RED DEER

YEAR OF 2023
ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 2023

THE CITY OF
Red Deer

CHIEF FINANCIAL OFFICER

RAY MACINTOSH

I am pleased to present the 2023 Annual Financial Report, which provides information to our citizens about The City's 2023 financial performance and position, and aims to highlight and simplify our financial information. This report paints an overall pictures of our financial health and highlights some of the financial challenges we face. All in all, 2023 was a relatively stable year; revenues are beginning to return to more normal levels and our operations have been more predictable. Like any organization, stability and predictability help tremendously in delivering our services within the revenues raised.

While 2023 was a stable year, we still have work to do as we drive towards long-term fiscal responsibility and sustainability, and building a strong financial position for The City and our community.

Thank you for taking the time to read this report.

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 cannot exceed 75%.

	2019	2020	2021	2022	2023
DEBIT LIMIT PERCENTAGE	51%	51%	58%	56%	51%

Legend: ■ Debt outstanding ■ Debt limit

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.

|	2019	2020	2021	2022	2023
DEBT CHARGES TO REVENUE	8.15%	8.56%	9.12%	9.36%	8.24%
DEBT SERVING LIMIT PERCENTAGE	33%	34%	36%	37%	33%

Legend: ■ Debt charges ■ Debt service limit
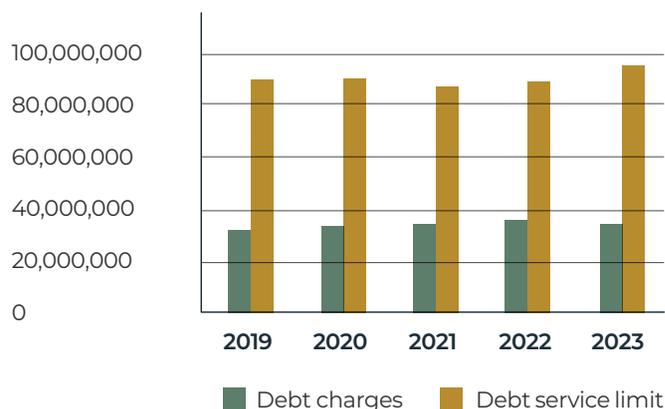
FINANCIAL ASSETS TO LIABILITIES

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.

	2019	2020	2021	2022	2023
FINANCIAL ASSETS TO LIABILITIES*	0.69	0.72	0.71	0.65	0.62

Reclassification between financial and non-financial assets resulted in the restatement of prior period amounts. Overall trends remain unchanged.
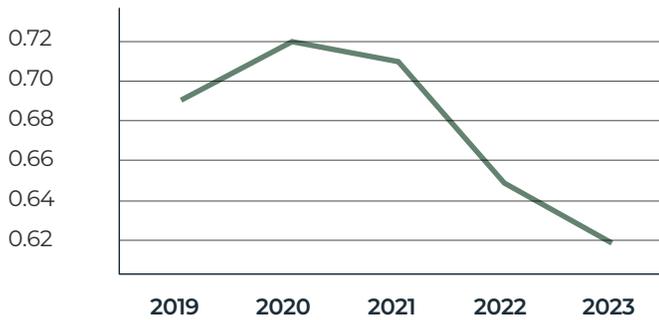

CAPITAL EXPENDITURE RATIO

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.

|	2019	2020	2021	2022	2023
CAPITAL EXPENDITURE RATIO	1.21	1.2	1.53	1.31	1.36
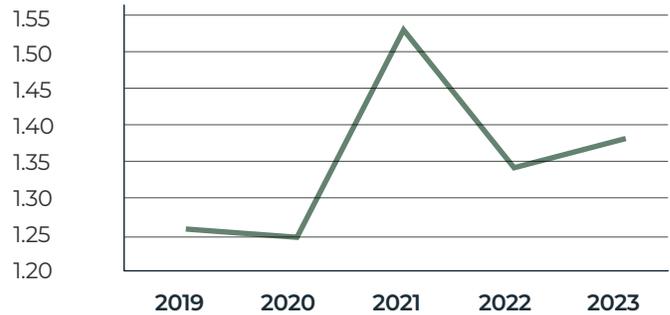
SUSTAINABILITY RATIOS

