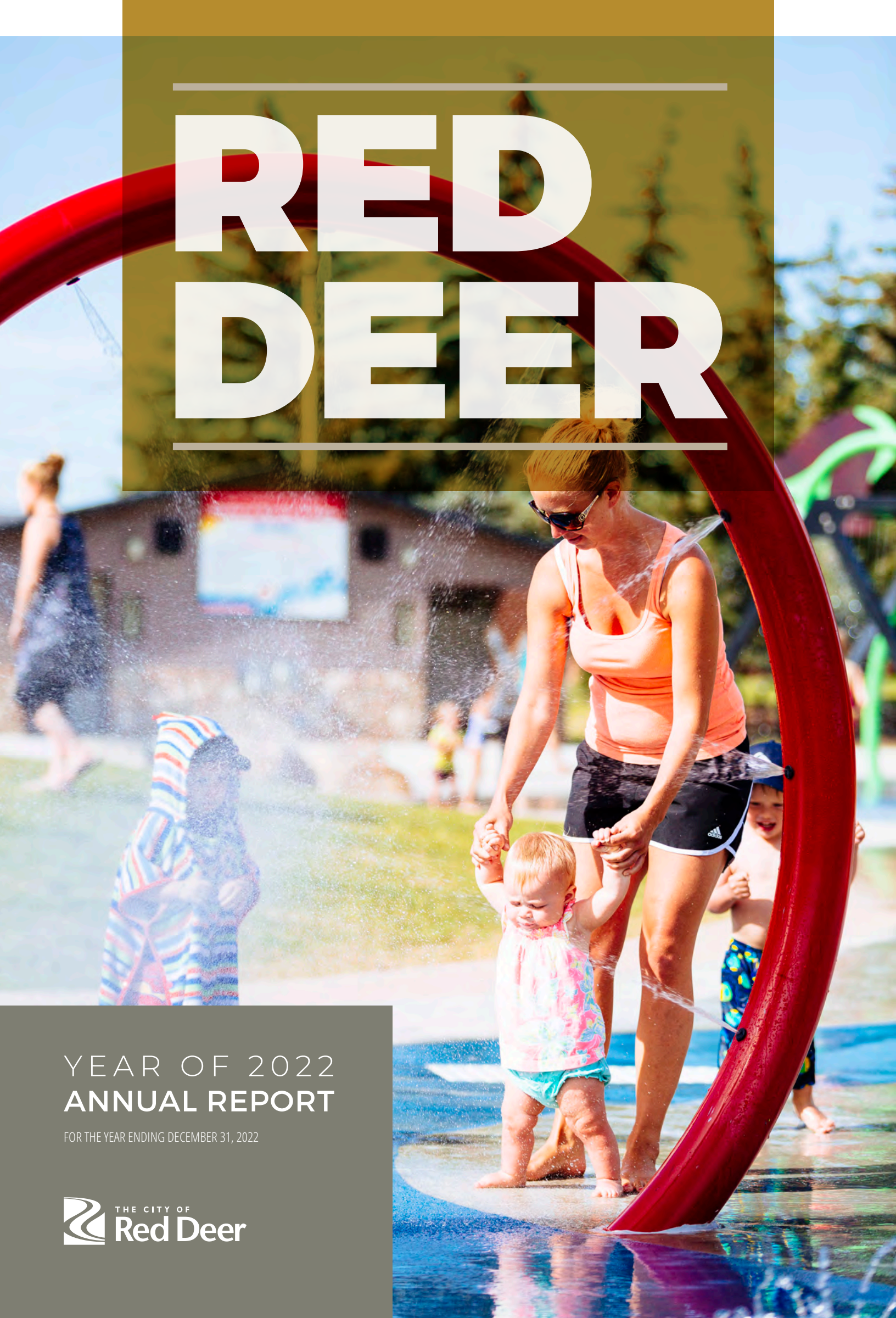


RED DEER

YEAR OF 2022 ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 2022





MAYOR

KEN JOHNSTON

On behalf of my City Council colleagues, we are pleased to bring you the 2022 Annual Report.

