

COMMUNITY SNAPSHOT 2025 FINANCIAL

ANNUAL REPORT





CHIEF FINANCIAL OFFICER MESSAGE

I am pleased to present The City of Red Deer's 2025 Annual Financial Report. This report provides an overview of The City's financial performance, key challenges, and ongoing work to support long-term financial sustainability.

In 2025, The City saw meaningful improvement in its financial results. Revenues increased, expenses were carefully managed, and The City achieved its first Annual Operating Surplus before Other since 2015. While this is a positive step, some of the improvement reflects one-time or timing-related factors, so continued discipline is needed to keep revenues and expenses aligned.

The City's financial position also improved, with stronger cash balances and a \$38.9 million decrease in net debt compared with 2024. Reserve balances

improved, including the operating reserve moving from a deficit to a positive balance, but reserves remain below target and continue to be an area of focus.

Looking ahead, The City continues to face inflation, changing funding frameworks, growing infrastructure needs, and other financial pressures. Through the Financial Roadmap to Sustainability, Administration will continue strengthening financial governance, long-term planning, reserve and debt policies, and operational efficiency.

Thank you for taking the time to review this report and for your interest in The City's financial health.

Sam Mugford, CPA, CA
Chief Financial Officer

FLEXIBILITY RATIOS

DEBT OUTSTANDING AND DEBT LIMIT

The City is subject to a provincial debt limit of 1.5 x annual revenue (total revenue less capital grants and contributed assets). Council Policy dictates that the debt limit cannot exceed 75%.

	2021	2022	2023	2024	2025
DEBIT LIMIT PERCENTAGE	58%	56%	51%	47%	46%

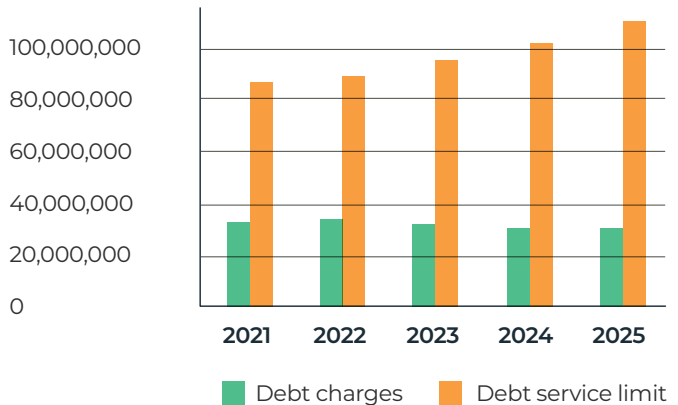


DEBT CHARGES TO REVENUE

Principal and Interest on Debt | Annual Revenue

This ratio indicates the current funds required to repay past debt borrowings and computes it as a percentage of annual revenue (total revenue less capital grants and contributed assets). Provincial regulation describes an upper limit for debt servicing of 25% of such revenue.

	2021	2022	2023	2024	2025
DEBT CHARGES TO REVENUE	9.12%	9.35%	8.24%	7.21%	6.73%
DEBT SERVING LIMIT PERCENTAGE	36%	37%	33%	29%	27%

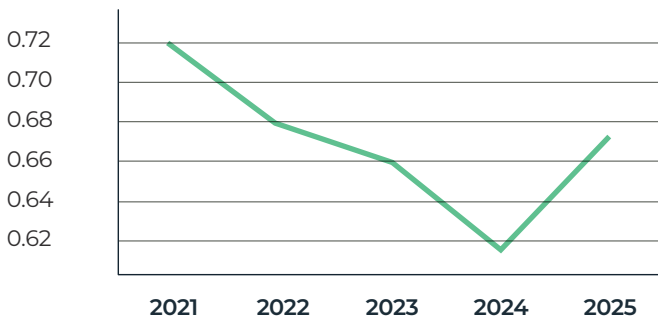


FINANCIAL ASSETS TO LIABILITIES

Total Financial Assets | Total Liabilities

This ratio is used in many sectors and indicates the ability to manage liabilities on an ongoing basis using only financial assets, like cash, receivables, and investments. An ideal target is one or greater, which indicates that financial assets are equal to or greater than total liabilities.

