul style="list-style-type: none"> Accounting and disclosure of government grants and transfers. 	<ul style="list-style-type: none"> We tested a sample of funding agreements to determine if the contract required financial statement disclosure. We tested a sample of federal and provincial transfer payments received during the year to fund specific projects. We reviewed the related funding agreements to ensure funds were used for their intended purpose and that revenue was recognized in the appropriate period, including the deferred revenue. We reviewed deferred revenue for compliance with the applicable PSAS guidance. We tested expenditures and ensured that the corresponding revenue had been recognized. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Reserves

Analysis	Audit response and results
<ul style="list-style-type: none"> Completeness and accuracy of the recording and presentation of reserves. 	<ul style="list-style-type: none"> We tested expenditures charged to each reserve and vouched a sample of expenditures to invoices to verify that the transaction was within the terms and conditions approved by City Council. We also tested a sample of transfers between reserves, if any, to verify that the transfer was approved by City Council. We reviewed the completeness and accuracy of the financial statement disclosures relating to reserves. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Commitments and contractual obligations

Analysis	Audit response and results
<ul style="list-style-type: none"> Disclosure and completeness of commitments and contractual obligations. 	<ul style="list-style-type: none"> We reviewed the completeness and accuracy of the financial statement disclosures relating to The City's commitments and contractual obligations. We ensured that these disclosures were in accordance with PSAS guidance. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Allowance for property taxes receivable*

Analysis	Audit response and results
<ul style="list-style-type: none"> The allowance for property taxes receivable is a significant estimate determined by Administration. Due to expected significant impacts of COVID-19, there is a risk that the allowance has not been appropriately adjusted for the impacts of COVID-19. 	<ul style="list-style-type: none"> We reviewed Administration's methodology and assessment of uncollectible property taxes receivable balances. We reviewed the allowance for property taxes receivable which was assessed based on specific properties identified as being uncollectible. We held discussions with the appropriate individuals to understand the process for identifying specific properties and the methods used to pursue collection of payment. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Valuation of land inventory*

Analysis	Audit response and results
<ul style="list-style-type: none"> Land inventories are measured at the lower of cost and net realizable value. There is a risk that certain land inventories may be carried at a cost that is higher than net realizable value due to poor market conditions resulting from COVID-19. 	<ul style="list-style-type: none"> We reviewed Administration's assessment of net realizable value of land inventories. We tested a sample of land inventories to determine if the net realizable value is less than cost and a write-down is required. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Valuation of registered defined benefit pension plans' pension assets and obligation*

Analysis	Audit response and results
<ul style="list-style-type: none"> The pension assets are based on actual market values as at October 31, projected to December 31, based on expected contributions, benefits payments and return on assets. The pension obligation is determined based on various inputs and assumptions (including discount rates, inflation rates, mortality rates, termination rates, retirement rates, salary increases, etc). Due to the significant impact of COVID-19, there is a risk that the valuation of the defined benefit pension plan's pension asset and obligation are inaccurate as they have not been appropriately updated for significant changes in the underlying inputs and assumptions. 	<ul style="list-style-type: none"> We assessed the reasonability of the projected pension assets. We reviewed the various inputs and assumptions used in the calculation of the pension obligation and assessed their reasonableness. We performed testing on a sample of the inputs that were provided to the actuary. We reviewed and tested the pension asset and obligation business cycle process controls to ensure the controls surrounding the review of the inputs and assumptions were designed and implemented properly. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Allowance for off-site levy receivables*

Analysis	Audit response and results
<ul style="list-style-type: none"> Due to the significant impact of COVID-19, there is a risk of off-site levy receivable balances being uncollectible due to entities being unable to pay. 	<ul style="list-style-type: none"> We reviewed Administration's assessment of uncollectible off-site levy receivable balances. We tested a sample of off-site levy payments received during the year and after year-end to assess collectability. We obtained sufficient audit evidence to conclude that there were no material misstatements.

Valuation of investments*

Analysis	Audit response and results
<ul style="list-style-type: none"> Investments are measured at the lower of cost and fair value. Fair values have fluctuated significantly due to COVID-19, and therefore, there is a risk that the fair value of investments is less than the cost and write-offs are required. 	<ul style="list-style-type: none"> We assessed the design and implementation of relevant controls. We reviewed The City's assessment of the fair value of investments, including the valuation techniques and inputs used. We assessed if any write-downs were required on the investments. We obtained sufficient audit evidence to conclude that there were no material misstatements.

* During our risk assessment, we identified these areas of focus due to the expected impact of COVID-19 on the financial results of The City.

Internal control matters

As part of our financial statement audit, we are required to consider many components of internal controls, which assist us in determining the risks of material misstatement and the identification of internal controls that will be relevant for our audit. Not all controls are relevant to every audit. For example, some internal controls may exist to address operational risks. For those controls deemed relevant to our audit, we evaluated the design of these controls and determined whether they were implemented. The procedures undertaken during this process allow us to consider whether or not our audit strategy will further rely on the operating effectiveness of those identified internal controls. In such cases, we would go beyond evaluating the design of relevant controls and determining whether they have been implemented to also test whether the controls on which we intend to rely are operating effectively throughout the period of reliance. The determination of whether or not we will test the operating effectiveness of controls is determined on an engagement by engagement basis.

In our audit of The City's financial statements, we assessed the design and implementation of controls to aid in our risk assessment procedures. Canadian GAAS require us to report to the Audit Committee any significant deficiencies that have come to our attention. Due to the impact of COVID-19, for fiscal 2020, Administration modified certain existing controls.

To the extent that we have identified matters to be communicated with those charged with governance, consistent with previous years, we will communicate those in our Administration recommendation letter to be presented by Deloitte at the June 24, 2021 meeting.

Our audit was not designed to provide a high degree of assurance that significant deficiencies, if any, would be detected.

Significant accounting policies, judgements and estimates

The accounting policies described below are those that are most important and representative of The City's financial condition and financial performance.

In the course of our audit of the financial statements, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability and understandability of the information included in the financial statements.

We believe The City's significant accounting policies to be:

- Valuation of TCA
- Useful lives and related amortization of TCA
- Accrued liabilities
- Employee benefits obligations
- Provision for tax appeals
- Provision for landfill rehabilitation
- Contaminated sites and environmental assessments
- Contingent liabilities

In our judgement, the significant accounting practices and policies, selected and applied by Administration are, in all material respects, acceptable under PSAS and are appropriate to the particular circumstances of The City.

Accounting estimates are an integral part of the financial statements prepared by Administration and are based on Administration's current judgements. These judgements are normally based on knowledge and experience about past and current events, assumptions about future events and interpretations of the financial reporting standards.

During the year ended December 31, 2020, Administration advised us that there were no significant changes in accounting estimates or in judgements relating to the application of the accounting policies.

Appendix 1 – Communication requirements and other reportable matters

The table below summarizes our communication requirements under Canadian GAAS and other communications that we believe would help us achieve an effective audit.

Required communication	Refer to this report or document described below
Audit Service Plan	
1. Our responsibilities under Canadian GAAS, including forming and expressing an opinion on the financial statements	Master services agreement dated July 25, 2018 and confirmation of changes letter dated July 23, 2020.
2. An overview of the overall audit strategy, addressing: <ul style="list-style-type: none"> a. Timing of the audit b. Significant risks, including fraud risks c. Nature and extent of specialized skill or knowledge needed to perform the planned audit procedures related to significant risk 	Audit plan communicated on July 23, 2020.
3. Significant transactions outside of the normal course of business, including related party transactions	Related party transactions are disclosed in Note 1 y) to the financial statements. Refer to Significant Risks section for further details on significant transactions outside the normal course of business.
4. How those charged with governance exercise oversight over Administration's process for identifying and responding to the risk of fraud and the internal control that Administration has established to mitigate these risks	We believe adequate internal controls exist to sufficiently mitigate the risk of management override of controls. Those charged with governance exercise oversight over management's process for identification and response to the risk of fraud by establishing and enforcing a code of conduct, establishing committees to govern various aspects of operations and engaging frequently with key management personnel.
5. Any known suspected or alleged fraud affecting The City	We are not aware of any actual or suspected fraudulent events.

Required communication	Refer to this report or document described below				
6. Whether The City is in compliance with laws and regulations	<p>Administration is responsible for ensuring that The City's operations are conducted in accordance with the laws and regulations applicable to The City in the jurisdictions in which it operates. The responsibility for preventing and detecting noncompliance rests with Administration. The auditor is not and cannot be held responsible for preventing noncompliance with laws and regulations.</p> <p>Our limited procedures did not identify any areas of material noncompliance with laws and regulations by The City.</p>				
Year End Communication					
7. Fraud or possible fraud identified through the audit process	We are not aware of any fraudulent events.				
8. Significant accounting policies, practices, unusual transactions, and our related conclusions	Significant accounting policies, judgements and estimates section of this report.				
9. Alternative treatments for accounting policies and practices that have been discussed with Administration during the current audit period	Significant accounting policies, judgements and estimates section of this report.				
10. Matters related to going concern	Executive summary section of this report.				
11. Use of the work of specialists and experts	<p>As planned, Deloitte and external specialists and experts assisted in the audit to the extent we considered necessary:</p> <table> <tr> <td data-bbox="1005 1310 1143 1362">IT specialists:</td><td data-bbox="1159 1310 1435 1478">Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems</td></tr> <tr> <td data-bbox="1005 1488 1127 1541">Actuarial experts:</td><td data-bbox="1159 1488 1419 1593">AON Hewitt assisted in the assessment of the valuation of The City's pension liability</td></tr> </table>	IT specialists:	Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems	Actuarial experts:	AON Hewitt assisted in the assessment of the valuation of The City's pension liability
IT specialists:	Assisted in the assessment of the adequacy and effectiveness of internal controls related to information systems				
Actuarial experts:	AON Hewitt assisted in the assessment of the valuation of The City's pension liability				
12. Consultation with other accountants	Administration has informed us that The City has not consulted with other accountants about auditing or accounting matters.				
13. Administration judgments and accounting estimates	Significant accounting policies, judgements and estimates section of this report.				

