



Financial Roadmap: Transformation, Strategic Focus, and Future-Ready

City of Red Deer

Final Report

July 28, 2025



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Executive Summary

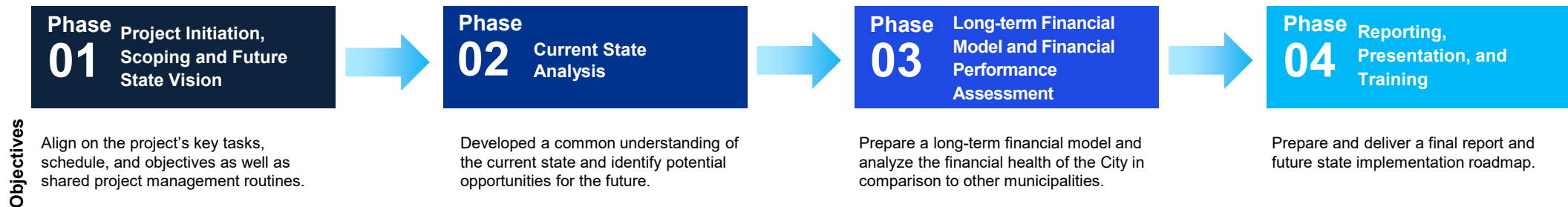
Introduction

The City of Red Deer (the City) engaged KPMG LLP (KPMG) to develop a financial roadmap (the “roadmap”, or “project”) to support improving its maturity in financial management. Through this project, the City aims to enhance the understanding and transparency in its financial management, ensuring accountability for how and where tax dollars are spent, and improving overall confidence in the City’s financial stewardship.

The objective of this project was to identify improvements to the maturity of the City’s financial management and governance. This project has provided a foundational framework to enhance the City’s aims to improve its financial performance, and opportunities for improvements that the City can strategically implement to advance its financial management practices are outlined.

KPMG worked collaboratively with the City’s Steering Committee to deliver this work over four phases as depicted in Figure 1. Key elements of the project approach is highlighted in more detail in **Section 2: Introduction**.

Figure 1: Project Approach Summary



Source: Prepared by KPMG.

The project’s final deliverables include this report, and a financial model, that collectively contain:

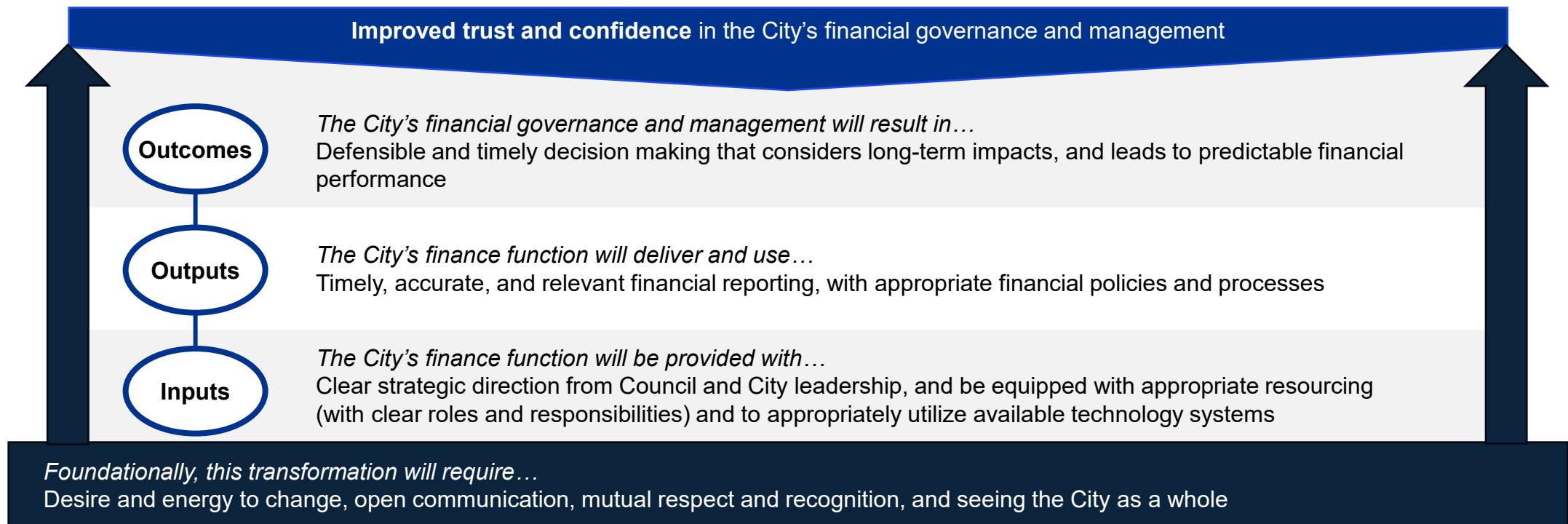
- Opportunities for maturing financial policies, organizational structure, and resource allocation tailored to the City’s size and complexity;
- Insights into the City’s long-term financial strategy; and
- Financial forecasts and sensitivity analysis to demonstrate long-term impacts from Council decision making.

Further details on the financial model and can be found in **Section 5: Financial Model, Benchmarking and Scorecard** and **Appendix F: Financial Model Details**.

Financial Future State

KPMG facilitated a future state design workshop with the City to develop a financial future state. The desired future state was developed with input from the Steering Committee and the City's Council to anchor the financial roadmap. The *financial future state* is outlined in Figure 2.

Figure 2: Financial Future State



Source: Prepared by KPMG with information provided by the City.

Current State Analysis

A current state analysis was completed to gain an understanding of the City's finance function in relation to four areas: financial policies, organizational structure and human resources, financial reporting, and financial systems. The current state analysis was developed using documentation provided by the City, consultations with engaged parties, and a maturity assessment survey with City staff. Additional details are available in **Appendix D: Current State Analysis Observations**.

The current state analysis revealed that the City's current financial management faces inefficiencies stemming from policy gaps, fragmented finance practices, unclear roles and responsibilities, and siloed information and systems. A summary of the observations are outlined in Table 1.

Table 1: Current State Key Summary Theme

Focus area	Key Summary Theme
Policies and Procedures	<ul style="list-style-type: none">• Siloed budgeting processes stemming from a lack of multi-year planning and strategies• Weaker policies and governance leading to inconsistent practices and non-compliance
Organizational Structure and Resources	<ul style="list-style-type: none">• Decentralized finance model fosters departmental responsiveness but creates fragmented oversight, unclear ownership, and disjointed decision-making• Operational bottlenecks arise from unclear financial responsibilities and misaligned staffing
Financial Reporting	<ul style="list-style-type: none">• Fragmented financial data sources, manual processes and untailored outputs undermine the usefulness of financial reports• Lack of interdepartmental communications hindered collaborative workflows and decisions
Financial Systems	<ul style="list-style-type: none">• Outdated legacy financial systems and the use of workarounds create integration challenges• Reliance on historical norms without proper training and leadership champion leading to existing capabilities remain underutilized

Source: Prepared by KPMG with information provided by the City.



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Opportunities for Improvement

Seven (7) opportunities for improvement for the City were identified and categorized across the focus areas in Table 2. Further details of the opportunities can be found in **Section 4: Opportunities for Improvement**.

Table 2: Opportunities for Improvement Summary

Focus Area	Opportunity Name	Description
Policies and Procedures	1. Strengthen Financial Policies, Procedures and Compliance	Update, approve, and communicate key financial policies; establish procedures and controls for their use and compliance.
Organizational Structure and Resources	2. Increase Financial Collaboration	Introduce additional channels and capacity that enable cross departmental collaboration for financial activities such as planning, reporting, and decision-making.
Financial Reporting	3. Develop Data Management Strategy	Develop a data management strategy to ensure data is consistently captured, maintained, and accessible for accurate reporting and informed decision-making.
	4. Standardize Financial Reporting Processes	Develop and document consistent financial reporting processes that standardizes financial reporting practices across departments.
Financial Systems	5. Develop Integration Strategy	Create a system integration strategy grounded in an enterprise-wide structure to unify the City's financial and operation systems to enable a seamless and timely flow of financial information between systems.
	6. Increase Utilization of Systems	Increase utilization of existing financial systems to improve efficiency, reduce manual workarounds, and enhance the accuracy and consistency of financial data.
	7. Confirm Future State Capabilities	Confirm desired future state capabilities of financial systems to ensure alignment with long-term functional and reporting requirements.

Source: Prepared by KPMG with information provided by the City.



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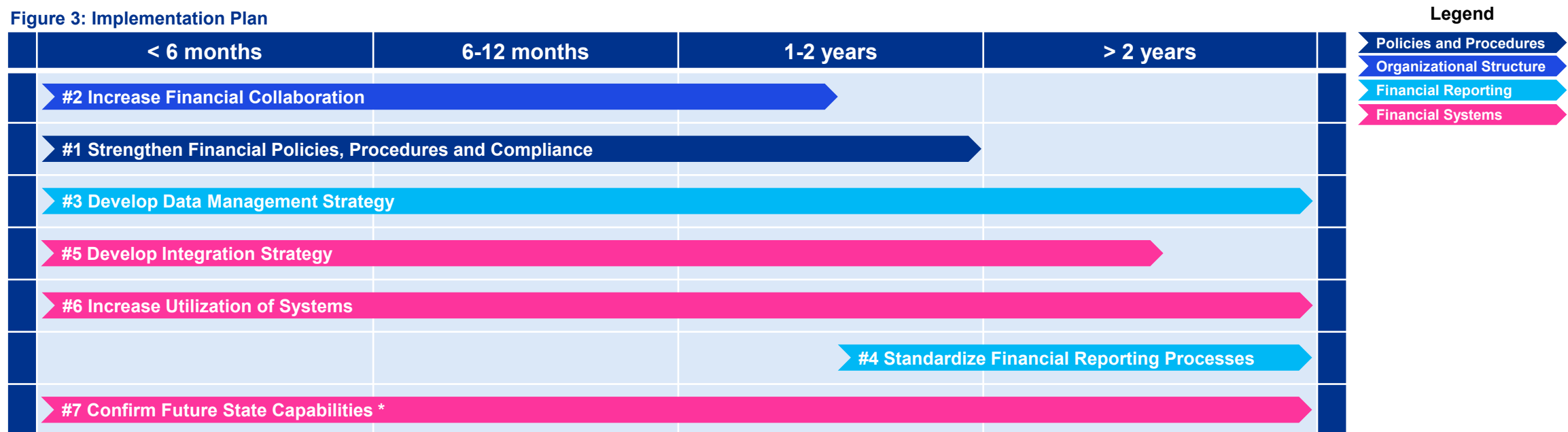
Implementation Roadmap

The implementation plan (Figure 3) outlines a preliminary timeline to complete each opportunity with potential sequencing based on preliminary prioritization. It is recognized that further analysis, planning and resourcing is needed to action and sequence initiatives associated with each potential opportunity.

The report details prioritization among the opportunities for improvement based on impact and ease of implementation. However, it is suggested that the City should focus first on three key opportunities for improvement:

- **Opportunity #2 – Increase Financial Collaboration:** Given the City’s hybrid organizational structure for financial services (i.e., financial roles and responsibilities are distributed across centralized and decentralized teams), supporting even greater collaboration can help to align processes, and promote consistency in financial service delivery.
- **Opportunity #3 – Develop Data Management Strategy:** Establishing a City-side data management strategy is foundational to support efficient financial reporting, enable evidence-based decision-making, and ensure there is a reliable source of truth for financial data.
- **Opportunity #6 – Increase Utilization of Systems:** Optimizing the use of existing systems enables the City to fully realize the benefits of past technology investments, improve operational efficiency, and reduce reliance on manual workarounds.

Figure 3: Implementation Plan



Source: Prepared by KPMG.

* Sequencing for this opportunity is realigned to be implemented concurrently with Opportunity #3: Develop Data Management Strategy.

Financial Model

A long-term financial model was prepared and provided separately from this report. The model includes a 20-year projection of the City's financial performance including revenues, expenses, asset levels, cash and reserve balance, and debt capacity and servicing requirements. The City's prior financial reports and 10-year capital forecast (as proposed in the City 2025 Budget) served as key inputs for the model.

The model is not intended to replace the City's existing budgeting or financial tools, but rather to serve as a strategic tool to provide sensitivity analysis around defined scenarios to support the City with strategic and long-term decision making.

The model's analysis is based on data from the City and public sources. The model's outputs are illustrative only and may differ materially from the actual results due to the assumptions made.

Key Observation from the Financial Model Forecasts:

Four scenarios were analyzed within the model, exploring a range of possibilities that the City may encounter in the future. Three ranges were projected, low assumed conservative / adverse conditions, medium assumed continuation of historical trends, and high assumed optimistic / favorable conditions.

A key observation is that while the City is projected to generate annual operating surpluses into Year 10 under medium and high scenarios, its cash generated from operations appears to be insufficient to fund the entire 10-year capital plan (proposed as of November 2024).

The City's reserve balance (i.e., cash and investments) is forecast to be under strain over the projected ten years and therefore, planning would be required to help maintain the balance. This may include the some of the following:

- Utilize a higher level of debt borrowing;
- Increase property tax rates to enhance operating revenue;
- Reduce operating expenses; and
- Reduce or reconsider the timing of capital expenditures.

While there are additional options that the City could explore to improve its financial performance, these are common levers that are more directly within the City's control.

Financial Scorecard

A comparative analysis was conducted to understand the City of Red Deer's financial performance relative to that of 5 municipalities in Alberta (City of Airdrie, City of Grande Prairie, City of Lethbridge, City of Medicine Hat, and City of St. Albert).




Sustainability – The degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates.

Flexibility – The City's ability to increase its available sources of funding (e.g., debt, taxes, user fees, etc.) to meet costs and other financial liabilities.

Vulnerability – The extent to which the City is dependent on sources of revenues, predominantly grants from other levels of government, over which it has little/no discretion or control.

Each of these three principles is accompanied by specific financial indicators later detailed in this report. While key observations are noted in the Table 3 below, the financial principles should be assessed based the review of all indicators. Further details can be found in **Section 5: Financial Model, Benchmarking and Scorecard**.

Table 3: Key Financial Scorecard (Indicators)

Financial Principle	Key Observations
Sustainability 	<ul style="list-style-type: none">The City's total revenue per dwelling is 14% lower than the benchmark average, while expenses per dwelling are equal to the average. This indicates that the City is generating less surpluses for future uses than comparator municipalities.The City's financial assets to liabilities ratio, and reserves per dwelling are below the benchmark average and show a declining trend, potentially indicative of limited financial resources available to meet future cost increases or revenue losses during economic slowdowns.
Flexibility 	<ul style="list-style-type: none">While the City is currently leveraging a greater amount of borrowing compared to comparator municipalities, there may be additional room for further utilization of debt, given unused debt limits (47% of MGA debt limit and 65% of debt servicing limit are unused).The City's taxation levels and affordability generally align with those of comparator municipalities, suggesting that the City is maintaining a competitive tax rates.
Vulnerability 	<ul style="list-style-type: none">Comparing to comparator municipalities, the City has experienced greater volatility in government grants from other levels of governments (government grants was noted in the City's Budget 2025 to ranged from lows of \$10 million to highs of \$39 million over the past 10 years).

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities for a 5-year period from 2019 to 2023.

Moving Forward

Over the past few years, the City has made some important decisions to improve its financial performance, including the implementation of new tools (i.e. Oracle EPM), and 2024 / 2025 tax rate increases (after several years of zero or limited increases).

This project however, confirms that maturing the City's financial function is essential to its long-term sustainability, financial resilience, and a key driver towards improved decision-making. The findings in this report highlight the need for greater alignment and integration across the City to support consistent, evidence-informed long-term financial decision making.

The opportunities for improvement and implementation steps provide a clear, deliberate strategy for the City's finance function, which is foundational to the City's ability to deliver services, invest in infrastructure, and meet evolving community needs.

The financial forecast developed with inputs provided by City, suggests potential long-term challenges, particularly with respect to the level of accuracy of its long-term capital requirements, and the funding available to meet its long-term needs.

To move forward, the City requires buy-in and accountability for the change, and adequate resourcing to address the actions outlined. Without these pre-conditions for success, the City will remain limited in its ability to effectively mature its financial function, support its long-term planning needs, and maintain its long-term financial sustainability.

Introduction

Introduction

Project Introduction

In January 2025, the City engaged KPMG to develop a financial roadmap to improve the City's maturity in financial management. Through this project, the City aimed to enhance its understanding and transparency in its financial management, providing accountability for how and where tax dollars are spent, and improving the internal and external confidence in the City's financial stewardship.

In November 2024, the City Council approved a municipal tax increase of 10.5%, aimed at generating \$16.8 million to balance the 2025 budget. While the 2025 budget has been balanced, the City recognized the importance of continuous improvement and progress in all areas of its operations. The City aspires to evaluate its performance to optimize its resources in a cost-effectively manner, while improving service delivery and addressing the evolving needs of its residents.

Sub-sections

- 01** Introduction
- 02** Scope and Objectives
- 03** Project Governance and Engagement
- 04** Project Approach

Scope and Objectives

Project Objective

The objective of this project was to identify improvements to the maturity of the City's financial management and governance. This project has provided a foundational framework to enhance the City's aims to improve its financial performance, and opportunities for improvements that the City can strategically implement to advance its financial management practices are outlined.

Specifically, the project provided the City with:

- Opportunities to maturing financial policies, organizational structure, and resource allocation tailored to the City's size and complexity;
- Insights into the City's long-term financial strategy; and
- Financial forecasts and sensitivity analysis to demonstrate long-term impacts from Council decision making.

KPMG's findings are based on observations, and information and data available at the time of this analysis.

The scope of work for this project includes:



Evaluate the City's **current state** of financial governance and management



Prepare an agreed upon **future state** for the City's financial function and capabilities to anchor the project and support future change efforts



Develop a **financial maturity scorecard** to benchmark the City's financial performance against comparable communities



Develop a **long-term financial model** to assess future financial needs



Identify potential **financial risks** and how to mitigate them



Consolidate **recommendations for improvement** of the City's financial function and performance



Prepare an **implementation roadmap** to support successful implementation of the identified recommendations

The following items were out of scope:

- Audit and / or verification of operational and financial data inputs provided by the City;
- Review of procurement policies and procedures;
- Development of new service or general ledger mapping;
- Identification of service delivery alternatives or departmental cost savings opportunities; and
- Execution of recommendations and suggested implementation activities provided in the final report.