In 2021, City Council not only hit the ground running as your newly elected Mayor and Council, but we finalized and approved Council's Strategic Plan. The City's Strategic Plan guides us along a path and provides focus and purpose to all that we do. It is our most important plan as it shapes our

organization, the municipal programs and services we provide to the citizens of Red Deer. Council's Strategic Plan is divided into three key focus areas: Thriving City, Community Health & Wellbeing and Connected & Engaged City.

One of the most important things we do as a Council is to come together and define that vision over our four-year term. This Strategic Plan outlines City Council's priorities and direction for The City of Red Deer through to 2026. It is our blueprint and key document to help Council make decisions. It is aspirational in nature, and future focused to guide the organization and community towards the city we aspire to become.

The Strategic Plan sends a strong message, nation-wide, that Red Deer is growing. We are a place where investment and new business is welcome, and where opportunities

abound. We are a community that takes care of everyone, where citizens feel a deep sense of connection with each other. We are a city with a world-class park system, where people can surround themselves in nature. Our downtown thrives, and people find opportunities for art, culture and entertainment.

Reading through these pages, you will see that while the last years have been very challenging with operating revenues the way they were, we remain on solid footing. Red Deer is regarded as one of the prime locations to do business, and our financial statements reflect this.

Looking forward, we cannot ignore the pressure that inflation has and will continue to bring us, but your Mayor, Council and administration are committed to navigating these challenges in a fiscally responsible and future focused way.

On behalf of City Council, I would like to express my deepest gratitude to my Council colleagues and administration for their hard work in ensuring we continue to be financially strong and well-positioned for the future. And thank you for the privilege of serving as your Mayor.



CITY MANAGER

TARA LODEWYK

City administration works together every day to provide good government, services, infrastructure and facilities to over 100,000 residents and 4,000 business. We are also the regional hub for about 300,000 more people. This comes with managing the expenses and revenues associated with these operations.

Red Deer has very favourable overall municipal property tax Red Deerians pay 15 per cent less tax on average than comparison cities in the province.

On behalf of administration, I am pleased to share the 2022 Annual Report on the financial position and activities for The City. They are reviewed by KPMG, an independent auditor, as required under the Municipal Government Act. They report that The City is in good standing and in compliance with Canadian generally accepted accounting standards.

While financial statements are a point in time and technical, they also tell a story of where our city has been over the last number of years and where we need to place emphasis to ensure we continue to be strong financially.

We have continued to invest in our infrastructure and community. We have weathered the “rainy days” brought from the pandemic, economic challenges and kept taxes low by using reserves. The signs are positive that we are recovering. The future is bright.

Moving forward, we are developing a Long-Term Financial Plan which will be a road map for The City to drive service and budget decisions over the long term. Developing a plan will help us manage the delicate balance between providing services, addressing community requests, maintaining assets, and competitive tax rates. We know we need to work to rebuild reserves so we can be prepared to address urgent or emergent items that may arise. The opportunity cost of short term needs and wants must be weighed with the future potentials.

These Financial Statements have been submitted to Municipal Affairs, Loans to Local Authorities and Alberta Health Services. I encourage you to view these statements and appreciate the complexity of our City operations to support our high quality of life and this beautiful city.

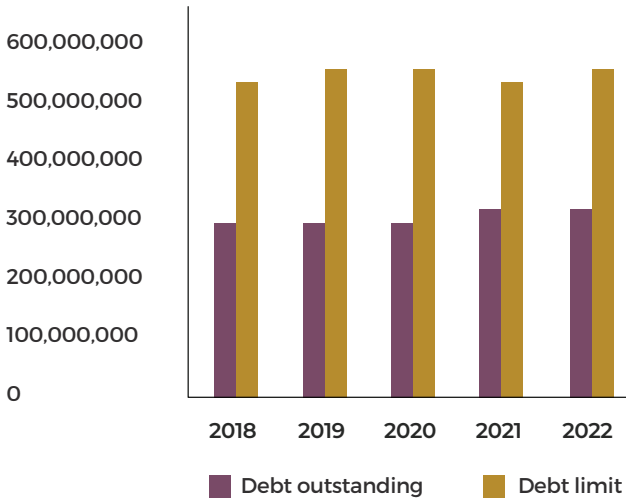
FINANCIAL INDICATORS

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 does not exceed 75%.