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.

|	2019	2020	2021	2022	2023
TOTAL EXPENSES TO ASSESSMENTS	2.41%	2.40%	2.48%	2.59%	2.62%
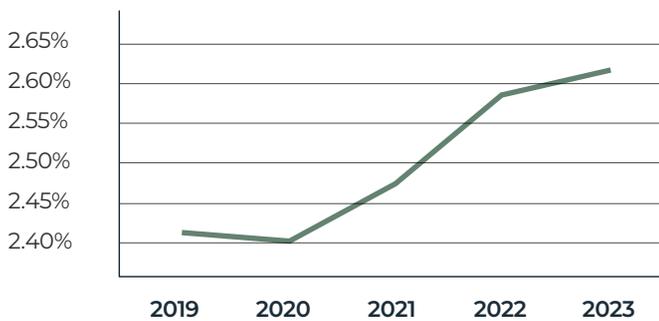
NET BOOK VALUE OF TANGIBLE CAPITAL ASSETS TO COST

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.

|	2019	2020	2021	2022	2023
NET BOOK VALUE TO COST	0.60	0.58	0.57	0.56	0.56
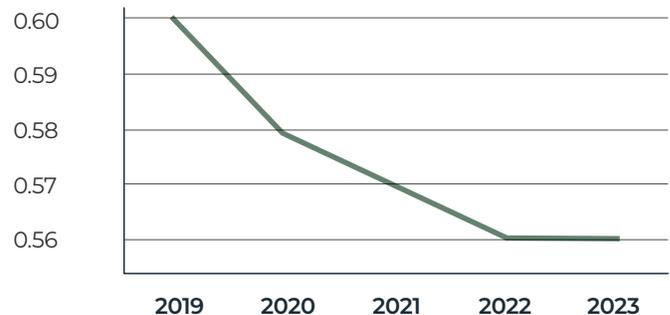
VULNERABILITY RATIOS

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.

|	2019	2020	2021	2022	2023
OPERATING TRANSFERS TO REVENUE	4.07%	7.75%	6.17%	4.94%	4.95%
CAPITAL TRANSFERS TO REVENUE	6.59%	6.20%	11.42%	11.57%	11.71%
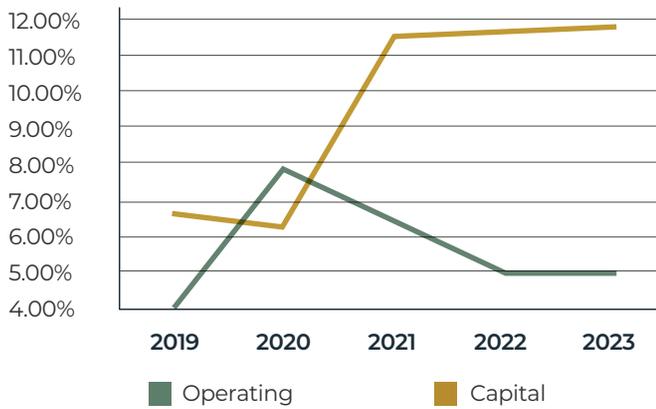
RESERVE COVERAGE

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.

|	2019	2020	2021	2022	2023
RESERVE COVERAGE	47.32%	51.40%	45.48%	39.09%**	36.41%
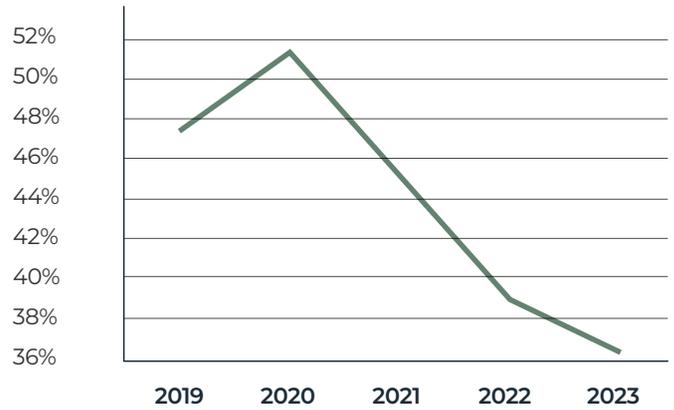
OPERATING SURPLUS (DEFICIT) TO OPERATING REVENUE

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.