Project Governance and Engagement

Project Governance

A Steering Committee, comprising key parties from the City’s financial leadership team, guided this project. The Steering Committee championed the project among City management and staff, provided input and feedback on deliverables, made critical decisions, and mitigated challenges across all phases of this project. The Steering Committee was apart of a number of engagement activities highlighted in **Appendix E: Engaged Parties Engagement Summary**. The goal of the Steering Committee’s involvement was to support the development of the current state analysis and identification of financial opportunities to bring the City toward their desired financial future state (Figure 2, page 27).

The Steering Committee included the following members:

Membership		
Mike Olesen Growth & Finance General Manager (former)	Tricia Hercina Manager, CSV Business Excellence	Jennifer Nwachukwu Supervisor, Capital Projects Engineer
Tammy Mattson Corporate Controller, Systems and Methods	Russ Watts Engineering Services Manager	John Fluney Division Controller, Community Services
Jill Craig Senior Communications Consultant		

Other Engaged Parties Involvement

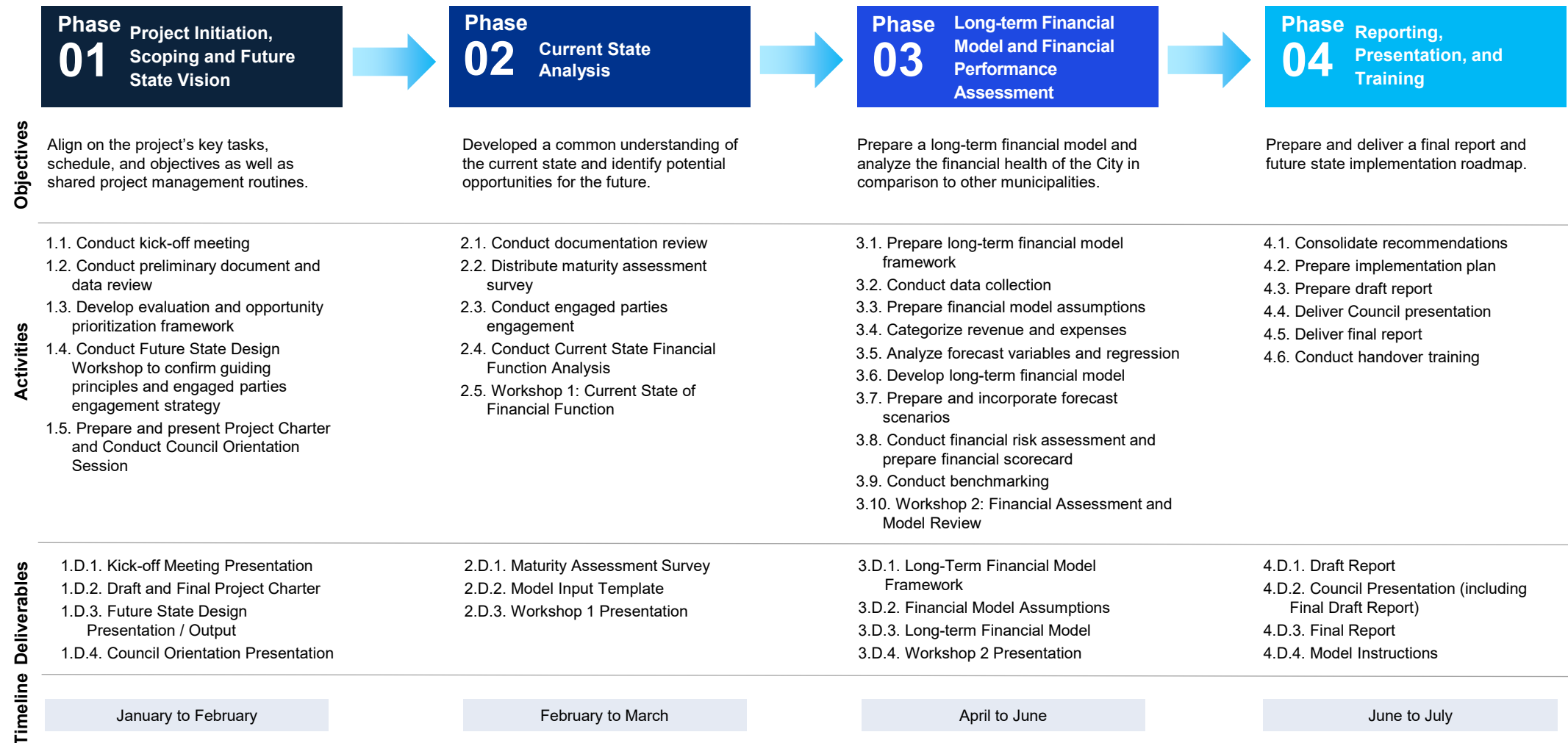
City Council was engaged to develop the financial future state that guided the project’s analysis and findings, and other key parties from the City’s finance teams and other departments were engaged during this project to aid in understanding the current state and to identify opportunities for improvement.

Appendix E: Engaged Parties Engagement Summary includes additional information on engagements completed.

Project Approach

The project timeline was effectively divided into four phases to deliver the project in a sequential manner. Each phase included interim deliverables and feedback cycles with the Steering Committee.

Figure 4: Project Approach Overview



Source: Prepared by KPMG.

Approach: Evaluation Framework

As a preliminary step in this project, KPMG developed an evaluation framework to analyze how the City's finance function operates in the focus areas described in Table 4. This report utilized information provided by City through the form of documentation, one-on-one interviews, and focus group engagements to gather diverse perspectives to ascertain the current state of the City's financial management practices. Additionally, a maturity assessment survey was administered to financial staff to determine the overall effectiveness of financial operations in each of the four areas. Further details on who was engaged can be found in **Appendix E: Engaged Parties Engagement Summary**.

Table 4: Evaluation Framework Focus Areas

Area of Focus	Description
A. Policies and Procedures	Review of City's policies in providing guidance and setting performance standards for financial governance and management. Assessment will include presence and last update policies, their compliance, and general alignment with common municipal practices.
B. Organizational Structure and Human Resources	Review of City's human resources involved with financial governance and management, including their roles and responsibilities, and place in the City's organizational structure.
C. Financial Reporting	Review of the City's financial reporting policies, practices, and use of financial information for decision making, and communication.
D. Financial Systems	Review of the City's financial systems, their capabilities, and current use.

Source: Prepared by KPMG.



Further details of the evaluation framework can be found in **Appendix B: Evaluation Framework**.

Approach: Long-term Financial Model

To support the City approach to long-term financial planning, KPMG developed a Long-term Financial Model (the model) that includes a 20-year projection of the City financial performance including revenues, expenses, asset levels, cash and reserve balance, and debt capacity and servicing requirements. The projection is intended to provide the foundation for comparing long-term financial strategies under different future conditions.

The model's projections are designed to support the City's Council and Administration in making strategic decisions and should not be interpreted as precise forecasts or definitive predictions of future financial performance.

Table 5: Long-term Financial Model Overview

 Inputs			 Outputs	
Revenue	<ul style="list-style-type: none">• Tax revenue<ul style="list-style-type: none">○ Assessment values○ Mills rates• Government transfers		Financial Projections	<ul style="list-style-type: none">• 20-year projected revenue, expenses, and surplus• 20-year projected assets and liabilities• 20-year projected cash flows• 20-year projected capital assets and debt levels
	<ul style="list-style-type: none">• User fees• Other revenues• Offsite levies			
Expenses	<ul style="list-style-type: none">• Operating expenses (<i>at function level</i>)• Capital expenditures• Assets and amortization rate		Financial Scorecard	<ul style="list-style-type: none">• Financial sustainability indicators (e.g., surplus / deficit, revenue mix, per household indicators)• Financial flexibility indicators (e.g., property taxes, capital budget allowances)• Financial vulnerability indicators (e.g., cash and reserve balances, debt servicing obligations)
External Variable	<ul style="list-style-type: none">• Liabilities, including long-term debt• Costs of debt			
	<ul style="list-style-type: none">• Forecasted City population growth (<i>based on Government of Alberta Open Data</i>)• Forecasted inflation rate (<i>Bank of Canada target inflation rate</i>)• Prime interest rate (Bank of Canada)			

Source: Prepared by KPMG with information provided by the City.



Current State Analysis Summary

Current State Analysis

Current State Analysis Overview

The objective of the current state analysis was to gain an overall understanding of the City's financial policies, organizational structure, financial reporting practices, and technology systems.

This involved the preparation of an evaluation framework and financial future state, a review of available documentation, interviews (10 were completed) and focus groups (4 were completed) with key parties from the City's finance teams and other departments, as well as an internal survey distributed to City's staff (96 completed responses were received).

The current state analysis revealed that while there is a growing appetite for change and improvement, there are several areas for the City's finance function to improve from. In addition, several issues noted by staff have been persistent for an extended period.

Each of the 41 current state observations introduced in this section can be found in **Appendix D: Current State Analysis Observations**.

Sub-sections

01 Current State Analysis Overview

02 Current State Analysis Summary

Current State Analysis Summary

Table 1 summarizes the key observations of the current state analysis. In summary, the analysis revealed that the City's current financial management faces inefficiencies stemming from policy gaps, fragmented finance practices, unclear roles and responsibilities, and siloed information and systems. However, the City shows growing momentum for change and improvement to address issues through the implementation of activities that are described in **Section 4: Opportunities for Improvement**. Nonetheless, significant opportunities remain for the City's finance function to evolve, particularly in addressing inconsistent financial practices and policies, clarifying roles and responsibilities, enhancing the efficiency of financial communications, and integrating financial systems. See **Appendix D: Current State Analysis Observations** for an assessment of the City's financial areas.

Table 1: Current State Key Summary Theme

Focus area	Key Summary Theme
Policies and Procedures	<ul style="list-style-type: none">• Siloed budgeting processes stemming from a lack of multi-year planning and strategies• Weaker policies and governance leading to inconsistent practices and non-compliance
Organizational Structure and Resources	<ul style="list-style-type: none">• Decentralized finance model fosters departmental responsiveness but creates fragmented oversight, unclear ownership, and disjointed decision-making• Operational bottlenecks arise from unclear financial responsibilities and misaligned staffing
Financial Reporting	<ul style="list-style-type: none">• Fragmented financial data sources, manual processes and untailored outputs undermine the usefulness of financial reports• Lack of interdepartmental communications hindered collaborative workflows and decisions
Financial Systems	<ul style="list-style-type: none">• Outdated legacy financial systems and the use of workarounds create integration challenges• Reliance on historical norms without proper training and leadership champion leading to existing capabilities remain underutilized

Source: Prepared by KPMG with information provided by the City.

Opportunities for Improvement

Opportunities for Improvement

Opportunities for Improvement Overview

A key component of this project was to identify and evaluate potential opportunities for improvement to the City's financial practices. The following opportunities are proposed for the City's consideration. As such, potential areas for further exploration and analysis may be required.

The proposed opportunities in this section outline for each opportunity the:

- **Rationale** – Evidence gathered through the current state analysis that has been mapped to the observations outlined in **Appendix D: Current State Analysis Observations** to suggest the implementation of the opportunity.
- **Description** – Summary of the initiative proposed as part of the opportunity as well as relevant options for the City to consider.
- **Anticipated benefits and ease of implementation** – A relative evaluation of the potential impact of each opportunity and the level of effort required to achieve those benefits. Opportunities were evaluated against the design principles, outlined in **Appendix C: Design Principles**.
- **Key implementation activities** – Suggested implementation activities for the City to consider when implementing the overarching opportunity. Some implementation activities may already be planned or in-progress by the City.

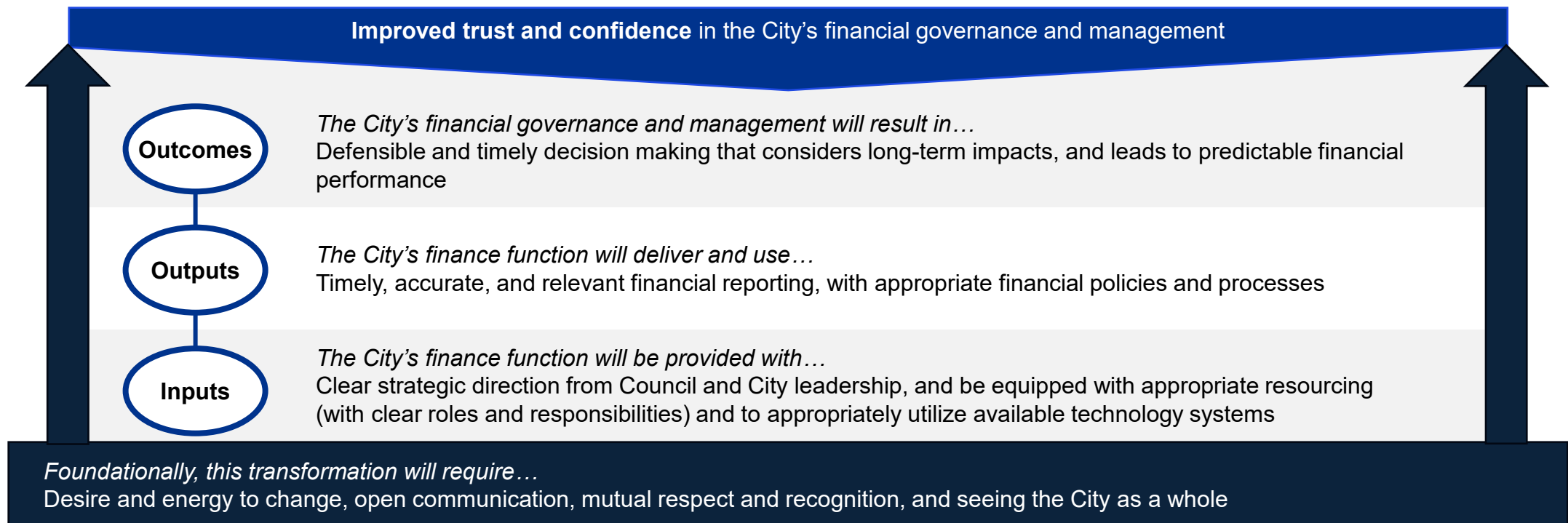
Sub-sections

- 01 Opportunities for Improvement Overview
- 02 Policies
- 03 Organizational Structure and Human Resources
- 04 Financial Reporting
- 05 Financial Systems

Financial Future State

A future state design workshop was held on February 5, 2025 among the Project Steering Committee to gather input for the future state. This was followed by a Council Input session held March 15, 2025. The two sessions combined were used to inform the following future state to anchor the financial roadmap towards its ultimate trajectory.

Figure 2: Financial Future State



Source: Prepared by KPMG with information provided by the City.

Opportunity Summary

Based on the available information, seven (7) opportunities for improvement have been outlined for the City, categorized across the focus areas in Figure 5. Each of these are further described in the following sections.

Figure 5: List of Opportunities for Improvement

Policies and Procedures

1. **Strengthen Financial Policies, Procedures and Compliance** – Update, approve, and communicate key financial policies; establish procedures and controls for their use and compliance (see pages 30-36).

Structure and Resources

2. **Increase Financial Collaboration** – Introduce additional channels and capacity that enable cross departmental collaboration for financial activities such as planning, reporting, and decision-making (see pages 39-40).

Financial Reporting

3. **Develop Data Management Strategy** – Develop a data management strategy to ensure data is consistently captured, maintained, and accessible for accurate reporting and informed decision-making (see pages 42-43).
4. **Standardize Reporting Processes** – Develop and document consistent financial reporting processes that standardizes financial reporting practices across departments (see pages 44-45).

Financial Systems

5. **Develop Integration Strategy** – Create a detailed integration strategy grounded in an enterprise-wide structure to unify the City's financial and operation systems to enable a seamless and timely flow of financial information between systems (see pages 48-49).
6. **Increase Utilization of Systems** – Increase utilization of existing financial systems to improve efficiency, reduce manual workarounds, and enhance the accuracy and consistency of financial data (see pages 50-51).
7. **Confirm Future State Capabilities** – Confirm desired future state capabilities of financial systems to ensure alignment with long-term functional and reporting requirements (see pages 52-53).

Source: Prepared by KPMG with information provided by the City.

Policies and Procedures



1. Strengthen Financial Policies, Procedures and Compliance

Update, approve, and communicate key financial policies; establish procedures and controls for their use and compliance.

Description

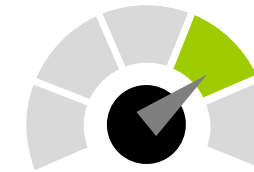
The following pages contain opportunities for the City to strengthen their financial policies. Additionally, the City could consider opportunities to support staff in understanding procedures and clarify implications of non-compliance of financial policies. The City to make its policies accessible, and when revisions occur staff are informed, to limit instances of non-compliance.

Figure 7: Opportunity #1 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Review opportunities for specific financial policies and update as needed. Policies to be written with links between operation and corporate functions.				
2. Establish controls over financial policies and implement mechanisms for appropriate disciplinary action for non-compliance.				
3. Communicate policy updates for engaged parties. Ensure policies reside in an accessible repository.				
4. Define governing bodies responsible for policy updates, communication, and ensuring policies align with other legislative requirements.				
5. Align language in policies to generate an overall common understanding to enable buy-in of policy compliance.				
6. Ensure policies are reviewed regularly for continuous improvement.				

Figure 6: Opportunity #1 – Anticipated Benefit and Ease of Implementation Assessment

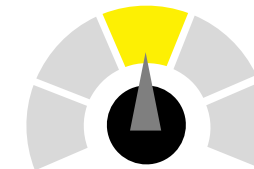
Anticipated Benefits



Medium High Benefit

Improved clarity of financial policies with clear directives. Improved procedures for non-compliance of financial policies. Financial policies are monitored and improved for changes.

Ease of Implementation



Medium Ease

Requires resourcing to review and revise financial policies. Implementation of compliance mechanisms could take time to realize full benefits of a compliant culture.



1. Strengthen Policies and Procedures (1/6)

The following pages illustrate preliminary potential policy changes the City could consider to incorporate into their respective financial policy areas. Changes can be reviewed and discussed to create buy in before implementation to ensure they are aligned with overall desired City direction.