	2018	2019	2020	2021	2022
DEBT LIMIT PERCENTAGE	53%	51%	51%	58%	56%

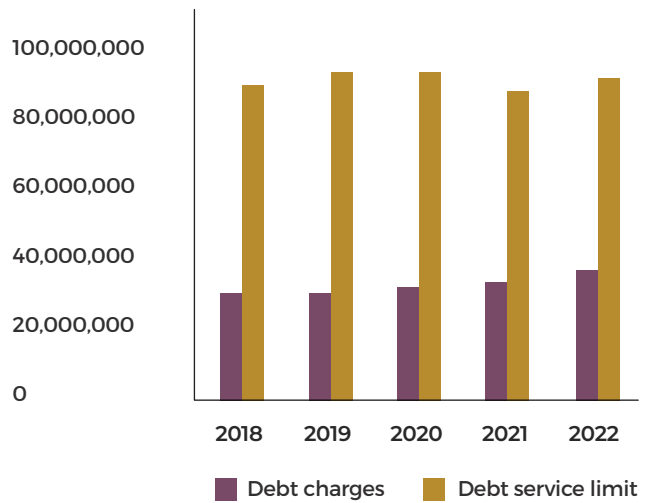


DEBT CHARGES TO REVENUE

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.

	2018	2019	2020	2021	2022
DEBT CHARGES TO REVENUE	8.53%	8.15%	8.56%	9.12%	9.36%
DEBT SERVING LIMIT PERCENTAGE	34%	33%	34%	36%	37%

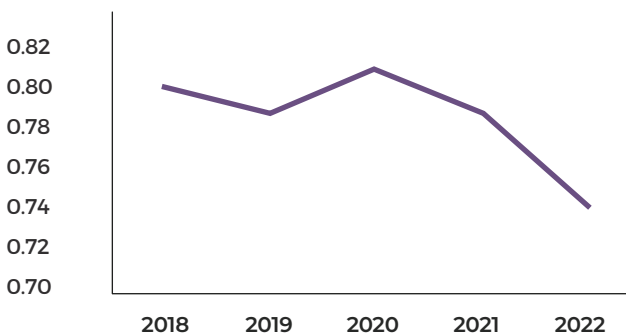


FINANCIAL ASSETS TO LIABILITIES

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.