	2021	2022	2023	2024	2025
FINANCIAL ASSETS TO LIABILITIES	0.71	0.65	0.62	0.55	0.64



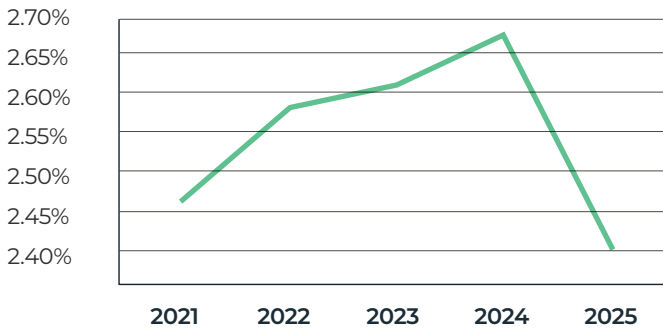
SUSTAINABILITY RATIOS

TOTAL EXPENSE TO ASSESSMENTS

Total Expenses | Total Property Assessment Value

This indicator compares total expenses to total property assessments in The City. Total assessments are used as a proxy for economic growth. Total expenses for the municipal organization should generally not rise faster than economic growth in the community in order to preserve comparative levels of service.

	2021	2022	2023	2024	2025
TOTAL EXPENSES TO ASSESSMENTS	2.48%	2.59%	2.62%	2.68%	2.42%

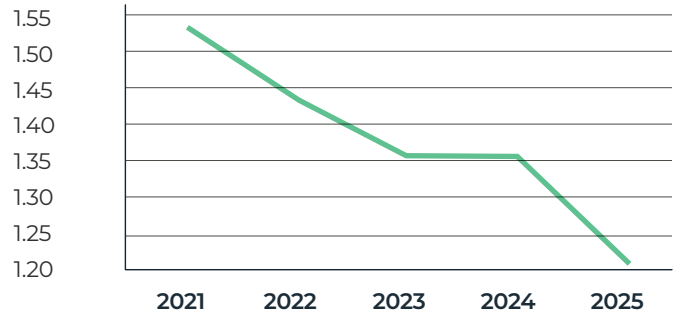


CAPITAL EXPENDITURE RATIO

Annual Capital Expenditures | Annual Depreciation

This ratio indicates whether capital investments are being made at a rate of at least the levels of depreciation each year. A value of less than one indicates that investments are less than the annual reduction in value of existing assets, and a prolonged reduction could ultimately place The City's assets at risk due to declining condition.

	2021	2022	2023	2024	2025
CAPITAL EXPENDITURE RATIO*	1.53	1.43	1.36	1.36	1.21



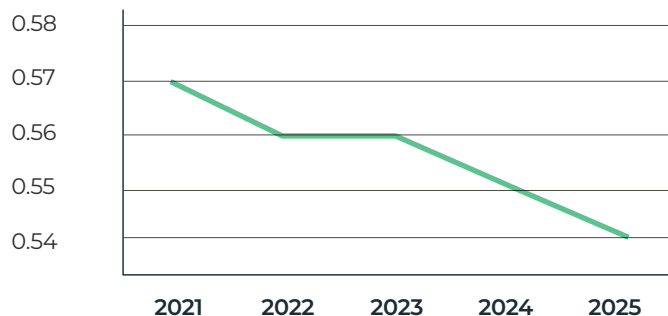
*Reclassification of inventory for use to tangible capital assets resulted in the restatement of years 2022-2023.

NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS TO COST

Net Book Value of Tangible Capital Assets | Cost of Tangible Capital Assets

This ratio compares the net book value to the original cost. It does not include land or work in progress as they are not depreciated. In an environment of investment in assets, the indicator should stay stable or increase.