Required communication	Refer to this report or document described below
14. Significant difficulties, if any, encountered during the audit	During the course of our audit, we did not encounter any significant difficulties in dealing with Administration related to the performance of the audit.
15. Material written communications between Administration and us, including Administration representation letters	Administration representation letter
16. Circumstances that affect the form and the content of the auditor's report	Draft auditor's report
17. Other matters that are significant to the oversight of the financial reporting process	No other matters to report.
18. Modifications to our opinion(s)	Executive summary section of this report.
19. Other significant matters discussed with Administration	Significant audit risks, significant events and areas of focus section of this report.
20. Matters involving noncompliance with laws and regulations that come to our attention, unless prohibited by law or regulation, including illegal or possibly illegal acts that come to our attention	We are not aware of any matters involving noncompliance with laws and regulations or illegal acts.
21. Litigation	No litigation matters to report.
22. Significant deficiencies in internal control, if any, identified by us in the conduct of the audit of the financial statements	No deficiencies to report.
23. Uncorrected misstatements and disclosure items	In accordance with Canadian GAAS, we request that all misstatements be corrected. Uncorrected misstatements to report. No uncorrected disclosure misstatements to report.
24. Changes to the audit plan	The audit was conducted in accordance with our audit plan, which was communicated to the Audit Committee. We confirm that there have been no amendments to the audit scope and approach communicated in the audit plan.
25. Concerns regarding Administration competence and integrity	We do not have any concerns regarding Administration's competency and integrity.
26. Disagreements with Administration	During the current audit, we did not have any disagreements with Administration.
27. Post-balance sheet events	At the date of finalizing this report, we are not aware of any significant post-balance sheet events.
28. Limitations when sending confirmations	Not applicable.
29. Other significant matters arising from the audit	No other significant matters to report.

Appendix 2 – Group Audit

The audit of The City is considered to be a group audit and therefore, we are also required to determine the scope of work required for each related authority. We are auditors of all related authorities and issue an audit opinion on the standalone financial statements of each entity, with the exception of Attainable Homes Calgary Corporation, Calgary Economic Development Ltd. and Calgary Arts Development Authority Ltd.

No restrictions have been placed on the scope of our audits of the related authorities. In performing the audits, we were given full and complete access to the accounting records, supporting documentation and other information requested.

For the three entities not audited by Deloitte LLP, we applied audit procedures based on The City's consolidated materiality.

Appendix 3 – Audit Committee terms of reference

As the external auditors of The City, we have the privilege of assisting in the fulfillment of your responsibility to follow the Terms of Reference for The City of Calgary's Audit Committee contained in the Audit Committee Bylaw 33M2020. The following table outlines our involvement in the fulfillment of specific terms of reference and any reports that we have issued that assist in this process.

Bylaw 33M2020	Description	Related Deloitte Involvement
5(f)	<p>Pre-approve all audit and non-audit services performed by the External Auditor and further provide that:</p> <p>(A) the Chair can pre-approve additional audit or non-audit services performed by the External Auditor, up to \$50,000 total annually and must report those approvals to the Audit Committee; and</p> <p>(B) on an annual basis, total fees for non-audit services performed by the External Auditor shall not exceed the total audit fees approved for The City of Calgary consolidated audit, including all subsidiary and related entity audits.</p>	<p>All audit and non-audit services are presented to the Audit Committee for pre-approval prior to the commencement of such work. Fee information included in the 2020 Audit Service Plan presented by Deloitte on July 23, 2020.</p> <p>The Independence letter included as Appendix 5 of the Year-end Audit Report, to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting, summarizes the fees of all services performed.</p>
Schedule A, 2(a)	Reviews and oversees the integrity of the Annual Financial Statements and recommends their approval to Council.	Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting.
Schedule A, 2(b)	Reviews and discusses the City's compliance with financial reporting procedures with Administration and the External Auditor.	<p>Report of the Independent Auditor on the consolidated Financial Statements and year-end Audit report to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting.</p> <p>Letter of recommendations to be presented by Deloitte at the June 24, 2021 meeting.</p>
Schedule A, 2(c)	Engages Administration and the External Auditor in candid discussions regarding issues that may alter judgment or affect the quality of the reporting process and search for insight into the results.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
Schedule A, 2(d)	In consultation with the Chief Financial Officer and External Auditor, review and discuss significant new accounting standards and financial reporting developments to understand any material impact on financial results. A detailed analysis, prepared by Administration, on the implications of any changes, as well as the progress made in the adoption of new accounting standards, may be requested.	Appendix 7 of 2020 Audit Service Plan presented by Deloitte on July 23, 2020.

Bylaw 33M2020	Description	Related Deloitte Involvement
Schedule A, 2(e)	Maintains open lines of communication with the External Auditor and Administration.	Participation and attendance by Deloitte at Audit Committee meetings throughout the year.
Schedule B, 1(c)	Requires the External Auditor to express an opinion on The City's financial statements, in accordance with professional standards.	Communicated in the year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting.
Schedule B, 1(a)	Prior to the commencement of the annual external financial audit, reviews the audit plan and estimated audit fees with the External Auditor and discusses the timing and extent of audit procedures, materiality, significant audit risks and areas of audit focus and overall audit strategy. This report is to be forwarded to Council for information.	2020 Audit service plan presented by Deloitte on July 23, 2020.
Schedule B, 1(b)	In conjunction with Administration's presentation of the annual financial statements, receives and reviews the External Auditor's annual audit report. This report is to be forwarded to Council for information.	Report of the Independent Auditor on the Consolidated Financial Statements and Year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting.
Schedule B, 1(d)	Receives and reviews the External Auditor's Management Letter(s), and reviews Administration responses, and forwards, either in full or in summary, to Council for information. Through query, confirm that any recommendations made by the External Auditor are addressed by Administration in a timely manner.	Administration recommendation letter to be presented by Deloitte at the June 24, 2021 meeting.
Schedule B, 1(e)	Must meet with the External Auditor, in the absence of Administration, at least quarterly.	Closed meetings held with Deloitte at Audit Committee meetings throughout 2020 and 2021.
Schedule B, 1(h)	Receives and reviews the External Auditor's annual independence letter. Through query, confirm the process by which the External Auditor maintains their independence and objectivity.	Communicated in the year-end Audit Report to be presented by Deloitte to the Audit Committee at the April 20, 2021 meeting.

Appendix 4 – Draft version of our auditor's report

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, 2020, 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, 2020, and the results of its operations, cash flows 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 City 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.

Chartered Professional Accountants
April 26, 2021

Appendix 5 – Draft independence and fees

April 26, 2021

The Audit Committee and City Council
The City of Calgary

Dear Audit Committee and City Council members:

We have been engaged to audit the consolidated financial statements of The City of Calgary ("The City") for the year ended December 31, 2020.

You have requested that we communicate in writing with you regarding our compliance with relevant ethical requirements regarding independence as well as all relationships and other matters between The City, our Firm and network firms that, in our professional judgment, may reasonably be thought to bear on our independence. You have also requested us to communicate the related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level.

In determining which relationships to report, we have considered relevant rules and related interpretations prescribed by the appropriate provincial regulator/ordre and applicable legislation, covering such matters as:

- a) Holding a financial interest, either directly or indirectly, in a client.
- b) Holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client.
- c) Personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client.
- d) Economic dependence on a client.
- e) Provision of services in addition to the audit engagement.

We confirm to you that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since April 27, 2020, the date of our last letter.

We are not aware of any relationships between the Member Firms of Deloitte Touche Tohmatsu Limited and their respective affiliates (collectively, the "Deloitte Entities") and The City and its affiliates, or persons in financial reporting oversight roles at The City and its affiliates, that, in our professional judgment, may reasonably be thought to bear on independence, that have occurred from April 28, 2020 to April 26, 2021.

As summarized in the attached exhibit, the total fees charged to The City during the period covered by the financial statements were as follows:

Audit services	\$2,108,093 (2019, \$1,523,885)
Audit related services	\$217,585 (2019, \$29,597)
Non-audit related services	\$0 (2019, \$250,000)

We hereby confirm that we are independent with respect to The City in accordance with the Rules of Professional Conduct of the applicable Chartered Professional Accountants of Alberta as of April 26, 2021.

This letter is intended solely for the information and use of the Audit Committee, City Council, Administration and others within The City and is not intended to be and should not be used for any other purposes.