	2018	2019	2020	2021	2022
FINANCIAL ASSETS TO LIABILITIES	0.80	0.79	0.81	0.79	0.74



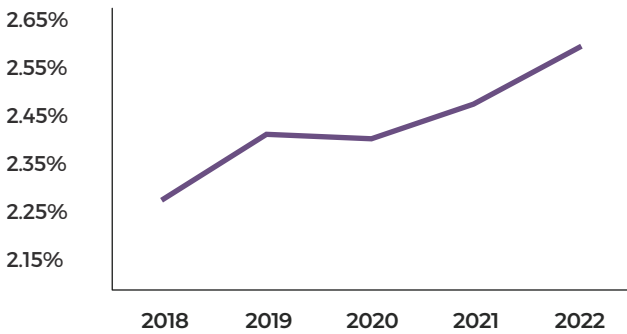
SUSTAINABILITY RATIOS

TOTAL EXPENSES TO ASSESSMENTS

Total Operating Expenses | Total Property Assessments

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

	2018	2019	2020	2021	2022
TOTAL EXPENSES TO ASSESSMENTS	2.28%	2.41%	2.40%	2.48%	2.59%

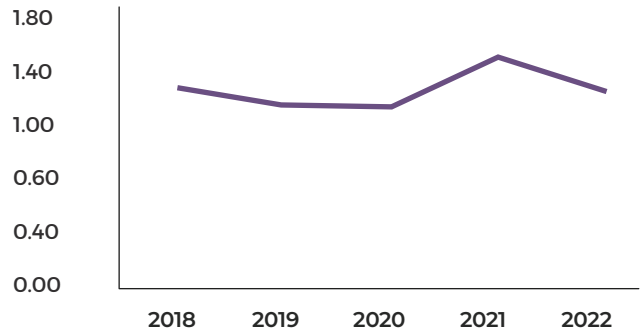


CAPITAL EXPENDITURE RATIO

Annual Capital Expenditures | Annual Depreciation

This ratio indicates whether capital investments (not including contributed assets) 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. The City is investing enough in capital assets to maintain them.

	2018	2019	2020	2021	2022
CAPITAL EXPENDITURE RATIO	1.31	1.21	1.20	1.53	1.32

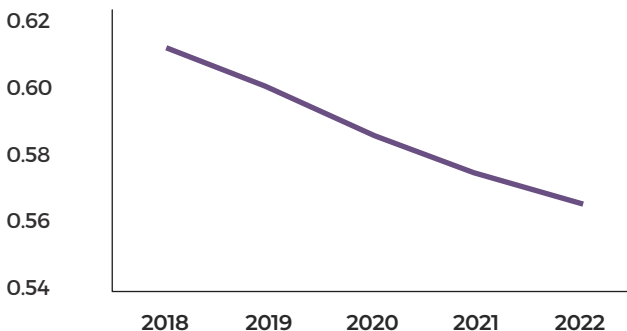


NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS TO COST

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.

	2018	2019	2020	2021	2022
NBV OF TCA TO COST	0.61	0.60	0.58	0.57	0.56



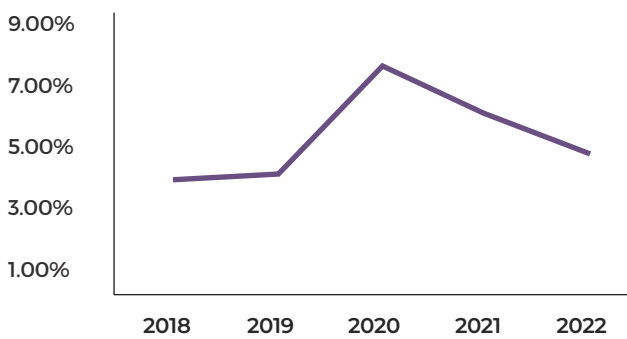
VULNERABILITY RATIOS

GOVERNMENT TRANSFER TO REVENUE

Operating Government Transfers | Annual Revenues

This indicator explains the level of dependence The City experiences due to operating grants received from other levels of government by comparing to annual revenue (total revenue less capital grants and contributed assets). A higher percentage may indicate that The City is in a vulnerable position if these transfers are reduced.

	2018	2019	2020	2021	2022
GOVERNMENT TRANSFERS TO REVENUE	3.90%	4.07%	7.75%	6.17%	4.94%

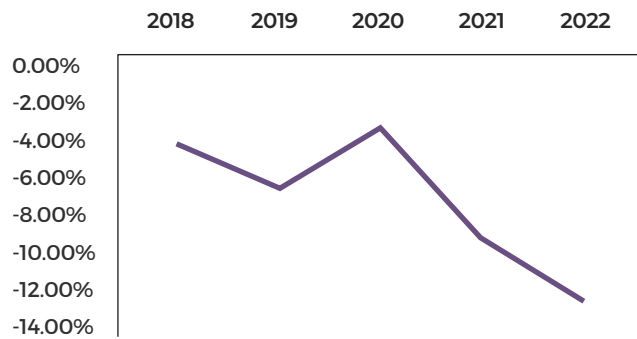


OPERATING SURPLUS (DEFICIT) RATIO

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 of funds.