	2021	2022	2023	2024	2025
NET BOOK VALUE TO COST	0.57	0.56	0.56	0.55	0.54



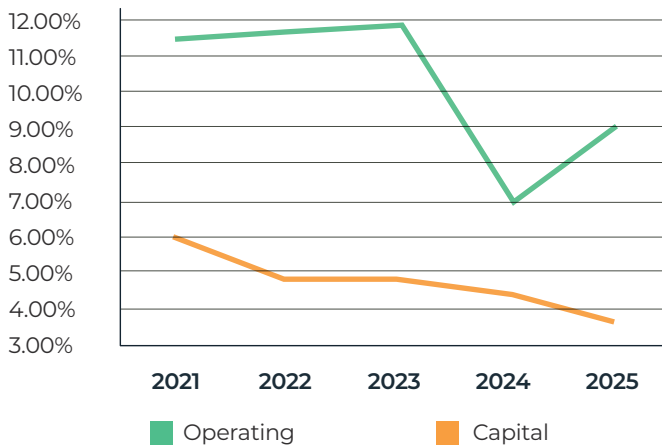
VULNERABILITY RATIOS

GOVERNMENT TRANSFER TO REVENUE

Government Transfers | Revenue

This indicator explains the level of dependence The City experiences with grants received from other levels of government by comparing to annual revenue. A higher percentage may indicate that The City is in a vulnerable position if these transfers are reduced.

	2021	2022	2023	2024	2025
OPERATING TRANSFERS TO REVENUE	6.17%	4.94%	4.95%	4.50%	3.79%
CAPITAL TRANSFERS TO REVENUE	11.42%	11.57%	11.71%	6.95%	9.02%

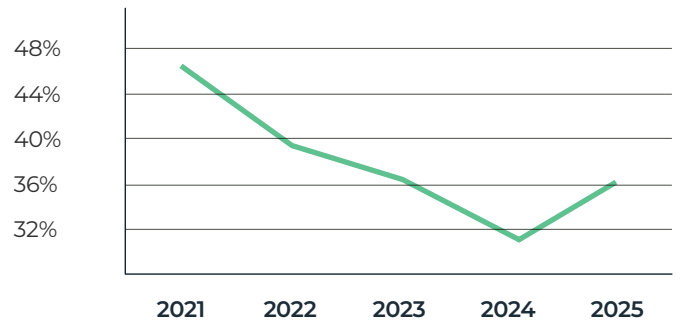


RESERVE COVERAGE

Operating Reserves | Total Expenses

This ratio is meant to illustrate the percentage of the total operating expenses that can be covered by reserves (not including capital projects – tax supported, capital asset replacement, and offsite reserves.) A municipality is more vulnerable to financial hardship during economic slowdowns if reserve coverage is too low.

	2021	2022	2023	2024	2025
RESERVE COVERAGE	45.48%	39.09%	36.41%	30.77%	36.08%

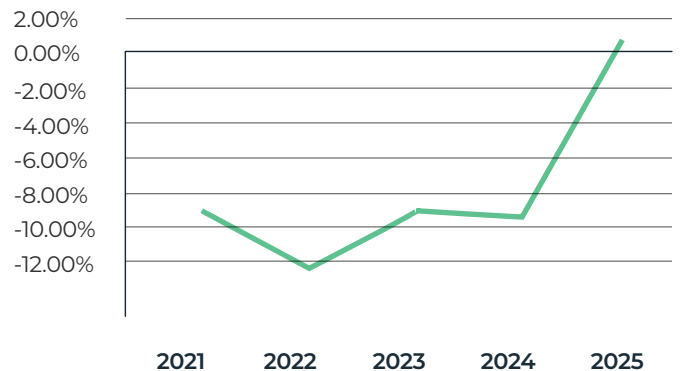


OPERATING SURPLUS (DEFICIT) TO OPERATING REVENUE

Operating Surplus (Deficit) | Total Operating Revenue

An operating surplus is expressed as a percentage of operating revenue and can be either positive or negative. A positive number indicates a surplus and a negative number indicates a deficit.