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Operating budget	The City does not adhere to operating budget preparation schedules and does not have timelines formally outlined in policies.	Outline a standardized operating budget calendar with fixed submissions deadlines for departments, milestone review points with Financial Services, and defined Council approval timelines. Align with budget guidelines updated on Bridge (the City's intranet communication tool) to improve coordination. Communicate schedules leveraging Bridge annually at budget planning kick-off meetings.	1.1
Capital budget	Capital budget planning and approval are not aligned nor are there policies to reconcile differences when issues occur.	Initiate review of <i>Capital Budget Policy 5320-C</i> to evaluate how approval pathways can better align multi-year capital planning with infrastructure needs. Ensure the policy outlines how and when Council approvals are obtained for multi-year capital projects reduce issues during project completion and support longer term infrastructure planning. Explore enhancements to Bridge to strengthen integration of capital and operating budget planning. This could include requiring departments to submit estimated lifecycle operating costs and identify operating cost funding sources alongside capital project proposals. Costs of capital projects could be incorporated into multi-year operating forecasts to provide a holistic view of future operating costs to support leaders and Council in making informed financial decisions.	1.2 1.3 1.4



1. Strengthen Policies and Procedures (2/6)

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Budget revisions	<i>Administrative Policy Operating Budget Revisions 5334-CA</i> does not outline specific roles, responsibilities, and procedures.	Review step-by-step internal approval process for budget revisions in <i>Administrative Policy Operating Budget Revisions 5334-CA</i> . Outline additional internal processes to improve effectiveness as identified as part of the review. Designate roles for Financial Services and departmental leads for executive oversight.	1.5
Long-term financial planning	The absence of a focused long-term financial plan to accompany the City's long-term strategy appears to have resulted in short-term decisions that impact long-term financial health.	Evaluate <i>Council Financial Sustainability Policy PS-A-2.8</i> to ensure its financial principles are aligned with progress toward achieving the City's financial objectives. Administration and Council could collaborate to align on and create focused financial objectives. Defining financial objectives that involve tying them to relevant key performance indicators thereby enabling the City to monitor performance, make data-driven decisions, and adjust strategies as needed to support financial stability and growth.	1.6 1.24
Asset management	Asset management is fragmented with no standardized processes.	Build asset management capacity and coordination across the City. This includes creating an integrated asset management framework; considering such elements as annual asset condition assessments, implementation of asset registry, identification of asset lifecycle renewal needs, and prioritization of capital planning. Consider appropriate resourcing for asset management coordination. The City may also explore an additional dedicated asset renewal funding stream for major assets.	1.7



1. Strengthen Policies and Procedures (3/6)

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Debt management	While the City is in compliance of the debt limit, there are no formalized documents to allow for proper debt optimization strategies.	<p>Evaluate potential adjustments to the City's self-imposed debt limit (75% of Municipal Government Act debt limit) as prescribed in <i>Council Debt Policy GP-F-2.2</i>. Define the permitted usage of debt at different debt / debt service levels (e.g., unconstrained, constrained, emergency only). Consider reviewing the \$1 million minimum costs of debt per one borrowing bylaw as prescribed in <i>Corporate Policy 5313-CA Borrowing</i> to allow more flexibility. Additionally, explore potential of diversifying debt financing, beyond the Alberta Capital Finance Authority, if favorable rates are available.</p> <p>Outline procedures for interdepartmental coordination when it comes to debt borrowing. Procedures could include more communication between departments and Financial Services to support holistic view of debt.</p>	1.9 1.10
Taxation	The City's growth has been strained due to a lack of tax increases in 2020-2022. However, the City has approved a tax increase of 10.5% for 2025.	<p>Review the holistic impacts of the property tax exemption for machinery and equipment used for manufacturing and/or processing as prescribed in City Bylaw 3211/98 (i.e., the foregone tax collection compared to the potential economic development incentives offered by the exception).</p> <p>Incorporate the use of long-term financial model, developed by KPMG to complement the existing tax model, to test long-term changes in tax rates, with changes to forecast growth, expenses, etc.</p> <p>Conduct annual analysis during budget planning that connect tax rate decisions to service level impacts.</p>	1.12

Source: Prepared by KPMG with information provided by the City.



1. Strengthen Policies and Procedures (4/6)

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Development charges	<i>Off Site Levy Bylaw 3631/2019</i> is being updated and is undergoing Council reading to reflect input from engagement with the development community.	Following review and update of the offsite levy bylaw, the City may consider to review and update its development fees / charges to process development applications.	1.13
User fees	Policies for setting user fees are well-established. However, they are often perceived as overly burdensome, leading to inconsistent application across departments.	Consider conducting a user fee policy review every three years with departmental staff input to align on required procedures. Additionally, as part of the fee review identify opportunities to standardize different fee processes between departments.	1.14
Grant management	Lack of documented processes for managing grants appears to result in ambiguity and inconsistent communication, complicating financial reporting and budgeting.	Consider establishing a corporate-level grant management framework that identifies, prioritizes, and governs grant opportunities aligned with organizational strategy. Review processes for managing grants and assess the need to centralize standardized grant evaluation processes for all new grant opportunities, requiring justification of strategic alignment and total cost of ownership and administrative burden. Implement quarterly reporting to track grant utilization and compliance.	1.15

Source: Prepared by KPMG with information provided by the City.



1. Strengthen Policies and Procedures (5/6)

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Reserve and reserve fund	Reserve policies contain gaps governing usage as well lack of long-term planning to maintain reserve health.	Engage Council to define optimal reserve balances to support the City in maintaining reserve health. Require an annual review of reserve levels during budget development and outline reserve use to specific reserve use events.	1.17 1.18 1.19
Investments	Current investment strategy is risk adverse and does not pose any negative effects to the City.	While a specific analysis of the City's investment portfolio was not conducted, the City's 4-year annualized investment return of 1.33% was lower than the average prime interest rate of approximately 5% during the same time period. Although the City is restricted by the Section 250 of the <i>Municipal Government Act (MGA)</i> to invest in securities that are low-risk and high-liquid investments, there may be opportunities for the City to revise its investment policy and strategies that would allow for a higher rate of return within permitted securities. Additionally, the City could consider reviewing its current asset mix, within permitted investments, to explore the optimization of investment duration based on cash flow forecasting.	1.20
Cash management	The City's cash flow pattern receives a large influx of cash around June when tax payments are received. This influx steadily declines as the City funds operations until the next cycle. However, the lack of proactive cash management appears to at times place the City has in temporary cash shortfalls from funding large capital projects and operating expenditures.	Consider establishing a target range of working capital balance and implement monthly liquidity tracking and forecast to support the timing alignment of expected major cash inflows and outflows (when property taxes are collected versus when capital expenditures are made), reducing the needs for short-term borrowing or lines of credit.	1.21

Source: Prepared by KPMG with information provided by the City.



1. Strengthen Policies and Procedures (6/6)

Table 6: Opportunity #1 – Financial Policy and Procedure Opportunities

Financial Areas	Current State	Opportunities	Obs. #
Internal controls	Policy compliance is limited with staff prioritizing historical norms as primary standards.	The City could review and revise policies to define tiers of non-compliance (e.g., minor, moderate, and severe), with corresponding consequences. Introduce a control breach form for infractions to record and assess non-compliance. Consider implementing semi-annual training refreshers for major internal controls.	1.22
Risk management	Risk management at the City is considered ad-hoc with no routine review or internal auditing of “what could go wrong” with respect to financial reports and forecasts.	The <i>Integrated Risk Management Framework</i> could be expanded to outline principles that allow decision-makers to deeply understand the City’s risk appetite. To explore risks more systematically, the City may utilize the provided financial scorecard to identify and assess potential financial challenges. Consider implementing tools to aid in proactive risk identification. This could include requiring departments to submit completed risk register templates to Financial Services biannually. Evaluate the need to formalize procedures and introduce training for staff to proactively identify risks with financial risk tools.	1.23
Performance measurement	The <i>Council Financial Sustainability Policy PS-A-2.8</i> has not been revised since 2017 and outlines principles but does not establish concrete performance targets.	Review <i>Council Financial Sustainability Policy PS-A-2.8</i> to include 3-5 revised financial key performance indicators. Consider including requirements for an annual performance report be delivered to Council benchmarked against targets and possible comparable municipalities.	1.24

Source: Prepared by KPMG with information provided by the City.



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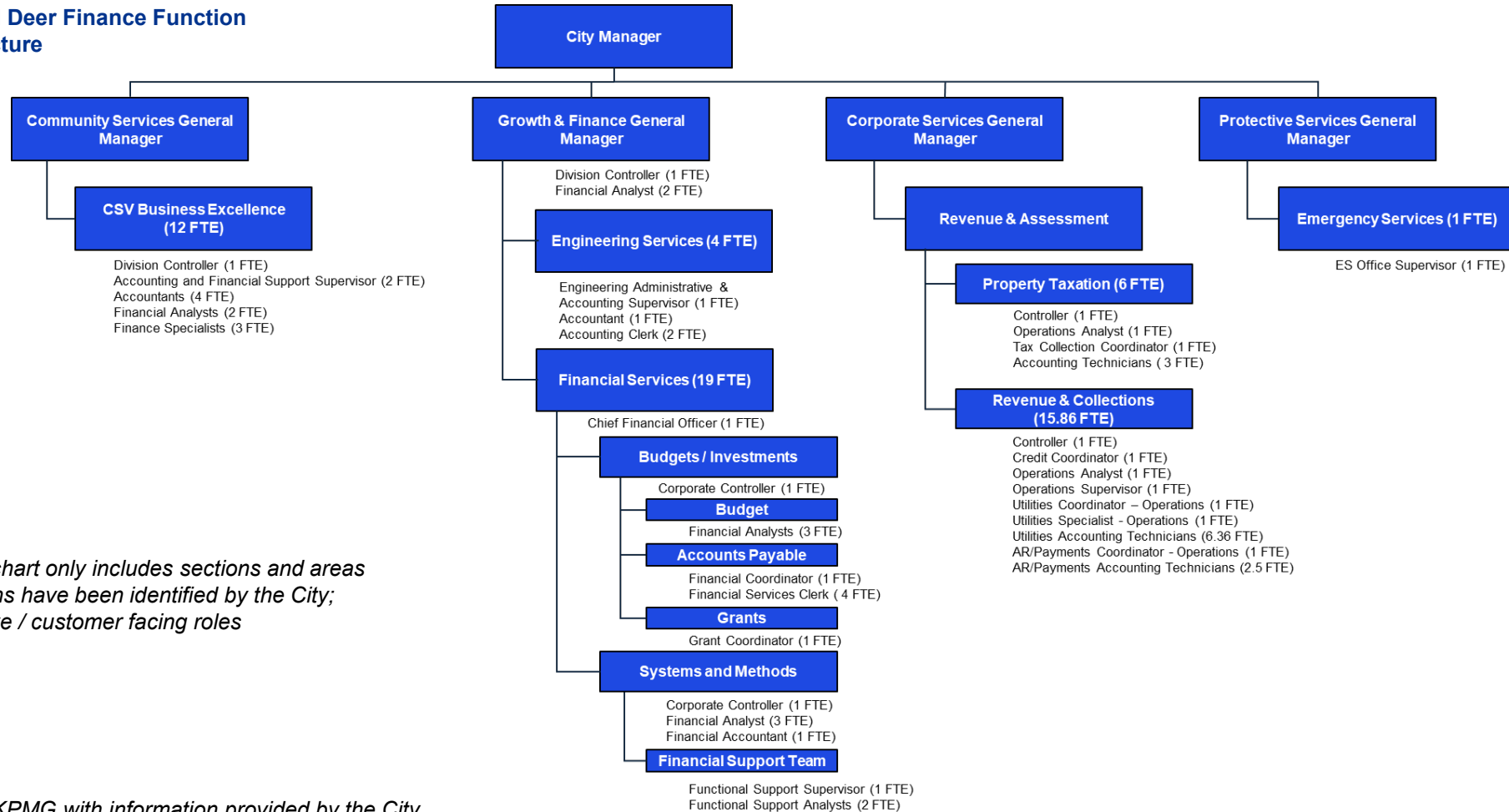
Organizational Structure and Human Resources



Current Organizational Structure

The City has adopted a hybrid model of centralized and decentralized finance positions across the organization as illustrated in Figure 8:

Figure 8: City of Red Deer Finance Function Organizational Structure



Note: Organizational chart only includes sections and areas where finance functions have been identified by the City; excludes administrative / customer facing roles

Source: Prepared by KPMG with information provided by the City.



2. Increase Financial Collaboration

Introduce additional channels and capacity that enable cross departmental collaboration for financial activities such as planning, reporting, and decision-making.

Description

The City currently employs a hybrid approach for financial processes, combining both centralized and decentralized finance functions. This approach leverages department-specific expertise for financial decisions. However, there is a gap in financial decision-making due to the lack of input from Financial Services. This has led to staff indicating a need for a central finance authority to support departments in prioritizing the City's goals. There may be an opportunity for improved collaboration to achieve workload equity across financial positions and teams.

The City's teams have identified the need for more collaboration and communication. Frequent check-ins between embedded finance staff and department managers help clarify financial questions, prevent miscommunication, and promote joint problem-solving. However, these collaboration efforts are largely informal and inconsistent between departments and Financial Services.

To enhance collaboration, the City could consider establishing structured cross-department channels. This could include forming financial committees to facilitate collaboration and ensure the proper teams are involved in the financial decision-making process. Regular financial coordination meetings with relevant parties, including representatives from departments and Financial Services, could also be facilitated to support financial decision-making.

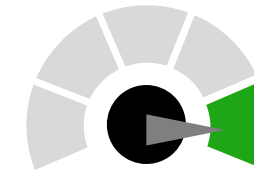
Creating formal opportunities for collaboration not only promotes transparency in decision-making but also enhances consistency and trust among teams. Improved collaboration could significantly elevate the quality of financial operations across the City, resulting in more informed decision-making that aligns with the organization's overall goals.

Rationale

Obs. #	Current State Assessment Observation
2.1	Decentralized model creates siloed financial management responsibilities
2.4	Siloed financial decision making

Figure 9: Opportunity #2 – Anticipated Benefit and Ease of Implementation Assessment

Anticipated Benefits



High Benefit

Enhances consistency of collaboration to improve financial transparency, accountability, and consistency across the City's finance functions.

Ease of Implementation



Medium High Ease

The City may see notable benefits early on from increased financial collaboration. Additional forms and frequency of communications may require additional capacity for staff.



2. Increase Financial Collaboration

Introduce additional channels and capacity that enable cross departmental collaboration for financial activities such as planning, reporting, and decision-making.

Figure 10: Opportunity #2 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Evaluate the current state of financial collaboration between departments and Financial Services. Utilize the evaluation to set objectives to for increasing collaboration, focused on collective goals and consistent financial decision-making.				
2. Identify and outline how cross-collaboration will occur. Define roles, responsibilities, and processes for collaboration. Representatives from each department and various levels to be identified to participate in collaboration.				
3. Establish channels or financial committees for departments to meet regularly to discuss financial information, processes, and decisions. Channels can facilitate communication that enables teams to share information regarding different processes to provide inputs on financial tasks such as budget planning.				
4. Organize monthly or quarterly meetings to enhance communication between departments and Financial Services. Ensure each meeting has a clear agenda to provide structure to address financial queries and align on objectives. A level of understanding to be passed on to parties to create alignment on departmental priorities with financial tasks.				
5. Managers and leadership roles to model and reinforce cross-departmental collaboration as an organizational value and priority.				

Financial Reporting



3. Develop Data Management Strategy

Develop a data management strategy to ensure data is consistently captured, maintained, and accessible for accurate reporting and informed decision-making.

Description

To enhance financial decision-making within the City, a comprehensive data management strategy could be developed. Currently, staff have expressed concerns about the lack of a single, trusted source of truth for financial information across the City. This may result in weaker management and inaccuracies in readily available data for leaders to use in financial decision-making. As the data management strategy is developed, the City may begin prioritizing its focus on integrating siloed data sources, such as asset condition and lifecycle data, with financial projections.

There is opportunity for the strategy to clearly define the City's source of truth for financial data, such as JD Edwards (JDE). It is crucial that the strategy outlines principles and protocols to ensure all financial transactions are updated and reflected in JDE in a timely manner. It is recognized that different teams rely on different systems for financial operations. However, leadership roles may benefit from having access to accurate and timely financial data to illustrate the financial health of the City. Additionally, proper data management protocols could enable financial operational teams to have access to real-time data of the organization.

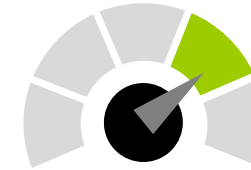
The City uses various systems to access relevant financial information for their responsibilities. The data management strategy could specify which systems are used for specific financial purposes. For example, finance staff are able to access the strategy and understand that EPM Cloud is used for budgeting and forecasting, whereas JDE is used for collecting financial information on actuals and transactional data.

Rationale

Obs. #	Current State Assessment Observation
3.1	Lack of a single source of truth for financial information
3.3	Financial information not fully tailored to various user needs
3.4	Information lags in financial reports
3.1	Lack of a single source of truth for financial information

Figure 11: Opportunity #3 – Anticipated Benefit and Ease of Implementation Assessment

Anticipated Benefits



Medium High Benefit

Reduces data silos and enables staff to integrate data into a central repository for further strategic decision-making or report preparation. Enables improved data management practices.

Ease of Implementation



Medium Low Ease

Requires dedicated resourcing to develop strategy and change management processes to ensure strategy is implemented uniformly across City departments.



3. Develop Data Management Strategy

Develop a data management strategy to ensure data is consistently captured, maintained, and accessible for accurate reporting and informed decision-making.

Figure 12: Opportunity #3 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Evaluate the current financial systems (see Table 7, page 47) at the City to identify gaps in data flow. Gaps in current systems to be addressed to ensure systems can automatically extract necessary information. Opportunity #7: Confirm Future State Capabilities considered to be implemented concurrently to ensure future systems can accommodate to data management strategy requirements.				
2. Establish principles, procedures, and protocols for data management to ensure accurate, timely, and reliable data. Specify a financial system (e.g., JDE or EPM Cloud) as the source of truth to serve as the central repository for financial information.				
3. Develop strategy to provide staff with an understanding of differences in data quality. Strategy can enable staff to understand the context and importance of manual data analysis and entry.				
4. Implement strategy to integrate siloed data sources. Develop and implement training sessions for staff on updated data management protocols and proper utilization of financial systems.				
5. Establish ongoing mechanisms to monitor data management practices. Implement improvements as necessary.				



4. Standardize Financial Reporting Processes

Develop and document consistent financial reporting processes that standardizes financial reporting practices across departments.

Description

Currently, the City's financial practices are organized in a hybrid manner, which means compiling financial reports requires gathering data from multiple sources. Different parts of the City may have varying financial procedures for preparing these reports. Additionally, the lack of interdepartmental communication results in financial reporting being operated in silos.