	2018	2019	2020	2021	2022
OPERATING SURPLUS OVER OPERATING REVENUE	-4.25%	-6.26%	-3.25%	-9.15%	-12.38%

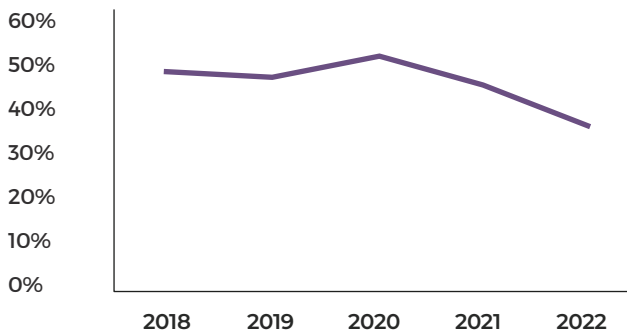


RESERVE COVERAGE RATIO

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.

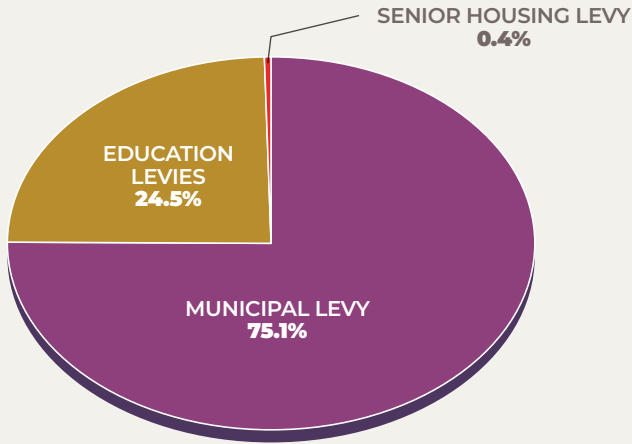
	2018	2019	2020	2021	2022
RESERVE TO OPERATING EXPENSES	48%	47%	51%	45%	37%