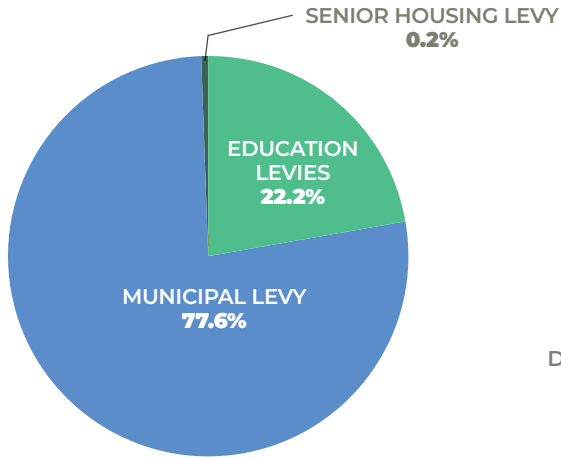
	2021	2022	2023	2024	2025
OPERATING DEFICIT TO OPERATING REVENUE	-9.14%	-12.33%	-9.22%	-9.59%	0.67%



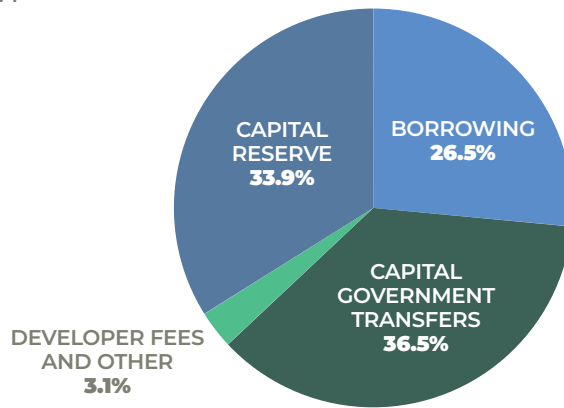
TAXES SPENT

Below represents how The City of Red Deer funding is collected and spent by departments for both capital and operating budgets.