To address this, the City could consider establishing centralized financial reporting processes that clearly outline the steps for preparing and compiling financial reports. These procedures may leverage the use of current financial systems involved in report preparation and establish clear deadlines for monthly, quarterly, and annual reports.

Moreover, there is an opportunity to create a common language across departments for reporting procedures. Developing a shared financial vocabulary can improve internal communication and ensure consistent messaging in reports to the Council and the public.

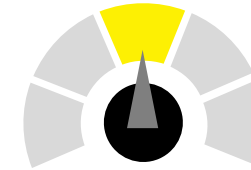
Furthermore, there is opportunity to evolve the current reporting process from its traditional retrospective focus to include more forward-looking elements, particularly by including projections. By incorporating projections for cash flows, reserve balances, and capital expenditures, the City could move towards a more proactive financial framework. This shift may facilitate better financial planning and enable the City to anticipate potential challenges and opportunities in a timely manner.

Rationale

Obs. #	Current State Assessment Observation
3.2	Financial reporting process is manual and time-consuming
3.5	Internal sharing of financial information is lacking
3.6	Improved communications similar to the public communication for Budget 2025

Figure 13: Opportunity #4 – Anticipated Benefit and Ease of Implementation Assessment

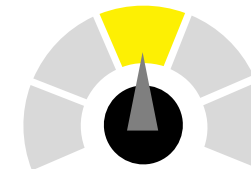
Anticipated Benefits



Medium Benefit

Improves consistency across departmental reports. Establishes a structure for reporting and identifies appropriate level of information for relevant user groups.

Ease of Implementation



Medium Ease

Requires coordination across department and staff to standardize procedures. Resourcing may be required for ownership of financial reporting templates.



4. Standardize Financial Reporting Processes

Develop and document consistent financial reporting processes that standardizes financial reporting practices across departments.

Figure 14: Opportunity #4 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Assess current financial reporting practices across departments to identify inconsistencies. Additionally, the assessment could determine commonly requested financial information needed among various audiences (e.g., Council, public, department managers).				
2. Develop a centralized financial reporting framework to outline standardized steps for compiling financial reports. Strategy could outline financial report templates for relevant groups and deadlines for timely financial reporting. Processes to be written in common language to enable a consistent approach toward understanding and communicating financial reporting procedures.				
3. Ensure current financial systems in place are able to support templates for financial reports and automation of processes where possible. The City could also consider potential changes to general ledger structure and mapping in order to produce financial reporting more efficiently.				
4. Implement training for staff to support adoption of financial report templates and compliance with new standardized processes. Training could also enable staff to understand elements of data analysis, management, and input.				
5. Establish ongoing mechanisms to monitor financial reporting practices to ensure compliance. Implement improvements as necessary.				

Financial Systems



Current Financial Systems

Table 7 outlines a list of the City's current major systems that contain financial information that the City may consider when implementing its opportunities.

Table 7: City of Red Deer Major Systems

Financial Applications	Description
JD Edwards EnterpriseOne	The City's Enterprise Resource Planning (ERP) system and serves as the primary source of truth for all financial matters. It is used for all financial transactions, except those directly utilizing Intelli or Tempest. JDE is a legacy system that has been recently updated in the last 3 to 4 years.
Oracle (Enterprise Performance Management) EPM Cloud	Introduced as a new tool for budgeting and planning. Currently, EPM is only used by Financial Services. As the system is further integrated with legacy systems, it is expected to improve efficiency, accuracy, and accessibility of budget-related information, supporting better financial decision-making and resource allocation.
Intelli	Recreation Management System integrates with the online payment system Moneris to process payments for programs and location bookings. Financial transactions from Intelli are interfaced with JDE.
Tempest Municipal Suite	Software designed for service/account management. It includes a payment module called eCOM, which integrates with several online applications such as MyCity, MyPermits, MyDogs, MyLicence, and MyPayments. Financial transactions from Tempest applications are interfaced with JDE.
Human Resources Applications	Description
Oracle HCM	New Human Resources Management application being rolled into production late October 2025. Will replace Infinium.
Workforce EmpCenter (cloud)	New cloud version timesheet entry application. Used by employees to record their time. Is also used to record labour allocation and equipment recharge. Will replace current on-premise systems when Oracle HCM is implemented.
Other Major Applications	Description
Infor Public Service (WMS)	While not strictly a financial application, the system contains financial information that can be compared against JDE used for asset maintenance costing.

Source: Prepared by KPMG with information provided by the City.

5. Develop Integration Strategy

Create a detailed integration strategy grounded in an enterprise-wide structure to unify the City's financial and operation systems to enable a seamless and timely flow of financial information between systems.

Description

Currently, the integration of financial and operational systems within the City lacks cohesion, leading to disruptions in data flow. The various systems in use, particularly JDE and the newly adopted Oracle EPM Cloud, are only partially linked, resulting in issues such as the absence of real-time data updates. Additionally, departments continue to use standalone software applications and multiple workarounds that operate independently of the centralized financial systems. This lack of interconnection leads to data fragmentation and manual data compilation, which affects the efficiency of departments. Inefficiencies in integration can also cause delays in essential financial activities, such as financial reporting.

To address these challenges, the City could develop a comprehensive integration strategy through an enterprise structure. This may enable the City to modernize its digital infrastructure, streamline financial operations, and build a more agile, data-driven organization. The strategy could include a structured assessment of current systems to determine specific needs and expectations. This assessment could enable the City in selecting appropriate integration tools that meet the City's unique requirements while establishing a clear timeline for implementation.

To ensure successful implementation, the City could consider leveraging insights from previous implementation projects that required further integration into the City's current technology ecosystem. These insights can support the City in determining optimal integration approaches, identify technical and process challenges, and refine integration plans before scaling software investments City-wide.

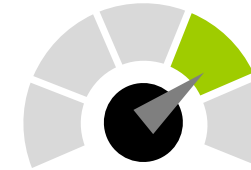
The principles within the integration strategy may be developed concurrently Opportunity #3: Develop Data Management Strategy to align the two strategies in establishing enterprise-wide standards for data integration.

Rationale

Obs. #	Current State Assessment Observation
4.4	Lack of integration among financial systems

Figure 15: Opportunity #5 – Anticipated Benefit and Ease of Implementation Assessment

Anticipated Benefits



Medium High Benefit

Enables streamlined flow of financial information through connection of financial systems. Improves accuracy and timeliness of financial data for strategic decision-making.

Ease of Implementation








Medium Low Ease

Requires resourcing from information technology and finance teams to support development of strategy. May result in further needed changes to current financial systems.

5. Develop Integration Strategy

Create a detailed integration strategy grounded in an enterprise-wide structure to unify the City's financial and operation systems to enable a seamless and timely flow of financial information between systems.

Figure 16: Opportunity #5 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Conduct meetings with engage parties from Financial Services, IT teams, and departments to identify system integration needs.				
2. Evaluation of current financial systems (see Table 7, page 47) to ensure systems are able to support identified integration needs. Integration opportunities could be mapped to outline data flows and interfaces with financial systems.				
3. Phase the implementation of integration strategy prioritizing departments in need of greater data cohesion.				
4. Implement awareness training for staff to support familiarization of new integration processes and tools. Training to cover changes to data handling and reporting as well.				
5. Establish ongoing mechanisms to monitor financial reporting practices to ensure compliance. Implement improvements as necessary.				



6. Increase Utilization of Systems

Increase utilization of existing financial systems to improve efficiency, reduce manual workarounds, and enhance the accuracy and consistency of financial data.

Description

Currently, the City faces challenges related to the underutilization of its financial systems, particularly with platforms like JDE. Engaged parties have indicated that the City strongly relies on workarounds for various financial tasks. While this may not inherently harm operational efficiency, it has the potential to impede overall financial efficiency and effectiveness, especially since the City has invested in improving financial systems to reduce manual tasks.

Underutilization has led to duplication of efforts, inconsistent data sources, and diminished operational efficiency. By configuring and identifying opportunities for automated workflows and system-generated reports, the City can improve process standardization. Moreover, leadership and staff can gain access to more reliable financial insights.

However, existing online training modules for financial systems have been noted as confusing and not user-friendly, leading to a lack of clarity and support for staff. Training programs may need to be evaluated to consider the need for expanded and revised content to be more user-friendly. Revised programs and training could offer clear, structured, and engaging content, which aid in translating learning into practical application, fostering a more competent and agile workforce.

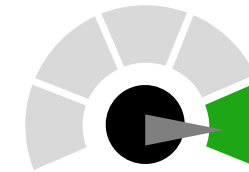
Additionally, there is opportunity to have training programs not only focus on the systems themselves but also highlight the benefits of integrated systems over traditional spreadsheet usage. This may promote a cultural shift towards the adoption of the systems in place by illustrating their advantages, staff may be more inclined to use the current financial systems and future ones as they are implemented.

Rationale

Obs. #	Current State Assessment Observation
4.2	Underutilization of available system capabilities

Figure 17: Opportunity #6 – Anticipated Benefit and Ease of Implementation Assessment

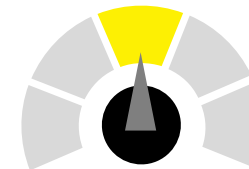
Anticipated Benefits



High Benefit

Improved system utilization among staff. Reduces the existence of siloed financial information and models across teams.

Ease of Implementation



Medium Ease

Requires resourcing to develop and deliver training for staff. Additionally, time to realize benefits occurs more gradually over time as more staff are trained to utilize systems.



6. Increase Utilization of Systems

Increase utilization of existing financial systems to improve efficiency, reduce manual workarounds, and enhance the accuracy and consistency of financial data.

Figure 18: Opportunity #6 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Assess existing financial systems (see Table 7, page 47) to ensure they are configured to be aligned and utilized with desired operational workflows.				
2. Revise training material on systems and functions for relevant roles such as financial analysts, controllers, accountants, and etc.				
3. Implement training materials into onboarding and for ongoing review sessions throughout the fiscal year. Ensure training materials are kept in a central repository for ongoing support.				
4. Establish mechanisms to track utilization of systems and participation in training for continuous improvement. Promote the sharing of effective financial system utilization to encourage city-wide adoption.				



7. Confirm Future State Capabilities

Confirm desired future state capabilities of financial systems to ensure alignment with long-term functional and reporting requirements.

Description

The City is currently implementing Oracle EPM across its operations and has also invested in rolling out Oracle HCM and Workforce EmpCenter to modernize its HR systems by replacing outdated legacy systems. This approach indicates a strong commitment to enhancing financial systems for better integration and functionality. To ensure proper investments, the City could formally define their desired future state capabilities of financial systems.

The future state capabilities may support the City in articulating operational standards and integration requirements for the financial systems, ensuring systems can be effectively integrated within the City's current infrastructure. By clearly outlining capabilities, the City could make informed decisions about selecting financial systems that complement and coexist with their other technology investments, leading to a more cohesive and efficient operational environment.

Establishing these future capabilities may enable the City in leveraging modern financial technology, improving data integration, user experience, compliance, and overall financial operations. Focus on a clear vision for future capabilities, can guide the City in future investments to ensure new systems align with its operational needs and strategic goals.

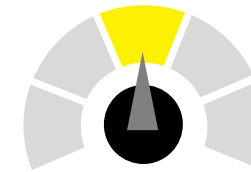
Prioritizing these future state capabilities could ensure the best use of resources in achieving the City's desired financial systems capabilities. However, it is recognized that additional IT resourcing may be necessary to achieve these capabilities given that the City is currently fully utilizing their IT team's capacity.

Rationale

Obs. #	Current State Assessment Observation
4.1	Outdated legacy core systems and new tools in early adoption
4.3	Lack of online payment processing capabilities

Figure 19: Opportunity #7 – Anticipated Benefit and Ease of Implementation Assessment

Anticipated Benefits



Medium Benefit

Increases alignment between systems and changing systems needs. Supports the City in identifying and investing in system adoption for long-term value.

Ease of Implementation



Medium High Ease

Structured assessment of desired future systems needs. Resourcing may be required to address current system gaps to realize benefits.



7. Confirm Future State Capabilities

Confirm desired future state capabilities of financial systems to ensure alignment with long-term functional and reporting requirements.

Figure 20: Opportunity #7 – Key Implementation Steps and Timeline

Key Implementation Activities	< 6 months	6 – 12 months	1-2 years	> 2 years
1. Due to current bottle neck with IT resource constraints, the City can consider resourcing needs for this opportunity. The City could consider establishing a dedicate business systems consultant to support IT for Finance for optimization.				
2. Engage IT and finance teams to conduct a needs assessment. The needs assessment can assess current financial systems (see Table 7, page 47) and identify gaps in data flow, storage, and integration across systems.				
3. Articulate the desired future state capabilities for financial systems focusing on operating standards, reporting automation, and integration requirements. Future state capabilities to incorporate a risk mitigation structure to assess the reduced risks in systems investment.				
4. Prepare a knowledge bank of financial systems to potentially invest in the future. Identified financial systems to be aligned and evaluated against future state capabilities before being considered for investment. Develop strategies for investments that outline high-level pilot implementation of system..				
5. Establish regular system reviews that encompasses both immediate fixes and updates for current systems, and strategic assessment of financial systems to ensure they continue to align with City's desired future state capabilities.				

Financial Model, Benchmarking and Scorecard

Financial Model and Scorecard

Long-term Financial Model Overview

This section presents the Long-term Financial Model, built in Microsoft Excel and provided separately from this report. The model includes a 20-year projection of the City financial performance including revenues, expenses, asset levels, cash and reserve balance, and debt capacity and servicing requirements. The projection is based on the City’s capital plan for 2025 to 2034 as presented to Council in Budget 2025.

The projection is intended to provide sensitivity analysis (i.e., stress testing) around defined scenarios to support Council and Administration with strategic and long-term decision making. The descriptions of the scenarios and forecasted financial outcomes are included in this section.

As the City’s approach to financial management evolves and adapts over time, the model can continue to support future financial planning and decision making. The model can help the City to:

- Identify upcoming financial requirements for future budget cycles;
- Prioritize capital investments based on long-term forecasts, ensuring that funding is available to support priority initiatives;
- Incorporate financial considerations into the City’s overall planning process;
- Identify potential financial risks and mitigations in a timely manner;
- Assess the long-term financial impact of current or future strategic directions; and
- Guide the management of current and future debt, aligning with financial capacity.



Sub-sections

- 01 Financial Model Overview
- 02 Key Observations
- 03 Financial Model Disclaimer
- 04 Data Source
- 05 Key Assumptions and Scenarios
- 06 Financial Projection Illustrative Cases
- 07 Financial Benchmarking and Scorecard

Further details on the model’s calculations, forecasts, and financial scorecard (financial indicators) are included in **Appendix F: Financial Model Details**.

Key Observations

Various scenarios were analyzed within the long-term financial model, exploring a range of potential possibilities that the City may encounter in the future. Scenarios included a low, medium and high cases representing a range possibilities. **A key observation is that while the City is projected to generate annual operating surpluses into Year 10 under the medium and high cases scenarios, its cash generated from operations appears to be insufficient to fund the entire 10-year capital plan (proposed as of November 2024).** For example, under the medium case, which assumes the City continues performing at historical levels, the City is projected to generate operating surpluses, ranging from approximately \$6 million in 2025 to \$33 million in 2034. However, cash generated from operations appears to be insufficient to fund planned capital expenditures and would be depleted by 2031.

Given the City's reserve balance (i.e., cash and investments) is forecast to be under strain over the projected ten years and therefore, planning may be required to help maintain an adequate reserve balance should the City wish to maintain its capital budget forecast. This may include the some of the following:

- Utilize a higher level of debt borrowing;
- Increase property tax rates to enhance operating revenue;
- Reduce operating expenses; and
- Reduce or reconsider the timing of capital expenditures.

While there are additional options the City could explore to improve its financial performance, these are common levers that are more directly within the City's control. This observation is also aligned with the findings from the financial scorecard, which found that the City's reserves per dwelling are below the benchmark average and show a declining trend.

Illustratively, under the medium case, if the City wishes to maintain a target reserve balance equal to 10% of tangible capital assets by 2034, the City would need to raise an additional \$480 million in cash (for a total cash balance of \$310 million) beyond its current projections. If the City decided to raise cash through residential property taxes, it would need to raise tax rates by 6.5% annually, on average, from 2025 to 2034.

Alternatively, if the City decided to use more debt financing (in lieu of using reserve to fund its capital expenditures), the City could borrow up to \$238 million more before it exceed the debt limit prescribed by the *Municipal Government Act*. While this would potentially increase the projected reserve balance in 2034 to approximately \$57 million, additional revenues would be required to fully fund the capital program. This is also aligned with the financial scorecard, which found that while there may be additional room for further utilization of debt (47% of the City's debt limit and 65% of the its debt servicing limit are unused), the City is currently leveraging a greater amount of borrowing compared to comparator municipalities.

Financial Model

Financial Model Disclaimer

This long-term financial model has been prepared on a confidential basis for the internal use of the City. No representation or warranty is provided that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than the City. This model may not be relied upon by any person or entity other than the City, and any and all responsibility or liability to any such person or entity in connection with their use of this financial model is hereby disclaimed.

The analysis contained in the model was primarily based on data and information provided by the City and other publicly available sources. KPMG express no opinion or any form of assurance on potential impacts and costs that the City may realize, should it decide to implement the options and considerations contained within this model. The City is responsible for its decisions and their impact.

The procedures performed do not constitute an audit, examination, or review, in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this model. We express no opinion or any form of assurance on the information presented in this model and make no representations concerning its accuracy or completeness.

The City must refresh and validate input data used to ensure that the information is appropriate to estimate operating and capital expenses. Any change in these factors will result in a change in the projection outputs. The results included in the model are provided for illustrative purposes only.

The model's outputs is based on a set of circumstances and assumptions as outlined in the Assumptions tab within the model. The model's outputs will differ from actual results and such differences may be material.

Data Sources

Data Sources

The model projection is derived from historical trends and data provided by the City as outlined in the following source documents:

- City of Red Deer 2021-2024 Financial Reports
- City of Red Deer Council Report for April 22, 2025
- City of Red Deer 2025 Budget in View, November 18-24, 2024
- Utilities Budget Book 2025 Final 15% MCAF (as part of Council Report November 12, 2024)
- CoRD Revenues & Expenses by Function – 5 year.xlsx

The model projection also incorporates publicly available information, including:

- Provincially regulated debt limit – Municipal Government Act
- Forecasted inflation rate - Bank of Canada
- Prime interest rate Bank of Canada

Key Assumptions and Scenarios

General Assumptions

The model approach to financial projections are based on key assumptions in Table 8.