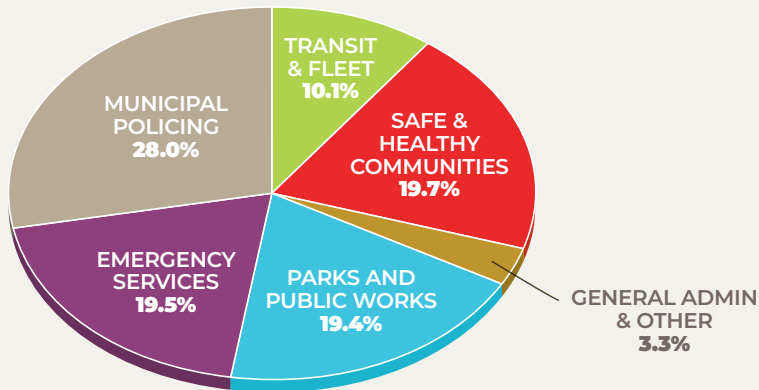
TAXES SPENT

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

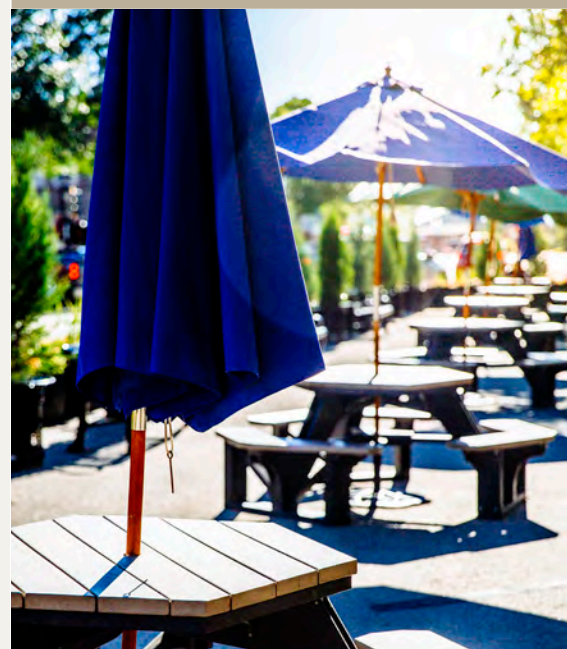
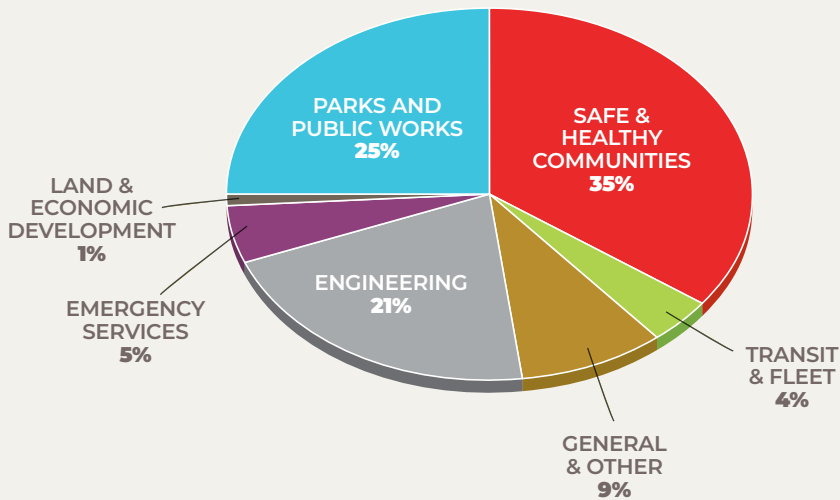
PROPERTY TAXES LEVIED



PROPERTY TAXES SPENT



CAPITAL FUNDS SPENT

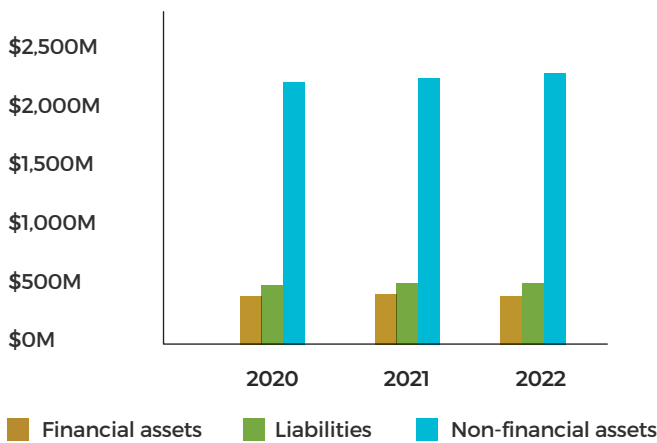


OVERALL FINANCIAL REPORTING

CONSOLIDATED FINANCIAL POSITION

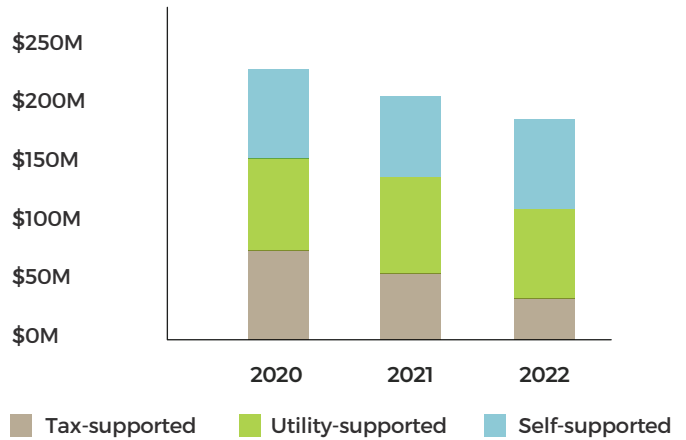
The following charts are taken from The City's 2022 Annual Financial Report.