Yours truly,

Chartered Professional Accountants

Total fees charged to The City of Calgary For the years ended December 31, 2020 and 2019

	2020 ¹ \$	2019 ¹ \$
AUDIT SERVICES		
<u>The City of Calgary</u>		
The City of Calgary	383,488 ²	329,560 ³
Calhome Properties Ltd.	122,676	89,773
Calgary Police Service	54,035	54,142
Calgary TELUS Convention Centre	47,957	61,525
Calgary Parking Authority	91,699	91,420
Calgary Municipal Land Corporation	85,065	85,921
Calgary Public Library	43,335	43,549
Municipal Employees Benefits Association of Calgary	30,003	29,714
Family & Community Support Services	21,721	21,507
Core Benefit Plan (audit is conducted every four years)	-	-
Elected Officials Pension Plan	8,025	7,918
Supplementary Pension Plan	15,087	14,980
Funds Held in Trust	1,926	1,926
	905,017	831,935
<u>ENMAX Corporation</u>		
ENMAX Corporation audit	366,500	336,500
ENMAX Corporation quarterly reviews	101,250	81,600
Versant Power acquisition and purchase price allocation	137,500	-
ENMAX Corporation Pension Plan audit	17,350	17,350
Audit of the divisional carve out financial statements of ENMAX Transmission and Distribution	119,000	119,000
Emera Maine Audit Transition	-	137,500
Versant Power Statutory audit	281,715	-
Versant Power – Component auditor fees	67,075	-
Versant Power Pension Plan audit	112,686	-
	1,203,076	691,950
Total Audit Services	2,108,093	1,523,885

AUDIT RELATED SERVICESThe City of Calgary

City of Calgary Municipal Information Return	4,922	4,922
Calhome Properties Ltd. special government reports	19,207	15,580
Calgary Public Library LAPP audit	-	9,095
Calgary TELUS Convention Centre LAPP audit	9,844	-
Calgary Transit Projects audit	7,062	-
Off-site levy audit procedures for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 ⁴	176,550	-

Total Audit Related Services	217,585	29,597
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NON-AUDIT RELATED SERVICESEnmax Corporation

Telecom 5G Streetlight Infrastructure advisory work	-	250,000
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Total Non-Audit Related Services	-	250,000
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Total Fees for All Services	2,325,678	1,803,482
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¹ Includes 7% administration fee; excludes GST. Enmax's reported fees exclude 7% administration fee and GST.

² Fee includes \$293,400 for the base audit and newspaper insert, plus the following:

\$25,000 for the additional audit procedures due to the impact of COVID-19

\$30,000 for the audit of the off-site levy interest income allocation misstatement

\$10,000 for the additional audit procedures related to the Event Centre

³ Fee includes \$272,000 for the base audit and newspaper insert, plus the following:

\$5,000 for the audit of the implementation of PS 3260, *Liability for contaminated sites*

\$5,000 for audit procedures related to the P3 agreement

\$18,500 for the consolidation of the related authorities

\$7,500 for adoption of new accounting standard PS 3430, *Restructuring Transactions*

⁴ This is the first progress billing to March 31, 2021 which represents approximately 1/3 of the anticipated budgeted fee.

Appendix 6 – Draft Administration representation letter

[The City of Calgary letterhead]

April 26, 2021

Deloitte LLP
700, 850 – 2 Street SW
Calgary, AB T2P 0R8

Dear Sirs:

Subject: Consolidated financial statements of The City of Calgary for the year ended December 31, 2020
and Newspaper insert

This representation letter is provided in connection with the audit by Deloitte LLP (“Deloitte” or “you”) of the consolidated financial statements of The City of Calgary (“The City” or “we” or “us”) for the year ended December 31, 2020, and a summary of significant accounting policies and other explanatory information (the “Financial Statements”) for the purpose of expressing an opinion as to whether the Financial Statements present fairly, in all material respects, the financial position, results of operations, cash flows and changes in net financial assets of The City in accordance with Public Sector Accounting Standards (“PSAS”).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

1. We have fulfilled our responsibilities as set out in the terms of the master services agreement between The City and Deloitte dated July 25, 2018 and the confirmation of changes letter dated July 23, 2020 for the preparation of the Financial Statements in accordance with PSAS. In particular, the Financial Statements are fairly presented, in all material respects, and present the financial position of The City as at December 31, 2020 and the results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with PSAS.
2. Significant assumptions used in making estimates, including those measured at fair value, are reasonable.

In preparing the Financial Statements in accordance with PSAS, Administration makes judgments and assumptions about the future and uses estimates. The completeness and appropriateness of the disclosures related to estimates are in accordance with PSAS. The City has appropriately disclosed in the Financial Statements the nature of measurement uncertainties that are material, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the Financial Statements.

The measurement methods, including the related assumptions and models, used in determining the estimates, including fair value, were appropriate, reasonable and consistently applied in accordance with PSAS and appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City. No events have occurred subsequent to December 31, 2020 that require adjustment to the estimates and disclosures included in the Financial Statements.

There are no changes in management's method of determining significant estimates in the current year.

The City has identified all related parties in accordance with Section PS 2200, *Related Party Disclosures* ("PS 2200"). Administration has determined that such disclosure is not necessary because the transactions have not occurred at a value different from that which would have been arrived at if the parties were unrelated and do not or could not have a material effect on the financial statements. This assessment is based on all relevant factors, including those listed in paragraph 16 of PS 2200.

3. We have determined that the Financial Statements are complete as of the date of this letter as this is the date when there are no changes to the Financial Statements (including disclosures) planned or expected and City Council approval is obtained. The Financial Statements have been internally reviewed and approved in accordance with our year end close process to finalize financial statements.
4. We have completed our review of events after December 31, 2020 and up to the date of this letter. All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.
5. The Financial Statements are free of material errors and omissions.

We believe that the effects of any uncorrected Financial Statement misstatements pertaining to the current and comparative prior period presented, are immaterial, both individually and in the aggregate, to the Financial Statements taken as a whole. A list of the uncorrected misstatements aggregated by you is attached in Appendix A.

Internal Controls

6. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
7. We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that we believe to be significant deficiencies in internal control over financial reporting.

Information provided

8. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation of the Financial Statements, such as records, documentation and other matters;
 - b. All relevant information as well as additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

9. Except as listed in Appendix A, all transactions have been properly recorded in the accounting records and are reflected in the Financial Statements.
10. We have disclosed to you the results of our assessment of the risk that the Financial Statements may be materially misstated as a result of fraud.
11. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - a. Administration;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the Financial Statements.
12. We have disclosed to you all information in relation to allegations of actual, suspected or alleged fraud, or illegal or suspected illegal acts affecting The City.
13. We have disclosed to you all communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices and all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the Financial Statements.
14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware, including guarantees, non-monetary transactions and transactions for no consideration and participation in a defined benefit plan that shares risks between group entities.
15. We have disclosed to you all known, actual or possible litigation and claims, whether or not they have been discussed with our lawyers, whose effects should be considered when preparing the Financial Statements. As appropriate, these items have been disclosed and accounted for in the Financial Statements in accordance with PSAS.

Independence matters

For the purposes of the following paragraphs, "Deloitte" shall mean Deloitte LLP and Deloitte Touche Tohmatsu Limited, including related member firms and affiliates.

16. Prior to The City having any substantive employment conversations with a former or current Deloitte engagement team member, The City has held discussions with Deloitte and obtained approval from the Audit Committee.
17. We have ensured that all non-audit services provided to The City have been pre-approved by the Audit Committee. Further, we have adhered to all regulatory requirements regarding the provision of non-audit services by Deloitte to The City in accordance with applicable laws, regulations and rules that apply to The City, including the Audit Committee approval requirements.
18. We have ensured that all services performed by Deloitte with respect to this engagement have been pre-approved by the Audit Committee in accordance with its established approval policies and procedures.

Other matters

19. The City has satisfactory title to and control over all assets, and there are no liens or encumbrances on such assets. We have disclosed to you and in the Financial Statements all assets that have been pledged as collateral.
20. We have disclosed to you all liabilities, provisions, contingent liabilities and contingent assets, including those associated with guarantees, whether written or oral, and they are appropriately reflected in the Financial Statements.

21. We have disclosed to you, and The City has complied with all aspects of contractual agreements that could have a material effect on the Financial Statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.
22. We have disclosed to you all the documents that we expect to issue that may comprise other information, in the context of CAS 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.
23. We have provided you with final versions of the following other information:
 - a. Financial Statement Discussion and Analysis

We believe the financial statements and the other information are consistent with one another, and that the other information does not contain any material misstatements.

Selection of accounting policies and recording of transactions

24. The accounting policies selected and the application of those policies are appropriate.
25. The City's accounting policies and their method of application have been applied on a basis consistent with that of the audited Financial Statements as of and for the year ended December 31, 2019.

Administration's responsibilities

26. All transactions and events have been carried out in accordance with law, regulation or other authority.

Employee future obligations

27. We agree with the work of our experts in evaluating the Employee Benefit Obligation and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to our experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.
28. Employee future benefit costs, assets and obligations, as applicable, have been properly recorded and adequately disclosed in the Financial Statements including those arising under defined benefit and defined contribution plans as well as termination arrangements. We believe that the actuarial assumptions and methods used to measure defined benefit plan assets, obligations and costs for financial statement purposes are appropriate in the circumstances. Actuarial gains and the related expenses are amortized in a systematic and rational manner over the expected average remaining service life of the related employee group.
29. We have disclosed to you any intentions of terminating any of our pension plans or withdrawing from the multi-employer plan that could result in an effective termination or reportable event for any of the plans. We have disclosed to you any occurrences that could result in the termination of any of our pension or multi-employer plans to which we contribute.
30. We have correctly accounted for the multi-employer defined benefit plans (Local Authorities Pension Plan and Special Forces Pension Plan) in which The City is a participating member. As information is not available to determine the City's share of the plans' obligations and assets of these defined benefit plans, they are appropriately reported utilizing the defined contribution method of accounting.