Table 8: Financial Model General Assumptions

#	Assumption
1	Analysis performed is dependent on the information and data provided by the City. The projections are relative and approximate in nature.
2	Funding sources are not considered for projection of operating expenses (i.e., all operating expenses are included irrespective of funding source, such as taxes, user fees, fines).
3	Chargeback / internal transfers between the City's departments are out of scope, and thus are not reflected within the model.
4	Funding sources (e.g., debt, reserve, developer / customer contributions, or grants) for future capital expenditures are taken as inputs from the City's 10-year Capital Plan as outlined in the City 2025 Budget. For the purpose of the analysis, capital expenditures funded through operating funds are treated similarly to those funded through reserve.
5	The full financial projections are conducted at the organizational level, while division-level projections will include only operating expenses.
6	The projections of reserves are based on total reserve balance, without detailed breakdown of each reserve and reserve fund. It is assumed that reserves are included / reported as part of investments.
7	It is assumed that investments will be sold to cover the deficit when cash balance is below the set minimum threshold.
8	It is assumed that when cash balance at end of year exceeds the set minimum threshold, it will be used to purchase investments.

Source: Prepared by KPMG based on information provided by the City.

Key Assumptions and Scenarios

Scenario Assumptions

The model includes four (4) defined scenarios (each with various scenario options) that can provide analysis of the City's financial positions over a 20-year planning period. Description of each scenario are outlined in Table 9.

Table 9: Financial Model Scenario Descriptions

Scenario	Scenario Options	Descriptions
Property Taxes Mill Rate Scenario	1. No Increase	Property taxes mill rates stagnant at current year levels.
	2. Historical Average Increase	Property taxes mill rates increase each year by the 5-year average growth rate.
	3. Customize User Input Increase	Property taxes mill rates increase each year by a customize % input.
Assessment Value Growth Scenario	1. Low Case	Assessment values grow at 50% of 5-year historical growth rate.
	2. Medium Case	Assessment values grow at 100% of 5-year historical growth rate.
	3. High Case	Assessment values grow at 150% of 5-year historical growth rate.
Expense Growth Scenario	1. Low Case	Expenses increase equal to projected inflation rate -1%.
	2. Medium Case	Expenses increase equal to projected inflation rate.
	3. High Case	Expenses increase equal to projected inflation rate +1%.
Electric Utility Governance Options	1. Status Quo	Electric utility remains a City department
	2. Considerations of establishing MCC	Electric utility becomes a Municipally Controlled Corporation. The City maintains 100% ownership of the MCC
	3. Considerations of divestment of electrical utility	Electric utility ownership is divested to the private sector. The City receives a proceed from the sale of electric utility

Source: Prepared by KPMG based on information provided by the City.

Key Assumptions and Scenarios

Financial impacts of the electric utility governance options are incorporated to the model based on the key assumptions in Table 10.

Table 10: Financial Model Scenario Assumptions

#	Assumption
1	Analysis on the forecasted financials (e.g., net income, dividend income, MCAF revenue) of the potential EU MCC was performed by Ernst & Young and provided to KPMG by the City through the Council Report for April 22, 2025.
2	Electric utility enterprise value (for considerations for divestment of electric utility) is assumed at the medium estimate as provided by the City. It is assumed that the City will receive 100% cash for the sale of electric utility, all of which will be contributed to reserve.
3	MCC balance sheet impacts: existing electric utility's assets and debt will be removed from City's balance sheet. The MCC will qualify as a government business enterprise as defined in the CPA Canada Public Sector Accounting Handbook. Government business enterprises should be accounted for using the modified equity method, which involves adjusting the investments in the government's consolidated statement of financial position to aggregate the MCC's net assets.
4	MCC income statement impacts: under the MCC structure, the City will no longer be able to record electricity rate revenues as income. Instead, The City will be presenting the MCC's net income and Municipal Consent & Access Fees (MCAF) as a separate item on the government's consolidated statement of operations. The City will record new shared services revenues (current internal transfers) as it continues to provide various administrative functions for the MCC, such as HR, marketing & communication, and finance functions like payroll and AP/AR.
5	MCC cash flow impacts: dividend income payment from the electric utility to the City is currently set at the greater of \$3.7M or 40% of net income. It is assumed that dividend paid by the MCC will equal 100% of net income (Council Report April 22, 2025, pg. 26). Dividend income will remain in the statement of cash flows under the cash flow from investing activities. MCAF revenue will also be recorded in the statement of cash flows under the cash flow from investing activities.
6	MCC's net income and MCAF revenue will be added to the City's total revenue for the calculation of debt limit, in the event of an MCC establishment.
7	Utility 10-year capital expenditure forecast as outlined in the 2025 Utilities Budget does not specific the funding sources of capital requests. As such, it is assumed that utility capital expenditure will be funded 60% by debt and 40% by capital reserve.

Source: Prepared by KPMG based on information provided by the City.

Financial Projection Illustrative Cases

For the purpose of this report, four illustrative cases were analyzed within the model. These cases explore a range of potential financial outcomes that the City may expect under varying economic conditions. Table 11 below outlines the scenario options.

These illustrative projections are designed to support the City's Council and Administration in making strategic decisions and should not be interpreted as precise forecasts or definitive predictions of future financial performance.

Table 11: Scenario Selections for Financial Projection Illustrative Cases

Scenario	1. Low Case	2. Medium Case	3. High Case
Property Taxes Mill Rate Scenario	1. No Increase	2. Historical Average Increase	3. Customize User Input Increase (<i>historical average increase + 1%</i>)
Assessment Value Growth Scenario	1. Low Case	2. Medium Case	3. High Case
Expense Growth Scenario	3. High Case	2. Medium Case	1. Low Case
Electric Utility Governance Options	1. Status Quo	1. Status Quo	1. Status Quo

Source: Prepared by KPMG based on information provided by the City.

Key projected financial outcomes across the three illustrative cases are presented in the subsequent pages in this section. Further details on the model's calculations and forecasts can be found in **Appendix F: Financial Model Details**.

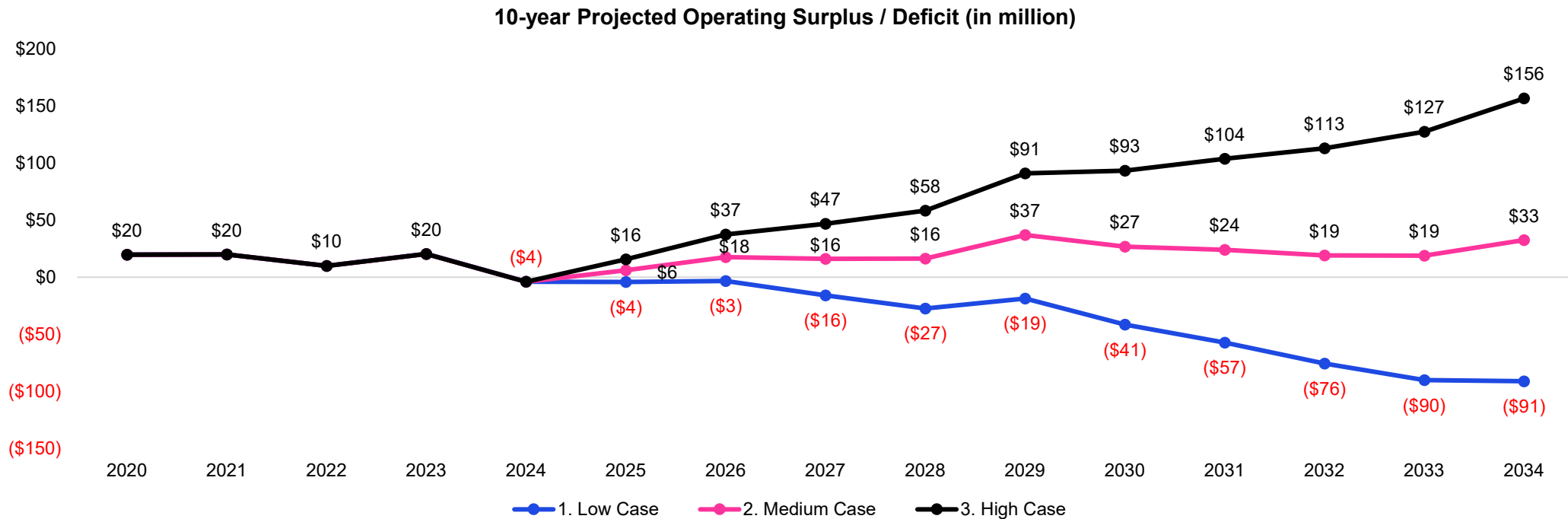
Projected Operating Surplus



Observations

- In the Low Case scenario, the City may encounter annual deficits if property tax rates remain unchanged while expenses rise in a high inflation economic environment.
- In the Medium Case scenario, the City is projected to continue generating moderate annual operating surpluses, consistent with historical results.
- In the High Case scenario, the City shows a consistent upward trend in annual operating surpluses, driven by revenue growth outpacing increases in expenses.

Figure 21: Financial Projection Illustrative Cases: 10-year Projected Operating Surplus (Deficit)



Source: Prepared by KPMG based on information provided by the City.



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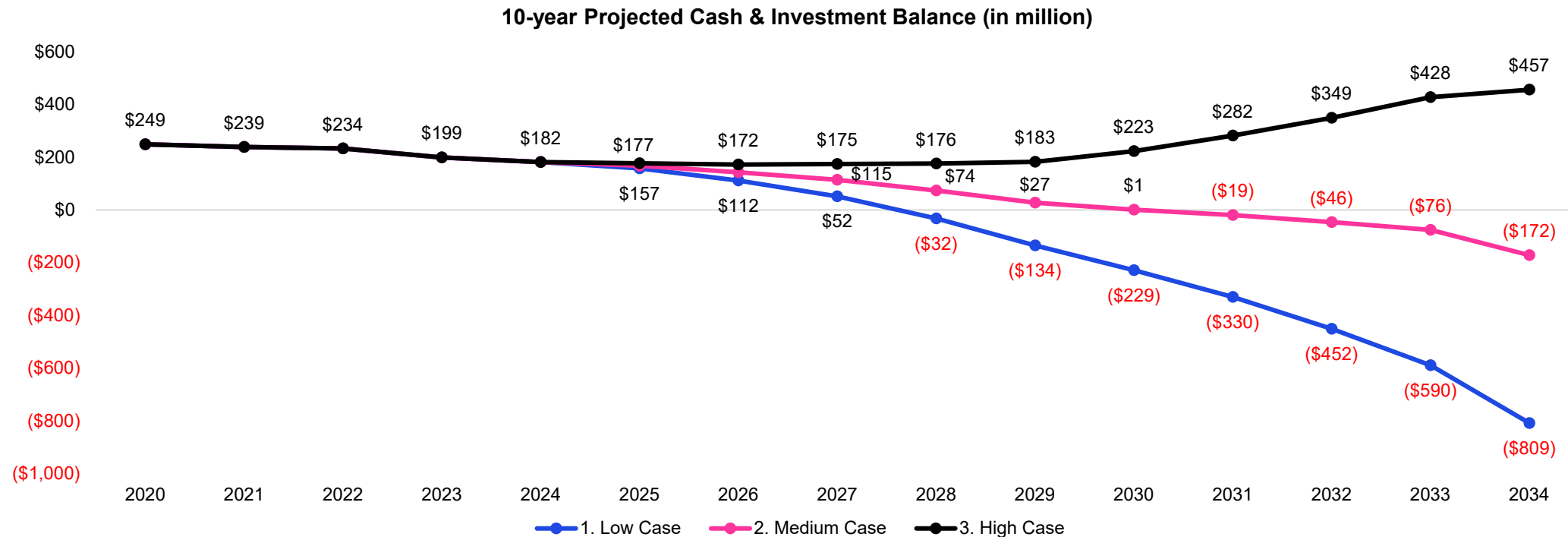
Projected Cash & Investment Balance



Observations

- The City's projected cash and investments balance over the next 10 years appears healthiest under the High Case scenario, as the City continues to generate operating surpluses to strengthen its reserves.
- In the Medium Case scenario, the City's historical performance is expected to continue, with cash and investment balances remaining under strain to fund capital expenditures. These balances are projected to be depleted by 2031.
- In the Low Case scenario, the City's cash and investment balances are forecasted to be fully exhausted by 2028.

Figure 22: Financial Projection Illustrative Cases: 10-year Projected Cash & Investment Balance



Source: Prepared by KPMG based on information provided by the City.



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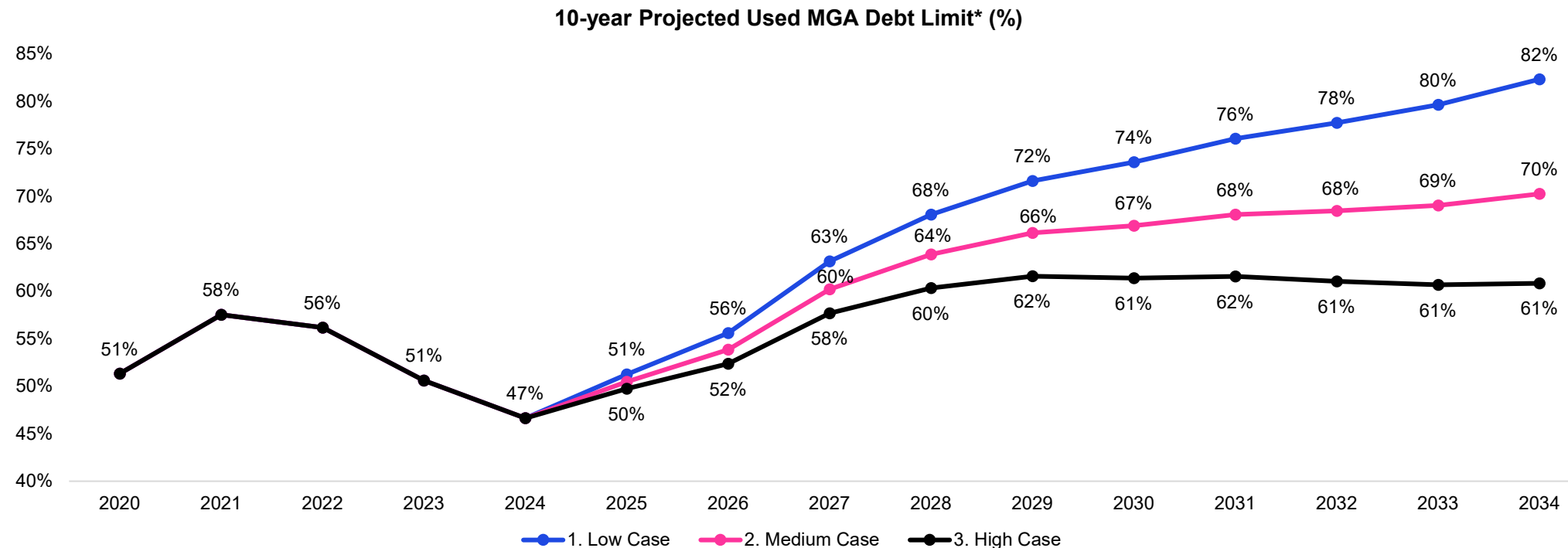
Projected Used Debt Limit



Observations

- In all three illustrative cases, the City appears to remain below the debt limit as prescribed by the *Municipal Government Act*. However, this projection is based on the assumption that future funding sources for capital expenditures remain unchanged from what was presented to Council in Budget 2025.
- In practice, the City may have to utilize more debt if there is insufficient liquidity in its reserves (in the Low Case and Medium Case), which could potentially push the City over the prescribed debt limit.


Figure 23: Financial Projection Illustrative Cases: 10-year Projected Used Debt Limit



Source: Prepared by KPMG based on information provided by the City.

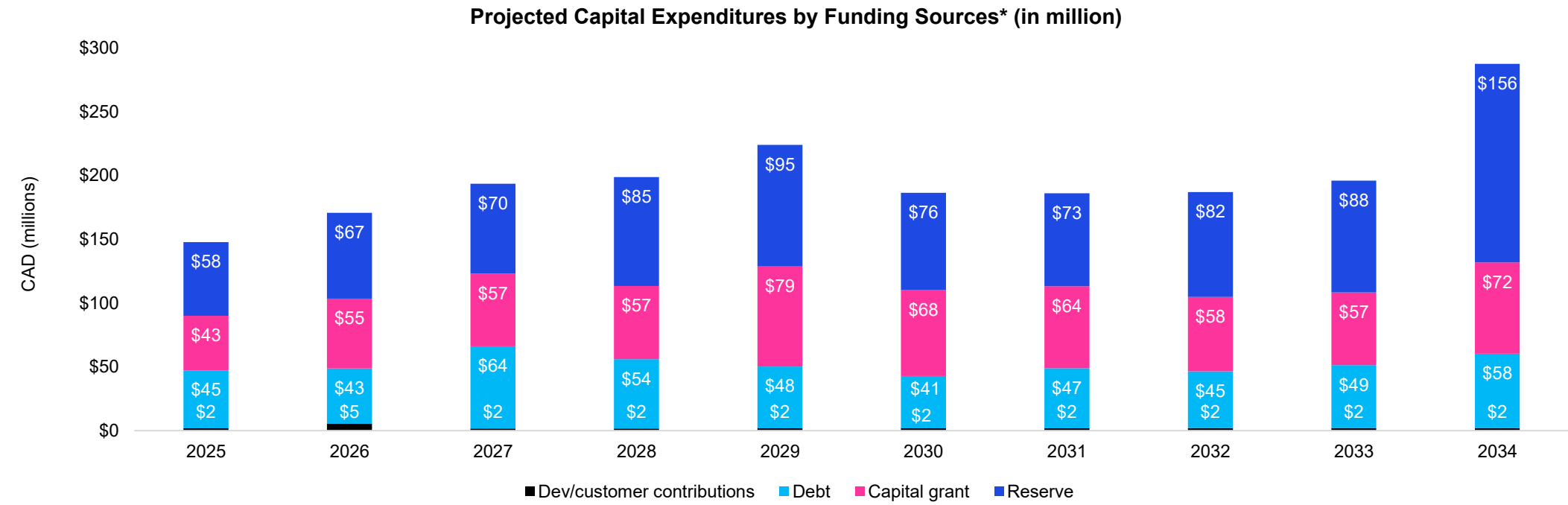
*Council Policy Debt GP-F-2.2 restricts the allowable debt limit to 75% of the maximum level stipulated in the MGA.