	2020	2021	2022
FINANCIAL ASSETS	360,415	397,888	364,152
LIABILITIES	446,230	505,003	492,460
NET FINANCIAL DEBT	(85,815)	(107,115)	(128,308)
NON-FINANCIAL ASSETS	2,115,081	2,156,232	2,187,083
ACCUMULATED SURPLUS	2,029,266	2,049,117	2,058,775



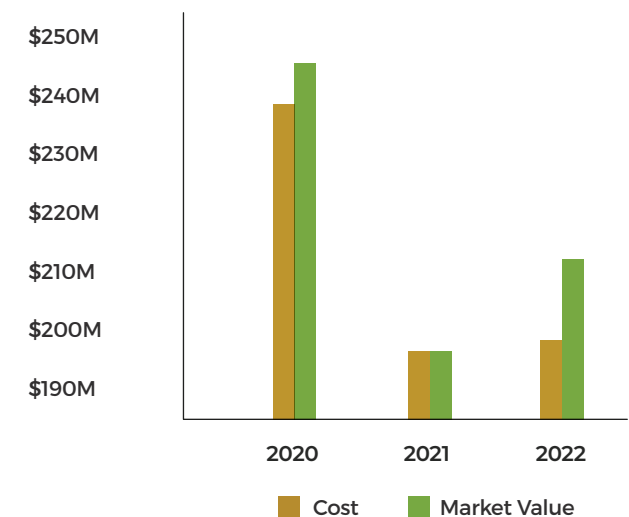
RESERVE BALANCES

	2020	2021	2022
TAX-SUPPORTED RESERVES	73,239	54,749	33,646
UTILITY-SUPPORTED RESERVES	80,724	79,974	74,602
SELF-SUPPORTED RESERVES	73,090	68,384	73,586
	227,053	203,107	181,834