Plans or intentions affecting carrying value/classification of assets and liabilities

31. We have disclosed to you all plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the Financial Statements.

32. We have performed assessments on our known contaminated sites, including those described in Paragraph 34. Based on our Section PS 3260, *Liability for Contaminated Sites* ("PS 3260") evaluation, we have identified two sites as contaminated sites. We have recorded a liability because the contamination of the site exceeds the environmental standard. The City is responsible or has accepted responsibility for the remediation and we believe it is expected that remediation will be required. We believe that the estimate of the liability is reasonable and is our best estimate of the amount required to remediate the sites.
33. We have identified several other sites that exceed the environmental standard for which The City is not responsible for remediation or it is unclear if the remediation is the responsibility of The City. One of the sites relates to the known contamination of the West Village site. We do not accept responsibility for the remediation of these sites (or, it is unclear who has responsibility for the remediation of these sites) and as such we have not recorded a liability with respect to remediation.

Furthermore, The City of Calgary has signed a release agreement effective November 15, 1997 (the "Effective Date") between Her Majesty the Queen in Right of the Province of Alberta and The City of Calgary, which indicates the following in paragraph 2.01 of this agreement:

"The Province acknowledges and agrees that the Contamination existing as of the Effective Date was not caused or contributed to by the City. The Province agrees that from and after the Effective Date it shall not initiate any Recovery Action against the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands, or those for whom they are in law responsible for, save and except with respect to any act or omission whether inadvertent, willful, or negligent by the City, its Council, officers, agents, employees, contractors, persons in lawful use and occupation of the Lands or those for whom they are in law responsible for, which in the opinion of the Province has an adverse effect on the Contamination. Subject to any such act or omission whether inadvertent, willful or negligent, the Province releases and forever discharges the City from all Recovery Actions."

34. Administration's risk assessment process for the identification of potential contaminated sites identified a number of higher potential risk sites. In respect to PS 3260, of these sites, 142 higher risk sites have been identified. The City confirms that the liability recorded in the Financial Statements is adequate and not materially misstated.
35. Administration's policy for the treatment and application of the liability of contaminated sites was finalized as at December 31, 2016, and there were no changes to the policy for the year ended December 31, 2020.

Environmental liabilities/contingencies

36. We have considered the effect of environmental matters on The City and have disclosed to you all liabilities, provisions or contingencies arising from environmental matters. All liabilities, provisions, contingencies and commitments arising from environmental matters, and the effect of environmental matters on the carrying values of the relevant assets are recognized, measured and disclosed, as appropriate, in the Financial Statements.

Solid waste landfill closure and post-closure liability

37. We have disclosed to you all solid waste landfill sites that we own and operate. We have recorded a liability, which represents our best estimate of the future costs required for closure and post-closure care related to these sites.

Work of Administration's experts

38. We agree with the work of Administration's experts in evaluating the environmental liability, liability for contaminated sites and the solid waste landfill closure and post-closure liability, and have adequately considered the competence and capabilities of the experts in determining amounts and disclosures used in the Financial Statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to Administration's experts with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the experts.

Revenue from exchange transactions

39. We have fully disclosed to you all sales terms, including all rights of return or price adjustments.

40. All documentation related to sales transactions is contained in files which are used for accounting purposes. We also confirm that:

- a. We have disclosed to you any "side agreements" with any companies that are inconsistent with the applicable sales agreement, the customer's purchase order, sales invoice or any other documentation contained in the files which are used for accounting purposes. For the purposes of this letter, a "side agreement" is any agreement, understanding, promise or commitment whether written (e.g., in the form of a letter or formal agreement or in the form of any exchange of physical or electronic communications) or oral by or on behalf of The City (or any subsidiary, director, employee or agent of The City) with a customer from whom revenue has been recognized that is not contained in the written purchase order from the customer or sales order confirmation and sales invoice of The City delivered to or generated by The City Corporate Finance or Supply Departments. The definition of a side agreement is not limited by any particular subject matter. For purposes of example only, any agreement not contained in the written purchase order from the customer or sales order and sales invoice of The City that relates to return rights, acceptance rights, future pricing, payment terms, free consulting, free maintenance or exchange rights would be a side agreement; and
- b. We have disclosed to you any commitments or concessions to a customer regarding pricing or payment terms outside of the terms documented in the files which are used for accounting purposes.

Tax revenues

41. We have appropriately recorded tax assets and revenues when they meet the definition of an asset in accordance with Section PS 1000, *Financial Statement Concepts* ("PS 1000"), when they are authorized and when the taxable event occurs. These amounts have been appropriately measured in accordance with Section PS 3510, *Tax Revenue*, and have not been grossed up for any amount of tax concessions.

Various matters

42. We have reviewed and approved the year-end adjusting entries, including all related supporting schedules and the financial statements, and acknowledge our responsibility for their accuracy. While discharging our responsibility we may have requested your assistance or input in certain areas such as:
- a. Recording of transactions for which we have determined or approved the appropriate account classification; and
 - b. Preparing financial statements.

We acknowledge our responsibility for the above listed items and confirm that we have authorized, reviewed and approved all of the above items.

43. We have not entered into transactions with members of Council, senior officials, members of their immediate families or enterprises in which such parties have significant interest, which would require disclosure in the Financial Statements.

44. We have disclosed to you all communications from regulatory agencies concerning noncompliance with or potential deficiencies in, financial reporting requirements.
45. The following have been properly recorded and, when appropriate, adequately disclosed and presented in the Financial Statements:
 - a. Losses arising from sale and purchase commitments;
 - b. Agreements to buy back assets previously sold;
 - c. Provisions for future removal and site restoration costs;
 - d. Financial instruments with significant individual or group concentration of credit risk, and related maximum credit risk exposure;
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restriction on cash balances and line-of-credit or similar arrangements;
 - f. All impaired loans receivable; and
 - g. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

Investments

46. The City does not hold any investments in Master Asset Vehicle notes (which replaced third party non-bank asset-backed commercial paper).
47. All investments have been appropriately classified as either temporary investments or portfolio investments.
48. The City has used the appropriate valuation allowances to reflect the temporary investments at their net recoverable amount or other appropriate value.
49. The City believes that it has properly identified all derivative financial instruments and hedging relationships, if any.
50. Investments made during the year and held at the balance sheet date have been made in accordance with Section 250 of the Municipal Government Act.
51. All City of Calgary government organizations have been appropriately classified as government component, government business organizations, government business-type enterprises, government not-for-profit organizations and other government organizations and have been appropriately recorded based on this classification.
52. Administration has performed an assessment of other organizations (Civic Partners and City Partners) with which The City has fiscal relationships and has determined that these organizations are not required to be consolidated with The City.
53. With regard to The City's investment in ENMAX Corporation, we have disclosed to you any events that have occurred and facts that have been discovered with respect to such investment that would affect the investment's value as reported in the financial statements.
54. With regard to the fair value measurements and disclosures of certain assets and liabilities, such as investments, we believe that:
 - a. The completeness and adequacy of the disclosures related to fair value are in accordance with PSAS;
 - b. No events have occurred subsequent to December 31, 2020 that require adjustment to the fair value measurements and disclosures included in the Financial Statements; and
 - c. They appropriately reflect Administration's intent and ability to carry out specific courses of action on behalf of The City when relevant to the use of fair value measurements or disclosures.

Deficiencies in internal control

55. We have communicated to you all deficiencies in internal control of which we are aware. We have disclosed to you any change in The City's internal control over financial reporting that occurred during the current year that has materially affected, or is reasonably likely to materially affect, The City's internal control over financial reporting.

Communicating a threshold amount

56. We understand that the threshold used for accumulating misstatements identified during the year was \$3,250,000 for purposes of Appendix A. Misstatements below this amount have been considered clearly trivial.

Segment Disclosures

57. With regard to segment disclosures, we believe the activities grouped as segments, as disclosed, are appropriate to meet the objectives of Section PS 2700, *Segment Disclosures*.

58. In identifying segments, we have considered the definition of a segment and other factors, including:

- a. The objectives of disclosing financial information by segment;
- b. The expectations of members of the community and their elected or appointed representatives regarding the key activities and accountabilities of the government;
- c. The qualitative characteristics of financial reporting as set out in PS 1000 and Section PS 1700, *General Objectives of Financial Statements; Local Governments*;
- d. The homogenous nature of the activities, service delivery or recipients of the services;
- e. Whether the activities relate to the achievement of common outcomes or services as reflected in government performance reports and plans;
- f. Whether discrete financial information is reported or available; and
- g. The nature of the relationship between the government and The City (within the reporting entity).

Government transfers

59. We have disclosed to you all correspondence relating to government transfers that The City has had with the funding body.

60. We have assessed the eligibility criteria and determined that The City is an eligible recipient for the government transfers received.

61. We have assessed the stipulations attached with the funding and have recognized the revenue in accordance with meeting the stipulations required.

62. All government transfers that have been recorded as capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements.

63. All authorized transfers that have been expensed have been transferred to recipients whom have met the eligibility criteria.

Tangible Capital Assets

64. TCA have been recorded properly and consistently according to the standards in Section PS 3150, *Tangible Capital Assets*.