Projected Capital Expenditures

**Observations**

- Funding sources for future capital expenditures are taken as inputs from the City’s 10-year Capital Plan as outlined in the City 2025 Budget. For illustrative purpose, capital expenditures funded by capital reserve and operating funds are group as reserve.
- On average, 42% of the City’s projected capital expenditures are forecasted to be funded by reserve, while 25% are projected to be funded by debt.

Figure 24: Financial Projection Illustrative Cases: 10-year Projected Capital Expenditures by Funding Sources



Source: Prepared by KPMG based on information provided by the City (the 10-year capital plan proposed in 2025 budget).

*Utility capital expenditures are assumed to be funded 60% by debt and 40% by reserve; does not include offsite levy funded capital expenditures on the 10-year capital plan on the 2025 budget.

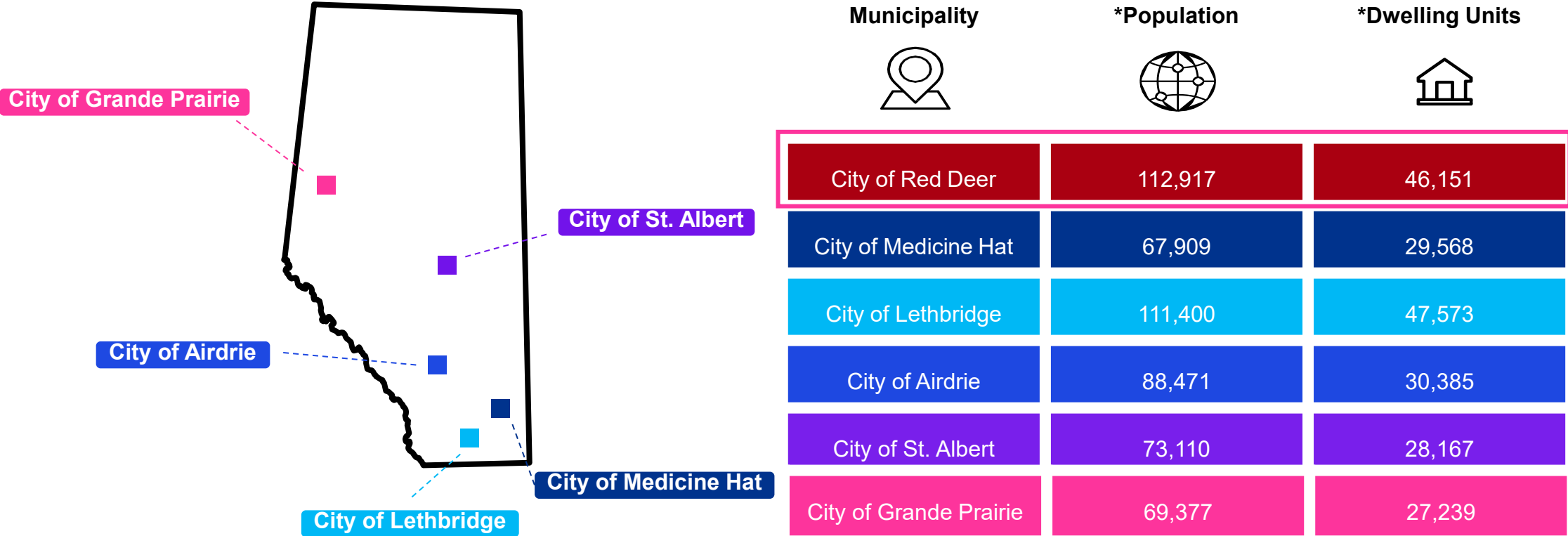
Note: Contributions from developers and customers to support development expenditures, on average, account for approximately 1% of the City’s total projected capital expenditures

Financial Benchmarking and Scorecard

Financial Benchmarking

A comparative analysis was conducted to understand the City of Red Deer’s financial performance relative to that of its peers. This included performing desktop research to bring together publicly available information from five municipalities in Alberta, as shown in Figure 25. While local context (e.g., service level differences, etc.) can influence metrics, these municipalities were selected as comparators to the City based on characteristics such as population, geography, economy and service delivery environments, and KPMG’s knowledge of the comparator municipality.

Figure 25: Financial Benchmarking Comparators



Source: Prepared by KPMG based on information gathered from Alberta Regional Dashboard & Site Selector.






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Financial Principles

Financial principles are foundational to help assess the City's financial performance. The Public Sector Accounting Board (PSAB) outlined a Statement of Recommended Practice (May 2009) that provided guidance on how public sector bodies should report on indicators of financial performance and condition. This guidance recommended that three factors, at a minimum, need to be considered as detailed below. While the indicators are grouped in three primary headings, the importance / relevance of the financial principles may vary depending on needs / interest of selected participants (e.g., Council, residents, etc.). As a result, it is suggested for each indicator to be viewed individually for relative comparisons.

Table 12: PSAB Financial Principles




Financial Principle	Definition
Sustainability 	The degree to which the City can deliver services and meet its financial commitments without increasing its debt or tax burden relative to the economy in which it operates.
Flexibility 	The City's ability to increase its available sources of funding (e.g., debt, taxes, user fees, etc.) to meet costs and other financial liabilities.
Vulnerability 	The extent to which the City is dependent on sources of revenues, predominantly grants from other levels of government, over which it has little/no discretion or control.

Source: Prepared by KPMG based on publicly available information from the Public Sector Accounting Board.

Financial Scorecard Summary

Table 3 outlines the key observations that were ascertained from the comparative analysis across the three financial principles. The following pages contain tables that include more detailed observations and differences that were observed between the City of Red Deer and counterparts based on a 5-year average.

Table 3: Key Financial Scorecard (Indicators)

Financial Principle	Key Observations
Sustainability 	<ul style="list-style-type: none"> The City's revenue per dwelling is 14% lower than the benchmark average, while expenses per dwelling are equal to the average. This indicates that the City is generating less surpluses for future uses than comparator municipalities. The City's financial assets to liabilities ratio, and reserves per dwelling are below the benchmark average and show a declining trend, indicative of limited financial resources available to meet future cost increases or revenue losses during economic slowdowns.
Flexibility 	<ul style="list-style-type: none"> While the City is currently leveraging a greater amount of borrowing compared to comparator municipalities, there may be additional room for further utilization of debt, given unused debt limits (47% of MGA debt limit and 65% of debt servicing limit are unused). The City's taxation levels and affordability generally align with those of comparator municipalities, suggesting that the City is maintaining a competitive tax rates.
Vulnerability 	<ul style="list-style-type: none"> Comparing to comparator municipalities, the City has experienced greater volatility in government grants from other levels of governments (government grants was noted in the City's Budget 2025 to ranged from lows of \$10 million to highs of \$39 million over the past 10 years).

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

Financial Indicators: Sustainability (1/2)



Observations

- The City's revenue per dwelling is 14% lower than the benchmark average, while expenses per dwelling are equal to the average, indicating challenges in generating surpluses for future uses.
- The City's financial assets to total liabilities ratio, and reserves per dwelling are lower than the benchmark average and is declining, indicative of limited financial resources available to meet cost increases or revenue losses.

Table 13: Financial Indicators – Sustainability

#	Financial Area	Indicator and Description	CoRD 5-year Avg*	Benchmark 5-year Avg
1	Total Revenue Performance	Total revenue per dwelling – revenue generated by the City, measured against the number of dwelling unit	\$9,300	\$10,800
2	Total Expenses Management	Total expenses per dwelling – expenses incurred by the City, measured against the number of dwelling unit	\$8,900	\$8,900
3	Total Expenses Management	Total expenses as percentage of taxable assessment - provides an assessment of the City's solvency by determining the extent to which increases in operating expenses correspond with increases in taxable assessment. If increases correspond, the City can fund any increases in operating costs without raising taxation rates.	2.5%	2.8%
4	Financial Solvency	Financial assets to total liabilities - low levels of financial assets to financial liabilities are indicative of limited financial resources available to meet cost increases or revenue losses	68%	129%
5	Reserve Position	Total reserve and reserve funds per dwelling - low levels of reserve are indicative of limited capacity to deal with cost increases or revenue losses, requiring the City to revert to taxation or user fee increases or the issuance of debt	\$4,700	\$5,500

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

*Benchmarking analysis was conducting for a 5-year period from 2019 to 2023 based on publicly available data as reported in municipalities' financial statements. 2024 financial statements were not yet made public by comparator municipalities at the time of analysis.

Financial Indicators: Sustainability (2/2)



Observations

- The City's capital expenditures per dwelling is 14% lower than the benchmark average, which may be indicative of higher capital expenditure requirements in previous or future years.
- While asset management ratios show that the City's capital reinvestment for preservation is keeping pace with the aging of its assets, the City is behind the benchmark average, indicating potentially lower capital investment for growth.

Table 13: Financial Indicators – Sustainability

#	Financial Area	Indicator and Description	CoRD 5-year Avg	Benchmark 5-year Avg
6	Asset Management	Capital expenditures per dwelling – capital spent by the City, measured against the number of dwelling unit	\$2,500	\$2,900
7	Asset Management	Net book value of tangible capital assets as % of historical cost of tangible capital assets - shows the extent to which the City is reinvesting in its capital assets as they reach the end of their useful lives and/or investing in new assets. An indicator of less than 50% may indicate that the City's investment in tangible capital assets may not be keeping pace with asset requirements	63%	65%
8	Asset Management	Acquisition of tangible capital assets as % of amortization of tangible capital assets - shows the extent to which the City is investing in its capital assets compare to the pace of asset amortization (used). An indicator of less than 100% may indicate that the City's investment in tangible capital assets may not be keeping pace with asset renewal requirements.	137%	194%

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

Financial Indicators: Flexibility (1/2)



Observations


- A conservative approach to debt usage is observed across the comparator municipalities, as reflected in the benchmark average used % of debt limit (35%), debt servicing limit (24%), and cash from operating transactions coverage of debt servicing expenses (5.2x).
- While the City is currently leveraging a greater amount of borrowing compared to comparator municipalities, there may be additional room for further utilization of debt, given regulated debt limits and the City's ability to generate operating cash flows to cover debt servicing expenses. As noted later, debt optimization is a potential opportunity for improvement.

Table 14: Financial Indicators – Flexibility

#	Financial Area	Indicator and Description	CoRD 5-year Avg	Benchmark 5-year Avg
9	Debt Management	Total debt per dwelling – provides an assessment of the City's ability to issue more debt by considering the existing debt loan on a per dwelling basis	\$6,700	\$5,900
10	Debt Management	Used % of total MGA debt limit	53%	35%
11	Debt Management	Used % of total MGA debt service limit	35%	24%
12	Debt Management	Debt servicing expense as % of total revenue - the City's ability to issue additional debt may be limited if debt servicing costs on existing debt are excessively high comparing to total revenue generated	7.8%	5.4%
13	Debt Management	Cash from operating transactions coverage of debt servicing expenses - evaluates a City's ability to cover its debt servicing obligations with cash generated from its core operations	3.0x	5.2x

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

Financial Indicators: Flexibility (2/2)


Observations

- The City's taxation levels and affordability generally align with those of comparator municipalities, suggesting that the City is maintaining a competitive tax rates, balancing revenue generating and affordability for residents.
- While it has been noted that the City has had lower tax rates growth over previous years (aligned with benchmarks) property taxes rates have increased in 2024 of 6.15% and in 2025 of 10.5%.

Table 14: Financial Indicators – Flexibility

#	Financial Area	Indicator and Description	CoRD 5-year Avg	Benchmark 5-year Avg
14	Taxation Growth	Net municipal taxes per dwelling - the amount of net municipal taxes generated, on average, from each dwelling unit	\$3,200	\$3,400
15	Taxation Growth	Net municipal taxes as percentage of taxable assessment - relatively high tax rate percentages may limit the City's ability to general incremental revenues in the future	0.9%	1.0%
16	Taxation Growth	Net municipal taxes per dwelling as % of median families income - provides an indication of potential affordability concerns by calculating the percentage of total household income used to pay municipal property taxes	3.2%	3.1%

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

Financial Indicators: Vulnerability



Observations

- The City's reliance on other government grants for the purposes of funding operating and capital expenses is greater than comparator municipalities.
- This indicates that the City is more vulnerable to grant changes from other levels of governments, due to a lack of influence or control. The volatility of government grants was noted in the City's Budget 2025 to ranged from lows of \$10 million to highs of \$39 million over the past 10 years.

Table 15: Financial Indicators – Vulnerability

#	Financial Area	Indicator and Description	CoRD 5-year Avg	Benchmark 5-year Avg
17	Operational Financial Independence	Government transfers as percentage of total revenue - provides an indication as to the City's degree of reliance on other government grants for the purposes of funding operating expenses. The level of operating grants as a percentage of total revenues is directly proportionate with the severity of the impact of a decrease in operating grants	16%	12%
18	Operational Financial Independence	Capital government transfers as % of capital expenditures - provides an indication as to the City's degree of reliance on other government grants for the purposes of funding capital expenditures. The level of capital grants as a percentage of total capital expenditures is directly proportionate with the severity of the impact of a decrease in capital grants	46%	31%

Source: Prepared by KPMG based on information provided by the City and publicly available information reported by the five comparator municipalities.

Implementation Plan and Conclusion

Implementation Plan

This section summarizes a suggested plan to implement the opportunities for improvement from **Section 4: Opportunities for Improvement**. Implementation planning takes into consideration the anticipated impact (i.e., benefit) to the City as well as the ease of implementation (i.e., recognizing the level of effort required to realize the intended benefits). As a reminder, Table 16 lists the opportunities for improvement.

Table 16: Final Opportunities for Improvement

1	Strengthen Financial Policies, Procedures and Compliance	5	Develop Integration Strategy
2	Increase Financial Collaboration	6	Increase Utilization of Systems
3	Develop Data Management Strategy	7	Confirm Future State Capabilities
4	Standardize Financial Reporting Processes		

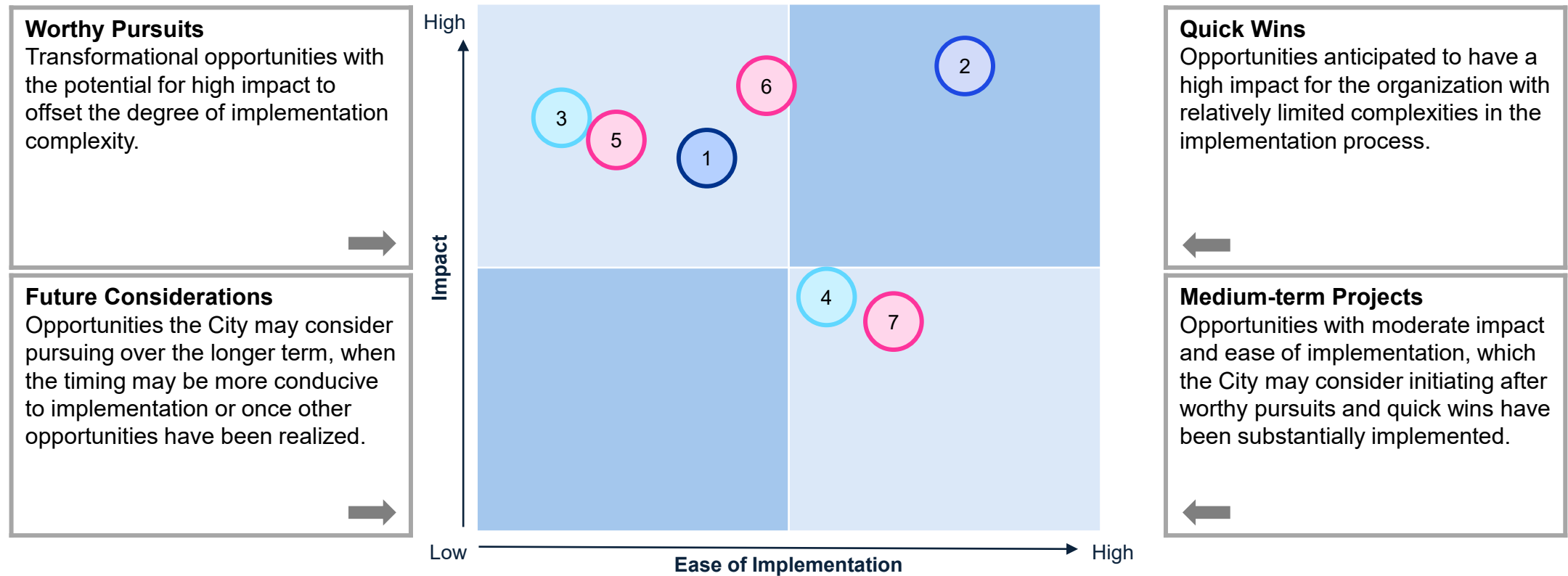
Source: Prepared by KPMG.

Legend			
	Policies		Organizational Structure
	Financial Reporting		Financial Systems

Implementation Prioritization Matrix

Figure 26 illustrates a preliminary ranking of the opportunities according to the anticipated benefits and the relative ease of implementation and categorizes them in one of four quadrants. This ranking be reviewed and validated by the Steering Committee, City leadership and other engaged parties.

Figure 26: Implementation Prioritization Matrix



Source: Prepared by KPMG.

Legend			
	Policies		Organizational Structure
	Financial Reporting		Financial Systems

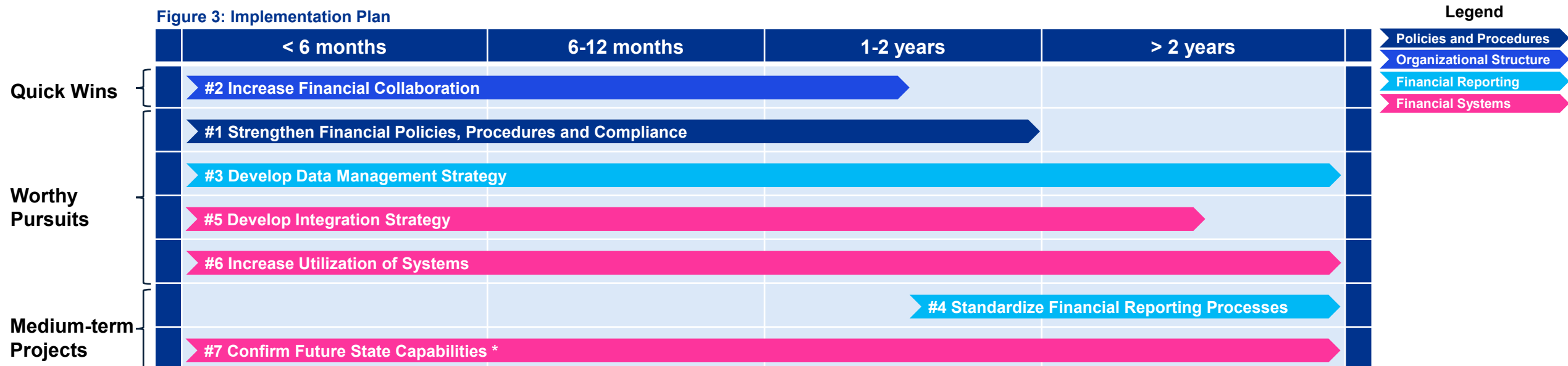
Implementation Roadmap

The implementation plan (Figure 3) outlines a preliminary timeline to complete each opportunity with potential sequencing based on preliminary prioritization. It is recognized that further analysis, planning and resourcing is needed to action and sequence initiatives associated with each potential opportunity.