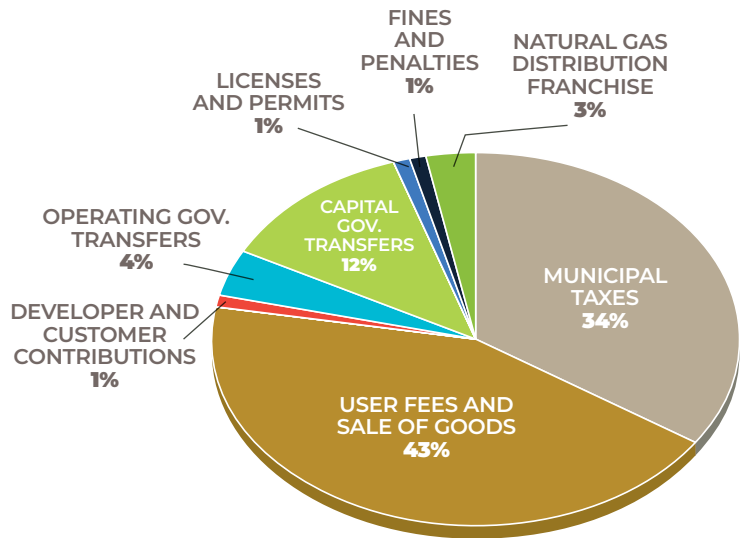
INVESTMENT PORTFOLIO

	2020	2021	2022
COST	235,966	199,583	212,281
MARKET	241,650	200,127	198,980
UNREALIZED GAIN (LOSS)	2.41 %	0.27 %	(6.27)%



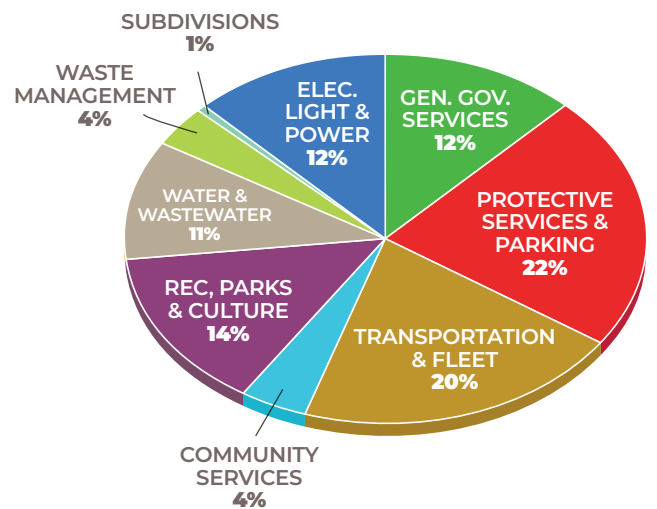
REVENUE BY SOURCES

	2022
NET MUNICIPAL TAXES	136,591
USER FEES AND SALE OF GOODS	175,742
OPERATING GOVERNMENT TRANSFERS	17,614
INVESTMENT EARNINGS	1,285
FINES AND PENALTIES	3,963
NATURAL GAS DISTRIBUTION FRANCHISE	10,515
LICENSES AND PERMITS	3,472
CAPITAL GOVERNMENT TRANSFERS	46,699
CONTRIBUTED TANGIBLE CAPITAL ASSETS	1,718
DEVELOPER AND CUSTOMER CONTRIBUTIONS	4,777
OTHER REVENUE	2,407
TOTAL	404,783



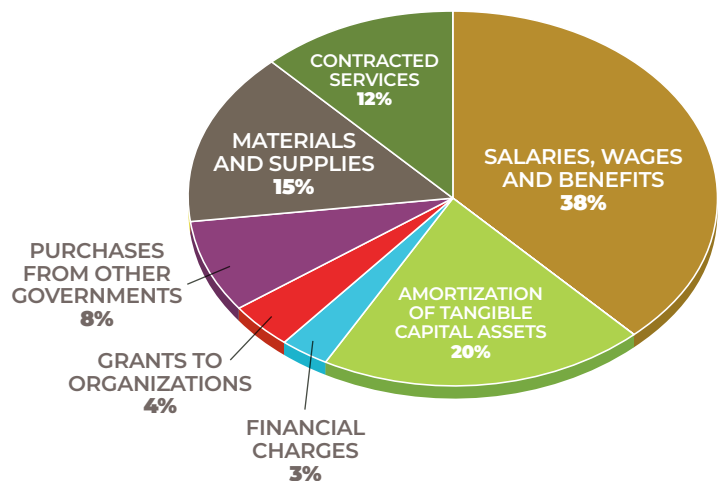
EXPENSES BY FUNCTION

	2022
GENERAL GOVERNMENT SERVICES	47,969
PROTECTIVE SERVICES AND PARKING	88,529
TRANSPORTATION AND FLEET	80,760
COMMUNITY SERVICES	16,510
RECREATION, PARKS AND CULTURE	55,503
WATER AND WASTEWATER	41,327
WASTE MANAGEMENT	14,120
SUBDIVISIONS	2,224
ELECTRIC LIGHT AND POWER	48,183
TOTAL	395,125



EXPENSES BY OBJECT

	2022
SALARIES, WAGES, AND BENEFITS	149,442
CONTRACTED SERVICES	45,515
MATERIALS AND SUPPLIES	57,934
PURCHASES FROM OTHER GOVERNMENTS	32,903
GRANTS TO ORGANIZATIONS	17,317
FINANCIAL CHARGES	10,364
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	79,834
OTHER EXPENSES	1,816
TOTAL	395,125





CHIEF FINANCIAL OFFICER

RAY MACINTOSH

The 2022 Annual Report provides information to our public about The City's 2022 financial performance and position, and aims to highlight and simplify our financial information. Through this report, we describe some of The City's major financial challenges and paint an overall picture of The City's general economic position. We hope this report helps to enhance your understanding of The City of Red Deer finances, we take pride in being fiscally responsible and continue work towards a strong financial position. Thank you for taking the time to read this report.

ANNUAL REPORT

2022



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reddeer.ca    