65. Contributed TCA have been appropriately recorded at fair value, unless fair value is not reasonably determinable, and in such case, have been recorded at an appropriate nominal value. All contributed TCA have been appropriately disclosed.
66. We have assessed the useful lives of TCA and have determined all TCA contribute to The City's ability to provide goods and services and therefore do not require a write-down. If applicable, we have identified that there are various TCA which no longer contribute to The City's ability to provide goods and services or have future economic benefits that are below the net book value of the tangible capital asset, and have therefore written down this asset to its residual amount and expensed the charge in the statement of operations.

Impact of the 2013 flood

67. We have assessed the impact of the 2013 flood on the financial assets of The City and the impairment of TCA as a result of the flood. We have determined that no permanent impairment of TCA exists as a result of the 2013 flood and the year-end financial statements appropriately reflect TCA values. We believe that the completeness and estimates utilized in the determination of the impairment of TCA have been adequately disclosed in the December 31, 2020 year-end financial statements.

Notes, loans and receivables

68. The City is responsible for determining the appropriate carrying amount of loans and accounts receivable, as well as estimates used to determine such amounts. Administration believes that the carrying amounts recorded and disclosed are appropriate.
69. We have identified to you all forgivable loans and have appropriately reflected these amounts including any required allowances in the financial statements. These loans are secured by The City's encumbrance on the title of the related property.

Accumulated Surplus

70. Reserves and surplus accounts are correctly recorded and all transactions comply with the purposes approved according to relevant legislation and City Council authorizations.
71. In accordance with established policy, for all self-supported business units, any levies received in the year are recorded as revenue in the Statement of Operations and are transferred to the Utility Sustainment Reserve at the end of the year. These funds are utilized from the reserve in the future years to pay for debt servicing costs specific to the levy projects.

Revenues and deferred revenues

72. Revenues and deferred revenues are recorded accurately. Specifically:
- a. Revenues are not overstated and deferred revenues are not understated. These inaccuracies result if financial statements record externally restricted transfers/contributions as revenue before the transferor's/contributor's stipulations are met; and
 - b. Revenues are not understated and deferred revenues are not overstated. These inaccuracies result if financial statements record externally restricted transfers/contributions as deferred revenue, not as revenue, after the transferor's/contributor's stipulations are met.

Related entities

73. The City has completed a review of all related entities and confirms that all entities that should be consolidated into The City's Financial Statements for the year ended December 31, 2020 have been included.

Capital deposits

74. All capital deposits give rise to an obligation that meets the definition of a liability. Those liabilities have been properly recorded and presented in the Financial Statements. Specifically, in certain circumstances, The City may receive funds from developers which are not necessarily allocated for a specific project but can be utilized by The City on broader basis for development, but if not spent, are refundable to the developer. Those funds are properly recorded as capital deposits until such time as they are spent or refunded.
75. The funding sources for all current year expenditures have been analyzed to ensure that they have been accurately applied depending on the restrictions of the specific sources. All financing surpluses/deficits and funding shortfalls have been investigated to ensure they are allowable or have been appropriately replenished with available funding sources and financing has been applied.

Subsequent events - related authorities

76. We have completed our review of events after December 31, 2020 and up to the date of this letter in relation to Attainable Homes Calgary Corporation, Calgary Economic Development (Calgary Film Centre Ltd.) and Calgary Arts and Development Authority (cSPACE Projects). All events subsequent to the date of the Financial Statements and for which PSAS requires adjustment or disclosure have been adjusted or disclosed. Accounting estimates and disclosures included in the Financial Statements that are impacted by subsequent events have been appropriately adjusted.

Assets

77. The City has recognized all assets, which do not fall within the scope of other standards, only when the requirements in Section PS 3210, *Assets* ("PS 3210") have been met. For those assets which do not meet the recognition criteria in PS 3210, the City has appropriately disclosed details of such unrecognized assets in accordance with PS 3210 in Note 25 of the Financial Statements.

Contingent assets

78. The City has identified all contingent assets in accordance with Section PS 3320, *Contingent Assets* and, when the occurrence of the confirming future event is considered likely, appropriately disclosed these items in the financial statements.

Contractual rights

79. The City has identified and disclosed all contractual rights that will result in both an asset and revenue in the future, once the terms of the contract or agreement are met, in accordance with Section PS 3380, *Contractual Rights*.

Inter-entity transactions

80. The City has recognized all transactions involving the transfer of assets or liabilities between public sector entities in accordance with Section PS 3420, *Inter-entity transactions* ("PS 3420").
81. The City has recorded all inter-entity transactions properly at exchange or carrying amount in accordance with the criteria in PS 3420.14-.22.
82. The City has disclosed all inter-entity transactions in the notes to the Financial Statements whether or not such transactions are recognized in the financial statements, in accordance with PS 2200.
83. The City has not recognized any amount in the financial statements in respect of shared services received for which no costs are allocated by the provider.

Restructuring Transactions

84. The City has identified all potential restructuring transactions, as defined in Section PS 3430, *Restructuring transactions* ("PS 3430"). The City has determined that PS 3430 has no impact on the financial statements based on Administration's assessment.

Attainable Homes Calgary Corporation (“AHCC”)

85. Administration is working with AHCC to assess its ability to continue as a going concern. Note 21 discloses that AHCC incurred a loss of \$743,000 for the year ended December 31, 2020 (2019 – \$3,029,000) 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). Inclusive of all recorded obligations, AHCC has net financial assets of \$10.4M (2019 - \$11.6M) and a preliminary review indicates that an immaterial amount may be at risk in order to return to short-term sustainable operations. AHCC is not material to the City from a financial or operational perspective. AHCC’s ability to continue as a going concern is dependent upon its ability to:

- Sell the existing inventory;
- Complete and sell the townhouse units under construction at or above its carrying cost at completion;
- Sustain positive cash flows from operations;
- Successfully extend the existing debt facility and guarantee with the City as a part of the regular review and renewal process; and
- Continue to obtain support from its lenders and other parties to meet current and future liabilities and contractual obligations.

Yours truly,
The City of Calgary

David Duckworth, City Manager

Carla Male, Chief Financial Officer

Les Tochor, City Treasurer

Greg Wiebe, Finance Manager Corporate Financial Reporting

Appendix A

The City of Calgary

Summary of uncorrected financial statement misstatements

Year ended December 31, 2020

Summary of uncorrected misstatements – December 31, 2020 year-end as identified by Administration

Current year uncorrected errors

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Factual				
Unrecorded accounts payable and accrued liabilities.	-	(7,127)	-	7,127
Factual				
Unrecorded impairment of land inventory parcels.	(5,728)	-	-	5,728
Likely				
Likely misstatement as a result of Administration recognizing revenues on aged capital deposits based on their best estimate.	-	(5,648)	-	5,648
Total	(5,728)	(12,775)	-	18,503

Prior year errors impacting the current year

(000's)	Assets DR (CR)	Liabilities DR (CR)	Accumulated Surplus DR (CR)	Income DR (CR)
Unrecorded accounts payable and accrued liabilities relating to 2019 were recorded in 2020. This results in an uncorrected error for both fiscal years 2019 and 2020; however, the ending 2020 balance is correct.	-	-	5,258	(5,258)
Certain 2019 and prior years' land inventory balances, previously recognized, were derecognized in 2020. This results in an uncorrected error for both fiscal years 2019 and 2020; however, the ending 2020 balance is correct.	-	-	7,354	(7,354)
Certain 2019 and prior years' capital deposits balances, previously not recognized, were recognized in 2020. This results in an uncorrected error for both fiscal years 2019 and 2020; however, the ending 2020 balance is correct.	-	-	(11,701)	11,701
Certain 2019 and prior years' investment income earned, related to off-site levies amounts, was appropriately recognized as a liability in 2020. This results in an uncorrected error for both fiscal years 2019 and 2020; however, the ending 2020 balance is correct.	-	-	15,012	(15,012)
Total	-	-	15,923	(15,923)

Part of Appendix A of Appendix 6 is presented in closed meeting

Appendix B

The City of Calgary

Summary of disclosure items passed
Year ended December 31, 2020

None identified.

Appendix 7 – Related authorities

For the purposes of the consolidated audit, we have completed our audit procedures on the following related authorities or other significant assurance engagements:

Entity	Reporting Entity Relationship	Entity Audit Committee Meeting Date
Calgary Parking Authority*	Calgary Parking Authority Audit Committee	March 23, 2021
Calgary TELUS Convention Centre*	CALGARY TELUS Convention Centre Audit and Finance Committee	May 12, 2021
Calhome Properties Ltd.*	Calhome Properties Ltd. Audit and Risk Management Committee	March 11, 2021
Calgary Municipal Land Corporation*	Calgary Municipal Land Corporation Audit Committee	April 23, 2021
Calgary Public Library*	Calgary Public Library Audit and Finance Committee	March 23, 2021
Calgary Police Service (Business unit of The City. An audit opinion on the carve out of the financial statements is issued)	Calgary Police Commission and Finance and Audit Committee	May 12, 2021**
ENMAX Corporation*	ENMAX Audit Committee	March 23, 2021
Elected Officials Pension Plan	Pension Governance Committee	June 9, 2021
Supplementary Pension Plan	Pension Governance Committee	June 9, 2021
Municipal Employees Benefits Association of Calgary	Municipal Employees Benefits Association of Calgary - Finance and Investment Committee	May 19, 2021
Attainable Homes Calgary Corporation Calgary Calgary Economic Development Ltd. Calgary Arts Development Authority	The overall financial results for each of these entities are not significant in relation to The City's consolidated financial statements and therefore, only specified procedures on material account balances were applied for the 2020 audit	Not applicable

*Audit opinion issued on the standalone financial statements. Entity is consolidated with The City.