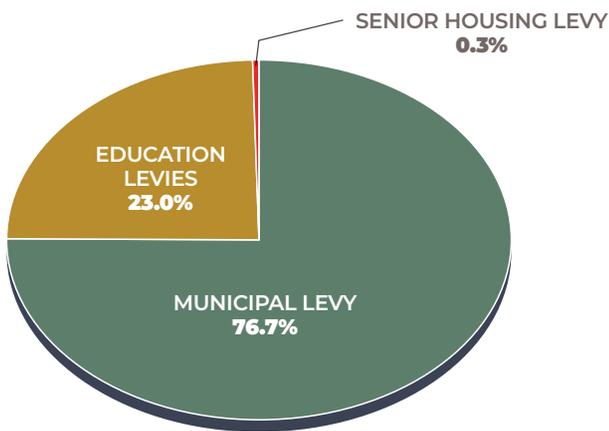|	2019	2020	2021	2022	2023
OPERATING DEFICIT TO OPERATING REVENUE	-6.26%	-3.25%	-9.15%	-12.33%**	-9.22%
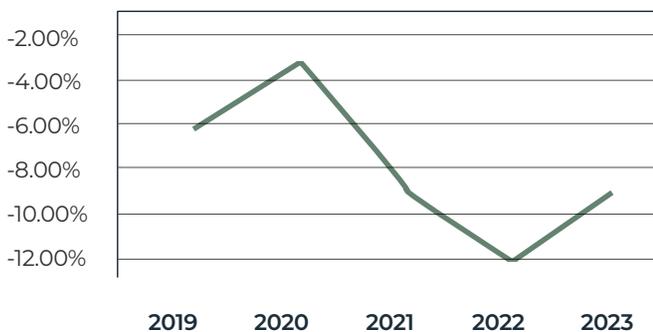
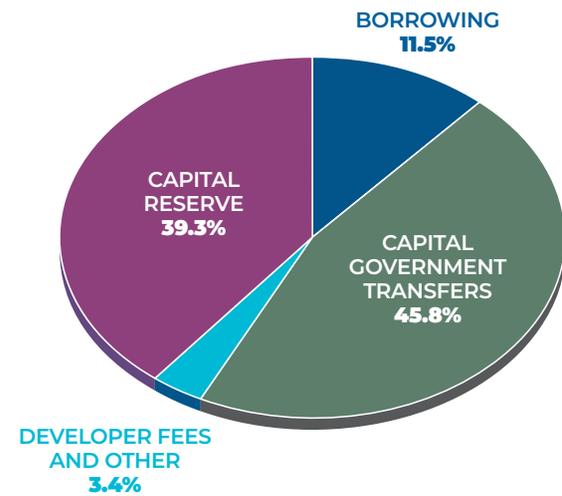***Change in accounting standards resulted in the restatement of 2022 figures.*

TAXES **SPENT**

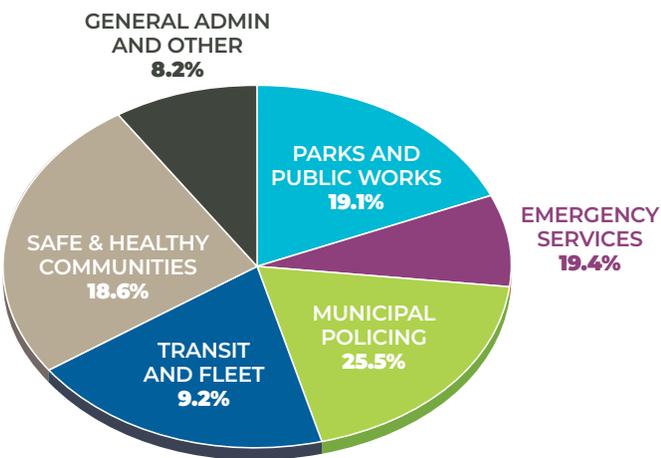Below represents how The City of Red Deer funding is collected and spent by departments for both capital and operating budgets.