The report details prioritization among the opportunities for improvement based on impact and ease of implementation. However, it is suggested that the City should focus first on three key opportunities for improvement:

- **Opportunity #2 – Increase Financial Collaboration:** Given the City’s hybrid organizational structure for financial services (i.e., financial roles and responsibilities are distributed across centralized and decentralized teams), supporting even greater collaboration can help to align processes, and promote consistency in financial service delivery.
- **Opportunity #3 – Develop Data Management Strategy:** Establishing a City-side data management strategy is foundational to support efficient financial reporting, enable evidence-based decision-making, and ensure there is a reliable source of truth for financial data.
- **Opportunity #6 – Increase Utilization of Systems:** Optimizing the use of existing systems enables the City to fully realize the benefits of past technology investments, improve operational efficiency, and reduce reliance on manual workarounds.

Figure 3: Implementation Plan



Source: Prepared by KPMG.

* Sequencing for this opportunity is realigned to be implemented concurrently with Opportunity #3: Develop Data Management Strategy.

Moving Forward

Over the past few years, the City has made some important decisions to improve its financial performance, including the implementation of new tools (i.e. Oracle EPM), and 2024 / 2025 tax rate increases (after several years of zero or limited increases).

This project however, confirms that maturing the City's financial function is essential to its long-term sustainability, financial resilience, and a key driver towards improved decision-making. The findings in this report highlight the need for greater alignment and integration across the City to support consistent, evidence-informed long-term financial decision making.

The opportunities for improvement and implementation steps provide a clear, deliberate strategy for the City's finance function, which is foundational to the City's ability to deliver services, invest in infrastructure, and meet evolving community needs.

The financial forecast developed with inputs provided by City, suggests that the City is on an unsustainable long-term trajectory, particularly with respect to the level of accuracy of its long-term capital requirements, and the funding available to meet its long-term needs.

To move forward, the City requires buy-in and accountability for the change, and adequate resourcing to address the actions outlined. Without these pre-conditions for success, the City will remain limited in its ability to effectively mature its financial function, support its long-term planning needs, and maintain its long-term financial sustainability.

Appendices

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Appendix A: Key Terms and Acronyms

Key Terms and Acronyms

This section highlights the key terms and acronyms used in this report:

- **Administration** – refers to the processes, structures and duties involved with the management and operation of the City.
- **Administrative Policy Operating Budget Revisions 5334-CA** – refers to the City’s policy on establishing authority levels and guidelines for operating budget revisions.
- **Alberta Capital Finance Authority** – refers to a provincial government agency that is established to provide financial services to support and enhance the growth and development of municipal governments.
- **Asset Management Coordinator** – refers to a role that is responsible for overseeing and managing an organization's assets.
- **Bridge** – refers to internal tool under Financial Services that contains budget planning guidelines.
- **Change fatigue** – refers to a phenomenon where individuals within an organization are experiencing physical, emotional, and psychological weariness as a result of frequent or continuous changes.
- **Corporate Policy 5313-CA Borrowing** – refers to the City’s policy on guiding the issuance and monitoring of new debt.
- **Council** – refers to the legislatively established body that make decisions related to local governance at the City.
- **Council Debt Policy GP-F-2.2** – refers to the City’s Council policy for regulating control of the City’s debt limit.
- **Council Financial Sustainability Policy PS-A-2.8** – refers to the City’s Council policy that outlines purpose statements for financial sustainability.
- **Enterprise Business Planning Budget Manual (EBP Manual)** – refers to the City’s manual outlining their general approach on planning operating and capital budgets.
- **Capital Budget Policy 5320-C** – refers to the City’s Council policy that sets out the requirements to ensure compliance with the Municipal Government Act as related to capital budget requirements.
- **Financial Services** – refers to finance staff located in the Financial Services department.
- **Finance staff** – refers to all relevant finance staff in Financial Services and other departments.

Key Terms and Acronyms

- **Departments** – refers to finance staff that are located in departments excluding Financial Services department.
- **Infor Public Service (WMS)** – refers to the City’s system for asset maintenance costing.
- **Integrated Risk Management Framework** – refers to the City’s framework that outlines principles for risk management.
- **Intelli** – refers to the City’s Recreation Management System that is integrated with the online payment system Moneris to process payments for programs and location bookings. Financial transactions are integrated into JDE.
- **JD Edwards EnterpriseOne (JDE)** – refers to the City’s Enterprise Resource Planning system and serves as the primary source of truth for all financial matters. It is used for all financial transactions, except those directly utilizing Intelli or Tempest.
- **Municipal Governance Act (MGA)** – refers to a piece of legislation that governs the structure and operation of municipal governments.
- **Off Site Levy Bylaw 3631/2019** – refers to a City bylaw that provides the imposition of an off-site levy on land to be subdivided or developed within the City.
- **Oracle (Enterprise Performance Management) EPM Cloud** – refers to the City’s new tool for budgeting and planning.
- **Oracle HCM** – refers to the City’s Human Resources Management application rolling to production late October 2025.
- **Public** – refers to the collective body of individuals residing within the City.
- **Source of truth** – refers to an authoritative and reliable source from which financial data or information can be obtained.
- **Tempest Municipal Suite** – refers to the City’s software designed for service/account management. Is included with a payment module called eCOM, which integrates with several online applications such as MyCity, MyPermits, MyDogs, MyLicence, and MyPayments. Financial transactions are integrated into JDE.
- **Workforce EmpCenter (cloud)** – refers to the new cloud version timesheet entry application.

Appendix B: Evaluation Framework

Evaluation Framework

To provide a structured basis for the current state review, KPMG developed an evaluation framework that incorporated to set a foundation for grounding the project's observations and opportunities.

The evaluation framework is organized by the following areas of focus. The following pages outline the sub-groups within each focus area alongside with an initial priority rating developed with feedback from the City.

Area of Focus	Description
A. Policies and Procedures	Assessment of City's policies in providing guidance and setting performance standards for financial governance and management. Assessment will include presence and last update policies, their compliance, and general alignment with common municipal practices.
B. Organizational Structure and Human Resources	Identification and assessment of City's human resources involved with financial governance and management, including their roles and responsibilities, and place in the City's organizational structure.
C. Financial Reporting	Assessment of the City's financial reporting policies, practices, and use of financial information for decision making, and communication.
D. Financial Systems	Assessment of the City's financial systems, their capabilities, and current use.

Out-of-Scope Items:

The following were out-of-scope for the current state review, as identified in the evaluation framework:

- Organizational culture and trust
- Procurement, contracts, and supplier / contractor management
- Data and cyber security
- Enterprise system and data architecture
- Staff competencies, skills and performance evaluation
- Compensation
- Unions and collective bargaining agreements
- Non-financial systems / tools
- Internal controls / fraud protection

A. Policies and Procedures

Area of Review	Description	Priority
1. Budget / Financial Planning Policies		
Operating budget (annual)	Outlines the guidelines for preparing, approving, and monitoring the City's annual operating budget.	High
Capital budgeting and approval (multi-year)	Provides a framework for planning and approving long-term capital expenditures over multiple years, including criteria for evaluating and prioritizing capital projects in alignment with the City's growth planning, desired service levels, and financial capabilities.	High
Budget revision	Establishes the authority levels and procedures for making changes to the approved budget during the fiscal year.	High
Long-term financial planning	Guides the City's approach to develop long-term financial strategies, ensuring the City can meet its future financial obligations, achieve its strategic goals, and maintain financial sustainability.	High
2. Asset and Debt Management Policies		
Asset management	Focuses on the effective management of municipal assets, ensuring that they are maintained, utilized, and disposed of in a manner that maximizes their value and service delivery, and minimizes risk to the City.	Medium
Debt management	Guides the issuance of new debt, review and management of existing debt, management of debt limits and associated covenants, and debt repayments.	Medium
Loans and guarantees	Establishes a framework for the approval and management of loans and guarantees provided by the City.	Low

A. Policies and Procedures

Area of Review	Description	Priority
3. Financial Reporting Policies <i>(related to C. Financial Reporting below)</i>		
Financial reporting	Guides how the City shall prepare and present its financial information for internal and external parties.	High
4. Revenue Management Policies		
Taxation	Provides a framework for setting property tax rates, exemptions, and collection processes.	High
Development charges	Provides a framework to establish and adjust charges to recover costs associated with development, such as off-site levies.	High
User fees	Outlines the guidelines for establishing and adjusting fees for municipal services, such as utility services, permits, licencing, recreation, etc.	Medium
Grant management	Guides procedures for applying for, receiving, and reporting on grants from federal government, provincial government, and other sources to support operations, programs, and capital projects.	Low

A. Policies and Procedures

Area of Review	Description	Priority
5. Reserve and Investment Policies		
Reserve and reserve fund	Outlines principles, objectives, and standards for establishing and managing specific/restricted and unrestricted reserve funds.	High
Short-term and long-term Investments	Establishes investment principles and requirements for investing municipal funds.	Medium
Cash management	Outlines the requirements and practices for managing cash flow and liquidity.	Medium
6. Financial Control and Risk Management Policies		
Internal controls	Outlines guidelines for establishing internal controls and checks to prevent fraud, errors, and mismanagement of funds.	Low
Risk management	Establishes principles and standards for identifying, evaluating, monitoring and mitigating financial risks.	High
Travel and expenses	Guides how the City approves and reimburses expenses for City employees while conducting authorized City business.	Low

A. Policies and Procedures

Area of Review	Description	Priority
7. Financial Performance Measurement Policies		
Internal audit	Outlines how the City shall conduct internal audit to evaluate the effectiveness of financial management practices and internal controls.	Low
Performance measurement	Provides directions on how the City measures and reports on the effectiveness of financial management practices, including describing KPIs to assess financial performance.	High
Continuous Improvement	Outlines how the City shall identify and implement opportunities for improvement of financial governance and management.	Low

B. Organizational Structure and Resources

Area of Review	Description	Priority
Assignment of roles and responsibilities	Identifies City's human resources involved in key responsibilities of financial governance and management and their locations in the existing organizational structure.	High
Clarity of roles and responsibilities	Examines available documentation and general understanding of roles and responsibilities of the City's financial governance and management.	High
Exercise of decision making	Evaluates the authority and processes for decision making in alignment with roles and responsibilities and delegation.	High
Organization size and span of control	Examines the general structure of the City's finance function, including number and staff, number of direct reports per management position.	Medium

C. Financial Reporting

Area of Review	Description	Priority
Sources and inputs	Identifies the various sources of data and information that contribute to the financial reporting process.	High
Process	Identifies the high-level process for developing financial reporting, with a focus on manual processes, and accessibility of information required.	High
Relevancy	Analyzes the significance and usefulness of financial information provided through financial reporting to various user groups.	High
Accuracy	Assesses the degree to which financial reporting accurately reflects the true financial position and performance of the City.	Medium

D. Financial Systems

Area of Review	Description	Priority
Identification of systems	Identifies financial systems and technologies available to fulfill the operational needs of the City's finance function.	Medium
System utilization	Examines the extent to which available system capabilities are being used effectively and efficiently support key processes.	Medium
System integration	Evaluates the level of integration among financial systems and with other City's systems to transfer and synchronize data into one "source of truth".	Medium

Appendix C: Design Principles

Design Principles

The following design principles were considered in developing the opportunities and were used to assess, rank and sequence opportunities as shown in **Section 6: Implementation Plan and Conclusion** to advance the City toward their desired future state.

	Anticipated Benefits	Priority	Definition (The opportunity may provide the following....)
Financial Governance	Sustainability	High	Strategic foresight and planning for the long-term needs and goals.
	Accountability	Medium	Clear responsibilities and expectations for financial decision-making and management.
	Risk management	Medium	Proactive financial risk identification, assessment and mitigation.
	Transparency	Medium	Clear and open communication of financial information to internal and external parties.
Financial Management	Accuracy	High	Accurate and reliable financial data (e.g., a known source of truth).
	Service delivery efficiency	High	Direct and indirect role of financial management to support the resource-efficient provision of municipal services.
	Flexibility	Medium	Ability for the financial management of the City to respond to changing circumstances.
	Innovation	Medium	Adoption of new technologies and practices to improve management and service delivery.
	Consistency	Low	Financial practices and policies are applied uniformly across all departments and initiatives.
Ease of Implementation		Definition (The opportunity may require the following....)	
	Level of change management required	High	Change management procedures required to due to disruptions to governance and operational alignment.
	Time to realize benefits	Medium	Time it takes for the City to complete the suggested changes and benefit from their positive outcomes.
	Staff resourcing required	Medium	Staff capacity and expertise required to implement suggested changes.
	Financial investment required	Medium	Financial investments required to implement suggested changes.

Appendix D: Current State Analysis Observations

Current State Assessment Summary

The following table summarizes the results of the current state analysis. Among the 10 areas reviewed, half had some identified issues, and half had significant issues. While this assessment was based at a point in time, consultations with the City suggest that some issues have been persistent for a longer period of time. As such, some initiatives are already underway by the City to address these issues and there is a growing momentum for change and improvement. Nonetheless, significant opportunities remain for the City's finance function to evolve, particularly in addressing inconsistent financial practices and policies, clarifying roles and responsibilities, enhancing the efficiency of financial communications, and integrating financial systems.

Focus Area		Areas Reviewed	Assessment
Policies and Procedures		Budget / Financial Planning Policies	●
		Asset and Debt Management Policies	●
		Revenues Management Policies	●
		Reserve and Investment Policies	●
		Financial Control, Risk Management, and Performance Measurement Policies	●
Organizational Structure and Resources		Roles and Responsibilities	●
		Organizational Structure	●
Financial Reporting		Financial Reporting	●
		Communications	●
Financial Systems		Financial System Identification, Utilization, and Integration	●

Assessment Legend

- Current state analysis indicates few or no issues
- Current state analysis identifies some issues that may require attention
- Current state analysis reveals significant issues that may require timely action

Current State Observations

The following tables outline the current state observations, which were used to inform the opportunities for improvement detailed in the body of this report.

Obs. #	Observation	Obs. #	Observation
Policies and Procedures			
1.1	Lack of alignment on operating budget preparation schedules	1.14	Lack of policy and process adherence to establish and update user fees
1.2	Multi-year capital planning and approval is limited	1.15	Gaps in policies and formalized process for grants administration
1.3	Siloed capital budget planning	1.16	Lack of linkage between grants and capital and operating budgets
1.4	Disconnection between capital and operating budgets	1.17	Gaps in policies guiding management of reserves
1.5	Frequent ad-hoc budget changes during fiscal year due to lack of documented roles, responsibilities, and procedures	1.18	Lack of long-term reserve planning
1.6	Absence of a focused long-term financial plan to accompany the City's long-term strategy	1.19	Council decisions over management of reserves
1.7	Asset management is fragmented	1.20	Risk adverse investment policies
1.8	Asset management lacks standardized processes and linkage to capital budget	1.21	Cash flow volatility and liquidity challenges
1.9	Absence of debt optimization strategy	1.22	Lack of policy compliance and enforcement
1.10	Lack of interdepartmental coordination on debt borrowing	1.23	Ad-hoc financial risk identification and mitigation
1.11	Tax rate modelling with a level of due diligence	1.24	Limited financial performance key metrics
1.12	Historical tendency to avoid tax rate increases	1.25	Organizational resistance to changes
1.13	Outdated offsite levies / development charges bylaws		

Current State Observations

Obs. #	Observation
Organizational Structure and Human Resources	
2.1	Decentralized model creates siloed financial management responsibilities
2.2	Decentralized model provide contextual and timely supports to departments
2.3	Unclear roles and responsibilities and unassigned processes ownership
2.4	Siloed financial decision making
2.5	Long chain of approval and inadequate authority creates operational bottlenecks
2.6	Allocation of human resources between Finance teams may not align with their scope and volume of work
Financial Reporting	
3.1	Lack of a single source of truth for financial information
3.2	Financial reporting process is manual and time-consuming
3.3	Financial information not fully tailored to various user needs
3.4	Information lags in financial reports
3.5	Internal sharing of financial information is lacking
3.6	Improved communications similar to the public communication for Budget 2025
Financial Systems	
4.1	Outdated legacy core systems and new tools in early adoption
4.2	Underutilization of available system capabilities
4.3	Lack of online payment processing capabilities
4.4	Lack of integration among financial systems

Appendix E: Engaged Parties Engagement Summary

Engaged Parties Engagement Summary

Throughout the project, KPMG engaged with City administration to gain an understanding of the current operating environment and obtain their perspectives regarding the desired areas of improvement. The table below highlights the engagement activities conducted over the course of the project.

Engagement	Engaged Parties Engaged	Number of Engaged Parties
Project Kick-off	Steering Committee	6
Initial Kick-off Consultations	Steering Committee	5
Financial Future State Design Workshop	Project Sponsor Council	11
Individual Consultations	Administration	10
Focus Groups	Administration	41
Maturity Assessment Survey	City's staff	96
Current State Workshop	Steering Committee	7
Financial Model Review Workshop	Steering Committee Invited finance staff	10
Future State Workshop	Steering Committee	7
Council Presentation	Project Sponsor Council	11

Appendix F: Financial Model Sample Output Details

Financial Model Disclaimer

This long-term financial model has been prepared on a confidential basis for the internal use of the City. No representation or warranty is provided that the information contained in this report is accurate, complete, sufficient or appropriate for use by any person or entity other than the City. This model may not be relied upon by any person or entity other than the City, and any and all responsibility or liability to any such person or entity in connection with their use of this financial model is hereby disclaimed.