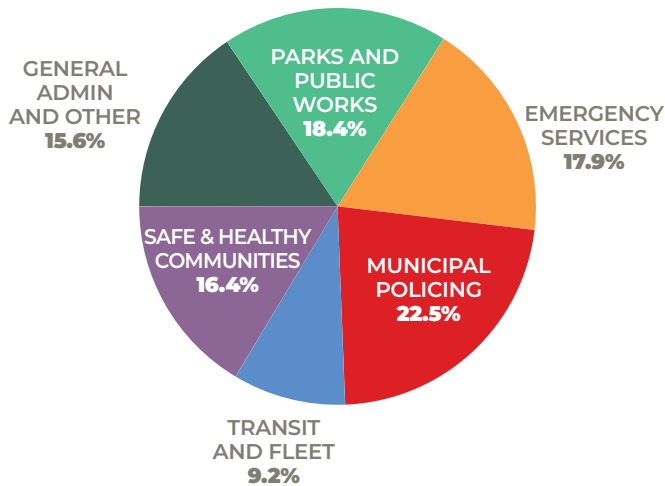
PROPERTY TAXES LEVIED



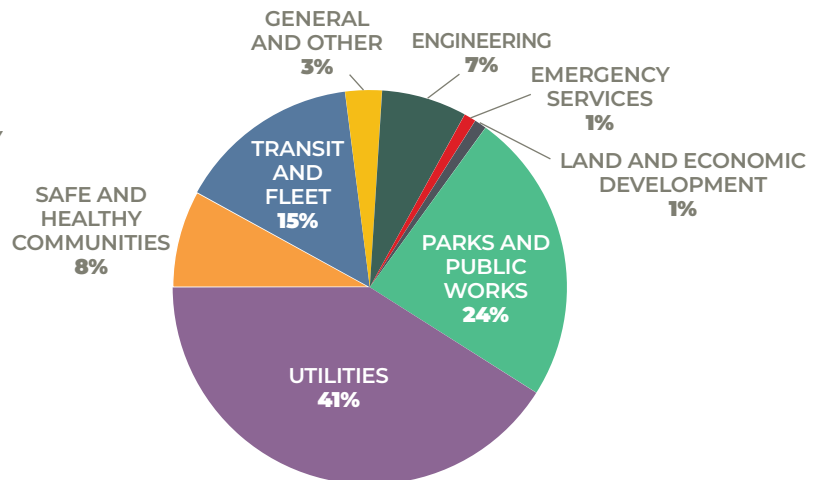
CAPITAL FUNDING SOURCES



PROPERTY TAXES SPENT



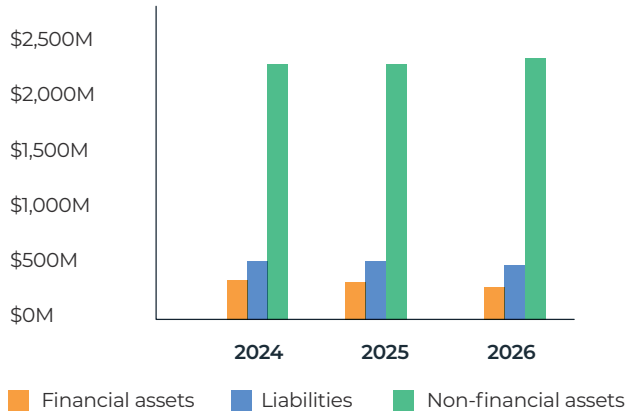
CAPITAL FUNDS SPENT



OVERALL FINANCIAL REPORTING

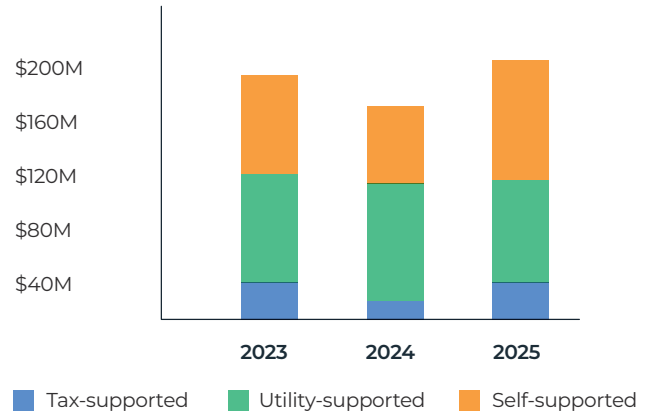
CONSOLIDATED FINANCIAL POSITION

	2023	2024	2025
FINANCIAL ASSETS	288,214	255,919	307,485
LIABILITIES	463,851	464,964	477,678
NET FINANCIAL DEBT	-175,637	-209,045	-170,193
NON-FINANCIAL ASSETS	2,253,414	2,281,453	2,303,565
ACCUMULATED SURPLUS	2,077,777	2,072,408	2,133,372



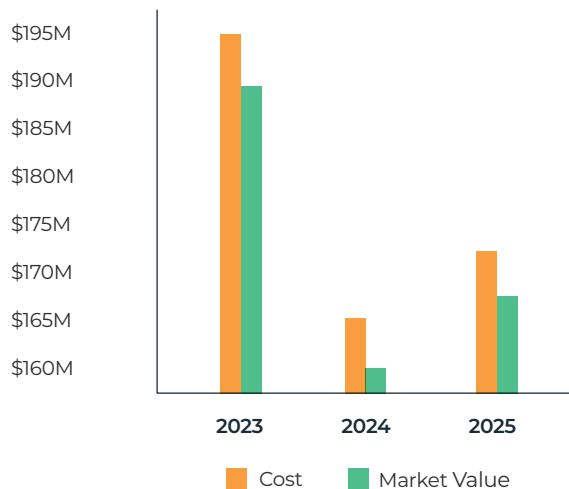
RESERVE BALANCES

	2023	2024	2025
TAX-SUPPORTED RESERVES	36,530	23,669	37,689
UTILITY-SUPPORTED RESERVES	77,243	82,989	104,072
SELF-SUPPORTED RESERVES	67,289	52,632	34,242
	181,062	159,290	176,003