PROPERTY TAXES LEVIED

SENIOR HOUSING LEVY
0.3%

EDUCATION
LEVIES
23.0%

MUNICIPAL LEVY
76.7%

CAPITAL FUNDING SOURCES

BORROWING
11.5%

CAPITAL
RESERVE
39.3%

CAPITAL
GOVERNMENT
TRANSFERS
45.8%

DEVELOPER FEES
AND OTHER
3.4%

PROPERTY TAXES SPENT

GENERAL ADMIN
AND OTHER
8.2%

PARKS AND
PUBLIC WORKS
19.1%

EMERGENCY
SERVICES
19.4%

SAFE & HEALTHY
COMMUNITIES
18.6%

MUNICIPAL
POLICING
25.5%

TRANSIT
AND FLEET
9.2%

CAPITAL FUNDS SPENT

SAFE AND
HEALTHY
COMMUNITIES
9%

TRANSIT
AND FLEET
6%

GENERAL
AND OTHER
3%

ENGINEERING
21%

EMERGENCY
SERVICES
2%

LAND AND
ECONOMIC
DEVELOPMENT
2%

PARKS AND
PUBLIC WORKS
17%

UTILITIES
40%

OVERALL FINANCIAL REPORTING

CONSOLIDATED FINANCIAL POSITION

	2021*	2022*	2023
FINANCIAL ASSETS	358,257	322,078	288,214
LIABILITIES	505,003	494,009	463,851
NET FINANCIAL DEBT	-146,746	-171,931	(175,637)
NON-FINANCIAL ASSETS	2,195,863	2,228,128	2,253,414
ACCUMULATED SURPLUS	2,049,117	2,056,197	2,077,777

Legend: Financial assets, Liabilities, Non-financial assets
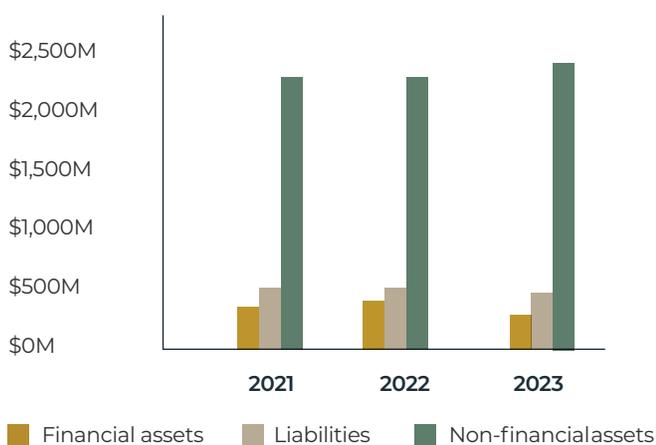
RESERVE BALANCES

	2021	2022**	2023
TAX-SUPPORTED RESERVES	54,749	34,051	36,530
UTILITY-SUPPORTED RESERVES	79,974	82,629	77,243
SELF-SUPPORTED RESERVES	68,384	73,586	67,289
	203,107	**190,266**	**181,062**

Legend: Tax-supported, Utility-supported, Self-supported
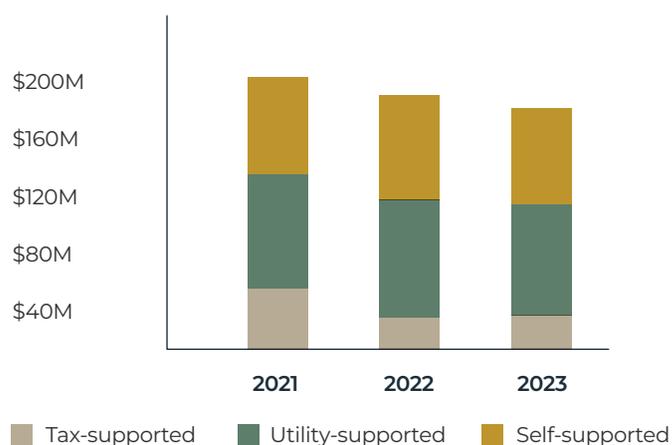
INVESTMENT PORTFOLIO