The analysis contained in the model was primarily based on data and information provided by the City and other publicly available sources. KPMG express no opinion or any form of assurance on potential impacts and costs that the City may realize, should it decide to implement the options and considerations contained within this model. The City is responsible for its decisions and their impact.

The procedures performed do not constitute an audit, examination, or review, in accordance with standards established by the Chartered Professional Accountants of Canada, and we have not otherwise verified the information we obtained or presented in this model. We express no opinion or any form of assurance on the information presented in this model and make no representations concerning its accuracy or completeness.

The City must refresh and validate input data used to ensure that the information is appropriate to estimate operating and capital expenses. Any change in these factors will result in a change in the projection outputs. The results included in the model are provided for illustrative purposes only.

The model's outputs is based on a set of circumstances and assumptions as outlined in the Assumptions tab within the model. The model's outputs will differ from actual results and such differences may be material.

Financial Projection Illustrative Cases

This section includes a detailed sample output of financial projections for the medium case scenario.

Scenario	1. Low Case	2. Medium Case	3. High Case
Property Taxes Mill Rate Scenario	1. No Increase	2. Historical Average Increase	3. Customize User Input Increase (<i>historical average increase + 1%</i>)
Assessment Value Growth Scenario	1. Low Case	2. Medium Case	3. High Case
Expense Growth Scenario	3. High Case	2. Medium Case	1. Low Case
Electric Utility Governance Options	1. Status Quo	1. Status Quo	1. Status Quo

Source: Prepared by KPMG based on information provided by the City.

Medium Case: Financial Scorecard

Medium Case: 10-year Projected Financial Scorecard (in millions)

	1-year Outlook	5-year Outlook	10-year Outlook
Financial Indicator	2025	2029	2034
Overall Financial Performance			
Total Revenue	\$466	\$545	\$605
Total Operating Expenses	\$460	\$508	\$573
Annual Operating Deficit	\$6	\$37	\$33
Accumulated Operating Surplus	\$2,080	\$2,167	\$2,288
Sustainability			
Net Financial Assets (Debt)	(\$246)	(\$534)	(\$842)
Financial Assets to Total Liabilities	54%	24%	-2%
Net Book Value of Tangible Capital Assets	\$2,292	\$2,667	\$3,093
Net Book Value of Tangible Capital Assets as a Percentage (%) of Historical Cost of Tangible Capital Assets	60%	58%	56%
Acquisition of Tangible Capital Assets as a Percentage (%) of Amortization of Tangible Capital Assets	164%	207%	219%
Flexibility			
Long-term Debt	\$320	\$463	\$562
Used MGA Debt Limit	50%	66%	70%
Used CoRD Set Debt Limit	67%	88%	94%
Total Debt Service	\$24	\$40	\$57
Used Debt Service Limit	23%	34%	43%
Debt Servicing Expenses as Percentage (%) of Total Revenue	5.2%	7.2%	9.4%
Cash from Operating Transactions Coverage of Debt Servicing Expenses	4.0	3.7	2.9
Operating Expenses as a Percentage (%) of Taxable Assessment	2.7%	2.8%	2.8%
Net Municipal Taxes as Percentage (%) of Taxable Assessment	1.0%	1.0%	1.1%
Vulnerability			
Government Transfers as Percentage (%) of Total Revenue	13.2%	18.2%	15.7%
Capital Government Transfers as Percentage (%) of Capital Expenditures	28.8%	35.0%	24.9%

Source: Prepared by KPMG based on information provided by the City.

Medium Case: Statement of Operations

Medium Case: 10-year Projected Statement of Operations (in thousands)

Statement of Operations (000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Revenues										
Net municipal taxes	\$163,747	\$168,689	\$173,782	\$179,033	\$184,445	\$190,024	\$195,775	\$201,703	\$207,814	\$214,114
User fees and sale of goods	\$210,631	\$215,942	\$221,386	\$226,968	\$232,691	\$238,558	\$244,573	\$250,739	\$257,061	\$263,542
Operating government transfer	\$18,863	\$19,338	\$19,826	\$20,326	\$20,838	\$21,364	\$21,902	\$22,455	\$23,021	\$23,601
Investment earnings	\$4,524	\$379	\$415	\$472	\$515	\$547	\$569	\$594	\$614	\$636
Fines and penalties	\$6,072	\$6,225	\$6,382	\$6,543	\$6,708	\$6,877	\$7,051	\$7,229	\$7,411	\$7,598
Natural gas distribution franchise	\$10,360	\$10,621	\$10,889	\$11,163	\$11,445	\$11,733	\$12,029	\$12,332	\$12,643	\$12,962
Licenses and permits	\$2,739	\$2,808	\$2,879	\$2,952	\$3,026	\$3,103	\$3,181	\$3,261	\$3,343	\$3,428
Other operating revenue	\$4,586	\$4,701	\$4,820	\$4,941	\$5,066	\$5,194	\$5,325	\$5,459	\$5,597	\$5,738
Total Operating Revenue	\$421,522	\$428,704	\$440,380	\$452,399	\$464,735	\$477,400	\$490,404	\$503,772	\$517,504	\$531,619
Expenses							40%	50%		
General government services	\$57,732	\$58,887	\$60,065	\$61,266	\$62,491	\$63,741	\$65,016	\$66,316	\$67,643	\$68,996
Protective services and parking	\$96,910	\$98,848	\$100,825	\$102,842	\$104,899	\$106,997	\$109,137	\$111,319	\$113,546	\$115,817
Transportation and fleet	\$54,778	\$55,873	\$56,991	\$58,130	\$59,293	\$60,479	\$61,688	\$62,922	\$64,181	\$65,464
Public health and planning	\$19,644	\$20,037	\$20,438	\$20,846	\$21,263	\$21,689	\$22,122	\$22,565	\$23,016	\$23,476
Recreation, parks, and culture	\$47,984	\$48,944	\$49,923	\$50,921	\$51,940	\$52,978	\$54,038	\$55,119	\$56,221	\$57,345
Subdivisions, land, and development	\$7,342	\$7,488	\$7,638	\$7,791	\$7,947	\$8,106	\$8,268	\$8,433	\$8,602	\$8,774
Water and wastewater	\$27,045	\$27,585	\$28,137	\$28,700	\$29,274	\$29,859	\$30,457	\$31,066	\$31,687	\$32,321
Waste management	\$14,179	\$14,463	\$14,752	\$15,047	\$15,348	\$15,655	\$15,968	\$16,287	\$16,613	\$16,945
Electric	\$44,026	\$44,906	\$45,804	\$46,721	\$47,655	\$48,608	\$49,580	\$50,572	\$51,583	\$52,615
Amortization	\$90,381	\$94,186	\$98,516	\$102,959	\$107,988	\$112,117	\$116,231	\$120,353	\$124,678	\$131,151
Total Operating Expenses	\$460,020	\$471,218	\$483,089	\$495,223	\$508,097	\$520,229	\$532,505	\$544,953	\$557,769	\$572,905
Annual Operating Deficit before Other	(\$38,499)	(\$42,514)	(\$42,709)	(\$42,824)	(\$43,363)	(\$42,828)	(\$42,100)	(\$41,180)	(\$40,265)	(\$41,286)
Other										
Capital government transfers	\$42,629	\$54,651	\$57,135	\$57,324	\$78,512	\$67,638	\$64,144	\$58,355	\$56,997	\$71,713
Developer and customer contributions	\$1,887	\$5,382	\$1,666	\$1,721	\$1,776	\$1,833	\$1,892	\$1,952	\$2,015	\$2,079
Annual Operating Surplus (Deficit)	\$6,017	\$17,519	\$16,092	\$16,221	\$36,925	\$26,643	\$23,936	\$19,127	\$18,747	\$32,506
Accumulated Operating Surplus, Start of Year	\$2,074,189	\$2,080,206	\$2,097,725	\$2,113,817	\$2,130,038	\$2,166,963	\$2,193,606	\$2,217,542	\$2,236,668	\$2,255,415
Accumulated Operating Surplus, End of Year	\$2,080,206	\$2,097,725	\$2,113,817	\$2,130,038	\$2,166,963	\$2,193,606	\$2,217,542	\$2,236,668	\$2,255,415	\$2,287,921

Source: Prepared by KPMG based on information provided by the City.

Medium Case: Stmt of Financial Positions

Medium Case: 10-year Projected Statement of Financial Positions (in thousands)

Statement of Financial Positions (000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Financial Assets										
Cash and cash equivalents	\$23,575	\$24,149	\$24,757	\$25,379	\$26,039	\$926	(\$19,489)	(\$46,275)	(\$75,813)	(\$171,633)
Accounts receivable	\$76,322	\$80,040	\$81,750	\$83,759	\$89,258	\$89,560	\$91,128	\$92,379	\$94,415	\$99,147
Land ready for sale	\$26,115	\$26,965	\$28,023	\$29,090	\$30,386	\$31,205	\$31,974	\$32,704	\$33,486	\$35,237
Investments	\$144,066	\$118,865	\$90,033	\$48,712	\$1,242	\$0	\$0	\$0	\$0	\$0
Loans receivable	\$13,779	\$15,080	\$17,165	\$18,711	\$19,905	\$20,679	\$21,612	\$22,329	\$23,134	\$24,181
Total Financial Assets	\$283,857	\$265,099	\$241,729	\$205,650	\$166,830	\$142,371	\$125,224	\$101,137	\$75,223	(\$13,068)
Liabilities										
Accounts payable and accrued liabilities	\$63,753	\$65,305	\$66,950	\$68,631	\$70,416	\$72,097	\$73,798	\$75,523	\$77,299	\$79,397
Deposits	\$4,156	\$4,257	\$4,365	\$4,474	\$4,591	\$4,700	\$4,811	\$4,924	\$5,039	\$5,176
Deferred revenue	\$113,364	\$118,886	\$121,426	\$124,409	\$132,577	\$133,027	\$135,355	\$137,213	\$140,238	\$147,267
Employee benefit obligations	\$17,664	\$18,017	\$18,378	\$18,745	\$19,120	\$19,502	\$19,892	\$20,290	\$20,696	\$21,110
Asset retirement obligations	\$9,981	\$10,306	\$10,710	\$11,118	\$11,613	\$11,926	\$12,220	\$12,499	\$12,798	\$13,467
Long-term debt	\$320,486	\$350,754	\$399,244	\$435,208	\$462,979	\$480,973	\$502,676	\$519,360	\$538,091	\$562,427
Total Liabilities	\$529,403	\$567,525	\$621,072	\$662,586	\$701,295	\$722,225	\$748,753	\$769,809	\$794,162	\$828,844
Net Debt	(\$245,547)	(\$302,426)	(\$379,343)	(\$456,936)	(\$534,465)	(\$579,855)	(\$623,529)	(\$668,672)	(\$718,939)	(\$841,911)
Non-Financial Assets										
Tangible capital assets	\$2,292,361	\$2,367,023	\$2,459,921	\$2,553,510	\$2,667,319	\$2,739,242	\$2,806,714	\$2,870,802	\$2,939,464	\$3,093,158
Land not ready for sale	\$24,140	\$24,927	\$25,905	\$26,891	\$28,089	\$28,846	\$29,557	\$30,232	\$30,955	\$32,573
Inventory held for use	\$9,878	\$10,119	\$10,374	\$10,634	\$10,911	\$11,171	\$11,435	\$11,702	\$11,978	\$12,303
Prepaid expenses	\$4,548	\$4,659	\$4,776	\$4,896	\$5,024	\$5,143	\$5,265	\$5,388	\$5,515	\$5,664
Total Non-Financial Assets	\$2,330,928	\$2,406,728	\$2,500,976	\$2,595,931	\$2,711,342	\$2,784,403	\$2,852,971	\$2,918,124	\$2,987,911	\$3,143,699
Net Debt less Non-Financial Assets	\$2,085,381	\$2,104,302	\$2,121,633	\$2,138,995	\$2,176,877	\$2,204,548	\$2,229,442	\$2,249,452	\$2,268,972	\$2,301,787

Source: Prepared by KPMG based on information provided by the City.

Medium Case: Statement of Cash Flows

Medium Case: 10-year Projected Statement of Cash Flows (in thousands)

Statement of Cash Flows (000s)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Activities										
Annual surplus	\$6,017	\$17,519	\$16,092	\$16,221	\$36,925	\$26,643	\$23,936	\$19,127	\$18,747	\$32,506
Non-cash items included in annual surplus										
Contributed tangible capital assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Amortization of tangible capital assets	\$90,381	\$94,186	\$98,516	\$102,959	\$107,988	\$112,117	\$116,231	\$120,353	\$124,678	\$131,151
Non-cash charges to operations										
Accounts receivable	(\$22,530)	(\$3,717)	(\$1,710)	(\$2,008)	(\$5,499)	(\$303)	(\$1,567)	(\$1,251)	(\$2,037)	(\$4,732)
Land ready for sale	(\$16,655)	(\$851)	(\$1,058)	(\$1,066)	(\$1,297)	(\$819)	(\$769)	(\$730)	(\$782)	(\$1,751)
Loans receivable	(\$2,961)	(\$1,301)	(\$2,085)	(\$1,546)	(\$1,194)	(\$774)	(\$933)	(\$717)	(\$805)	(\$1,046)
Accounts payable and accrued liabilities	\$6,190	\$1,552	\$1,645	\$1,682	\$1,784	\$1,681	\$1,701	\$1,725	\$1,776	\$2,098
Deposits	\$51	\$101	\$107	\$110	\$116	\$110	\$111	\$112	\$116	\$137
Deferred revenue	\$28,258	\$5,522	\$2,541	\$2,983	\$8,168	\$450	\$2,328	\$1,858	\$3,025	\$7,029
Employee benefit obligations	\$919	\$353	\$360	\$368	\$375	\$382	\$390	\$398	\$406	\$414
Land not ready for sale	\$11,739	(\$786)	(\$978)	(\$986)	(\$1,199)	(\$757)	(\$711)	(\$675)	(\$723)	(\$1,619)
Inventory held for use	(\$5,788)	(\$240)	(\$255)	(\$261)	(\$276)	(\$261)	(\$264)	(\$267)	(\$275)	(\$325)
Prepaid expenses	\$93	(\$111)	(\$117)	(\$120)	(\$127)	(\$120)	(\$121)	(\$123)	(\$127)	(\$150)
Cash Provided (Used) by Operating Activities	\$95,713	\$112,226	\$113,057	\$118,335	\$145,765	\$138,349	\$140,332	\$139,810	\$143,999	\$163,712
Capital Activities										
Acquisition of tangible capital assets	(\$147,801)	(\$170,822)	(\$193,470)	(\$198,699)	(\$224,045)	(\$186,398)	(\$186,151)	(\$186,979)	(\$195,968)	(\$287,568)
Cash Provided (Used) by Capital Activities	(\$147,801)	(\$170,822)	(\$193,470)	(\$198,699)	(\$224,045)	(\$186,398)	(\$186,151)	(\$186,979)	(\$195,968)	(\$287,568)
Investing Activities										
Net sale (purchase) of investments	\$24,136	\$28,901	\$32,532	\$45,021	\$51,169	\$4,942	\$3,700	\$3,700	\$3,700	\$3,700
Cash Provided (Used) by Investing Activities	\$24,136	\$28,901	\$32,532	\$45,021	\$51,169	\$4,942	\$3,700	\$3,700	\$3,700	\$3,700
Financing Activities										
Long-term debt issued	\$45,456	\$43,460	\$64,381	\$54,319	\$48,486	\$40,905	\$47,105	\$44,587	\$49,397	\$58,170
Long-term debt repaid	(\$11,276)	(\$13,191)	(\$15,891)	(\$18,355)	(\$20,716)	(\$22,911)	(\$25,401)	(\$27,903)	(\$30,666)	(\$33,834)
Cash Provided (Used) by Financing Activities	\$34,180	\$30,269	\$48,489	\$35,964	\$27,771	\$17,994	\$21,704	\$16,683	\$18,731	\$24,336
Change in cash and cash equivalents during the year	\$6,228	\$574	\$608	\$622	\$660	(\$25,112)	(\$20,415)	(\$26,786)	(\$29,538)	(\$95,820)
Cash and cash equivalents, start of year	\$17,347	\$23,575	\$24,149	\$24,757	\$25,379	\$26,039	\$926	(\$19,489)	(\$46,275)	(\$75,813)
Cash and cash equivalents, end of year	\$23,575	\$24,149	\$24,757	\$25,379	\$26,039	\$926	(\$19,489)	(\$46,275)	(\$75,813)	(\$171,633)

Source: Prepared by KPMG based on information provided by the City.

Medium Case: Debt Projections

Medium Case: 10-year Projected Debt and Debt Limits (in thousands)

Debt Limit (000s)										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total MGA debt limit	\$635,113	\$651,129	\$663,069	\$681,180	\$699,766	\$718,850	\$738,445	\$758,587	\$779,279	\$800,547
Total debt	\$320,486	\$350,754	\$399,244	\$435,208	\$462,979	\$480,973	\$502,676	\$519,360	\$538,091	\$562,427
Unused MGA debt limit	\$314,627	\$300,375	\$263,825	\$245,973	\$236,787	\$237,877	\$235,768	\$239,227	\$241,188	\$238,120
% used MGA debt limit	50%	54%	60%	64%	66%	67%	68%	68%	69%	70%
Total CoRD set debt limit	\$476,335	\$488,347	\$497,302	\$510,885	\$524,824	\$539,138	\$553,833	\$568,940	\$584,459	\$600,410
Total debt	\$320,486	\$350,754	\$399,244	\$435,208	\$462,979	\$480,973	\$502,676	\$519,360	\$538,091	\$562,427
Unused CoRD debt limit	\$155,849	\$137,592	\$98,058	\$75,677	\$61,846	\$58,165	\$51,157	\$49,580	\$46,368	\$37,984
% used CoRD debt limit	67%	72%	80%	85%	88%	89%	91%	91%	92%	94%
Total debt service limit	\$105,852	\$108,522	\$110,511	\$113,530	\$116,628	\$119,808	\$123,074	\$126,431	\$129,880	\$133,425
Total debt service	\$24,162	\$27,327	\$32,015	\$35,971	\$39,502	\$42,481	\$45,912	\$49,159	\$52,757	\$56,993
Unused debt service limit	\$81,691	\$81,195	\$78,496	\$77,559	\$77,125	\$77,327	\$77,162	\$77,272	\$77,123	\$76,431
% used debt service limit	23%	25%	29%	32%	34%	35%	37%	39%	41%	43%

Source: Prepared by KPMG based on information provided by the City.



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