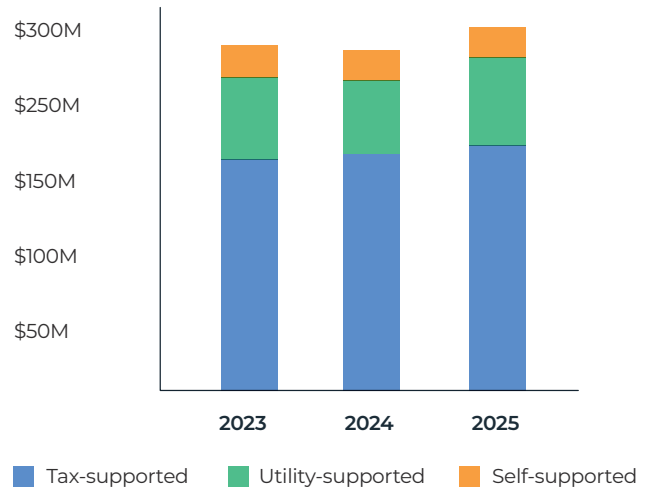
INVESTMENT PORTFOLIO

	2023	2024	2025
COST	192,683	164,502	171,538
MARKET	187,700	159,853	167,804
UNREALIZED GAIN (LOSS)	-2.59%	-2.83%	-2.18%



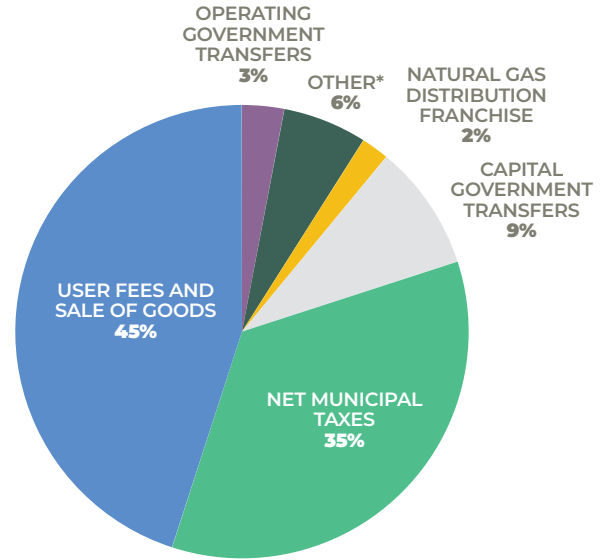
LONG-TERM DEBT

	2023	2024	2024
TAX-SUPPORTED DEBT	195,147	198,329	207,109
UTILITY-SUPPORTED DEBT	66,242	62,012	72,584
SELF-SUPPORTED DEBT	28,791	25,965	24,784
TOTAL LONG TERM DEBT	290,180	286,306	304,477



REVENUE BY SOURCE

	2025
NET MUNICIPAL TAXES	174,903
USER FEES AND SALE OF GOODS	221,764
OPERATING GOVERNMENT TRANSFERS	16,830
INVESTMENT EARNINGS	2,599
FINES AND PENALTIES	5,327
NATURAL GAS DISTRIBUTION FRANCHISE	9,949
LICENSES AND PERMITS	4,849
CAPITAL GOVERNMENT TRANSFERS	44,070
CONTRIBUTED TANGIBLE CAPITAL ASSETS	7,699
DEVELOPER AND CUSTOMER CONTRIBUTIONS	3,678
OTHER REVENUE	4,730
TOTAL	496,398



*Other includes Investment earnings, Fines and penalties, licenses and permits, contributed assets, developer and customer contributions, and other revenue.

EXPENSES BY FUNCTION

	2025
GENERAL GOVERNMENT SERVICES	55,554
PROTECTIVE SERVICES AND PARKING	102,241
TRANSPORTATION AND FLEET	90,563
PUBLIC HEALTH AND PLANNING	16,921
RECREATION, PARKS AND CULTURE	59,861
SUBDIVISIONS, LAND, AND DEVELOPMENT	2,226
WATER	24,015
WASTEWATER	22,649
WASTE MANAGEMENT	14,238
ELECTRIC LIGHT AND POWER	49,619
TOTAL	437,887