	2021	2022**	2023
COST	199,533	210,652	192,683
MARKET	200,127	198,980	187,700
UNREALIZED GAIN (LOSS)	0.30%	-5.54%	-2.59%

Legend: Cost, Market Value
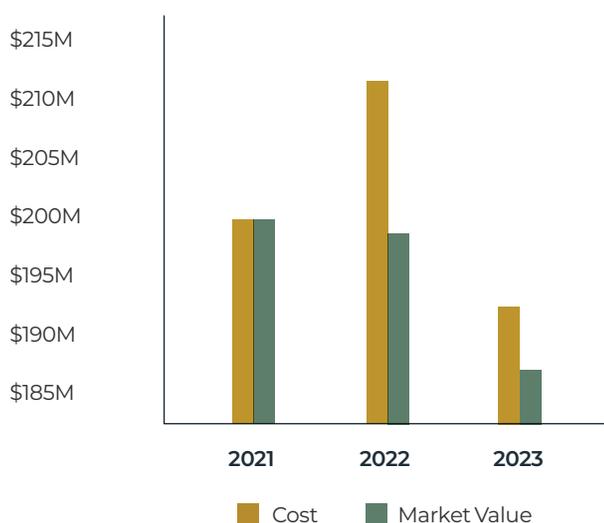
LONG-TERM DEBT

	2021	2022	2023
TAX-SUPPORTED DEBT	186,719	199,195	195,147
UTILITY-SUPPORTED DEBT	75,737	68,856	66,242
SELF-SUPPORTED DEBT	37,675	32,533	28,791
TOTAL LONG TERM DEBT	300,131	300,584	290,180
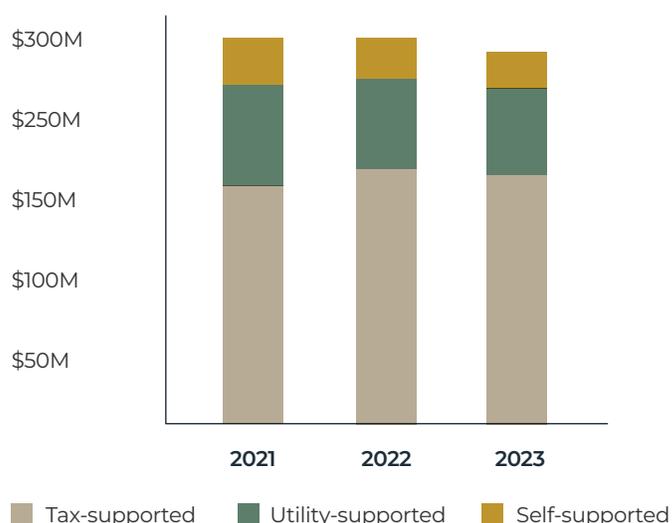
Legend: Tax-supported, Utility-supported, Self-supported

*Reclassification between financial and non-financial assets resulted in the restatement of prior period amounts. Overall trends remain unchanged.
**Change in accounting standards resulted in the restatement of 2022 figures.
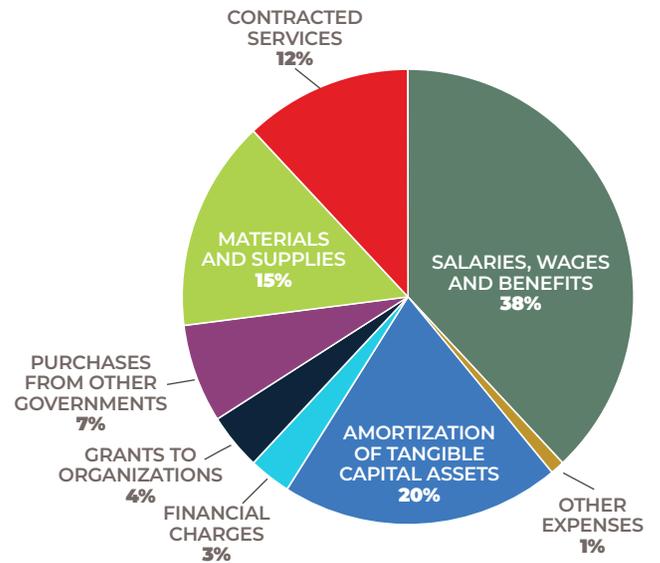
REVENUE BY SOURCE