**Audit fieldwork has been completed prior to issuance of The City's consolidated financial statements.

Related Authority	Materiality	Areas of audit risk and audit results
Calgary Parking Authority	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2020 was \$1,550,000 (2019, \$2,550,000).	<p>The following areas of significant audit risk were noted relating to Calgary Parking Authority:</p> <ul style="list-style-type: none"> • Revenue recognition – ParkPlus and Parking Control Revenue • Management override of controls <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We expect to issue an unmodified opinion dated April 9, 2021.</p>
Calgary TELUS Convention Centre	Materiality levels were determined on the basis of total expenses. Final materiality for the year ended December 31, 2020 was \$595,000 (2019, \$1,000,000).	<p>The following area of significant audit risk was noted relating to the Calgary TELUS Convention Centre:</p> <ul style="list-style-type: none"> • Management override of controls <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>
Calhome Properties Ltd.	Materiality levels were determined on the basis of total actual operating expenditures. Final materiality for the year ended December 31, 2020 was \$3,400,000 (2019, \$3,400,000).	<p>The following areas of significant audit risk were noted relating to Calhome:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override of controls <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 19, 2021.</p>
Calgary Municipal Land Corporation	Materiality levels were determined on the basis of total assets. Final materiality for the year ended December 31, 2020 was \$10,000,000 (2019, \$9,000,000).	<p>The following area of significant audit risk were noted relating to the Calgary Municipal Land Corporation:</p> <ul style="list-style-type: none"> • Management override of controls <p>Audit fieldwork has been completed and financial statements have been approved by the Board of Directors. We expect to issue an unmodified opinion.</p>
Calgary Public Library	Materiality levels were determined on the basis of total revenues. Final materiality for the year ended December 31, 2020 was \$1,920,000 (2019, \$2,000,000).	<p>The following area of significant audit risk was noted relating to the Calgary Public Library:</p> <ul style="list-style-type: none"> • Management override of controls <p>Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 31, 2021.</p>
Calgary Police Service	Materiality levels were determined on the basis of total operating expenses. Final materiality for the year ended December 31, 2020 was \$7,700,000 (2019, \$7,700,000).	<p>The following areas of significant audit risk were noted relating to the Calgary Police Service:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override of controls <p>Audit fieldwork has been completed. Based on audit work performed, we expect to issue an unmodified opinion.</p>

**ENMAX
Corporation**

Materiality levels were determined on the basis of consolidated earnings before interest and financing fees, income tax, depreciation and amortization. Final materiality for the year ended December 31, 2020 was \$33,600,000 (2019, \$25,000,000).

The following areas of significant audit risk were noted relating to ENMAX Corporation:

- Revenue recognition – power sales, natural gas sales, and contractual services
- Management override of controls
- Versant Power business combination

Audit fieldwork has been completed and the financial statements have been approved by the Board of Directors. We issued an unmodified opinion dated March 24, 2021.

City Auditor's Office 1st Quarter 2021 Report

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Schedule A of Bylaw 30M2004 (as amended) requires the City Auditor to provide a quarterly report to Audit Committee that includes:
 - Trending and achievement of City Auditor's performance measures as established to reflect effective delivery of the City Auditor's mandate;
 - Status of Administration action on the current recommended action plan commitments agreed upon in previous audit reports; and
 - Status of deliverables against the approved annual audit plan.

The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.

- What does it mean to Calgarians? The City Auditor's Office provides effective independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust.
- Why does it matter? The City Auditor provides open and transparent reporting on key activities on a quarterly basis.
- Strategic alignment to Citizen Priorities – A Well-Run City.

ATTACHMENT

1. City Auditor's Office 1st Quarter 2021 Report - AC2021-0580 Attachment

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	Acting City Auditor	Approve



Calgary

City Auditor's Office

1st Quarter 2021 Report January 1, 2021 – March 31, 2021

April 20, 2021

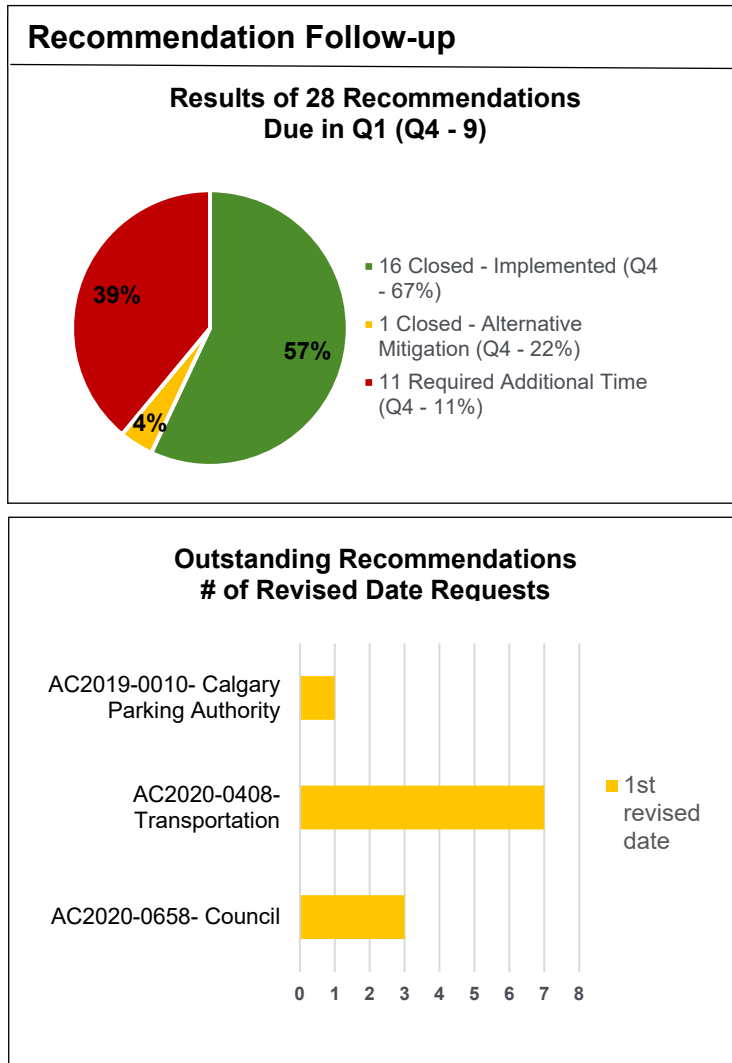
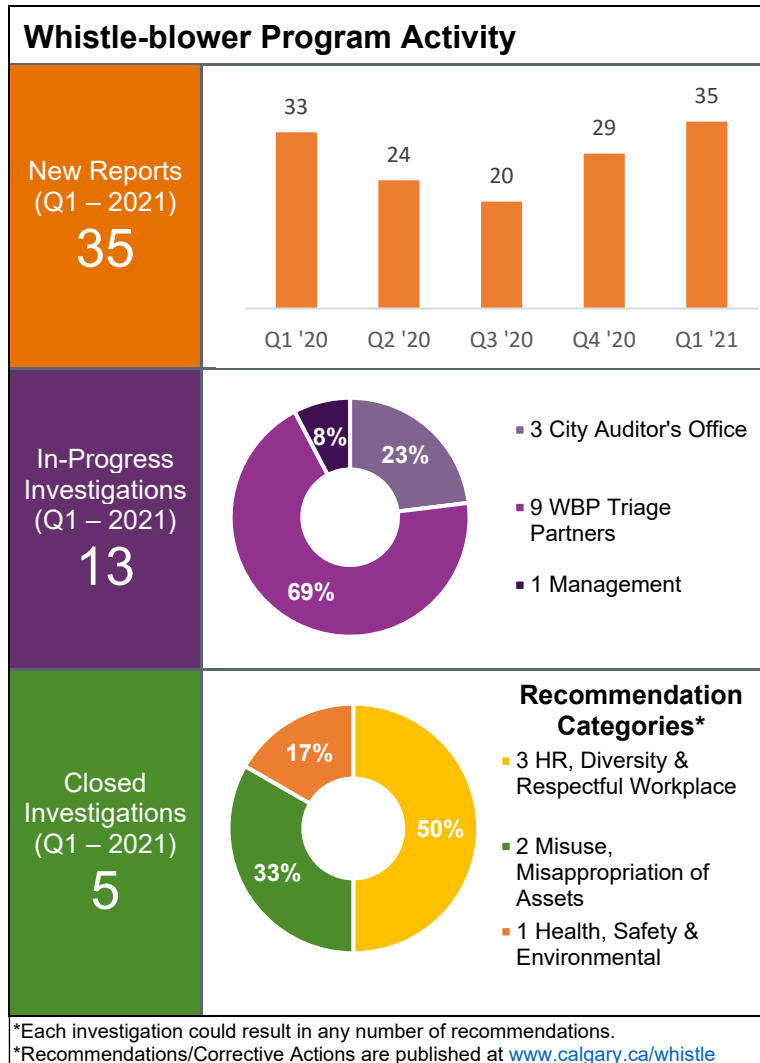
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1. Status Update

Key Performance Indicators				
Measure Area	Performance Indicator	Target	Q4 2020	Q1 2021
Efficiency	On Track to Annual Plan	Q4-95% Q1-17%	75%	17%
Effectiveness	Timely Implementation of Audit Rec.	65%	67%	52%
Quality	Client Satisfaction	85%	98%	N/A*
Staff	Training Plan Achieved	90%	81%	100%

*No Responses Received in Q1

Budget (\$'000's)				
Category	2021 Annual Budget	Q1 Cumulative Budget	Actual to Date	Variance
Salary	2,802	690	570	(120)
Tools & Technology	130	34	32	(2)
Training	56	14	1	(13)
Professional Memberships	18	4	0	(4)
Contracted Services	7	7	10	3
Employee Recognition	3	1	0	(1)
Operating Costs	47	25	24	(1)
Total	3,063	775	637	(138)



2. Initiative Briefing – Recommendation Follow-up

The City Auditor's Office (CAO), in conformance with The Institute of Internal Auditor's Professional Standards, follows up on all reported audit recommendations to verify that agreed-upon management action plans (Action Plans) have been completed or that City of Calgary's Executive Leadership Team have accepted the risk of not taking action. We have established a systematic process with the intent of identifying and escalating any significant risk exposure to City of Calgary Administration and Audit Committee.

Each year the City Auditor ensures sufficient resources and hours are allocated to follow-up activities. The CAO tracks each reported recommendation, including the corresponding Action Plan and expected date of completion, utilizing TeamMate audit software.

Thirty days after the expected Action Plan completion date, the auditor reaches out to the relevant Administration contact to request a status update. If Administration advises the Action Plan is complete, the auditor requests and reviews evidence to validate completion. If the auditor concludes the Action Plan is complete the recommendation is closed in TeamMate. Administration may take an alternate action to address the risk, in which case, the auditor assesses this action and associated evidence to determine whether the risk is mitigated, and the recommendation can be closed. The focus of recommendation follow-up activity is to verify the completion of Action Plans. Where significant risk exposure was identified in the audit, a follow-up audit may be included for consideration as a potential audit in future CAO Annual Plans to ensure the risk continues to be mitigated.

Where Administration requires additional time to complete an Action Plan and requests a revised completion date, the CAO requires supporting General Manager approval. The CAO enters the revised date in TeamMate and continues to track the recommendation until the Action Plan is completed. If Administration chooses to accept the risk and not implement the agreed Action Plan, the CAO also requires General Manager approval and then closes the recommendation and ceases follow-up.

Our follow-up activity is ongoing throughout the year. We provide a quarterly report to Audit Committee summarizing our follow-up activities for the quarter on the Status Update page. We include a chart setting out the number of Action Plans followed up on, and results (Action Plans closed, and required additional time). We also include a chart showing whether, where Administration request a revised date, this is the first, second or third date revision.

Our Key Performance Indicators on the Status Update page additionally include a measure of timely implementation of Action Plans. We set out further information on Action Plans with revised dates on the final page of the quarterly report. The City Auditor provides verbal commentary to Audit Committee if there are concerns regarding risk exposure and/or the capacity of Administration to complete the Action Plan.

The volume of follow-up activity varies from quarter to quarter depending on expected completion dates of Action Plans. During Q1 2021 we followed up on 28 Action Plans. This level of activity reflects that nine Action Plans from the 2019 Off-Site Levy Annual Reporting Audit had expected dates during this time period. We reviewed evidence provided by the Calgary Growth Strategies team, validated Action Plan completion, and closed all nine related recommendations in TeamMate. There is one remaining Action Plan from the Off-Site Levy Annual Reporting Audit, which has an implementation date of December 1, 2021.

2021 Audit Plan – Status as at March 31, 2021

2021 Audit Plan				
#	Title	Description	Report Target	Status
2020 Audit Plan Carry Forward				
1	Cyber Security Incident Response Follow-up	A follow-up audit to review action plans implemented in response to the 2018 Cyber Security Incident Response Audit (AC2018-0410). <i>Citizen Priority – A Well-Run City</i>	Q1	Complete/ reported 3/18/2021
2	Integrated Risk Management	An operational audit assessing the effectiveness of the Integrated Risk Management Framework, which is a recurring audit (AC2014-0295) required under The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. <i>Citizen Priority – A Well-Run City</i>	Q2	Reporting
3	311 Response	A City-wide operational audit assessing the effectiveness of processes to respond to citizen concerns received through 311. <i>Citizen Priority – A Well-Run City</i>	Q2	Reporting
2021 Audit Plan				
1	Green Line Program Governance Follow-up	A follow-up audit to assess the effectiveness of actions implemented in response to the 2019 Green Line Project Governance Audit (AC2019-0353). <i>Citizen Priority – A City that Moves</i>	Q2	Reporting
2	Industrial Control Systems Security	A technology and governance audit of the complex industrial control systems that support critical infrastructure in the Water and Transit business units. <i>Citizen Priority – A Well-Run City</i>	Q3	Fieldwork
3	2021 Municipal Election	An operational audit assessing readiness to deliver the 2021 Municipal Election. <i>Citizen Priority- A Well-Run City</i>	Q3	Planning

2021 Audit Plan				
#	Title	Description	Report Target	Status
4	Acquisition of Goods and Services Under SOLE	A City-wide operational audit on the effectiveness of processes supporting the acquisition of goods and services during the State of Local Emergency (COVID-19 Pandemic). <i>Citizen Priority – A Well-Run City</i>	Revised from Q3 to Q4	Not Started
5	Fleet Services – CFOS	An operational audit of the reliability of Fleet Services' Corporate Fleet Operating System to meet fleet utilization analysis and reporting requirements. <i>Citizen Priority – A Well-Run City</i>	Q4	Not Started
6	Hyperion Systems Governance	An operational audit of the effectiveness of governance related to the Hyperion system. <i>Citizen Priority- A Well-Run City</i>	Q4	Not Started
7	Recreation Infrastructure Investments	An operational audit assessing the effectiveness of processes implemented by Calgary Recreation to support equitable infrastructure investments. <i>Citizen Priority – A Healthy and Green City</i>	Q1 2022	Not Started
8	Transportation Infrastructure – Construction Project	An operational audit of a project under the Main Streets Program. <i>Citizen Priority – A City that Moves</i>	Revised from Q2 to Q1 2022	Not Started
9	Recruitment Processes	An operational audit of the effectiveness of the alignment of recruitment processes with The City's diversity objectives. <i>Citizen Priority – A Well-Run City</i>	Revised from Q1 2022 to Q2 2022	Not Started
10	Safety Management	An operational audit assessing Administration's effective utilization of the Occupational Health and Safety Management Systems and related tools that support The City's objectives of a safe and healthy workplace for City employees. <i>Citizen Priority – A Well-Run City</i>	Revised from Q4 to Q2 2022	Not Started

Q1 2021 Recommendation Follow-up – In Progress Action Plans

Q1 2021 ACTION PLANS REQUIRING ADDITIONAL TIME TO IMPLEMENT			
Report # & Title	# of Revisions	New Revised Date	Recommendation
AC2019-0010 Calgary Parking Authority Asset Management	1	December 31, 2021	#3- The Operations & Facilities Manager develop a Lifecycle Strategy for each parkade that aligns to the Asset Management Strategy. Each lifecycle strategy should be reviewed periodically by the General Manager and updated as appropriate.
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#1a)- The Manager of Roads Maintenance develop prioritization procedures and practices that are applied consistently across Roads and are supported by training (Two step action plan).
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#1b)- The Manager of Roads Maintenance develop prioritization procedures and practices that are applied consistently across Roads and are supported by training (Two step action plan).
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#2- The Manager of Roads Maintenance develop a definition of timeliness, establish KPIs linked to prioritization and collect appropriate data to monitor KPIs.
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#3a)- The Manager of Roads Maintenance review availability of trained resources and required equipment on a sample basis during the 2020 summer maintenance program, and conduct analysis to determine whether further action is required to support the agility of crews to respond to high priority potholes.
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#3b)- The Manager of Roads Maintenance continue to work directly with Fleet to resolve reliability and fit for purpose issues associated with the asphalt carriers.
AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#4b)- The Manager of Roads Maintenance establish quality expectations supported by training and define measures to track and report on quality repairs.

AC2020-0408 Roads Pothole Remediation	1	September 30, 2021	#4c)- The Manager of Roads Maintenance establish quality expectations supported by training and define measures to track and report on quality repairs.
C2020-0658 Council Expense	1	June 30, 2021	#1- The City Manager, in conjunction with the Ethics Advisor, revise and update Council expense policy wording and supporting documentation requirements and processes to provide enhanced clarity, including but not limited to, hosting, alcohol, travel, gifts and donations, and office equipment expenses.
C2020-0658 Council Expense	1	June 30, 2021	#2- The City Manager, in conjunction with the Ethics Advisor, review and adjust the approval process for expenses incurred by elected officials to: a) Ensure the approval process's signing officer is an independent authority with ability to enforce and escalate policy compliance; and b) Address the risk of the signing officer approving his/her own expenses.
C2020-0658 Council Expense	1	November 30, 2021	#4- The City Manager, in conjunction with the City Clerk and the Manager, Office of the Councillors, design and implement training to support updated Council expense policies.

**Audit Resource Management Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0214
Page 1 of 2**

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

RECOMMENDATIONS:

That Audit Committee receive this report for information and the Corporate Record.