	2023
NET MUNICIPAL TAXES	145,026
USER FEES AND SALE OF GOODS	189,864
OPERATING GOVERNMENT TRANSFERS	18,918
INVESTMENT EARNINGS	2,828
FINES AND PENALTIES	4,728
NATURAL GAS DISTRIBUTION FRANCHISE	9,267
LICENSES AND PERMITS	3,518
CAPITAL GOVERNMENT TRANSFERS	50,711
CONTRIBUTED TANGIBLE CAPITAL ASSETS	1,244
DEVELOPER AND CUSTOMER CONTRIBUTIONS	2,934
OTHER REVENUE	5,188
TOTAL	**434,226**

OPERATING GOVERNMENT TRANSFERS 4%
DEVELOPER AND CUSTOMER CONTRIBUTIONS 1%
INVESTMENT EARNINGS 1%
CAPITAL GOVERNMENT TRANSFERS 12%
OTHER REVENUE 1%
LICENSES AND PERMITS 1%
FINES AND PENALTIES 1%
NATURAL GAS DISTRIBUTION FRANCHISE 2%
USER FEES AND SALE OF GOODS 44%
NET MUNICIPAL TAXES 33%
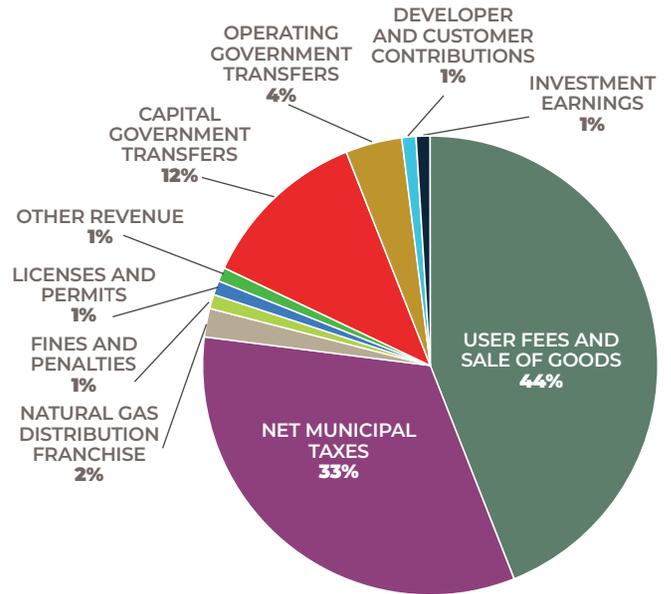
EXPENSES BY OBJECT

	2023
SALARIES, WAGES, AND BENEFITS	158,264
CONTRACTED SERVICES	48,811
MATERIALS AND SUPPLIES	62,200
PURCHASES FROM OTHER GOVERNMENTS	30,984
GRANTS TO ORGANIZATIONS	14,932
FINANCIAL CHARGES	10,745
AMORTIZATION OF TANGIBLE CAPITAL ASSETS	81,760
ACCRETION EXPENSE	426
OTHER EXPENSES	5,684
TOTAL	**413,806**

CONTRACTED SERVICES 12%
MATERIALS AND SUPPLIES 15%
PURCHASES FROM OTHER GOVERNMENTS 7%
GRANTS TO ORGANIZATIONS 4%
FINANCIAL CHARGES 3%
SALARIES, WAGES AND BENEFITS 38%
AMORTIZATION OF TANGIBLE CAPITAL ASSETS 20%
OTHER EXPENSES 1%

ANNUAL REPORT

2023