HIGHLIGHTS

- At the 2021 January 28 meeting Audit Committee deferred an update for the Shareholder Alignment Review of Wholly-Owned Subsidiaries (the Review) as the competitive process for awarding a contract to an external consultant was not complete. Ernst & Young LLP (EY) have now been awarded the contract and this report provides Audit Committee with an update on the Review.
- What does this mean to Calgarians? Calgarians are informed on the status and key areas being reviewed.
- Why does this matter? Calgarians have an expectation that City Council, through the Audit Committee, has oversight on effective governance, risk management and compliance of wholly-owned subsidiaries of the City of Calgary.
- A Working Group, established to oversee the Review, held their first meeting with the external consultant on 2021 April 7 for an update with respect to the external consultant's Work Plan and timeline for this project.
- Strategic Alignment to Council's Citizen Priorities: A well-run city
- Pursuant to Audit Committee Bylaw 33M2020, authority is provided to the Audit Committee to institute special audits, program reviews, and special studies, including the standing authority to retain expertise through external consultants. The Working Group provides oversight of the external consultant for this Review pursuant to their approved Terms of Reference.

DISCUSSION

The external consultant for the Review was selected by an evaluation team within the Working Group. The successful bidder Ernst & Young were awarded the contract through a competitive process, in consultation with The City's Supply Management.

The Working Group held an initial meeting with representatives from EY on 2021 April 7. A high level work plan and timeline of 15 weeks was presented by the consultant on the following key points:

- Mobilization and Planning
- Review and Research
- Conduct of Current State Analysis
- Development Future State Recommendations
- Iterate and Finalize

In their role of providing oversight of the external consultant the Working Group will hold monthly meetings with EY to receive updates and to monitor deliverables. A detailed work plan is currently being created by EY and will be provided to the Working Group.

It is anticipated the consultant will provide the final report to Audit Committee with recommendations at the 2021 July 22 Meeting.

**Audit Resource Management Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0214
Page 2 of 2**

Shareholder Alignment Review of Wholly-Owned Subsidiaries Update

The seven wholly-owned subsidiaries at The City of Calgary included in the Shareholder Alignment Review are:

- Attainable Homes Calgary Corporation (AHCC)
- Calgary Arts Development Authority Ltd. (CADA)
- Calgary Economic Development Ltd. (CED)
- Calhome Properties Ltd (operating as Calgary Housing Company)
- Calgary Municipal Land Corporation (CMLC)
- ENMAX Corporation (ENMAX)
- Opportunity Calgary Investment Fund (OCIF)

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☐ Stakeholder or customer dialogue/relations were undertaken

IMPLICATIONS

Service and Financial Implications

Funding support for this Shareholder Alignment Review on Wholly-Owned Subsidiaries is being shared by the Audit Committee and Corporate Finance. Funding required is estimated at \$200,000.

RISK

The City's wholly-owned subsidiaries create various risks for the corporation including financial, legal and reputational. The Audit Committee believes the key to mitigating these risks is excellent governance. The external consultant will deliver a report that assesses these risks and makes recommendations for improved governance to mitigate the risks.

ATTACHMENT

None

Department Circulation

Councillor E. Woolley	Chair, Audit Committee	Approve
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**Audit Resource Management Report to
Audit Committee
2021 April 20**

**ISC: UNRESTRICTED
AC2021-0545
Page 1 of 1**

External Auditor Update on Off-Site Levy Assurance Procedures

RECOMMENDATIONS:

That Audit Committee:

1. Receive this report, attachment and presentation for the Corporate Record;
2. Keep the Closed Meeting discussions confidential pursuant to Section 24 (Advice from officials) and 26 (Testing procedures, tests, and audits) of the *Freedom of Information and Protection of Privacy Act*, to be reviewed 2022 April 20.

HIGHLIGHTS

- The External Auditor (Deloitte LLP) is providing Audit Committee with a progress update on the assurance procedures undertaken with respect to their Council directed engagement with the Off-Site Levy Governance Committee and industry representatives.
- What does this mean to Calgarians? Citizens are informed on the independent assurance procedures undertaken by the external auditor on concerns with off-site levies.
- Why does this matter? Calgarians should have confidence in City policies and processes. Industry concerns with off-site levies are being evaluated by an independent firm who will present recommendations for corrective action.
- The City collects off-site levies from developers to fund Calgary's growth-related infrastructure costs and is reviewing the off-site levy bylaw with plans to bring a new bylaw to Council in 2022.
- Industry representatives have expressed concerns with respect to off-site levy stewardship, governance, accounting and project management.
- Details on the progress of this engagement have been provided by the External Auditor and are contained in the Attachment.
- It is anticipated that the final report will be presented at the 2021 June 24 Audit Committee Meeting.
- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- Audit Committee was directed by Council, in Motion Arising PFC2021-0035, to engage with the Off-Site Levy Governance Committee and for the external auditor to evaluate the concerns raised by stakeholders. At the January 28, 2021 meeting Audit Committee directed the External Auditor (Deloitte LLP) to engage with the Off-Site Levy Governance Committee and stakeholders to understand and evaluate concerns, including those raised by industry representatives.

ATTACHMENT

Attachment – Status Update on Assurance Procedures

Department Circulation

Councillor E. Woolley	Chair of Audit	Approve
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April 12, 2021

The Audit Committee of
The City Council of The City of Calgary

Status update on assurance procedures

Dear members of the Audit Committee of The City Council of The City of Calgary:

We are pleased to provide an update on the status of our assurance procedures for The City of Calgary ("The City") as communicated at our meeting on February 25, 2021:

- Audit of Off-Site Levy ("OSL") balances as at and for the years ended December 31, 2016, 2017, 2018, 2019 and 2020 in accordance with Canadian Auditing Standard 805, *Audit of specific elements, accounts or items of a financial statement line item* ("CAS 805").
- Specified auditing procedures on the Project Management Quality Assurance ("PMQA") process of The City of Calgary Corporate Project Management Framework ("CPMF") relating to capital projects for the years ending December 31, 2018, 2019 and 2020 in accordance with Section 9100, *Reports on the Results of Applying Specified Auditing Procedures to Financial Information Other than Financial Statements* ("Section 9100").

Audit of Off-Site Levy Balances

- We have completed preliminary planning activities and have determined preliminary materiality for each year under audit for each department: Water Resources, Transportation, Community Services and Police Services. As communicated in our audit plan, presented on February 25, 2021, materiality has been determined using our professional judgment and on the basis of ending OSL balances. We will report to you any uncorrected misstatements greater than our clearly trivial threshold as outlined in Appendix A.
- We are in the process of updating our understanding of the process flows and evaluating the design and implementation of relevant controls. We will communicate any significant control deficiencies identified at our next update.
- We have commenced initial testing on collection of levies, allocation of investment income and usage of levies, as communicated in our audit plan presented at the February 25, 2021 meeting. As of the mailing of this document, we have provided Administration with our sample selections for each test of details for the years ended December 31, 2016, 2017, 2018 and 2019, and expect to receive the audit evidence by April 12, 2021. Samples for the year ended December 31, 2020 will be made once the underlying schedules are available to us, which is expected the week of April 19, 2021.
- We are currently in discussions with Administration with respect to availability of information regarding pre-2016 opening balances. We are looking to obtain schedules from Administration that demonstrate how levies collected prior to 2016 were spent and whether material amounts from earlier collection periods remain unspent at the end of 2016.
- We expect to present our final report at the June 24, 2021 Audit Committee meeting.
- Administration has been attentive to our requests and responsive to our audit queries. Throughout this period, we held regular discussions with Administration, and we found Administration to be supportive and transparent.

Specified Auditing Procedures on the PMQA Process

- We have made sample selections for the specified procedures reports for each of the years ended December 31, 2018, 2019 and 2020. Our sample selections were focused on business units in the following three departments: Utilities and Environmental Protection, Transportation and Community Services, all of which have significant OSL funded projects.
- Our specified procedures include a review of compliance with all PMQA standards as established by the CPMF. We will also review the PMQA Action Plan and follow up procedures / plans to determine how exceptions or variances identified were addressed by the business unit.
- We commenced our procedures the week of April 5, 2021 and expect to present our final report at the June 24, 2021 Audit Committee meeting.
- We continue to hold regular discussions with Administration. Administration has been responsive and supportive in the completion of our procedures.

This communication is intended solely for the use of the members of the Audit Committee of The City Council of The City of Calgary, Administration and others within The City to assist them in understanding the status update of the assurance procedures and is not intended for any other purpose.

Yours truly,

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants

Appendix A

Materiality by department by year

Year	2016			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,200,000	3,300,000	1,200,000	420,000
Performance materiality	1,760,000	2,640,000	960,000	336,000
Clearly trivial threshold	110,000	165,000	60,000	21,000

Year	2017			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,200,000	2,900,000	930,000	440,000
Performance materiality	1,760,000	2,320,000	744,000	352,000
Clearly trivial threshold	110,000	145,000	46,500	22,000

Year	2018			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,000,000	1,600,000	1,400,000	440,000
Performance materiality	1,600,000	1,280,000	1,120,000	352,000
Clearly trivial threshold	100,000	80,000	70,000	22,000

Year	2019			
Department	<i>Community Service</i>	<i>Transportation</i>	<i>Water</i>	<i>Police</i>
Materiality	2,100,000	1,400,000	870,000	400,000
Performance materiality	1,680,000	1,120,000	696,000	320,000
Clearly trivial threshold	105,000	70,000	43,500	20,000